



**ASX: SEQ**

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## Sequoia well placed for growth after first half profit

- **HY revenue solid at \$10.9 million – core businesses delivering top line growth**
- **Maiden statutory profit underpinned by a strong turnaround of D2MX**
- **Significant operational progress has strengthened the core business**
- **Well placed for continued organic growth in second half of the financial year**

**Sydney, 29 February 2016:** Financial services and wealth management group Sequoia Financial Group Limited (ASX:SEQ) ("Sequoia" or "the Company") is pleased to report its financial performance for the half-year period ended 31 December 2015.

Revenue of \$10.9 million was particularly encouraging and reflects top line growth across the majority of Sequoia's operating divisions. A maiden statutory profit of \$3,326 was recorded which is a significant improvement on the loss of the previous corresponding period \$412,845. Profit before tax was \$39,314.

### Half-Year Operational Overview & Highlights

The first half of FY2016 was a period of significant progress for Sequoia with a strong foundation established to drive future revenue and earnings. During the period, the majority of Sequoia's operating divisions delivered pleasing growth, namely:

- D2MX (the wholesale broking division) grew the total number of new accounts with securities licensees. Half year revenue improved by 86% from \$1.9 million (January 2015 – June 2015) to \$3.54 million (July 2015 – December 2015);
- The Sequoia Superannuation division experienced strong organic growth with the number of SMSF accounts under administration increasing to more than 850. Half year revenue improved by 31% with revenue increasing from \$793,000 (January 2015 – June 2015) to \$1.04 million (July 2015 – December 2015);
- The Specialist Investments division also performed well delivering a pleasing contribution to revenue of \$4.76 million for the half. Specialist Investments is on track to exceed the July 2015 – December 2015 total revenue result in the second half of the year; and
- The successful acquisition and integration of Sequoia Wealth Group Limited (SWG), was also a key achievement with the division contributing to improved bottom-line performance.

Underpinning Sequoia's operational progress for the half has been the creation of a new brand and corporate identity, Sequoia Financial Group, as approved by our shareholders during the second quarter. The creation of a strong and distinctive corporate identity is a key catalyst for delivering future organic growth and establishing Sequoia as a well-regarded and leading end-to-end Australian financial services company.

### Management commentary

Commenting on the progress for the half year, Sequoia's Managing Director & Chief Executive Officer, Scott Beeton said: "FY2016 has commenced well for Sequoia. We are witnessing early positive results from the restructuring initiatives undertaken in the past 14 months, and we are confident that we now have the right foundation in place to drive future growth."





Financial performance has improved, we have strengthened our leadership team, consolidated and rebranded our operating divisions, created new revenue streams, and capitalised on the lower cost base and restructuring initiatives undertaken in the prior year.

Our operating divisions are performing well. Particularly noteworthy is the turnaround in the D2MX business, and the superannuation administration business continues to attract new accounts, which is strengthening Sequoia's underlying recurring revenue base. The Specialist Investments division launched several new products and secured wholesale product distribution arrangements. This is expected to deliver future revenue growth.

The completion of the acquisition of SWG was a pleasing accomplishment with the business now performing well as part of Sequoia. We have significantly strengthened the team of wealth managers in Sydney and Melbourne and scaled up for future growth."

#### **Outlook**

The second half of FY2016 has commenced well for Sequoia and the Company is on track for continued revenue and earnings growth. A full six-month contribution from SWG will strengthen second half performance.

As announced to the market last month, Sequoia increased its stake in a financial news service platform, Finance News Network, to approximately 54%. Sequoia is assessing further investments into financial news and data platforms.

After a period of investment and consolidation, Sequoia has established itself as a highly regarded end-to-end financial services business with growing market recognition. We look forward to updating shareholders on further growth initiatives as they materialise.

Sequoia will shortly provide a more detailed shareholder update on its operations and growth strategy for the remainder of FY2016 and FY2017.

– ENDS –

#### **For further information please contact:**

**Scott Beeton, Managing Director & CEO +61 2 8114 2222**

**Andrew Phillips, Company Secretary +61 2 8114 2222**

**Released through:** Adam Jarvis, Six Degrees Investor Relations +61 424 297 736

#### **ABOUT SEQUOIA FINANCIAL GROUP**

ASX-listed Sequoia Financial Group Limited (ASX: SEQ) (formerly MDS Financial Group Ltd) is an integrated financial services company providing products and services to self-directed retail and wholesale clients and those of third party professional service firms. It provides:

- Investment and superannuation products
- Wealth management and advisory services
- Corporate advisory and capital markets expertise
- Retail, wholesale and institutional trading platforms
- Market data and financial news services

Sequoia operates various AFS Licenses and its subsidiary D2MX is an ASX Market Participant



## ASX ANNOUNCEMENT



ABN: 90 091 744 884

## Appendix 4D

### Half Year Report

### For The Half Year Ended 31 December 2015

(Previous corresponding period: Half Year Ended 31 December 2014)

This Half Year Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3

### Results For Announcement To The Market

#### Revenue and Net Profit

		Percentage Change %		Amount \$
Revenues from ordinary activities	Up	51.6%	to	10,939,059
Profit from ordinary activities after income tax attributable to members	Up	101%	to	3,326
Net profit attributable to members	Up	101%	to	3,326

#### Dividends

No dividends have been declared or paid

#### Brief explanation of revenue, net loss and dividends to enable the above figures to be understood.

Comparative results are Sequoia Financial Group Limited prior to reverse acquisition and after restatement.

#### Net Tangible Assets per Security

	Current period	Previous corresponding period
Net tangible assets backing per security	-0.018 cents	-6.258 cents

# Sequoia Financial Group Limited

ABN 90 091 744 884

Formerly known as MDS Financial Group Limited

## Interim Financial Report 31 December 2015



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## Directors' Report

The directors of Sequoia Financial Group Limited (the "Company") submit herewith the consolidated interim financial report of the Company for the half-year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### Directors

The names and particulars of the Directors of the Company during or since the end of the interim period are set out below. Directors were in office for the entire period unless otherwise stated.

#### Current members

- Mr Michael Kenneth Carter, Chairman and Non-Executive Director – initially appointed 10 March 2015 as Executive Director, appointed Non – Executive Chairman 10 August 2015
- Mr Scott Lionel Beeton, Executive Director and Managing Director
- Mr Marcel John Collignon, Executive Director
- Mr Delan Pasquale Pagliaccio – Executive Director appointed 10 August 2015

#### Previous members

- Mr Bruce Richard Sydney Symon, Executive Director and Chairman – resigned 10 August 2015

### Review and results of operations

The six months ended 31 December 2015 have been an intensive period for the Company following the integration of its financial service offerings.

The integration of MDS Financial Group and Sequoia Financial Group which occurred early 2015 has now repositioned the company, strengthened its product range, services and skills base, but most importantly, it has given the company a strong foundation to establish a diversified leading Australian financial services company in the period ahead.

The group is pleased to announce a positive result for the six months to December 2015 confirming the underlying commercial decisions and wholesale changes made by the management team are now delivering meaningful results.

At 31 December 2015, the net profit result for the group was \$3,326 (Dec 2014 loss: \$412,845), a significant and pleasing turnaround in the company's performance.

### Auditor's independence declaration

The auditor's independence declaration under s307c of the Corporations Act 2001 is included on page 4 of the interim financial report and forms part of this Directors' report.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Mr Michael Kenneth Carter  
Non - Executive Chairman

29 February 2016

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

**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  
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Sydney NSW 2001

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I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2015 there have been no contraventions of:

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



Hall Chadwick  
Level 40, 2 Park Street  
Sydney NSW 2000



**DREW TOWNSEND**  
**Partner**  
Date: 29 February 2016

## Directors' Declaration

In accordance with a resolution of the Directors of Sequoia Financial Group Limited ("the Company"), the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 21 are in accordance with the Corporations Act 2001, including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read "Michael Carter", is enclosed within a thin yellow rectangular border.

Mr Michael Kenneth Carter  
Non - Executive Chairman

29 February 2016



## Consolidated Statement of Profit or Loss and Other Comprehensive Income

### For the half year ended 31 December 2015

		<b>Consolidated</b>	
	<b>Note</b>	<b>Half-year ended 31 Dec 2015 \$</b>	<b>Half-year ended 31 Dec 2014 \$ (restated)</b>
<b>Revenue</b>	4	10,939,059	7,213,193
<b>Expenses</b>			
Data Fees		(582,814)	(20,807)
Dealing and settlement		(2,861,650)	(514,423)
Payments to investors		(1,064,174)	(2,874,098)
Commission and hedging		(3,403,489)	(2,327,549)
Employee benefits		(1,898,461)	(1,058,927)
Occupancy		(105,084)	(50,882)
Telecommunications		(96,127)	(40,318)
Marketing		(88,618)	(105,064)
General and administrative		(631,622)	(720,577)
Depreciation and Impairment		(74,355)	(50,874)
Other expenses		(93,353)	(22,203)
<b>Profit (loss) before income tax</b>		39,312	(572,529)
Income tax (expense) / benefit		(35,986)	159,684
<b>Profit (loss) after income tax</b>		3,326	(412,845)
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		3,326	(412,845)

<b>Earnings per share</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	0.001	(40.00)
Diluted earnings per share	0.001	(40.00)

All potential ordinary shares, being options to acquire ordinary shares, are not considered dilutive as the exercise of the options would decrease the basic loss per share.

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

## Consolidated Statement of Financial Position

### As at 31 December 2015

		Consolidated	
		As at 31 Dec 2015	As at 30 June 2015
	Note	\$	\$
<b>Assets</b>			
Cash and cash equivalents		642,078	613,527
Trade and other receivables		944,528	2,582,290
Financial assets at fair value through profit or loss	5	7,835,422	10,890,326
Income tax receivable		-	10,529
Other assets		167,804	152,805
Deferred costs		3,329,263	4,177,366
<b>Total current assets</b>		<b>12,919,095</b>	<b>18,426,843</b>
Financial assets	5	1,248,011	1,213,248
Plant and equipment		73,921	30,349
Intangible assets	7	8,290,872	7,655,166
Deferred tax assets		2,776,960	3,321,786
Other assets		1,106,812	1,088,507
Deferred costs		1,888,517	2,759,619
<b>Total non-current assets</b>		<b>15,385,093</b>	<b>16,068,675</b>
<b>Total assets</b>		<b>28,304,188</b>	<b>34,495,518</b>
Trade and other payables		1,947,612	4,181,572
Borrowings		760,000	-
Financial liabilities	5	7,835,422	10,890,326
Employee benefits		281,100	267,721
Income tax payable		27,022	-
Deferred revenue		4,098,886	5,119,825
<b>Total current liabilities</b>		<b>14,950,042</b>	<b>20,459,444</b>
Borrowings		1,100,000	1,860,000
Employee benefits		39,059	13,107
Deferred tax liability		1,695,942	2,204,782
Deferred revenue		2,233,003	3,303,385
<b>Total non-current liabilities</b>		<b>5,068,004</b>	<b>7,381,274</b>
<b>Total liabilities</b>		<b>20,018,046</b>	<b>27,840,718</b>
<b>Net assets</b>		<b>8,286,142</b>	<b>6,654,800</b>
<b>Equity</b>			
Contributed equity		26,393,901	24,765,885
Reserves		(482,765)	(482,765)
Accumulated losses		(17,624,994)	(17,628,320)
<b>Total equity</b>		<b>8,286,142</b>	<b>6,654,800</b>

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

## Consolidated Statement of Changes in Equity For the half-year ended 31 December 2015

Consolidated	Contributed Equity	Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
<b>Balance at 1 July 2014 (Restated) *</b>	15,906,960	(482,765)	345,892	15,770,087
Loss after income tax expense for the period	-	-	(412,845)	(412,845)
<b>Balance at 31 December 2014</b>	<b>15,906,960</b>	<b>(482,765)</b>	<b>(66,953)</b>	<b>15,357,242</b>
 <b>Balance at 1 July 2015</b>	 <b>24,765,885</b>	 <b>(482,765)</b>	 <b>(17,628,320)</b>	 <b>6,654,800</b>
Share capital issued	1,632,516	-	-	1,632,516
Transaction costs	(4,500)	-	-	(4,500)
Profit after income tax expense for the period	-	-	3,326	3,326
<b>Balance at 31 December 2015</b>	<b>26,393,901</b>	<b>(482,765)</b>	<b>(17,624,994)</b>	<b>8,286,142</b>

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

## Statement of Cash Flows

### For the half-year ended 31 December 2015

	Consolidated	
	Half-year ended 31 Dec 2015 \$	Half-year ended 31 Dec 2014 \$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	10,865,907	7,067,428
Payments to suppliers and employers (inclusive of GST)	(11,213,641)	(6,473,978)
Interest received	821	4,529
Income tax paid	-	(262,679)
<b>Net Cash provided / (used) in operating activities</b>	<b>(346,913)</b>	<b>335,300</b>
<b>Cash flows from investing activities</b>		
Payment for acquisition of fixed assets	(38,983)	(36,468)
<b>Net cash used in investing activities</b>	<b>(38,983)</b>	<b>(36,468)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(308,326)	-
Proceeds from issue of securities net of costs	715,684	-
<b>Net cash used in financing activities</b>	<b>407,358</b>	<b>-</b>
Net increase in cash and cash equivalents	21,462	298,832
Cash and cash equivalents at the beginning of the financial half-year	613,527	1,459,019
Cash acquired from subsidiary on acquisition	7,089	-
Cash and cash equivalents at the end of the financial half-year	<b>642,078</b>	<b>1,757,851</b>

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

## Notes to the Financial Statements

### For the half year ended 31 December 2015

#### Note 1. Summary of Significant Accounting Policies as basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: 'Interim Financial reporting'. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Sequoia Financial Group Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half year with the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2015, together with any public announcements made during the following half year.

These interim financial statements were authorised for issue on 29 February 2016.

#### a) Going concern

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The financial report shows that for the period ended 31 December 2015, the consolidated entity is in a break even position from a financial performance point of view, and has a working capital deficiency of \$2,030,947 and a negative cash flow from operations of \$346,913.

The Directors nevertheless believe that it is appropriate to prepare the financial report on a going concern basis because:

- (i) The consolidated entity is projected to be in a profitable position based on achievement on its forecasted revenue and profitability in the next 6-12 months.
- (ii) A significant settlement of legacy creditors has occurred during the period ended 31 December 2015, and this will result in lower payments to suppliers in the near future, resulting in positive working capital and a positive cash flow from operations. The Company owns 11.56% of Finance News Network as at 31 December 2015. The Company carries this asset at minimal value on the balance sheet; however internal valuations conducted suggest that this asset has a significantly greater value which may be realised in the future.
- (iii) Cash flow forecasts prepared by management demonstrate the consolidated entity has sufficient cash flows to meet its commitments over the next 12 months based on the above factors. For that reason, the financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

#### b) Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The group has considered the implications of new or amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

## Notes to the Financial Statements

### For the half year ended 31 December 2015

#### c) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent Sequoia Financial Group Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it 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 over the entity. A list of the subsidiaries is provided in Note 6.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

#### d) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant’s ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity’s own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

# Notes to the Financial Statements

## For the half year ended 31 December 2015

### Valuation techniques:

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured.

The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

### Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- I. if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- II. if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

## Notes to the Financial Statements

### For the half year ended 31 December 2015

#### e) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumption 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 within the next financial year are discussed below.

##### (i) Change in the revenue recognition policy

Commencing 26 September 2013 (date of incorporation), all revenue and expenditure in relation to financial product including prepaid interest income and option premiums are recognised in the income statement over the expected life of the instrument. Previously part of the income and expenditure was recognised upfront.

Reflecting the revenue and expenditure over the life of the instrument more accurately reflects the nature of this type of business, where on most occasions the expected life of product exceeds 12 months.

The restated prior period balances are as follows:

	31 December 2014	Increase/(Decrease) \$	31 December 2014 (Restated) \$
<b>Consolidated Statement of changes in equity (extract)</b>			
Accumulated profit/(loss)	210,185	(277,138)	(66,953)

	31 December 2014	Increase/(Decrease) \$	31 December 2014 (Restated) \$
<b>Consolidated statement of profit or loss and other comprehensive income (extract)</b>			
Revenue	8,301,327	(1,088,134)	7,213,193
Commission and hedging	3,138,544	(810,995)	2,327,549
Profit/(Loss) before income tax	(295,391)	(277,138)	(572,529)
Income tax benefit/(expense)	159,684	-	159,684
<b>Loss for the period</b>	<b>(135,708)</b>	<b>(277,138)</b>	<b>(412,845)</b>

#### Note 2. Business combinations

On 14 October 2015 the Group acquired 100% of the issued capital of Sequoia Wealth Group Pty Limited, a financial services and wealth management company, for a purchase consideration of \$750,000. As contracted the financial performance of Sequoia Wealth Group Pty Limited 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 Sequoia Wealth Group Pty Limited, 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.



## Notes to the Financial Statements

### For the half year ended 31 December 2015

#### Note 2. Business combinations (Continued)

	Fair Value \$
<b>Purchase consideration:</b>	
– Equity issued	750,000
<b>Less:</b>	
<b>Receivables (i)</b>	
Cash	7,089
Accounts receivable	381,228
Fixed assets	4,589
Prepayments	9,563
Trade payables	(7,318)
GST payables	(10,911)
Loans payable	(308,326)
<b>Identifiable assets acquired and liabilities assumed</b>	75,914
<b>Goodwill (ii)</b>	701,108

- (i) The Directors believe the receivables are fully recoverable and no provision for impairment is required.
- (ii) The goodwill is attributable to Sequoia Wealth Group Pty Limited's strong position and developing service offering which complements the Company's business offerings.

Net loss and revenue resulting from the acquisition of Sequoia Wealth Group Pty Limited amounting to \$64,280 and \$566,639 respectively are included in the consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2015.

Had the results relating to Sequoia Wealth Group Pty Limited been consolidated from 1 July 2015, consolidated revenue of the consolidated group would have been \$11,534,378 and consolidated profit of the consolidated group would have been \$122,033 for the half-year ended 31 December 2015.

## Notes to the Financial Statements

### For the half year ended 31 December 2015

#### Note 3. Operating Segments

##### *Identification of reportable operating segments*

The consolidated entity is organised into three operating segments: data subscriptions, broking and corporate advisory. These operating segments 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 least 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

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.

	Trading and Execution	Software Subscriptions	Capital Markets Advisory	SMSF Administration
Six months ended 31 Dec 2015	\$	\$	\$	\$
<b>Revenue</b>	3,740,656	715,682	155,000	1,035,856
Segment result before impairment expense and revaluation increments to fair value	(141,722)	115,284	(153,199)	102,019
<b>Segment result</b>	(141,722)	115,284	(153,199)	102,019
<b>Assets</b>				
Segment assets	2,566,918	673,490	814,430	1,988,760
<b>Liabilities</b>				
Segment liabilities	1,177,214	319,695	5,035	134,575

## Notes to the Financial Statements

### For the half year ended 31 December 2015

Note 3.	Operating (continued)	Segments	Wealth Advisory	Investment Solutions	Unallocated	Total
<b>Six months ended 31 Dec 2015</b>			\$	\$	\$	\$
<b>Revenue</b>			1,509,596	4,764,993	(982,724)	10,939,059
Segment result before impairment expense and revaluation increments to fair value			(356,391)	424,047	(13,288)	3,326
<b>Segment result</b>			(356,391)	424,047	(13,288)	3,326
<b>Assets</b>						
Segment assets			1,253,888	21,006,702	-	28,304,188
<b>Liabilities</b>						
Segment liabilities			807,294	17,574,233	-	20,018,046

	SMSF Administration	Wealth Advisory	Investment Solutions	Unallocated	Total
<b>Restated 31 Dec 2014 *</b>	\$	\$	\$	\$	\$
<b>Revenue</b>	971,349	701,491	5,851,674	(311,321)	7,213,193
Segment result before impairment expense and revaluation increments to fair value	(58,506)	54,580	(320,617)	(88,302)	(412,845)
<b>Segment result</b>	(58,506)	54,580	(320,617)	(88,302)	(412,845)

<b>Restated 30 June 2015 *</b>	Trading and Execution	Software Subscriptions	Capital Markets Advisory	SMSF Administration
<b>Assets</b>				
Segment assets	2,658,567	662,293	37,121	2,069,494
<b>Liabilities</b>				
Segment liabilities	784,495	980,432	-	94,798
	Wealth Advisory	Investment Solutions	Unallocated	Total
<b>Assets</b>				
Segment assets	1,904,340	27,163,703	-	34,495,518
<b>Liabilities</b>				
Segment liabilities	1,993,939	23,987,054	-	27,840,718

## Notes to the Financial Statements

### For the half year ended 31 December 2015

#### Note 4. Revenue

	Consolidated Half-year ended 31 Dec 2015 \$	Restated Half-year ended 31 Dec 2014 \$
Data subscriptions fees	693,641	-
Brokerage and commission revenue	3,898,030	352,228
Superannuation product revenue	1,006,849	971,321
Structured product revenue	4,748,781	5,808,066
Corporate advisory fees	168,091	-
Other revenue	282,542	260,514
<b>Total operating income</b>	<b>10,797,934</b>	<b>7,392,129</b>
Interest	821	4,529
Other income	140,304	(183,465)
<b>Total other revenue</b>	<b>141,125</b>	<b>(178,936)</b>
<b>Revenue from continuing operations</b>	<b>10,939,059</b>	<b>7,213,193</b>

#### Note 5. Financial assets at fair value through profit or loss

	Consolidated As at 31 Dec 2015 \$	As at 30 June 2015 \$
Investment in listed entities	444,695	418,747
Investment in listed entities - Escrowed shares	-	42,501
Investments in other non – listed entities	803,316	752,000
	<b>1,248,011</b>	<b>1,213,248</b>
Derivative assets	<b>7,835,422</b>	<b>10,890,326</b>
<b>Current</b>		
Ordinary shares – held for trading	219,464	112,825
	<b>219,464</b>	<b>112,825</b>

#### Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial periods are set out below

Opening fair value	1,213,248	1,211,844
Additions	-	-
Disposals	-	-
Revaluation increments to fair value	34,763	1,404
Closing fair value	<b>1,248,011</b>	<b>1,213,248</b>

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

#### Hedged Securities – fair value hedges

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.

## Notes to the Financial Statements

### For the half year ended 31 December 2015

#### Note 6. Interest in Principle Subsidiaries

Set out below are the Group's subsidiaries as at 31 December 2015. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

Name of entity	Country of	Percentage Owned	
	Incorporation	(%)	
		2015	2014
<u>Subsidiaries of Sequoia Financial Group Limited</u>			
Sequoia Financial Group Limited (A)	Australia	100	-
Sequoia Group Holdings Pty Ltd (B)			
Subsidiaries of Sequoia Wealth Group Pty Ltd (C)			
Bourse Data Pty Ltd	Australia	100	-
The Cube Financial Group Limited	Australia	100	-
D2MX Pty Ltd	Australia	100	-
Market Data Services Pty Ltd	Australia	100	-
MDSnews.com Pty Ltd (A1)	Australia	100	-
Trader Dealer Online Pty Ltd	Australia	100	-
Sequoia Wealth Group Pty Ltd	Australia	100	-
(A1) Subsidiaries of MDSnews.com Pty Ltd			
Trader Dealer Online Pty Ltd	Australia	100	-
(A) Subsidiaries of Sequoia Group Holdings Pty Ltd			
Sequoia Superannuation Pty Ltd (B1)	Australia	100	100
Sequoia Specialist Investments Pty Ltd (B2)	Australia	100	100
Sequoia Asset Management Pty Ltd (B3)	Australia	100	100
Sequoia Lending Pty Ltd	Australia	100	100
(B1) Subsidiaries of Sequoia Superannuation Pty Ltd			
Sequoia Brisbane Pty Ltd	Australia	100	100
(B2) Subsidiaries of Sequoia Specialist Investments Pty Ltd			
Sequoia Nominees No 1 Pty Ltd	Australia	100	100
(B3) Subsidiaries of Sequoia Asset Management Pty Ltd			
Acacia Administrative Services Pty Ltd*	Australia	100	100
* Acacia Administrative Services Pty Ltd acts as a service entity for the group with all employees sitting under this entity.			
Sequoia Wealth Management Pty Ltd	Australia	100	
Sequoia Corporate Finance Pty Ltd	Australia	100	

## Notes to the Financial Statements

### For the half year ended 31 December 2015

#### Note 7. Intangible Assets

	Consolidated	
	As at 31 Dec 2015 \$	As at 30 Jun 2015 \$
<b>Goodwill</b>		
Cost	24,334,692	14,734,397
Acquisition	701,108	9,600,295
Accumulated impairment losses	(16,952,860)	(16,952,860)
	<u>8,082,940</u>	<u>7,381,832</u>
<b>Websites</b>		
Acquisition	1,838	1,838
Additions	10,175	10,175
Accumulated amortisation	(4,947)	(3,251)
	<u>7,066</u>	<u>8,762</u>
<b>Black Hole</b>		
Cost	29,912	29,912
Accumulated amortisation	(28,665)	(26,159)
	<u>1,247</u>	<u>3,573</u>
<b>ASX Membership</b>		
Acquisition	62,500	62,500
Accumulated amortisation	(45,000)	(30,000)
	<u>17,500</u>	<u>32,500</u>
<b>Customer List</b>		
Cost	392,472	392,472
Acquisition	21,000	21,000
Accumulated amortisation	(231,353)	(185,183)
	<u>182,119</u>	<u>228,319</u>
<b>Total intangibles</b>	<u>8,290,872</u>	<u>7,655,166</u>

## Notes to the Financial Statements

### For the half year ended 31 December 2015

#### Note 7. Intangible Assets (continued)

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

	Consolidated	
	As at 31 Dec 2015 \$	As at 30 Jun 2015 \$
Sequoia Specialist Investments Pty Ltd	5,162,392	5,162,392
Sequoia Asset Management Pty Ltd	-	-
Sequoia Superannuation Pty Ltd	1,688,608	1,688,608
Bourse Data Pty Ltd	530,832	530,832
Sequoia Wealth Group	701,108	-
	<u>8,082,940</u>	<u>7,381,832</u>

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculations 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:

Sequoia Specialist Investments Pty Ltd had a revenue growth rate of 1%, with a 5% increase in direct and overhead costs per annum and a discount rate of 20%. The terminal growth rate is 3%.

Sequoia Asset Management Pty Ltd anticipated forecast was a 5% growth in revenue, direct costs associated were 3.5% and a discount rate of 15% was applied. The terminal growth rate is 3%.

The software subscription unit has a 1% growth forecast; a 1 - 2.5% increase in costs and a 15% discount rate has been applied. The software subscription segment was revised down in the financial year ending 2016, new strategies and a refreshed platform are expected to increase sales in the second half of the financial year. The terminal growth rate is 3%.

The corporate finance arm of the business operating as Sequoia Wealth Group had a revenue growth of 5% with a 2.5% increase in direct and overhead costs per annum and a discount rate of 15%. The terminal growth rate is 3%.

The goodwill is considered to be sensitive to these assumptions and is carried in the statement of financial position at a written-down value. Impairment has been recognised in respect of goodwill at the end of the reporting period.

#### Note 8. Contingent liabilities

The consolidated entity has given bank guarantees as at 31 December 2015 of \$1,134,356, \$1,000,000 with its clearer, two rental deposits for \$128,356 and a \$6,000 with its bankers for merchant facilities.

The group have not accrued for services from a supplier as the delivery of services disputed and a potential claim from the supplier highly unlikely. The transaction occurred more than two years ago with no claims for payment being made to date.

#### Note 9. Events after the end of the interim period

Other than the following, the Directors are not aware of any significant event since the end of the interim period.

- On 15/02/2016 the group completed the successful acquisition of Financial News Network (FNN) to take majority ownership.
- Capital raising of \$565,000 was undertaken to support working capital and acquisition requirements via a Convertible Note of \$200,000 and a private placement of \$365,000.

## Notes to the Financial Statements

### For the half year ended 31 December 2015

#### Fair value measurement

The following table details the consolidated entity's fair values of financial instruments categorised by the following levels:

Level 1: Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Measurements based on unobservable inputs for the asset or liability.

#### Fair Value Measurements at 31 December 2015

31 December 2015	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Listed ordinary shares	444,695	-	-	444,695
Unlisted ordinary shares	-	-	803,316	803,316
Financial assets and fair value through profit and loss	-	7,835,422	-	7,835,422
	444,695	7,835,422	803,316	9,083,433
<b>30 June 2015</b>				
<b>Assets</b>				
Listed ordinary shares	461,248	-	-	461,248
Unlisted ordinary shares	-	-	752,000	752,000
Financial assets and fair value through profit and loss	-	10,890,326	-	10,890,326
	477,542	10,890,326	752,000	12,103,574

There were no transfers between levels during the financial year.

Unless otherwise stated, the carrying amounts of financial assets reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair value due to their short – term nature. The fair value of financial liabilities is estimate by discounting the remaining contractual maturities at the current interest rate that is available for similar financial instruments.



**SEQUOIA FINANCIAL GROUP LIMITED AND ITS CONTROLLED ENTITIES  
ABN 90 091 744 884****INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF  
SEQUOIA FINANCIAL GROUP LIMITED****SYDNEY**

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**Report on the Interim Financial Report**

We have reviewed the accompanying half-year financial report of Sequoia Financial Group Limited and its controlled entities, which comprises the consolidated statement of financial position as at 31 December 2015, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

**Directors' Responsibility for the Interim Financial Report**

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

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Sequoia Financial Group Limited's financial position as at 31 December 2014 and its performance for the period ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Sequoia Financial Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

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

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF**  
**SEQUOIA FINANCIAL GROUP LIMITED**

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sequoia Financial Group Limited is not in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of Sequoia Financial Group Limited's financial position as at 31 December 2015 and of its performance for the a ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

**Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 1(a) "Going Concern" in the financial report which indicates that the entity incurred a net operating cash outflow of \$346,913 for the half-year ended 31 December 2015 and, as of that date, the entity's current liabilities exceeded its current assets by \$2,030,947. These conditions, along with other matters set forth in Note 1(a) indicate the existence of a material uncertainty which may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.



HALL CHADWICK  
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**DREW TOWNSEND**

**Partner**

Dated: 29 February 2016