

1. COMPANY DETAILS

| | |
|-------------------|---------------------------------|
| Name of entity: | Sequoia Financial Group Limited |
| ABN: | 90 091 744 884 |
| Reporting period: | For the year ended 30 June 2017 |
| Previous period: | For the year ended 30 June 2016 |

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | | |
|---|----|-----------|------------|
| Revenues from ordinary activities | up | 93.1% to | 44,364,946 |
| Profit from ordinary activities after tax attributable to the owners of Sequoia Financial Group Limited | up | 121.5% to | 709,799 |
| Profit for the year attributable to the owners of Sequoia Financial Group Limited | up | 121.5% to | 709,799 |

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to \$709,799 (30 June 2016: \$320,397).

3. NET TANGIBLE ASSETS

| | Reporting period Cents | Previous period Cents |
|---|------------------------|-----------------------|
| Net tangible assets per ordinary security | 3.04 | 0.01 |

4. CONTROL GAINED OVER ENTITIES

Not applicable.

5. LOSS OF CONTROL OVER ENTITIES

Not applicable.

6. DIVIDENDS

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. DIVIDEND REINVESTMENT PLANS

Not applicable.

8. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable.

9. FOREIGN ENTITIES

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. AUDIT QUALIFICATION OR REVIEW

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

11. ATTACHMENTS

Details of attachments (if any):

The Annual Report of Sequoia Financial Group Limited for the year ended 30 June 2017 is attached.

12. SIGNED

Date: 31 August 2017

A handwritten signature in black ink that reads "Michael Carter".

Michael Carter
Chairman
Sequoia Financial Group
Sydney



Sequoia Financial
Group Limited

ABN 90 091 744 884

Annual Report

30 JUNE 2017

sequoia
FINANCIAL GROUP

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D2MX Pty Ltd is an ASX market participant providing advisory and trade execution services to retail investors, institutional and wholesale dealer groups. Services include:

- general and personal advice;
- corporate advisory;
- institutional equity sales; and
- wholesale broking.



Sequoia Direct Pty Ltd (formerly known as Trader Dealer Online Pty Ltd) is an online trading Company providing general advice, execution-only trading and software solutions for clients investing in ASX equities, options and warrants.



Bourse Data Pty Ltd is a software technology Company that develops, sells and supports *The Bourse* market data platform.

Proprietary software platforms include *d2mxIRESS* and *Market Analyser*.



Sequoia Specialist Investments Pty Ltd ("SSI") is a leading issuer of bespoke investment products to retail, sophisticated and other wholesale investors. SSI has established a suite of products providing investors with exposure to unique investment themes.



Sequoia Asset Management Pty Ltd is an investment services firm and holder of an Australian Financial Services License. Our team of experts provide general advice on portfolio management, SMSFs, direct shares, superannuation, structured products, option trading, personal insurance, margin lending and cash solutions.



Sequoia Superannuation Pty Ltd provides a complete portfolio administration solution to the SMSF market, designed specifically for anyone that has or wants a SMSF. Sequoia Superannuation also provides SMSF portfolio administration solutions to financial planners, stock brokers, mortgage brokers and accountants Australia wide.



Sequoia Corporate Finance Pty Ltd provides specialised corporate advisory services to clients. Clients include successful domestic and multi-national corporations, emerging growth companies, private equity sponsors and family-owned and entrepreneur-led businesses. We are rigorous in our working practices, ensuring compliance, confidentiality and protection of our client's business.



Sequoia Wealth Management Pty Ltd offers general and personal advice on financial services products. These products include Australian equities, International Shares, options, corporate finance, managed portfolios, margin lending, fixed income, structured products and contracts for difference (CFD's).



Finance TV Pty Ltd ("FNN") is a partly owned (53.95%) subsidiary of Sequoia Financial Group Ltd. FNN is an independent news organisation that specialises in both the production and distribution of financial news content, digital communications and productions services to ASX-Listed companies and managed funds. Annually FNN produces more than 3000 video news items.



Sequoia Funds Management Pty Ltd manages various activities in bringing unit trust and managed schemes to retail investors.

CHAIRMAN'S REVIEW

Financial Year 2017 has been a year of growth, investment and development for Sequoia Financial Group Limited ('Sequoia' or 'the Company'), characterised by solid financial results, investment in the business to scale up and strong operational progress across all divisions.

Sequoia has continued to evolve into a well-regarded financial services company with a diversified and growing base of recurring revenue streams as well as continued growth and diversification through earnings accretive acquisitions.

This growth trajectory is only just beginning.

A solid financial performance

Sequoia's 2017 performance is best reflected in its improved financial results recorded for the year. Revenue increased almost 93% to \$44.4 million (FY2016: \$23.0 million), EBITDA was up 101% to \$1.5 million (FY2016: \$743,956) and net profit after tax increased 154% to \$725,573 (FY2016: \$285,733).

In reporting these financial results, it is important to recognise as at 30 June Sequoia has net deferred revenue of approximately \$3.3 million. The revenue and associated costs have been received and subsequently paid however due to the nature of the investment product and adopting best practice accounting standards the revenue is spread over the lifetime of the investment. Of the \$3.3 million, approximately \$2.6 million was received in FY17 with approx. \$1.3 million to be realised in the current financial year (FY18). Recognising this future income gives greater perspective to the net profit and margins reported this financial year and scope for continued NPAT growth in coming years.

Sequoia's revenue performance from operating divisions is pleasing which has resulted in Sequoia exceeding its overall revenue forecasts.

Sequoia has enjoyed a positive cash flow each quarter in financial year 2017 culminating in an operating cash flow of \$5.8 million, being a major turnaround from prior years (FY16: negative cash flow of \$248,798). This is reflective of the strong cash generating capabilities of the operating divisions. Further to this, loans reduced by 21%.

Sequoia ended the year with net cash at bank of \$6.2 million, providing sufficient financial flexibility for the current year.

Strengthened leadership

Sequoia recognises the critical importance of continuously optimising the skills of its Board and management ranks to ensure that it has the expertise necessary to become a leading and respected financial services organisation.

As a result of this ongoing process, Sequoia was delighted to welcome highly regarded financial services professional Garry Crole to its' Board in November 2016. Garry brings more than 30 years' experience to the role, including extensive expertise in establishing and developing financial services firms. These capabilities have been invaluable as Sequoia takes the next step in its growth.

Improved capital structure to facilitate ongoing growth

Another important milestone in Sequoia's transformation in the year has been the streamlining of our capital structure through a 100 to 1 share consolidation to assist meaningful value-accretive acquisitions. The improvement to the capital structure has also been an important step in making the Company more marketable and appealing to the investment community.

Complementary acquisitions

During the year, Sequoia continued its track record of growth through complementary acquisitions with the proposed acquisition of Melbourne-based financial and professional services business InterPrac, announced in June 2017.

Interprac is highly complementary to Sequoia's current operating divisions and will add immediate scale to a number of the Company's divisions including SMSF Administration, Wealth Advisory and Investment Solutions.

Pleasing progress has been made towards executing the acquisition and the Sequoia Board will dispatch a Notice of AGM to shareholders to convene a shareholder meeting early in November 2017 to approve this transaction. The Sequoia Board is delighted to present this opportunity to shareholders for their support.

A sound foundation now in place

Financial year 2018 has commenced well for Sequoia and the Board anticipates continued growth in revenue and earnings, driven by organic growth. Sequoia expect returns on the investments it has made in operational efficiency in 2016 and again in 2017 to further improve performance, including contribution from the Interprac business, subject to shareholder approval of the acquisition.

With a stronger Board, a conservative capital structure and growing diversified recurring revenue streams, Sequoia is poised for the next phase of growth. Acquisitions that make a positive contribution to earnings and strengthen existing operations will continue to be a focus, as will organic growth initiatives.

I would like to take this opportunity to thank our people for their hard work and commitment during the year. Sequoia now have a team of over 50 professionals and staff in Sydney and Melbourne who represent our brand and values well, and they are to be commended for their efforts.

Sequoia and its' Board are also grateful to our valued shareholders for their ongoing support, and assure you, the Board and Management team is working hard to realise Sequoia's true value and establish the Company as a trusted, dependable and well recognised Australian financial services business. Improving profit contribution and sharing this with our shareholders in coming years is a priority.

Our mission is to generate profitable growth through superior customer service, innovation, quality advice and commitment to our industry. It is early stages but we believe Sequoia has begun the journey on delivering on this objective.

In concluding this shareholder update, I would specifically like to thank our Managing Director Scott Beeton for his vision in commencing the Sequoia journey. In particular, for all of his hard work and that of his management team, who have turned the business around to create a strong environment that over time has the potential to deliver shareholders returns on their investment.

A handwritten signature in black ink, appearing to read "Michael Carter".

Michael Carter
Chairman

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Sequoia Financial Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2017.

DIRECTORS

The following persons were directors of Sequoia Financial Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

| | |
|------------------------|---|
| Michael Kenneth Carter | Non-Executive Chairman |
| Scott Lionel Beeton | Managing Director |
| Marcel John Collignon | Executive Director |
| Garry Peter Crole | Non-Executive Director (appointed 18 November 2016) |

PRINCIPAL ACTIVITIES

The Group's principal activities offer diversified financial products, including but not limited to investment and superannuation products, wealth management services and retail, wholesale and institutional trading platforms.

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.



REVIEW OF OPERATIONS

The profit for the Group after providing for income tax and non-controlling interest amounted to \$709,799 (30 June 2016: \$320,397).

The comprehensive income attributable to owners is \$830,652 (30 June 2016: \$618,042).

Summary of results

Operating performance

| | 2017 \$ | 2016 \$ | Change \$ | Change % |
|-------------------|--------------|--------------|--------------|-------------|
| Revenue | 44,364,946 | 22,980,597 | 21,384,349 | 93% |
| Expenses | (43,328,524) | (22,479,006) | (20,849,518) | 93% |
| Profit before tax | 1,036,422 | 501,591 | 534,831 | 107% |
| Tax expense | (310,849) | (215,858) | (94,991) | 44% |
| Profit after tax | 725,573 | 285,733 | 439,840 | 154% |

Cash flow

| | 2017 \$ | 2016 \$ |
|----------------------|------------|------------|
| Operating cash flow | 5,837,865 | (248,798) |
| Investing cash flow | (114,453) | (841,309) |
| Financing cash flow | (358,825) | 1,289,411 |
| Net increase in cash | 5,364,587 | 199,304 |
| Opening cash | 812,831 | 613,527 |
| Closing cash | 6,177,418 | 812,831 |

Financial position

| | Consolidated | |
|-------------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Current assets | 22,707,527 | 6,317,616 |
| Non-current assets | 42,399,752 | 22,115,179 |
| Total assets | 65,107,279 | 28,432,795 |
| Current liabilities | 20,915,562 | 9,004,539 |
| Non-current liabilities | 33,989,637 | 10,132,986 |
| Total liabilities | 54,905,199 | 19,137,525 |
| Net assets | 10,202,080 | 9,295,270 |

Business review

Trading and Execution

The Trading and execution division has experienced strong growth to its wholesale client base in financial years 2016 and 2017, with revenue growth in financial year 2017 of 32%.

D2MX Pty Ltd (D2MX) is a leading provider of seamless and cost effective third-party stock broking execution solutions to AFSL holders. Its investment of resources into third-party solutions resulted in increased revenue in financial year 2016 and we expect to see realisation of investments in this area over the coming financial year, culminating in a growing market awareness of D2MX with financial services professionals seeking its services.

Software Subscriptions

During the financial year, we continued to invest in our Fintech business Bourse Data Pty Ltd and released enhanced state-of-the-art software allowing users to have a key cross-platform advantage. The launched software has a mobile application with full trading functionality and offers a white label solution to wholesale clients of D2MX allowing them to offer a customised solution to their clients.

We expect this software will create stronger loyalty to D2MX execution clients resulting in increased revenue turnover and overall satisfaction of the end customer.

Capital Markets Advisory

The Capital Markets Advisory division increased revenue by 255% in financial year 2017. It continued to be a consistent contributor to Group performance with several exclusive mandates signed during the financial year that made a pleasing contribution to revenue. Mandates included IPO's, secondary capital placements, rights issues, merger and acquisitions, hybrid securities and debt advisory.

Self-Managed Superannuation Fund Administration

Sequoia Superannuation Pty Ltd continued its consistent revenue growth trajectory during financial year 2017, through an increase in new mandates secured for the administration of SMSFs, resulting in a revenue increase of 14%. The division is a reliable and growing source of recurring revenue streams and has been successful in building the number of SMSFs under administration to more than 850.

Wealth Advisory

The revenue of the Wealth Advisory Division increased by 93% over financial year 2017. The specialised team of Sequoia Asset Management continued to provide general advice and support with investment solutions including in respect to SMSF's, portfolio management, securities, derivatives, superannuation, structured products, and insurance whilst Sequoia Wealth Management obtained its own financial services licence during the financial year focusing its activities on recruitment of new advisors and roll outting new product and service offerings to its client base.

Investment Solutions

The Investments Solutions division experienced revenue growth of 165% due to many of its' investment offers resonating well with investors and their advisors. Investment in resources to educate external advisers has resulted in greater demand from wholesale clients with a number of bespoke solutions requested and delivered.

Growing awareness of our Investment Solutions division together with several planned upcoming investment products are expected to continue to appeal to investors and their advisers and contribute to future revenue.

Sequoia Funds Management

In its first year of operation, the Sequoia Funds Management division achieved pleasing traction with its flagship investment vehicle, the AIM Gateway Fund. The AIM Gateway Fund is an Australian unit trust and registered managed investment scheme providing investors (including Retail Clients) with exposure to the AIM Global High Conviction Fund, which is a wholesale unit trust only open to wholesale investors.

The Gateway Fund is a "feeder fund" which is managed by Sequoia Funds Management Pty Ltd and designed to provide investors with returns linked to the performance of the AIM Fund and Cash (net of fees).

An increase in fees payable to the division arranged late in the financial year together with strong fund performance, the AIM Gateway Fund is likely to continue its forward momentum building its funds under management. The fund is seeing increased interest from AFSL holders and expects to gain approval on various investment platforms. Strong direct retail interest is also continuing. All of this is expected to see this division grow its funds under management.

Financial News Services

FNN contributed \$1.3 million to the Group result this financial year following its acquisition in 2016. As the largest supplier of wholesale online finance news specialising in both the production and distribution of financial news content involving greater than 3,000 video news items annually, we believe it will contribute favourably to the Group.



The Group vision is represented by the Sequoia tree, with a strong foundation at its base, once it is formed it has the capability to grow to be amongst the tallest, widest, longest and fastest growing organisms on earth.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

At the Company's Annual General Meeting ('AGM') held on 1 November 2016, the Sequoia Employee Incentive Plan ('SEIP') was approved by shareholders. A summary of the key terms of the SEIP is set out in the Company's notice of the 2016 AGM lodged on the ASX.

On 1 September 2016, the Group acquired an additional 3.86% shareholding in Finance TV Pty Ltd bringing its total shareholding to 53.95%.

On 1 February 2017, the Company granted 1,300,000 performance rights under the terms and conditions of the Sequoia Employee Incentive Plan. Vesting of performance rights were made subject to prescribed service and performance conditions. Vesting occurs in tranches on 31 January 2018, 31 January 2019 and 31 January 2020 with the expiry date of all performance rights being 31 January 2022.

On 19 June 2017, the Company announced that it proposed to acquire InterPrac Limited ('InterPrac'), a well-established financial and professional services business that is highly complementary to the Group's existing operations and that, subject to a completion of the proposed acquisition, will deliver immediate scale to a number of the Group's operating divisions.

Completion of the proposed acquisition is subject to a number of conditions, including due diligence to the satisfaction of the Company, entry into formal documentation and all relevant necessary regulatory and shareholder approvals being obtained by the Company.

During the financial year, the Company entered into a heads of agreement for new premises in Sydney, the terms of which are still being negotiated.

There were no other significant changes in the state of affairs of the Group during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 27 July 2017, Marika White resigned as Company Secretary. Tharun Kuppanda is now the Company Secretary.

On 18 August 2017, Computershare Investor Services Pty Limited ceased as the Company's registry provider and Registry Direct was appointed service provider and commenced on 21 August 2017.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group does not expect any major developments changes or variation to results if the Group were to continue as normal. However major variation would be expected to revenue and the expected results if shareholders approve any acquisition proposed by the directors.

ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

INFORMATION ON DIRECTORS

Name: Michael Kenneth Carter

Title: Non-Executive Chairman

Experience and expertise: Michael has over 25 years' experience in financial services with previous executive roles at companies such as Macquarie Bank (now Macquarie Group), NRMA Insurance Group (now IAG) and Bridges Financial Services / IOOF Holdings. Michael was Managing Director at Bridges Financial Services, Executive Wealth Management and associated entities until April 2014 and was part of the Leadership Group at IOOF Holdings. Bridges was a Market Participant and a major financial planning organisation. Michael has a Bachelor of Engineering (Mining) from the University of New South Wales and Diploma of Financial Services. He is a member of the Australian Institute of Company Directors.



Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Member of Audit Committee, Remuneration Committee and Risk and Compliance Committee

Interests in shares: 525,000 ordinary shares (directly held)

Interests in rights: None

Name: Scott Lionel Beeton

Title: Managing Director

Experience and expertise: Scott has 17 years' experience in the finance industry working in a variety of roles across Superannuation, funds management, investment management, stockbroking, AFSL dealer services and advice. Scott was appointed Managing Director of SEQ in December 2014, following the approval for SEQ to acquire Sequoia Financial Group and became CEO for the newly formed Group. Scott is co-founder of Sequoia and has developed the capabilities of the various Sequoia businesses. Scott has a Bachelor of Business from Newcastle University.



Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Member of Remuneration Committee and Risk and Compliance Committee

Interests in shares: 11,658,560 ordinary shares (indirectly held)

Interests in rights: None

Name: Marcel John Collignon

Title: Executive Director

Experience and expertise: Marcel was appointed as Executive Director in December 2014. Marcel is Founder and Managing Director of Sequoia Specialist Investments and is head of Investment Solutions at Sequoia. For 16 years Marcel, has worked in financial markets developing extensive experience in equities and derivatives, trading, portfolio management, superannuation and financial planning. Marcel holds a Bachelor of Commerce from the Australian National University, a Diploma of Financial Planning and has completed the ASX derivative accreditation course.



Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Member of Audit Committee

Interests in shares: 4,129,824 ordinary shares (indirectly held)

Interests in rights: None

Name: Garry Peter Crole

Title: Non-Executive Director (appointed 18 November 2016)

Experience and expertise: Garry is a highly experienced and well regarded businessman. He founded Deakin Financial Planning, an ASX listed company that was later acquired by IOOF. In more recent years, Garry started Interprac Financial Planning Pty Ltd, which is a leading independently owned Australian Financial Services Licensee.



Other current directorships: Non-Executive Director of Glennon Capital Ltd (ASX: GC1)

Former directorships (last 3 years): Non-Executive Director of Diversa Ltd (ASX: DVA) which merged with OneVue Ltd (ASX: OVH)

Special responsibilities: Chair of Audit Committee, Remuneration and Risk and Compliance Committee

Interests in shares: 740,000 ordinary shares (directly held) and 200,000 ordinary shares (indirectly held)

Interests in rights: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

COMPANY SECRETARY

Mr Tharun Kuppanda was appointed Company Secretary on 27 July 2017. He is employed by Boardroom Pty Ltd in their Corporate Secretarial Services Division in Sydney. He holds a Bachelor of Business and a Bachelor of Laws.

During the financial year to 30 June 2017, Ms Marika White was also appointed Company Secretary. Marika has extensive company secretarial experience within the public, private and not for profit sectors in Australia and overseas. Marika is a member of the Australian Institute of Company Directors and the Governance Institute of Australia.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2017, and the number of meetings attended by each director were:

| | Full Board | | Audit Committee | |
|--------------|------------|------|-----------------|------|
| | Attended | Held | Attended | Held |
| SL Beeton | 9 | 10 | - | - |
| MK Carter | 10 | 10 | 2 | 2 |
| MJ Collignon | 10 | 10 | 2 | 2 |
| GP Crole | 5 | 6 | 1 | 1 |

| | Risk and Compliance Committee | | Remuneration and Nomination Committee | |
|--------------|-------------------------------|------|---------------------------------------|------|
| | Attended | Held | Attended | Held |
| SL Beeton | 9 | 10 | 1 | 1 |
| MK Carter | 9 | 10 | 1 | 1 |
| MJ Collignon | 4 | 4 | - | - |
| GP Crole | 6 | 6 | 1 | 1 |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board of Directors, through its Remuneration and Nomination Committee, accepts responsibility for determining and reviewing remuneration arrangements for the directors and the senior management team. The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions, giving due consideration to the overall profitability and financial resources of the Group, with the objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The Board proposes to review reward structures and the remuneration arrangements for Directors and executives in conjunction with a return to profitability.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made of the directors in fulfilling their responsibilities. Non-executive director fees are reviewed annually by the Board. The constitution of the Company provides that the non-executive directors of the Company are entitled to such remuneration, as determined by the Board, which must not exceed in aggregate the maximum amount determined by the Company in general meeting. The most recent determination was at the Annual General Meeting held on 15 December 2006 where the shareholders approved an aggregate remuneration of \$200,000.

Senior management and executive director remuneration

Executive remuneration comprises:

- Fixed remuneration component
- Variable remuneration component including short-term incentive (STI) and long-term incentive (LTI)
- An Employee Share Option Plan was approved at a meeting of shareholders on the 27 November 2015 (LTI)

Fixed remuneration

Fixed remuneration consists of base remuneration as well as employer contributions to superannuation. Remuneration levels are reviewed annually through a process that considers individual performance and that of the overall Group.

Variable remuneration – short term incentive (STI)

STIs are available to executives who achieve performance criteria including compliance. The Board is responsible for determining who is eligible to participate in STI arrangements as

well as the structure of those arrangements. No STI's, including options have been awarded in the current financial year.

Variable remuneration – long term incentive (LTI)

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance against relevant long term performance hurdles. LTI grants to executives are delivered in the form of options or shares.

On 1 February 2017, the Company established an employee equity scheme, called the Sequoia Employee Incentive Plan ('SEIP') to offer performance rights to certain employees and executives employed by the Company.

All performance rights offered under the February 2017 grant were granted for nil consideration and had a nil exercise price.

Performance rights vest in three tranches:

| Tranche | Vesting date |
|----------------|---------------------|
| Tranche 1 | 31 January 2018 |
| Tranche 2 | 31 January 2019 |
| Tranche 3 | 31 January 2020 |

The vesting conditions of the performance rights granted under the February 2017 grant are:

- 50% of each tranche where the employee meets the service condition; and
- 50% of each tranche where the employee meets the service condition and the Company meets the performance conditions.

All performance rights tranches expire on 31 January 2022.

The service conditions are that Tranche 1, Tranche 2 and Tranche 3 will vest if continuous employment is maintained with the Company from the date the performance rights are granted until their respective vesting dates.

The performance conditions are related to share price hurdles as follows:

- Tranche 1 will vest if the Company's 90 Day VWAP up to and including 31 January 2018 is at least \$0.25.
- Tranche 2 will vest if the Company's 90 Day VWAP up to and including 31 January 2019 is at least \$0.30.
- Tranche 3 will vest if the Company's 90 Day VWAP up to and including 31 January 2020 is at least \$0.35.

Any performance rights which meet the vesting conditions above will be available for exercise up until the expiry date. On exercise of vested performance rights Company shares may be acquired and held by an Employee Share Trust ('EST') to be established for the purpose of settlement. Shares may be held subject to the EST and the Company's Securities Trading Policy.

If the Company provide an EST, the employee can apply to the Trustee to have their shares transferred or sold from the EST, subject to compliance with the Company's Securities Trading Policy.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Group. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Remuneration and Nomination Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last four years.

Use of remuneration consultants

During the financial year ended 30 June 2017, the Group engaged Crichton and Associates Pty Limited, remuneration consultants, to review its existing remuneration policies and provide recommendations. This has resulted in share-based payments remuneration in the form of options (LTI) being implemented. Crichton and Associates Pty Limited were paid \$8,070 for these services.

Voting and comments made at the Company's 2016 Annual General Meeting ('AGM')

At the 1 November 2016 AGM, 97.58% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration*Amounts of remuneration*

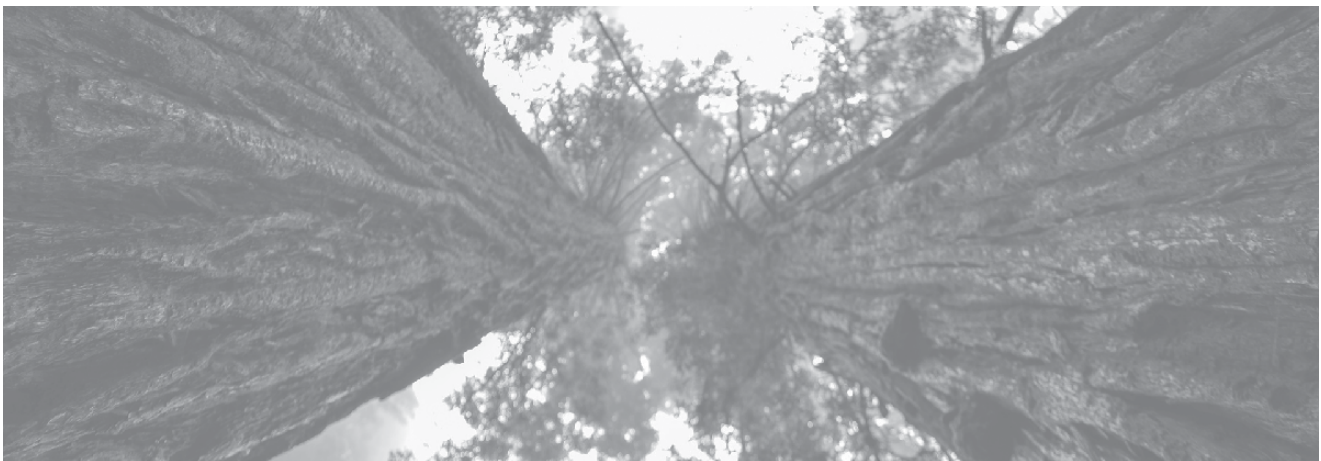
Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Sequoia Financial Group Limited:

- Michael Kenneth Carter - Non-Executive Chairman
- Scott Lionel Beeton - Managing Director
- Marcel John Collignon - Executive Director
- Garry Peter Crole - Non-Executive Director (appointed 18 November 2016)

And the following persons:

- Marika White - Company Secretary (appointed 28 December 2016)
- Andrew Guy Phillips - Company Secretary (resigned 28 December 2016)
- Renee Louise Minchin - Chief Financial Officer



| 2017 | Short-term benefits | | | Post-employment benefits | Long-term benefits | Sharebased payments | Total \$ |
|--|-------------------------|---------------|-----------------|--------------------------|--------------------|---------------------|------------------|
| | Cash salary and fees \$ | Cash bonus \$ | Non-monetary \$ | Super-annuation \$ | Leave benefits \$ | Equity-settled \$ | |
| <i>Non-Executive Directors:</i> | | | | | | | |
| MK Carter | 119,488 | - | - | 10,409 | - | - | 129,897 |
| GP Crole** | 13,532 | - | - | 1,286 | - | - | 14,818 |
| <i>Executive Directors:</i> | | | | | | | |
| SL Beeton | 276,080 | 40,000 | - | 19,594 | - | - | 335,674 |
| MJ Collignon | 246,801 | 40,000 | - | 19,547 | - | - | 306,348 |
| <i>Other Key Management Personnel:</i> | | | | | | | |
| M White* | 24,000 | - | - | - | - | - | 24,000 |
| AG Phillips* | 28,000 | - | - | - | - | - | 28,000 |
| RL Minchin | 161,986 | - | - | 15,389 | - | - | 177,375 |
| | <u>869,887</u> | <u>80,000</u> | <u>-</u> | <u>66,225</u> | <u>-</u> | <u>-</u> | <u>1,016,112</u> |

* Remuneration is for the period from 1 July 2016 to date of resignation as a key management personnel.

** Remuneration is for the period from date of appointment as a key management personnel to 30 June 2017

| 2016 | Short-term benefits | | | Post-employment benefits | Long-term benefits | Sharebased payments | Total \$ |
|--|-------------------------|---------------|-----------------|--------------------------|--------------------|---------------------|------------------|
| | Cash salary and fees \$ | Cash bonus \$ | Non-monetary \$ | Super-annuation \$ | Leave benefits \$ | Equity-settled \$ | |
| <i>Non-Executive Directors:</i> | | | | | | | |
| MK Carter | 69,745 | - | - | 6,626 | - | - | 76,371 |
| <i>Executive Directors:</i> | | | | | | | |
| SL Beeton | 276,386 | - | - | 19,308 | - | - | 295,694 |
| MJ Collignon | 246,513 | - | - | 19,308 | - | - | 265,821 |
| DP Pagliaccio* | 165,000 | - | - | - | - | - | 165,000 |
| BRS Symon* | 45,000 | - | - | - | - | - | 45,000 |
| <i>Other Key Management Personnel:</i> | | | | | | | |
| AG Phillips | 102,000 | - | - | - | - | - | 102,000 |
| RL Minchin | 131,667 | - | - | 12,508 | - | - | 144,175 |
| | <u>1,036,311</u> | <u>-</u> | <u>-</u> | <u>57,750</u> | <u>-</u> | <u>-</u> | <u>1,094,061</u> |

*Remuneration is for the period from 1 July 2015 to date of resignation as a key management personnel.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|--|--------------------|------|---------------|------|---------------|------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| <i>Non-Executive Directors:</i> | | | | | | |
| MK Carter | 100% | 100% | - | - | - | - |
| GP Crole | 100% | - | - | - | - | - |
| <i>Executive Directors:</i> | | | | | | |
| SL Beeton | 100% | 100% | - | - | - | - |
| MJ Collignon | 100% | 100% | - | - | - | - |
| DP Pagliaggio | - | 100% | - | - | - | - |
| BRS Symon | - | 100% | - | - | - | - |
| <i>Other Key Management Personnel:</i> | | | | | | |
| M White | 100% | - | - | - | - | - |
| AG Phillips | 100% | 100% | - | - | - | - |
| RL Minchin | 100% | 100% | - | - | - | - |

Service agreements

Where contracts have been established, employment terms and conditions of key management personnel and Group executives are formalised in standard contracts of employment. All contracts are for no fixed term with one to three months' notice required for termination by either party.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

| Grant date | Vesting date and exercisable date | Expiry date | Share price hurdle for vesting | Fair value per right at grant date |
|------------|-----------------------------------|-------------|--------------------------------|------------------------------------|
| 1 Feb 2017 | 31 Jan 2018 | 31 Jan 2022 | \$0.000 | \$0.320 |

| Name | Number of rights granted | Grant date | Vesting date and exercisable date | Expiry date | Share price hurdle for vesting | Fair value per right at grant date |
|---------------|--------------------------|------------|-----------------------------------|-------------|--------------------------------|------------------------------------|
| Renee Minchin | 150,000 | 1 Feb 2017 | 31 Jan 2018 | 31 Jan 2022 | \$0.000 | \$0.320 |

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

| Name | Number of rights granted during the year 2017 | Number of rights granted during the year 2016 | Number of rights vested during the year 2017 | Number of rights vested during the year 2016 |
|---------------|---|---|--|--|
| Renee Minchin | 150,000 | - | - | - |

Details of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

| Name | Grant date | Vesting date | Number of rights granted | Value of rights granted \$ | Value of rights vested \$ | Number of rights lapsed | Value of rights lapsed \$ |
|---------------|------------|--------------|--------------------------|----------------------------|---------------------------|-------------------------|---------------------------|
| Renee Minchin | 1 Feb 2017 | 31 Jan 2018 | 150,000 | - | - | - | - |

All performance rights under the 1 February 2017 grant were granted for nil consideration and had a nil exercise price.

Additional information

The earnings of the Group for the four years to 30 June 2017 are summarised below:

| | 2017 \$ | 2016 \$ | 2015 \$ | 2014 \$ |
|--------------------------------|------------|------------|--------------|------------|
| Sales revenue | 44,364,946 | 22,980,597 | 21,406,293 | 19,509,124 |
| Profit/(loss) after income tax | 725,573 | 285,733 | (17,974,212) | 345,892 |

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

| | 2017 | 2016 | 2015 | 2014 |
|--|-------|-------|-------|-------|
| Share price at financial year end (\$) | 0.320 | 0.200 | 0.100 | 0.200 |

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|------------------------|----------------------------------|----------------------------------|-----------|------------------|--------------------------------|
| <i>Ordinary shares</i> | | | | | |
| SL Beeton | 11,958,754 | - | 22,220 | (322,414) | 11,658,560 |
| MK Carter | 525,000 | - | - | - | 525,000 |
| MJ Collignon | 4,129,824 | - | - | - | 4,129,824 |
| GP Crole | - | - | 940,000 | - | 940,000 |
| AG Phillips | 530,714 | - | - | - | 530,714 |
| RL Minchin | 242,647 | - | - | - | 242,647 |
| | 17,386,939 | - | 962,220 | (322,414) | 18,026,745 |

'Balance at the start of the year' holdings have been restated for the 1:100 share consolidation split which occurred during the year.

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Vested | Expired/forfeited/other | Balance at the end of the year |
|--|----------------------------------|---------|--------|-------------------------|--------------------------------|
| <i>Performance rights over ordinary shares</i> | | | | | |
| RL Minchin | - | 150,000 | - | - | 150,000 |
| | - | 150,000 | - | - | 150,000 |

This concludes the remuneration report, which has been audited.

SHARES UNDER PERFORMANCE RIGHTS

Unissued ordinary shares of Sequoia Financial Group Limited under performance rights at the date of this report are as follows:

| Grant date | Expiry date | Number under rights |
|-----------------|-----------------|---------------------|
| 1 February 2017 | 31 January 2022 | 1,300,000 |

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

SHARES ISSUED ON THE EXERCISE OF PERFORMANCE RIGHTS

There were no ordinary shares of Sequoia Financial Group Limited issued on the exercise of performance rights during the year ended 30 June 2017 and up to the date of this report.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 33 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 33 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF HALL CHADWICK (NSW)

There are no officers of the Company who are former partners of Hall Chadwick (NSW).

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

AUDITOR

Hall Chadwick (NSW) continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "Michael Carter".

Michael Carter
Chairman
31 August 2017
Sydney

**SEQUOIA FINANCIAL GROUP LIMITED
ABN 90 091 744 884
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF SEQUOIA FINANCIAL GROUP LIMITED**

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner
Date: 31 August 2017

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An Association of Independent
Accounting Firms



| | | Consolidated | |
|--|------|--------------|--------------|
| | Note | 2017 \$ | 2016 \$ |
| Revenue | 5 | 44,364,946 | 22,980,597 |
| Expenses | | | |
| Data fees | | (1,641,570) | (1,139,430) |
| Dealing and settlement | | (10,562,208) | (6,498,185) |
| Payments to investors | | (4,783,659) | (3,965,169) |
| Commission and hedging | | (16,412,144) | (4,128,428) |
| Employee benefits | 6 | (6,598,190) | (4,103,466) |
| Occupancy | | (482,232) | (379,491) |
| Telecommunications | | (439,503) | (268,881) |
| Marketing | | (342,672) | (203,995) |
| General and administrative | | (1,606,032) | (1,390,344) |
| Impairment, amortisation and depreciation | 6 | (235,121) | (160,861) |
| Finance costs | 6 | (225,193) | (240,756) |
| Profit before income tax expense | | 1,036,422 | 501,591 |
| Income tax expense | 7 | (310,849) | (215,858) |
| Profit after income tax expense for the year | | 725,573 | 285,733 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Gain on the revaluation of available-for-sale financial assets, net of tax | | 120,853 | 297,645 |
| Other comprehensive income for the year, net of tax | | 120,853 | 297,645 |
| Total comprehensive income for the year | | 846,426 | 583,378 |
| Profit for the year is attributable to: | | | |
| Non-controlling interest | | 15,774 | (34,664) |
| Owners of Sequoia Financial Group Limited | 27 | 709,799 | 320,397 |
| | | 725,573 | 285,733 |
| Total comprehensive income for the year is attributable to: | | | |
| Non-controlling interest | | 15,774 | (34,664) |
| Owners of Sequoia Financial Group Limited | | 830,652 | 618,042 |
| | | 846,426 | 583,378 |
| | | Cents | Cents |
| Basic earnings per share | 41 | 1.455 | 0.007 |
| Diluted earnings per share | 41 | 1.385 | 0.007 |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

| | Note | Consolidated | |
|--|------|-------------------|-------------------|
| | | 2017 \$ | 2016 \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 6,177,418 | 812,831 |
| Trade and other receivables | 9 | 1,621,161 | 1,594,641 |
| Derivative financial instruments | 10 | 5,976,249 | 883,111 |
| Deferred costs | 11 | 7,500,455 | 2,865,995 |
| Other | 12 | 1,432,244 | 161,038 |
| Total current assets | | 22,707,527 | 6,317,616 |
| Non-current assets | | | |
| Derivative financial instruments | 10 | 19,335,325 | 5,278,666 |
| Financial assets | 13 | 1,425,575 | 1,836,575 |
| Property, plant and equipment | 14 | 268,050 | 154,647 |
| Intangibles | 15 | 8,719,122 | 8,813,012 |
| Deferred tax | 7 | 5,718,881 | 2,482,036 |
| Deferred costs | 16 | 6,715,907 | 2,334,591 |
| Other | 17 | 216,892 | 1,215,652 |
| Total non-current assets | | 42,399,752 | 22,115,179 |
| Total assets | | 65,107,279 | 28,432,795 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 18 | 4,423,857 | 2,274,715 |
| Borrowings | 19 | 273,307 | 2,060,000 |
| Derivative financial instruments | 10 | 5,976,249 | 883,111 |
| Income tax | 7 | 849,695 | - |
| Employee benefits | 20 | 457,323 | 370,451 |
| Deferred revenue | 21 | 8,935,131 | 3,416,262 |
| Total current liabilities | | 20,915,562 | 9,004,539 |
| Non-current liabilities | | | |
| Borrowings | 22 | 1,427,868 | - |
| Derivative financial instruments | 10 | 19,335,325 | 5,278,666 |
| Deferred tax | 7 | 4,537,561 | 1,778,045 |
| Employee benefits | 23 | 30,643 | 32,517 |
| Deferred revenue | 24 | 8,658,240 | 3,043,758 |
| Total non-current liabilities | | 33,989,637 | 10,132,986 |
| Total liabilities | | 54,905,199 | 19,137,525 |
| Net assets | | 10,202,080 | 9,295,270 |
| Equity | | | |
| Issued capital | 25 | 26,724,112 | 26,724,112 |
| Reserves | 26 | 408,335 | 177,098 |
| Accumulated losses | 27 | (17,005,876) | (17,670,141) |
| Equity attributable to the owners of Sequoia Financial Group Limited | | 10,126,571 | 9,231,069 |
| Non-controlling interest | 28 | 75,509 | 64,201 |
| Total equity | | 10,202,080 | 9,295,270 |

The above statement of financial position should be read in conjunction with the accompanying notes

| Consolidated | Issued capital \$ | Available for-sale reserve \$ | Share-based payments reserve \$ | Accumulated losses \$ | Non-controlling interest \$ | Total equity \$ |
|--|----------------------|----------------------------------|------------------------------------|--------------------------|--------------------------------|--------------------|
| Balance at 1 July 2015 | 24,765,885 | (482,765) | - | (17,628,320) | - | 6,654,800 |
| Profit/(loss) after income tax expense for the year | - | - | - | 320,397 | (34,664) | 285,733 |
| Other comprehensive income for the year, net of tax | - | 297,645 | - | - | - | 297,645 |
| Total comprehensive income for the year | - | 297,645 | - | 320,397 | (34,664) | 583,378 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Share capital issued | 1,997,514 | - | - | - | - | 1,997,514 |
| Transaction costs | (39,287) | - | - | - | - | (39,287) |
| Recognition of non-controlling interest on acquisition of subsidiary | - | - | - | - | 98,865 | 98,865 |
| Transfer from reserves to accumulated losses | - | (362,218) | - | (362,218) | - | - |
| Balance at 30 June 2016 | 26,724,112 | 177,098 | - | (17,670,141) | 64,201 | 9,295,270 |

| Consolidated | Issued capital \$ | Available for-sale reserve \$ | Share-based payments reserve \$ | Accumulated losses \$ | Noncontrolling interest \$ | Total equity \$ |
|--|----------------------|----------------------------------|------------------------------------|--------------------------|-------------------------------|--------------------|
| Balance at 1 July 2016 | 26,724,112 | 177,098 | - | (17,670,141) | 64,201 | 9,295,270 |
| Profit after income tax expense for the year | - | - | - | 709,799 | 15,774 | 725,573 |
| Other comprehensive income for the year, net of tax | - | 120,853 | - | - | - | 120,853 |
| Total comprehensive income for the year | - | 120,853 | - | 709,799 | 15,774 | 846,426 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Share-based payments | - | - | 110,384 | - | - | 110,384 |
| Transaction with non-controlling interest | - | - | - | (45,534) | (4,466) | (50,000) |
| Balance at 30 June 2017 | 26,724,112 | 297,951 | 110,384 | (17,005,876) | 75,509 | 10,202,080 |

The above statement of changes in equity should be read in conjunction with the accompanying notes

| | | Consolidated | |
|--|------|--------------|--------------|
| | Note | 2017 \$ | 2016 \$ |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 59,802,560 | 20,982,069 |
| Payments to suppliers and employees (inclusive of GST) | | (53,771,003) | (20,827,543) |
| | | 6,031,557 | 154,526 |
| Interest received | | 9,309 | 5,338 |
| Interest and other finance costs paid | | (225,193) | (240,756) |
| Income taxes refunded | | 22,192 | - |
| Income taxes paid | | - | (167,906) |
| Net cash from/(used in) operating activities | 40 | 5,837,865 | (248,798) |
| Cash flows from investing activities | | | |
| Payment for purchase of subsidiary, net of cash acquired | 38 | - | (571,240) |
| Payments for purchase of additional equity in subsidiary | | (50,000) | - |
| Payments for property, plant and equipment | 14 | (229,020) | (120,874) |
| Payments for intangibles | 15 | - | (63,556) |
| Payments for bonds, guarantees and other assets | | (301,240) | (127,145) |
| Proceeds from disposal of financial assets | | 465,807 | 41,506 |
| Net cash used in investing activities | | (114,453) | (841,309) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares, net of transaction costs | 25 | - | 1,089,411 |
| Proceeds from borrowings | | 1,001,175 | 200,000 |
| Repayment of convertible notes | | (1,360,000) | - |
| Net cash from/(used in) financing activities | | (358,825) | 1,289,411 |
| Net increase in cash and cash equivalents | | 5,364,587 | 199,304 |
| Cash and cash equivalents at the beginning of the financial year | | 812,831 | 613,527 |
| Cash and cash equivalents at the end of the financial year | 8 | 6,177,418 | 812,831 |

The above statement of cash flows should be read in conjunction with the accompanying notes

NOTE 1. GENERAL INFORMATION

The financial statements cover Sequoia Financial Group Limited as a Group consisting of Sequoia Financial Group Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the year (referred to in these financial statements as the 'Group'). The financial statements are presented in Australian dollars, which is Sequoia Financial Group Limited's functional and presentation currency.

Sequoia Financial Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 36
50 Bridge Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2017. The directors have the power to amend and reissue the financial statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 37.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sequoia Financial Group Limited as at 30 June 2017 and the results of all subsidiaries for the year then ended. Sequoia Financial Group Limited.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

Revenue from the provision of services to customers is recognised upon delivery of the service to the customer. Revenue received that relates to the provision for future services is accounted for as deferred income.

Commissions and fee income

When the consolidated entity acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the consolidated entity.

Commission and fee income is recognised as related services are performed. Where commissions and fees are subject to clawback or meeting certain performance hurdles, they are recognised as income at the point when those conditions can no longer affect the outcome.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Fair value hedges

Fair value hedges are used to cover the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion thereof, that is attributable to a particular risk and could affect profit or loss. The hedged item is adjusted for gains and losses attributable to the risk being hedged and the derivative is remeasured to fair value. Gains and losses from both are taken to profit or loss.

Fair value hedge accounting is discontinued if the hedging instrument is sold, terminated, expires, exercised, it no longer meets the criteria for hedge accounting or designation is revoked. Any adjustment to the carrying amount of a hedged financial instrument is amortised to profit or loss using the effective interest rate method. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|------------------------|----------------------------|
| Leasehold improvements | Over the term of the lease |
| Plant and equipment | 3 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Website

Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Customer list

Customer lists acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Regulator memberships and licences

Costs in relation to regulatory memberships and licences are capitalised as an asset. These costs are not subsequently amortised but impaired regularly.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Sequoia Financial Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2017. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018. Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service,

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018. Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Group.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

NOTE 4. OPERATING SEGMENTS

Identification of reportable operating segments

The Group is organised into seven operating segments which are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The information reported to the CODM is on a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

| | |
|---|---|
| Trading and Execution | Provision of execution only, online trading services |
| Software Subscriptions | Provision of financial market data and analysis tools for sophisticated investors |
| Capital Markets Advisory | Provision of capital markets advice and related services |
| SMSF Administration | Provision of complete market solutions for SMSF |
| Wealth Advisory | Provision of client advisory services |
| Investment Solutions | Provision of bespoke investment products |
| Market Data and Financial News Services | Provision of financial news services |
| Managed Fund | Provision for retail investors being able to gain exposure to the AIM Global High Conviction Fund |

All products and services are provided predominantly to customers in Australia.

Intersegment transactions

Intersegment transactions were made at cost. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

NOTE 4. OPERATING SEGMENTS (CONTINUED)

Operating segment information

| Consolidated - 30 June 2017 | Trading and Execution \$ | Software Subscriptions \$ | Capital Markets Advisory \$ | SMSF Administration \$ | Wealth Advisory |
|--|-----------------------------|------------------------------|--------------------------------|---------------------------|-----------------|
| Revenue | | | | | |
| Revenue | 10,946,301 | 1,241,385 | 2,489,609 | 2,147,891 | 2,935,646 |
| Total revenue | 10,946,301 | 1,241,385 | 2,489,609 | 2,147,891 | 2,935,646 |
| Segment result before impairment expense and revaluation increments to fair value | (643,213) | (100,465) | 799,579 | 248,616 | (251,269) |
| Assets | | | | | |
| Segment assets | 3,459,738 | 797,049 | 264,663 | 2,068,327 | 1,646,999 |
| Liabilities | | | | | |
| Segment liabilities | 1,150,208 | 362,410 | 27,503 | 175,752 | 254,464 |

| Consolidated - 30 June 2017 | Investment Solutions \$ | Market Data and Financial News Services \$ | Managed Funds \$ | Unallocated \$ | Total \$ |
|--|----------------------------|---|---------------------|-------------------|-------------|
| Revenue | | | | | |
| Revenue | 23,126,051 | 1,348,345 | 15,337 | 114,381 | 44,364,946 |
| Total revenue | 23,126,051 | 1,348,345 | 15,337 | 114,381 | 44,364,946 |
| Segment result before impairment expense and revaluation increments to fair value | 1,127,058 | 34,254 | (295,518) | (187,469) | 725,573 |
| Assets | | | | | |
| Segment assets | 55,922,023 | 930,161 | 18,319 | - | 65,107,279 |
| Total assets | | | | | 65,107,279 |
| Liabilities | | | | | |
| Segment liabilities | 52,750,765 | 163,372 | 20,725 | - | 54,905,199 |
| Total liabilities | | | | | 54,905,199 |

NOTE 4. OPERATING SEGMENTS (CONTINUED)

| Consolidated - 30 June 2016 | Trading and Execution \$ | Software Subscriptions \$ | Capital Markets Advisory \$ | SMSF Administration \$ | Wealth Advisory |
|--|-----------------------------|------------------------------|--------------------------------|---------------------------|-----------------|
| Revenue | | | | | |
| Revenue | 8,265,683 | 1,291,884 | 701,021 | 1,884,922 | 1,520,098 |
| Total revenue | 8,265,683 | 1,291,884 | 701,021 | 1,884,922 | 1,520,098 |
| Segment result before impairment expense and revaluation increments to fair value | 277,144 | 486,914 | 443,828 | 562,550 | 273,027 |
| Assets | | | | | |
| Segment assets | 3,420,738 | 806,369 | 583,219 | 1,872,142 | 2,357,346 |
| Liabilities | | | | | |
| Segment liabilities | 1,377,180 | 316,884 | 200,453 | 169,163 | 1,137,639 |

| Consolidated - 30 June 2016 | Investment Solutions \$ | Market Data and Financial News Services \$ | Managed Funds \$ | Unallocated \$ | Total \$ |
|--|----------------------------|---|---------------------|-------------------|-------------|
| Revenue | | | | | |
| Revenue | 8,723,043 | 523,209 | - | 70,737 | 22,980,597 |
| Total revenue | 8,723,043 | 523,209 | - | 70,737 | 22,980,597 |
| Segment result before impairment expense and revaluation increments to fair value | 940,665 | (69,454) | - | (2,628,945) | 285,729 |
| Assets | | | | | |
| Segment assets | 18,556,296 | 836,685 | - | - | 28,432,795 |
| Total assets | | | | | 28,432,795 |
| Liabilities | | | | | |
| Segment liabilities | 15,751,619 | 184,587 | - | - | 19,137,525 |
| Total liabilities | | | | | 19,137,525 |

NOTE 5. REVENUE

| | Consolidated | |
|-----------------------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| <i>Sales revenue</i> | | |
| Data subscriptions fees | 1,235,931 | 1,320,224 |
| Brokerage and commissions revenue | 13,446,395 | 9,147,216 |
| Superannuation product revenue | 2,142,017 | 1,881,653 |
| Structured product revenue | 23,168,171 | 8,796,832 |
| Corporate advisory fees | 2,769,663 | 522,363 |
| Media revenue | 1,348,338 | 520,255 |
| Other income | 194,319 | 359,610 |
| | 44,304,834 | 22,548,153 |
| <i>Other revenue</i> | | |
| Interest | 9,309 | 5,338 |
| Other revenue | 50,803 | 427,106 |
| | 60,112 | 432,444 |
| Revenue | 44,364,946 | 22,980,597 |

NOTE 6. EXPENSES

| | Consolidated | |
|--|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Profit before income tax includes the following specific expenses: | | |
| <i>Depreciation</i> | | |
| Leasehold improvements | 45,775 | 9,132 |
| Plant and equipment | 69,842 | 20,555 |
| Total depreciation | 115,617 | 29,687 |
| <i>Amortisation</i> | | |
| Website | 10,007 | 5,021 |
| Customer list | 76,938 | 92,400 |
| Software | 25,614 | - |
| Black hole | - | 3,753 |
| Total amortisation | 112,559 | 101,174 |
| Total depreciation and amortisation | 228,176 | 130,861 |
| <i>Impairment</i> | | |
| Regulator memberships | 6,945 | 30,000 |
| <i>Finance costs</i> | | |
| Interest and finance charges paid/payable | 225,193 | 240,756 |
| <i>Rental expense relating to operating leases</i> | | |
| Minimum lease payments | 429,325 | 351,228 |
| <i>Employee benefits</i> | | |
| Wages and salaries | 5,346,329 | 3,092,614 |
| Defined contribution superannuation expense | 393,437 | 264,997 |
| Other employment costs | 858,424 | 745,855 |
| Total employee benefits | 6,598,190 | 4,103,466 |

NOTE 7. INCOME TAX

| | Consolidated | |
|--|--------------|------------|
| | 2017 \$ | 2016 \$ |
| <i>Income tax expense</i> | | |
| Current tax | 847,186 | 221,317 |
| Deferred tax - origination and reversal of temporary differences | (535,977) | (5,459) |
| Adjustment recognised for prior periods | (360) | - |
| Aggregate income tax expense | 310,849 | 215,858 |
| Deferred tax included in income tax expense comprises: | | |
| Increase in deferred tax assets | (3,379,133) | (5,458) |
| Increase/(decrease) in deferred tax liabilities | 2,843,156 | (1) |
| Deferred tax - origination and reversal of temporary differences | (535,977) | (5,459) |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Profit before income tax expense | 1,036,422 | 501,591 |
| Tax at the statutory tax rate of 30% | 310,927 | 150,477 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Reverse acquisition | 19,853 | - |
| Sundry items | 24,700 | 50,039 |
| | 355,480 | 200,516 |
| Adjustment recognised for prior periods | (361) | - |
| Current year tax losses not recognised | (33,255) | 20,801 |
| Prior year temporary differences not recognised now recognised | (11,015) | (5,459) |
| Income tax expense | 310,849 | 215,858 |

| | Consolidated | |
|--|--------------|------------|
| | 2017 \$ | 2016 \$ |
| <i>Amounts charged/(credited) directly to equity</i> | | |
| Deferred tax assets | 142,288 | 845,208 |
| Deferred tax liabilities | (83,640) | (426,736) |
| | 58,648 | 418,472 |

NOTE 7. INCOME TAX (CONTINUED)

| | Consolidated | |
|---|--------------|------------|
| | 2017 \$ | 2016 \$ |
| <i>Deferred tax asset</i> | | |
| Deferred tax asset comprises temporary differences attributable to: | | |
| Tax losses | - | 284,569 |
| Impairment of receivables | 18,165 | 10,173 |
| Employee benefits | 143,020 | 122,038 |
| Accrued expenses | 197,864 | 58,116 |
| Deferred income | 5,278,011 | 1,880,924 |
| Share issue expenses | 48,129 | 83,657 |
| Net fair value loss on investment | 33,692 | 36,367 |
| Other | - | 6,192 |
| Deferred tax asset | 5,718,881 | 2,482,036 |
| Amount expected to be recovered within 12 months | 5,637,060 | 2,071,251 |
| Amount expected to be recovered after more than 12 months | 81,821 | 410,785 |
| | 5,718,881 | 2,482,036 |
| Movements: | | |
| Opening balance | 2,482,036 | 3,321,786 |
| Credited to profit or loss | 3,379,133 | 5,458 |
| Charged to equity | (142,288) | (845,208) |
| Closing balance | 5,718,881 | 2,482,036 |

| | Consolidated | |
|---|--------------|------------|
| | 2017 \$ | 2016 \$ |
| <i>Deferred tax liability</i> | | |
| Deferred tax liability comprises temporary differences attributable to: | | |
| Available-for-sale financial assets | 297,848 | 381,488 |
| Deferred expenses | 4,239,713 | 1,396,557 |
| Deferred tax liability | 4,537,561 | 1,778,045 |
| Amount expected to be recovered within 12 months | 4,239,713 | 1,396,557 |
| Amount expected to be recovered after more than 12 months | 297,848 | 381,488 |
| | 4,537,561 | 1,778,045 |
| Movements: | | |
| Opening balance | 1,778,045 | 2,204,782 |
| Charged/(credited) to profit or loss | 2,843,156 | (1) |
| Credited to equity | (83,640) | (426,736) |
| Closing balance | 4,537,561 | 1,778,045 |

| | Consolidated | |
|--------------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Provision for income tax | | |
| Provision for income tax | 849,695 | - |

NOTE 8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

| | Consolidated | |
|--------------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Cash at bank and on hand | 6,177,418 | 812,831 |

NOTE 9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|---|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Trade receivables | 1,442,669 | 1,420,379 |
| Less: Provision for impairment of receivables | (60,551) | (33,909) |
| | 1,382,118 | 1,386,470 |
| Other receivables | 239,043 | 208,171 |
| | 1,621,161 | 1,594,641 |

Impairment of receivables

The ageing of the impaired receivables provided for above are as follows:

| | Consolidated | |
|----------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Over 60 days overdue | 60,551 | 33,909 |

Movements in the provision for impairment of receivables are as follows:

| | Consolidated | |
|----------------------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Opening balance | 33,909 | 3,909 |
| Additional provisions recognised | 26,642 | 30,000 |
| Closing balance | 60,551 | 33,909 |

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$99,186 as at 30 June 2017 (\$183,132 as at 30 June 2016).

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

| | Consolidated | |
|-----------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| 31 to 60 days overdue | 25,662 | 29,614 |
| Over 60 days overdue | 73,524 | 153,518 |
| | 99,186 | 183,132 |

NOTE 10. DERIVATIVE FINANCIAL INSTRUMENTS

| | Consolidated | |
|---------------------------------|--------------|--------------|
| | 2017 \$ | 2016 \$ |
| Current assets | | |
| Derivatives - fair value hedges | 5,976,249 | 883,111 |
| Non-current assets | | |
| Derivatives - fair value hedges | 19,335,325 | 5,278,666 |
| Current liabilities | | |
| Derivatives - fair value hedges | (5,976,249) | (883,111) |
| Non-current liabilities | | |
| Derivatives - fair value hedges | (19,335,325) | (19,335,325) |
| | - | - |

Refer to note 30 for further information on financial instruments.

Refer to note 31 for further information on fair value measurement.

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in the value of its investment products issued to the Group's investors in accordance with the Group's financial risk management policies (refer to Note 30).

The Group enters into hedging instruments with financial institutions to hedge its exposure to fluctuations in the value of its investment and loan products. The hedging instruments are fair valued by financial institutions to reflect the market value of the hedged instruments. The hedge assets are selected so that the fair value of the hedged liabilities equates to the fair value of the hedged assets and loans. In this way the liabilities and assets are hedged and the risk associated with changes in market conditions has been neutralised.

Information about the Group's exposure to market risk, liquidity risk, and credit risk is disclosed in Note 30. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial assets outlined above.

NOTE 11. CURRENT ASSETS - DEFERRED COSTS

| | Consolidated | |
|----------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Deferred costs | 7,500,455 | 2,865,995 |

Deferred costs consists of the appropriate recognition of option premium expenses incurred by Sequoia Specialist Investments.

NOTE 12. CURRENT ASSETS - OTHER

| | Consolidated | |
|----------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Prepayments | 132,244 | 161,038 |
| Other deposits | 1,300,000 | - |
| | 1,432,244 | 161,038 |

NOTE 13. NON-CURRENT ASSETS - FINANCIAL ASSETS

| | Consolidated | |
|---|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Investment in listed entities - at cost | 26,460 | 437,460 |
| Investment in other non-listed entities - at cost | 1,399,115 | 1,399,115 |
| | 1,425,575 | 1,836,575 |

On 8 June 2017, the Group sold its entire holding of 435,334 ordinary shares in ASX-listed Goldfields Money Limited (ASX: GMY) for a total consideration of \$465,807.

NOTE 14. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | |
|----------------------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Leasehold improvements - at cost | 161,655 | 138,735 |
| Less: Accumulated depreciation | (120,678) | (70,403) |
| | 40,977 | 68,332 |
| Plant and equipment - at cost | 828,428 | 647,863 |
| Less: Accumulated depreciation | (601,355) | (561,548) |
| | 227,073 | 86,315 |
| | 268,050 | 154,647 |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Leasehold improvements \$ | Plant and equipment \$ | Total \$ |
|---|------------------------------|---------------------------|-----------|
| Balance at 1 July 2015 | - | 30,349 | 30,349 |
| Additions | 77,464 | 43,410 | 120,874 |
| Additions through business combinations (note 38) | - | 33,111 | 33,111 |
| Depreciation expense | (9,132) | (20,555) | (29,687) |
| Balance at 30 June 2016 | 68,332 | 86,315 | 154,647 |
| Additions | 22,920 | 206,100 | 229,020 |
| Depreciation expense | (45,775) | (69,842) | (115,617) |
| Balance at 30 June 2017 | 45,477 | 222,573 | 268,050 |

NOTE 15. NON-CURRENT ASSETS - INTANGIBLES

| | Consolidated | |
|--|--------------|--------------|
| | 2017 \$ | 2016 \$ |
| Goodwill - at cost | 25,560,156 | 25,560,156 |
| Less: Impairment | (16,952,860) | (16,952,860) |
| | 8,607,296 | 8,607,296 |
| Website - at cost | 72,112 | 72,112 |
| Less: Accumulated amortisation | (54,822) | (44,815) |
| | 17,290 | 27,297 |
| Customer list - at cost | 413,472 | 413,472 |
| Less: Accumulated amortisation | (354,492) | (277,553) |
| | 58,980 | 135,919 |
| Regulator memberships and licences - at cost | 102,500 | 102,500 |
| Less: Accumulated amortisation | (66,944) | (60,000) |
| | 35,556 | 42,500 |
| | 8,719,122 | 8,813,012 |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Goodwill \$ | Website \$ | Customer list \$ | Black hole \$ | Regulator member-ships and licences \$ | Software \$ | Total \$ |
|---|----------------|---------------|------------------------|------------------|---|----------------|-----------|
| Balance at 1 July 2015 | 7,381,832 | 8,762 | 228,319 | 3,753 | 32,500 | - | 7,655,166 |
| Additions | - | 23,556 | - | - | 40,000 | - | 63,556 |
| Additions through business combinations (note 38) | 1,225,464 | - | - | - | - | - | 1,225,464 |
| Impairment of assets | - | - | - | - | (30,000) | - | (30,000) |
| Amortisation expense | - | (5,021) | (92,400) | (3,753) | - | - | (101,174) |
| Balance at 30 June 2016 | 8,607,296 | 27,297 | 135,919 | - | 42,500 | - | 8,813,012 |
| Additions | - | - | - | - | - | 25,614 | 25,614 |
| Impairment of assets | - | - | - | - | (6,945) | - | (6,945) |
| Amortisation expense | - | (10,007) | (76,938) | - | - | (25,614) | (112,559) |
| Balance at 30 June 2017 | 8,607,296 | 17,290 | 58,981 | - | 35,555 | - | 8,719,122 |

NOTE 15. NON-CURRENT ASSETS - INTANGIBLES (CONTINUED)

Impairment testing

Goodwill acquired through business combinations has been allocated to the following cash generating units:

| | Consolidated | |
|---------------------------------|------------------|------------------|
| | 2017 \$ | 2016 \$ |
| Cash generating units ('CGUs'): | | |
| Sequoia Specialist Investments | 5,162,392 | 5,162,392 |
| Sequoia Superannuation | 1,688,608 | 1,688,608 |
| Software Subscriptions | 530,832 | 530,832 |
| Sequoia Wealth Group | 674,686 | 674,686 |
| Finance TV | 550,778 | 550,778 |
| | 8,607,296 | 8,607,296 |

The recoverable amount of the Group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 12-month projection period approved by management and extrapolated for a further 4 years by using key assumptions.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model in relation to the goodwill associated to various cash generating units:

| Key assumptions | Revenue growth rate % | Increase in direct and overhead costs per annum % | Discount rate % |
|--------------------------------|-----------------------|---|-----------------|
| Sequoia Specialist Investments | 1.0% | 1 - 2.5% | 15.0% |
| Sequoia Superannuation | 5.0% | 2.5% | 15.0% |
| Software Subscriptions | 2.0% | 2.5% | 15.0% |
| Sequoia Wealth Group | 5.0% | 2.5% | 15.0% |
| Finance TV | 5.0% | 2.5% | 15.0% |

The goodwill is considered to be sensitive to these assumptions and is carried in the statement of financial position at a written-down value.

Any impairment is recognised in respect of goodwill at the end of the relevant reporting period.

Sensitivity

As disclosed in note 3, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

(a) Revenue growth would need to decrease by more than 1% before goodwill would need to be impaired, with all other assumptions remaining constant.

(b) The discount rate would be required to increase by 1% before goodwill would need to be impaired, with all other assumptions remaining constant.

NOTE 15. NON-CURRENT ASSETS - INTANGIBLES (CONTINUED)

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in a further impairment charge for goodwill.

NOTE 16. NON-CURRENT ASSETS - DEFERRED COSTS

| | Consolidated | |
|----------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Deferred costs | 6,715,907 | 2,334,591 |

Deferred costs consists of the appropriate recognition of option premium expenses incurred by Sequoia Specialist Investments.

NOTE 17. NON-CURRENT ASSETS - OTHER

| | Consolidated | |
|--------------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Other deposits | 202,490 | 1,201,250 |
| Other non-current assets | 14,402 | 14,402 |
| | 216,892 | 1,215,652 |

NOTE 18. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

| | Consolidated | |
|------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Trade payables | 1,343,454 | 1,662,557 |
| Accrued expenses | 2,813,751 | 193,721 |
| Other payables | 266,652 | 418,437 |
| | 4,423,857 | 2,274,715 |

Refer to note 30 for further information on financial instruments.

NOTE 19. CURRENT LIABILITIES - BORROWINGS

| | Consolidated | |
|---------------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Bank loans | 158,820 | - |
| Capital finance | 14,487 | - |
| Convertible notes payable | 100,000 | 2,060,000 |
| | 273,307 | 2,060,000 |

Refer to note 22 for further information on assets pledged as security and financing arrangements.

Refer to note 30 for further information on financial instruments.

Convertible notes payable comprised of a number of convertible loans to the value of \$700,000 (2016: \$2,060,000). Interest is payable at a rate of 7 (2016: 10 to 12) percent per annum. The comparative convertible notes were repaid during the year and new convertible notes were issued.

NOTE 20. CURRENT LIABILITIES - EMPLOYEE BENEFITS

| | Consolidated | |
|--------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Annual leave | 232,571 | 205,394 |
| Long service leave | 224,752 | 165,057 |
| | 457,323 | 370,451 |

NOTE 21. CURRENT LIABILITIES - DEFERRED REVENUE

| | Consolidated | |
|------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Deferred revenue | 8,935,131 | 3,416,262 |

Deferred revenue consists of fees paid in advance for customer subscriptions and investment solutions.

NOTE 22. NON-CURRENT LIABILITIES - BORROWINGS

| | Consolidated | |
|---------------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Bank loans | 827,868 | - |
| Convertible notes payable | 600,000 | - |
| | 1,427,868 | - |

Refer to note 30 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

| | Consolidated | |
|-----------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Bank loans | 986,688 | - |
| Capital finance | 14,487 | - |
| | 1,001,175 | - |

Assets pledged as security

The bank loans are secured by a limited guarantee and indemnity over the existing and future assets of Sequoia Superannuation Pty Ltd and partially the assets of Sequoia Asset Management Pty Ltd.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

| | Consolidated | |
|----------------------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Sequoia Asset Management Pty Ltd | 218,000 | - |
| Sequoia Superannuation Pty Ltd | 1,160,000 | - |
| | 1,378,000 | - |

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

| | Consolidated | |
|------------------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Total facilities | | |
| Bank loans | 1,097,766 | - |
| Used at the reporting date | | |
| Bank loans | 986,688 | - |
| Unused at the reporting date | | |
| Bank loans | 111,078 | - |

NOTE 23. NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS

| | Consolidated | |
|--------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Long service leave | 30,643 | 32,517 |

NOTE 24. NON-CURRENT LIABILITIES - DEFERRED REVENUE

| | Consolidated | |
|------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Deferred revenue | 8,658,240 | 3,043,758 |

Deferred revenue consists of fees paid in advance for customer subscriptions and investment solutions. The deferred revenue can be recognised over 5 years however in most cases it is between 1 and 3 years.

NOTE 25. EQUITY - ISSUED CAPITAL

| | Consolidated | | | |
|------------------------------|----------------|----------------|------------|------------|
| | 2017 Shares | 2016 Shares | 2017 \$ | 2016 \$ |
| Ordinary shares - fully paid | 48,798,706 | 4,879,870,632 | 26,851,001 | 26,851,001 |
| Transaction costs | - | - | (126,889) | (126,889) |
| | 48,798,706 | 4,879,870,632 | 26,724,112 | 26,724,112 |

At the Annual General Meeting held on 1 November 2016, the shareholders of Sequoia Financial Group Limited agreed to a 1:100 share consolidation. The movement above reflects the shares on issue after consolidation.

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|---------------------------------|------------------|-----------------|-------------|------------|
| Balance | 1 July 2015 | 3,881,112,532 | | 24,853,485 |
| Payment in shares | August 2015 | 59,408,100 | \$0.200 | 118,816 |
| Shares placement/script | September 2015 | 76,000,000 | \$0.200 | 152,000 |
| Script issue | October 2015 | 375,000,000 | \$0.200 | 750,000 |
| Placement | December 2015 | 305,850,000 | \$0.200 | 611,700 |
| Placement | February 2016 | 182,500,000 | \$0.200 | 365,000 |
| Balance | 30 June 2016 | 4,879,870,632 | | 26,851,001 |
| 1:100 share consolidation split | 11 November 2016 | (4,831,071,926) | | - |
| Balance | 30 June 2017 | 48,798,706 | | 26,851,001 |

NOTE 25. EQUITY - ISSUED CAPITAL (CONTINUED)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2016 Annual Report.

NOTE 26. EQUITY - RESERVES

| | Consolidated | |
|----------------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Available-for-sale reserve | 297,951 | 177,098 |
| Options reserve | 110,384 | - |
| | 408,335 | 177,098 |

Available-for-sale reserve

The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

NOTE 26. EQUITY - RESERVES (CONTINUED)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

| Consolidated | Available-for-sale \$ | Share-based payments \$ | Total \$ |
|--------------------------------|--------------------------|-------------------------------|-------------|
| Balance at 1 July 2015 | (482,765) | - | (482,765) |
| Available-for-sale reserve | 297,645 | - | 297,645 |
| Transfer to accumulated losses | 362,218 | - | 362,218 |
| Balance at 30 June 2016 | 177,098 | - | 177,098 |
| Available-for-sale reserve | 120,853 | - | 120,853 |
| Share-based payments | - | 110,384 | 110,384 |
| Balance at 30 June 2017 | 297,951 | 110,384 | 408,335 |

NOTE 27. EQUITY - ACCUMULATED LOSSES

| | Consolidated | |
|---|--------------|--------------|
| | 2017 \$ | 2016 \$ |
| Accumulated losses at the beginning of the financial year | (17,670,141) | (17,628,320) |
| Profit after income tax expense for the year | 709,799 | 320,397 |
| Transfer from revaluation surplus reserve | - | (362,218) |
| Transaction with non-controlling interest | (45,534) | - |
| Accumulated losses at the end of the financial year | (17,005,876) | (17,670,141) |

NOTE 28. EQUITY - NON-CONTROLLING INTEREST

| | Consolidated | |
|------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Retained profits | 75,509 | 64,201 |

NOTE 29. EQUITY - DIVIDENDS

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Franking credits

| | Consolidated | |
|--|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Franking credits available for subsequent financial years based on a tax rate of 30% | 2,985,683 | 3,139,720 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

NOTE 30. FINANCIAL INSTRUMENTS

Financial risk management objectives

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, derivative assets and liabilities, convertible notes and loans receivable and payable.

This note provides details of the Group's financial risk management objectives and policies and describes the methods used by management to control risk. In addition, this note includes a discussion of the extent to which financial instruments are used, the associated risks and the business purpose served.

One of the Group's main activities is to issue investments to its product holders which provide returns based on the performance of an underlying reference asset, typically a single index or a single listed equity. Different underlying reference assets, with varying features are issued in separate series. The series are exposed to securities listed on global or local exchanges. The products issued to the product holders have a maturity of 3 years from the date of issue. On maturity, if the investment has performed sufficiently, the product holder has the option to contribute in cash the notional value of the investment on issue date to receive a delivery asset (a liquid security on the ASX) equal to the value of the underlying reference asset or the value in cash of the financial liability. The Group enters into a financial instrument with an investment bank, which hedges each series that is offered to its product holders. The Group ensures that the notional exposure across all its products are covered via the arrangement, and as such mitigates its risk in this fashion.

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk.

The Board of Directors are monitoring and managing financial risk exposures of the Group. The Board of Directors monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to financing risk and interest rate risk.

NOTE 30. FINANCIAL INSTRUMENTS (CONTINUED)

| | Consolidated | |
|-------------------------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Financial assets | | |
| Cash and cash equivalents | 6,177,418 | 812,831 |
| Trade and other receivables | 1,528,682 | 1,594,641 |
| Derivative assets | 25,311,574 | 6,161,777 |
| Available-for-sale financial assets | 1,425,575 | 1,836,575 |
| Total financial assets | 34,443,249 | 10,405,824 |
| Financial liabilities | | |
| Trade and other payables | 4,423,857 | 2,274,715 |
| Derivative liabilities | 25,311,574 | 6,161,777 |
| Bank loans and capital finance | 1,001,175 | - |
| Convertible notes | 700,000 | 2,060,000 |
| Total financial liabilities | 31,436,606 | 10,496,492 |

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group issues a structured product to the product holder that is hedged with the financial instrument that it purchases from an investment bank. The details of the financial instruments are such that the future cash flows from the financial assets offset the cash flows needed to settle the financial liabilities. The Group uses this arrangement to mitigate the market risks below, except for credit risk.

Price risk

Price risk arises from changes in underlying investments designated in the financial instruments held by the Group for which values in the future are uncertain.

The Group mitigates the above price risk by ensuring that price risk in the financial instruments is offset with one another. The difference in fair value between the financial asset and liability held through profit and loss is as a result of the premium associated with the financial liability arising from being issued in the retail market. The Group does not monitor the price risk associated with the premium, as price risk would only result if the Group were to transfer the liability, and since the Group has no intention of transferring the financial liability, no disclosures regarding the sensitivity to price risk have been made.

The Group is, therefore, not exposed to any significant price risk.

Interest rate risk

Interest rate risk is the risk that the value of the Group's financial instruments will fluctuate due to changes in market interest rates.

The Group's cash and cash equivalents are exposed to interest rate risk, however the Directors of the Group manage financial instruments to ensure that interest rate risk remains hedged and is therefore offsetting.

NOTE 30. FINANCIAL INSTRUMENTS (CONTINUED)

The Group is also exposed to interest rate risk arising from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

As at the reporting date, the Group had the following borrowings and cash and cash equivalents:

| | 2017 | | 2016 | |
|--|----------------------------------|------------|----------------------------------|-------------|
| | Weighted average interest rate % | Balance \$ | Weighted average interest rate % | Balance \$ |
| Cash and cash equivalents | 0.07% | 6,177,418 | 0.07% | 812,831 |
| Bank loans | 5.51% | (986,688) | - | - |
| Capital finance | 7.00% | (14,487) | - | - |
| Convertible notes payable | 7.00% | (700,000) | 12.00% | (2,060,000) |
| Net exposure to cash flow interest rate risk | | 4,476,243 | | (1,247,169) |

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

The Group is not exposed to interest rate risk on the financial assets and liabilities held through the profit and loss as the financial asset offsets and hedges the risk of changes in interest rate for the financial liability.

The tables below illustrate the sensitivity attributable to profit or loss for the year for reasonably possible changes in interest rates:

| Consolidated - 2017 | Basis points increase | | | Basis points decrease | | |
|---------------------------|-----------------------|-----------------------------|------------------|-----------------------|-----------------------------|------------------|
| | Basis points change | Effect on profit before tax | Effect on equity | Basis points change | Effect on profit before tax | Effect on equity |
| Cash and cash equivalents | 100 | 61,774 | 61,774 | (100) | (61,774) | (61,774) |
| Bank loans | 100 | 9,867 | 9,867 | (100) | (9,867) | (9,867) |
| Capital finance | 100 | 145 | 145 | (100) | (145) | (145) |
| Convertible notes payable | 100 | 7,000 | 7,000 | (100) | (7,000) | (7,000) |
| | | 78,786 | 78,786 | | (78,786) | (78,786) |

| Consolidated - 2016 | Basis points increase | | | Basis points increase | | |
|---------------------------|-----------------------|-----------------------------|------------------|-----------------------|-----------------------------|------------------|
| | Basis points change | Effect on profit before tax | Effect on equity | Basis points change | Effect on profit before tax | Effect on equity |
| Cash and cash equivalents | 100 | 8,128 | 8,128 | (100) | (8,128) | (8,128) |
| Convertible notes payable | 100 | 20,600 | 20,600 | (100) | 20,600 | 20,600 |
| | | 28,728 | 28,728 | | 12,472 | 12,472 |

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

NOTE 30. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Board of Directors has otherwise cleared as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed by obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

The financial products issued by Sequoia Specialist Investments Pty Ltd ('Issuer') are secured obligations of the Issuer. Investors are granted a charge which is held on trust by the Security Trustee (Australian Equity Trustee). If the Issuer fails to (i) make a payment or delivery on its due date; or (ii) meet any other obligation and in the Security Trustee's opinion, the failure is materially adverse to the investors and cannot be remedied (or has not been remedied within 5 business days of written notice), the Security Trustee may enforce the charge. In this case the investors are unsecured creditors of the provider of the hedge assets. Investors' rights of recourse against the Issuer on a default are limited to the assets subject to the charge. This structure has the effect of passing through the credit rating of the provider of the hedge asset and protecting different financial product series from cross-liability issues (other than on an insolvency of either the Issuer or the provider of the hedge asset). The Issuer will only deal with investment-grade (or better, bank) or a subsidiary of an investment-grade (or better, bank).

The following tables detail the Group's potential exposure, should the counterparties be unable to meet their obligations:

2017

Derivative liabilities

| Fair value \$ | Notional value \$ |
|------------------|----------------------|
| 25,424,320 | 130,443,319 |

2016

Derivative liabilities

| Fair value \$ | Notional value \$ |
|------------------|----------------------|
| 6,161,777 | 113,351,387 |

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

| | Consolidated | |
|------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Bank loans | 111,078 | - |

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of 3 years.

NOTE 30. FINANCIAL INSTRUMENTS (CONTINUED)

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of 3 years.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| Consolidated - 2017 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|--------------------------------------|----------------------------------|-------------------|--------------------------|-----------------|-------------------------------------|
| Non-derivatives | | | | | |
| Non-interest bearing | | | | | |
| Trade payables | - | 1,343,454 | - | - | 1,343,454 |
| Other payables | - | 266,652 | - | - | 266,652 |
| <i>Interest-bearing - variable</i> | | | | | |
| Bank loans | 5.51% | 158,820 | 827,868 | - | 986,688 |
| <i>Interest-bearing - fixed rate</i> | | | | | |
| Capital finance | 7.00% | 14,487 | - | - | 14,487 |
| Convertible notes payable | 7.00% | 100,000 | 600,000 | - | 700,000 |
| Total non-derivatives | | 1,883,413 | 1,427,868 | - | 3,311,281 |
| Derivatives | | | | | |
| Value hedges, net settled | - | 5,976,249 | 19,448,071 | - | 25,424,320 |
| Total derivatives | | 5,976,249 | 19,448,071 | - | 25,424,320 |

| Consolidated - 2016 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|--------------------------------------|----------------------------------|-------------------|--------------------------|-----------------|-------------------------------------|
| Non-derivatives | | | | | |
| Non-interest bearing | | | | | |
| Trade payables | - | 1,662,557 | - | - | 1,662,557 |
| Other payables | - | 418,437 | - | - | 418,437 |
| <i>Interest-bearing - fixed rate</i> | | | | | |
| Convertible notes payable | 12.00% | 2,060,000 | - | - | 2,060,000 |
| Total non-derivatives | | 4,140,994 | - | - | 4,140,994 |
| Derivatives | | | | | |
| Value hedges, net settled | - | 883,111 | 5,278,666 | - | 6,161,777 |
| Total derivatives | | 883,111 | 5,278,666 | - | 6,161,777 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

NOTE 31. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

| Consolidated - 2017 | Level 1 \$ | Level 2 \$ | Level 3 \$ | Level 4 \$ |
|----------------------------------|---------------|---------------|---------------|---------------|
| <i>Assets</i> | | | | |
| Listed ordinary shares | 26,460 | - | - | 26,460 |
| Unlisted ordinary shares | - | - | 1,399,115 | 1,399,115 |
| Derivative financial instruments | - | 25,424,320 | - | 25,424,320 |
| Total assets | 26,460 | 25,424,320 | 1,399,115 | 26,849,895 |
| <i>Liabilities</i> | | | | |
| Derivative financial instruments | - | 25,424,320 | - | 25,424,320 |
| Convertible notes | - | - | 700,000 | 700,000 |
| Total liabilities | - | 25,424,320 | 700,000 | 26,124,320 |

| Consolidated - 2016 | Level 1 \$ | Level 2 \$ | Level 3 \$ | Level 4 \$ |
|----------------------------------|---------------|---------------|---------------|---------------|
| <i>Assets</i> | | | | |
| Listed ordinary shares | 437,460 | - | - | 437,460 |
| Unlisted ordinary shares | - | - | 1,399,115 | 1,399,115 |
| Derivative financial instruments | - | 6,161,777 | - | 6,161,777 |
| Total assets | 437,460 | 6,161,777 | 1,399,115 | 7,998,352 |
| <i>Liabilities</i> | | | | |
| Derivative financial instruments | - | 6,161,777 | - | 6,161,777 |
| Convertible notes | - | - | 2,060,000 | 2,060,000 |
| Total liabilities | - | 6,161,777 | 2,060,000 | 8,221,777 |

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

NOTE 31. FAIR VALUE MEASUREMENT (CONTINUED)

Valuation techniques for fair value measurements categorised within level 2 and level 3

Financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Unquoted investments have been valued using prices evident in recent third party transactions.

The valuation process is managed by the Chief Operating Decision Makers ('CODM') of the Group who perform and validate valuations of non-property assets required for financial reporting purposes (including level 3 fair values). Discussion on valuation processes and outcomes are held between the CODM, CFO and audit committee every six months.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

| Consolidated | Unlisted ordinary shares - available-for-sale \$ | Convertible notes \$ | Total \$ |
|--|---|-------------------------|-------------|
| Balance at 1 July 2015 | 752,000 | 1,860,000 | 2,612,000 |
| Gains recognised in other comprehensive income | 297,645 | - | 297,645 |
| Additions | 349,470 | 200,000 | 549,470 |
| Balance at 30 June 2016 | 1,399,115 | 2,060,000 | 3,459,115 |
| Disposals | - | (1,360,000) | (1,360,000) |
| Balance at 30 June 2017 | 1,399,115 | 700,000 | 2,099,115 |

NOTE 32. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

| | Consolidated | |
|------------------------------|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Short-term employee benefits | 949,887 | 1,036,311 |
| Post-employment benefits | 66,225 | 57,750 |
| | 1,016,112 | 1,094,061 |

NOTE 33. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Hall Chadwick (NSW), the auditor of the Company:

| | Consolidated | |
|---|--------------|------------|
| | 2017 \$ | 2016 \$ |
| <i>Audit services - Hall Chadwick (NSW)</i> | | |
| Audit or review of the financial statements | 106,500 | 134,000 |
| <i>Other services - Hall Chadwick (NSW)</i> | | |
| Tax services | 39,591 | 23,000 |
| Other services | 1,750 | - |
| | 41,341 | 23,000 |
| | 147,841 | 157,000 |

NOTE 34. CONTINGENT LIABILITIES

The Group has given a credit card facility bank guarantee as at 30 June 2017 of \$100,000 (2016: \$100,000).

NOTE 35. COMMITMENTS

| | Consolidated | |
|---|--------------|------------|
| | 2017 \$ | 2016 \$ |
| <i>Lease commitments - operating</i> | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 78,133 | 531,069 |
| One to five years | 2,070 | 417,409 |
| | 80,203 | 948,478 |

Operating lease commitments includes contracted amounts for the Group's Melbourne and Sydney premises, insurance commitments and leased technology equipment under non-cancellable operating leases. The property leases are payable monthly in advance and have contingent rental provisions within the lease agreement which require that minimum lease payments shall be increased by 4% per annum. The Group has two five-year operational leases for printers, leased at a flat-rate and expiring in January 2018 and August 2019.

The Company entered into a heads of agreement for new premises in Sydney, the terms of which are still being negotiated.

NOTE 36. RELATED PARTY TRANSACTIONS

Parent entity

Sequoia Financial Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 39.

Key management personnel

Disclosures relating to key management personnel are set out in note 32 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

| | Parent | |
|---|------------|------------|
| | 2017 \$ | 2016 \$ |
| Sale of goods and services: | | |
| Sale of services to Interprac, an entity which Garry Crole is a Director | 7,500 | - |
| Sales collection and rebate of services to Interprac, an entity which Garry Crole is a Director | 209,927 | - |

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

NOTE 37. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

| | Parent | |
|----------------------------|-------------|------------|
| | 2017 \$ | 2016 \$ |
| Loss after income tax | (1,154,643) | (846,739) |
| Total comprehensive income | (1,154,643) | (846,739) |

Statement of financial position

| | Parent | |
|---------------------------|--------------|--------------|
| | 2017 \$ | 2016 \$ |
| Total current assets | 330,542 | 11,892 |
| Total assets | 14,478,292 | 12,472,721 |
| Total current liabilities | 2,129,594 | 3,097,755 |
| Total liabilities | 6,257,969 | 3,097,755 |
| Equity | | |
| Issued capital | 62,351,171 | 62,351,171 |
| Accumulated losses | (54,130,848) | (52,976,205) |
| Total equity | 8,220,323 | 9,374,966 |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has guaranteed the bank loan by a general security arrangement over existing and future assets and undertakings in the case of default by Sequoia Superannuation Pty Ltd and Sequoia Asset Management Pty Ltd at 30 June 2017.

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 or 30 June 2016.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 or 30 June 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 38. BUSINESS COMBINATIONS

2016

Sequoia Wealth Group Pty Ltd ('SWG')

On 14 October 2015, the Group acquired 100% of the issued capital of Sequoia Wealth Group Pty Ltd ('SWG'), a financial services and wealth management company, for a purchase consideration of \$750,000. As contracted, the financial performance of SWG was taken into the results of the Group from 1 October 2015.

The acquisition is part of the Group's overall strategy to expand its diversified financial service offerings. Through acquiring 100% of the issued capital of SWG, the Group has obtained control of the Company.

The purchase was satisfied by the issue of 375,000,000 ordinary shares at an issue price of \$0.002 each. The issue price was based on the market price on date of purchase.

Net profit and revenue resulting from the acquisition of Sequoia Wealth Group Pty Ltd amounting to \$2,145,171 and \$830,473 respectively are included in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2016.

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for acquisition of SWG. In particular, the fair values of the net assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised.

Finance TV Pty Ltd ('FNN' of 'Finance News Network')

In 2013, the Group acquired 11.56% of the share capital of Finance TV Pty Ltd ('FNN' or 'Finance News Network'). On 12 February 2016, the Group acquired a further 38.53% of the share capital and obtained control of FNN, an independent news organisation that specialises in both the production and distribution of financial news content, digital communications and productions services to ASX-listed companies and managed funds.

As a result of the acquisition, the Group is expected to increase its presence in these markets. The goodwill of \$554,789 arising from the acquisition is attributable to the acquired economies of scale expected from combining the operations of FNN and the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquired business contributed revenues of \$523,209 and net loss of \$69,454 to the Group for the period from 12 February 2016 to 30 June 2016.

NOTE 38. BUSINESS COMBINATIONS (CONTINUED)

Details of the acquisitions are as follows:

| | Sequoia Wealth Group Pty Ltd (SWG) Fair value \$ | Finance TV Pty Ltd (FNN) Fair value \$ |
|--|---|---|
| Cash and cash equivalents | 7,089 | 71,671 |
| Trade and other receivables | 381,228 | 270,401 |
| Plant and equipment | 4,589 | 28,522 |
| Other assets | 8,963 | - |
| Trade and other payables | (326,555) | (115,314) |
| Employee benefits | - | (57,193) |
| Net assets acquired | 75,314 | 198,087 |
| Goodwill | 674,686 | 550,778 |
| Acquisition-date fair value of the total consideration transferred | 750,000 | 748,865 |
| Representing: | | |
| Sequoia Financial Group Limited shares issued to vendor | 750,000 | 650,000 |
| Non-controlling interest | - | 98,865 |
| | 750,000 | 748,865 |
| Cash used to acquire business, net of cash acquired: | | |
| Acquisition-date fair value of the total consideration transferred | 750,000 | 748,865 |
| Less: cash and cash equivalents | (7,089) | (71,671) |
| Less: shares issued by Company as part of consideration | (750,000) | (650,000) |
| Less: non-controlling interest | - | (98,865) |
| Net cash received | (7,089) | (71,671) |

2017

On 1 September 2016, the Group acquired an additional 3.86% of the issued shares of Finance TV Pty Ltd for a purchase consideration of \$50,000. The Group now holds 53.95% of the share capital of FNN. The carrying amount of the non-controlling interests in Finance TV Pty Ltd on the date of acquisition was \$77,399. The Group recognised a decrease in non-controlling interests of \$4,466 and a decrease in equity attributable to the owners of the parent of \$45,534. The effect of changes in the ownership interest of FNN on the equity attributable to owners of the Group during the year is summarised as follows:

\$ 4,466 Consideration paid to non-controlling interests (50,000) Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity (45,534)

| | \$ |
|--|----------|
| Carrying amount of non-controlling interest acquired | 4,466 |
| Consideration paid to non-controlling interests | (50,000) |
| Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity | (45,534) |

NOTE 39. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in note 2:

| Name | Principal place of business / Country of incorporation | Parent | | Non-controlling interest | |
|--|--|-------------------------|-------------------------|--------------------------|-------------------------|
| | | Ownership interest 2017 | Ownership interest 2016 | Ownership interest 2017 | Ownership interest 2016 |
| Sequoia Financial Group Limited (formerly MDS Financial Group Limited) | Australia | 100.00% | 100.00% | - | - |
| Sequoia Group Holdings Pty Ltd | Australia | 100.00% | 100.00% | - | - |
| Subsidiaries of Sequoia Financial Group Limited | | | | | |
| Bourse Data Pty Ltd | Australia | 100.00% | 100.00% | - | - |
| The Cube Financial Group Ltd | Australia | 100.00% | 100.00% | - | - |
| D2MX Pty Ltd | Australia | 100.00% | 100.00% | - | - |
| Market Data Services Pty Ltd | Australia | 100.00% | 100.00% | - | - |
| MDSnews.com Pty Ltd | Australia | 100.00% | 100.00% | - | - |
| Subsidiaries of MDSnews.com Pty Ltd | | | | | |
| Sequoia Direct Pty Ltd (formerly Trader Dealer Online Pty Ltd) | Australia | 100.00% | 100.00% | - | - |
| Finance TV Pty Ltd | Australia | 53.95% | 50.09% | 46.05% | 49.91% |
| Subsidiaries of Sequoia Group Holdings Pty Ltd | | | | | |
| Sequoia Superannuation Pty Ltd | Australia | 100.00% | 100.00% | - | - |
| Sequoia Specialist Investments Pty Ltd | Australia | 100.00% | 100.00% | - | - |
| Sequoia Asset Management Pty Ltd | Australia | 100.00% | 100.00% | - | - |
| Sequoia Lending Pty Ltd | Australia | 100.00% | 100.00% | - | - |
| Sequoia Funds Management Pty Ltd | Australia | 100.00% | 100.00% | - | - |
| Sequoia Wealth Group Pty Ltd | Australia | 100.00% | 100.00% | - | - |
| Subsidiaries of Sequoia Superannuation Pty Ltd | | | | | |
| Sequoia Brisbane Pty Ltd | Australia | 100.00% | 100.00% | - | - |
| Subsidiaries of Sequoia Specialist Investments Pty Ltd | | | | | |
| Sequoia Nominees No 1, Pty Ltd | Australia | 100.00% | 100.00% | - | - |
| Subsidiaries of Sequoia Asset Management Pty Ltd | | | | | |
| Acacia Administrative Services Pty Ltd * | Australia | 100.00% | 100.00% | - | - |
| Subsidiaries of Sequoia Wealth Group Pty Ltd | | | | | |
| Sequoia Wealth Management Pty Ltd | Australia | 100.00% | 100.00% | - | - |
| Sequoia Corporate Finance Pty Ltd | Australia | 100.00% | 100.00% | - | - |

* Acacia Administrative Services Pty Ltd acts as a service entity for the Group with all employees engaged under this entity.

NOTE 39. INTERESTS IN SUBSIDIARIES (CONTINUED)

Summarised financial information

Summarised financial information of subsidiaries with non-controlling interests that are material to the Group are set out below:

| | Finance TV Pty Ltd | |
|--|--------------------|------------|
| | 2017 \$ | 2016 \$ |
| <i>Summarised statement of financial position</i> | | |
| Current assets | 286,931 | 234,799 |
| Non-current assets | 12,273 | 28,522 |
| Total assets | 299,204 | 263,321 |
| Current liabilities | 143,879 | 142,249 |
| Total liabilities | 143,879 | 142,249 |
| Net assets | 155,325 | 121,072 |
| <i>Summarised statement of profit or loss and other comprehensive income</i> | | |
| Revenue | 1,348,345 | 523,209 |
| Expenses | (1,314,092) | (590,276) |
| Profit/(loss) before income tax expense | 34,253 | (67,067) |
| Income tax expense | - | - |
| Profit/(loss) after income tax expense | 34,253 | (67,067) |
| Other comprehensive income | - | - |
| Total comprehensive income | 34,253 | (67,067) |
| <i>Statement of cash flows</i> | | |
| Net cash from operating activities | 49,537 | 38,327 |
| Net cash used in investing activities | (2,830) | - |
| Net cash from/(used in) financing activities | 14,487 | (16,000) |
| Net increase in cash and cash equivalents | 61,194 | 22,327 |
| <i>Other financial information</i> | | |
| Profit/(loss) attributable to non-controlling interests | 15,774 | (34,664) |
| Accumulated non-controlling interests at the end of reporting period | 75,509 | 64,201 |

NOTE 40. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM/(USED IN) OPERATING ACTIVITIES

| | Consolidated | |
|--|--------------|-------------|
| | 2017 \$ | 2016 \$ |
| Profit after income tax expense for the year | 725,573 | 285,733 |
| Adjustments for: | | |
| Depreciation and amortisation | 228,176 | 130,861 |
| Impairment of non-current assets | 6,945 | 30,000 |
| Impairment of intangibles | - | 30,000 |
| Net loss on disposal of non-current assets | 79,757 | 8,402 |
| Share-based payments | 110,384 | 118,816 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (26,520) | 1,609,278 |
| Decrease/(increase) in deferred tax assets | (3,276,170) | 839,750 |
| Decrease/(increase) in other operating assets | (8,986,982) | 1,737,129 |
| Increase/(decrease) in trade and other payables | 2,149,142 | (2,348,726) |
| Increase in provision for income tax | 849,695 | 10,529 |
| Increase/(decrease) in deferred tax liabilities | 2,759,516 | (802,327) |
| Increase in employee benefits | 84,998 | 64,947 |
| Increase/(decrease) in other operating liabilities | 11,133,351 | (1,963,190) |
| Net cash from/(used in) operating activities | 5,837,865 | (248,798) |

NOTE 41. EARNINGS PER SHARE

| | Consolidated | |
|---|---------------|---------------|
| | 2017 \$ | 2016 \$ |
| Profit after income tax | 725,573 | 285,733 |
| Non-controlling interest | (15,774) | 34,664 |
| Profit after income tax attributable to the owners of Sequoia Financial Group Limited | 709,799 | 320,397 |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 48,798,706 | 4,479,817,035 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares | 1,166,668 | 360,000,000 |
| Performance rights | 1,300,000 | - |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 51,265,374 | 4,839,817,035 |
| | Cents | Cents |
| Basic earnings per share | 1.455 | 0.007 |
| Diluted earnings per share | 1.385 | 0.007 |

NOTE 42. SHARE-BASED PAYMENTS

Performance rights

On 1 February 2017, the Company established an employee equity scheme, called the Sequoia Employee Incentive Plan ('SEIP') to offer performance rights to certain employees employed in the Company.

All performance rights offered under the February 2017 grant were granted for nil consideration and had a nil exercise price.

Performance rights vest in three tranches:

| Tranche | Vesting date |
|----------------|---------------------|
| Tranche 1 | 31 January 2018 |
| Tranche 2 | 31 January 2019 |
| Tranche 3 | 31 January 2020 |

The vesting conditions of the performance rights granted under the February 2017 grant are:

- 50% of each tranche where the employee meets the service condition; and
- 50% of each tranche where the employee meets the service condition and the Company meets the performance conditions.

All performance rights tranches expire on 31 January 2022.

The service conditions are that Tranche 1, Tranche 2 and Tranche 3 will vest if continuous employment is maintained with the Company from the date the performance rights are granted until their respective vesting dates.

The performance conditions are related to share price hurdles as follows:

- Tranche 1 will vest if the Company's 90 Day VWAP up to and including 31 January 2018 is at least \$0.25.
- Tranche 2 will vest if the Company's 90 Day VWAP up to and including 31 January 2019 is at least \$0.30.
- Tranche 3 will vest if the Company's 90 Day VWAP up to and including 31 January 2020 is at least \$0.35.

Any performance rights which meet the vesting conditions above will be available for exercise up until the expiry date. On exercise of vested performance rights Company shares may be acquired and held by an Employee Share Trust ('EST') to be established for the purpose of settlement. Shares may be held subject to the EST and the Company's Securities Trading Policy.

If the Company provide an EST, the employee can apply to the Trustee to have their shares transferred or sold from the EST, subject to compliance with the Company's Securities Trading Policy.

NOTE 42. SHARE-BASED PAYMENTS (CONTINUED)

Set out below are summaries of performance rights granted under the plan:

2017

| Grant date | Expiry date | Balance at the start of the year | Granted | Exercised | Expired/forfeited/other | Balance at the end of the year |
|------------|-------------|----------------------------------|-----------|-----------|-------------------------|--------------------------------|
| 01/02/2017 | 31/01/2022 | - | 1,300,000 | - | - | 1,300,000 |
| | | - | 1,300,000 | - | - | 1,300,000 |

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 4.58 years.

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Expected volatility | Dividend year | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|---------------------|---------------|-------------------------|--------------------------|
| 01/02/2017 | 31/01/2022 | \$0.350 | - | - | - | \$0.320 |

NOTE 43. EVENTS AFTER THE REPORTING PERIOD

On 27 July 2017, Marika White resigned as Company Secretary. Tharun Kuppanda is now the Company Secretary.

On 18 August 2017, Computershare Investor Services Pty Limited ceased as the Company's registry provider and Registry Direct was appointed service provider and commenced on 21 August 2017.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink that reads "Michael Carter".

Michael Carter

Chairman

31 August 2017

Sydney

**SEQUOIA FINANCIAL GROUP LIMITED
ABN 90 091 744 884
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SEQUOIA FINANCIAL GROUP LIMITED AND CONTROLLED ENTITIES**

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

Opinion

We have audited the financial report of Sequoia Financial Group Limited (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion:

- (a) the accompanying financial report of Sequoia Financial Group Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's responsibility for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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An Association of Independent
Accounting Firms



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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2017. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|---|--|
| <p>1 Carrying Value of Goodwill <i>Refer to Note 15 "Non-Current Assets - Intangibles"</i></p> <p>As at 30 June 2017 the Group's balance sheet includes goodwill amounting to \$8,607,296, contained within 5 cash generating units (CGUs).</p> <p>The assessment of impairment of the Group's goodwill balances incorporated significant judgment in respect of factors such as discount rates, current work in hand and future contract wins, as well as economic assumptions.</p> <p>A key audit matter for us was whether the Group's value in use model for impairment included appropriate consideration of these factors on their significant estimates and judgements and the selection of key external and internal inputs.</p> | <p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> • We assessed management's determination of the Group's CGUs based on our understanding of the nature of the Group's businesses and the economic environment in which the segments operate. • We evaluated management's process regarding valuation of the Group's goodwill assets to determine any asset impairments. • We challenged the Group's assumptions and estimates used to determine the recoverable amount of its assets, including those relating to forecast revenue, cost, capital expenditure, discount rates and by corroborating the key market related assumptions to external data; • We checked the mathematical accuracy of the cash flow models and agreed relevant data to latest forecasts; • We assessed the historical accuracy of forecasting of the Group; and • We performed sensitivity analysis in two main areas. These included the discount rate and terminal growth assumptions on the CGUs with a higher risk of impairment. • Review of the DCF models performed by our valuation specialist. <p>We also assessed whether assumptions, such as working capital and capital spend, had been determined and applied consistently across the Group.</p> |

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2 Revenue Recognition – Structured Product and Other Revenue

Refer to Note 5 "Revenue"

The Group has 7 distinct categories of sales revenue with the largest being structured product revenue.

Our procedures included, amongst others, the following:

2.1 – Structured Product Revenue

Structured product revenue involves a high volume of transactions and is derived from loans taken up by investors to purchase notional units in structured financial products offered by the Group.

Revenue recognition in relation to structured products is complex because it involves a significant time lapse between the actual transfer of cash and the term of such products (some of which have a four-year maturity).

Structured Product Revenue

- Reviewed the mathematical accuracy and input calculations embedded in the company's deferred revenue spreadsheet;
- For a sample of structured products, agreed the terms and conditions, including but not limited to, interest rates, notional hedged units, product maturity, trade dates and hedge premiums paid to supporting documents such as Product Disclosure Statements, Investment Bank (ISDA) confirmations, Market registry allotment reports and bank statements;
- Re-performed the calculations for deferred revenue and deferred costs and investigated any significant differences; and
- Reviewed the accuracy of the current and non-current classification of deferred revenue and deferred costs.

2.2 – Other Revenue

The Group's other revenue is service-based revenue and is predominately comprised of brokerage and commission revenue for which most is based on contractual agreements/subscriptions.

We believe the above are key audit matters because of their significance to profit, the balance sheet (through deferred revenue and deferred costs), the volume of investor/customer transactions and the complexity in determining the deferral of revenue.

Other Revenue

- We evaluated management's process regarding the existence and valuation of the Group's contract/service revenue.
- We selected sample transactions and substantiated these to underlying contracts (where applicable), customer application forms, monthly trading summary reports sourced from the trading platforms utilised, invoices and remittance advices sent by the trading platforms and bank statements.
- We assessed the Group's accounting policies and the adequacy of its related disclosures in the financial report.

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3 Carrying Value of Investments in Other Non-Listed Entities

Refer to Note 13 "Non-Current Assets – Financial Assets"

The group holds an investment in an unlisted company amounting to \$1,399,115. This has been classified as available-for-sale in accordance with AASB 139 "Financial Instruments – Recognition and Measurement" and is therefore measured at fair value.

We focused on this area as a key audit matter because the investee entity is unlisted and therefore there was a lack of level 1 inputs as per the fair value hierarchy in accordance with AASB 13 "Fair Value Measurement" and as a result the valuation is subject to significant estimates and judgements.

Our procedures included, amongst others, the following:

- We confirmed existence of holdings in the investee entity by agreeing to certificates of holding.
- We assessed the valuation of the investment holdings having regard to the most recent capital raising completed by the investee entity together with reference to explanatory memorandums detailing current share purchase proposals.
- Hall Chadwick team reviewed the valuation methodology.
- Assessed the adequacy of disclosure of financial assets in accordance with AASB 13 Fair Value Measurement.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that

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We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the remuneration report included in pages 13 to 20 of the directors' report for the year ended 30 June 2017. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the remuneration report of Sequoia Financial Group Limited, for the year ended 30 June 2017, complies with s 300A of the *Corporations Act 2001*.



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner
Dated: 31 August 2017

The shareholder information set out below was applicable as at 31 July 2017.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Number of holders of ordinary shares |
|---------------------------------------|---|
| 1 to 1,000 | 155 |
| 1,001 to 5,000 | 55 |
| 5,001 to 10,000 | 23 |
| 10,001 to 100,000 | 94 |
| 100,001 and over | 69 |
| | 396 |
| Holding less than a marketable parcel | - |

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|-----------------|-----------------------------|
| | Number held | % of total shares issued |
| BEETON ENTERPRISES PTY LTD (THE SCOTT & SALLY BEETON A/C) | 10,065,934 | 20.63 |
| VISTA INVESTMENTS (NSW) PTY LTD | 4,079,824 | 8.36 |
| PAMELA BEETON INVESTMENT PTY LTD | 3,586,063 | 7.35 |
| MR PETER STIRLING + MRS ROS STIRLING | 2,237,500 | 4.59 |
| HENRY MORGAN LIMITED | 1,804,534 | 3.70 |
| AUST EXECUTOR TRUSTEES LTD (KENTGROVE CAPITAL FUND) | 1,500,000 | 3.07 |
| KALI GANDAKI INVESTMENTS PTY LTD (KALI GANDAKI INVESTMENTS A/C) | 1,491,908 | 3.06 |
| COJONES PTY LTD (JONES FAMILY NO 2 A/C) | 1,047,066 | 2.15 |
| SOPHAT PTY LTD (MATOPHIE SUPER FUND A/C) | 1,000,100 | 2.05 |
| BEETON ENTERPRISES PTY LTD (THE SCOTT & SALLY BEETON A/C) | 830,250 | 1.70 |
| BURATU PTY LTD (CONNOLLY SUPER FUND A/C) | 780,000 | 1.60 |
| MANLY LANE PTY LTD (SCOTT & SALLY BEETON SUP A/C) | 740,155 | 1.52 |
| VALUEAD PTY LTD | 734,450 | 1.51 |
| TOTAL LEGEND SUPER P/L (TOTAL LEGEND SUPER A/C) | 600,000 | 1.23 |
| MR GARRY CROLE | 600,000 | 1.23 |
| KABILA INVESTMENTS PTY LIMITED | 535,000 | 1.10 |
| MR ANDREW PHILLIPS | 530,715 | 1.09 |
| MR MICHAEL CARTER | 525,000 | 1.08 |
| MR MAKRAM HANNA + MRS RITA HANNA (HANNA & CO P/L SUPER A/C) | 523,910 | 1.07 |
| METAFUTURES PTY LTD (METAFUTURES INVESTMENT A/C) | 508,912 | 1.04 |
| | 33,721,321 | 69.13 |

Unquoted equity securities

Performance rights

| Number on issue | Number of holders |
|-----------------|-------------------|
| 1,300,000 | - |

Substantial holders

Substantial holders in the Company are set out below:

BEETON ENTERPRISES PTY LTD (THE SCOTT & SALLY BEETON A/C)
VISTA INVESTMENTS (NSW) PTY LTD
PAMELA BEETON INVESTMENT PTY LTD

| Ordinary shares | |
|-----------------|--------------------------|
| Number held | % of total shares issued |
| 10,065,934 | 20.63 |
| 4,079,824 | 8.36 |
| 3,586,063 | 7.35 |

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Restricted securities

There are no restricted securities on issue.

Directors

Scott Lionel Beeton
Michael Kenneth Carter
Marcel John Collignon
Garry Peter Crole

Company secretary

Tharun Kuppanda

Registered office

Level 36
50 Bridge Street
Sydney NSW 2000
Telephone: + 61 2 8114 2222
Facsimile: + 61 2 8114 2200

Share register

Registry Direct
Level 6
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Melbourne VIC 2000
Telephone: 1300 556 635
Facsimile: +61 3 9111 5652

Auditor

Hall Chadwick
Level 40
2 Park Street
Sydney NSW 2000

Bankers

National Australia Bank
330 Collins Street
Melbourne VIC 3000

Westpac Australia Bank
Royal Exchange, Cnr Pitt & Bridge Streets
Sydney NSW 2000

Stock exchange listing

Sequoia Financial Group Limited shares are listed on the Australian Securities Exchange (ASX code: SEQ)

Website

www.sequoia.com.au

Corporate Governance Statement

The Board of Directors of Sequoia Financial Group Limited is committed to maintaining high standards of Corporate Governance. This Corporate Governance Statement discloses the extent to which the Company has followed the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ('ASX Principles and Recommendations').

The Corporate Governance Statement adopted by the Board can be found in the Company's Corporate Governance section www.sequoia.com.au/about-sequoia/corporate-governance