

Appendix 4E (ASX Listing Rule 4.3A)
PRELIMINARY FINAL REPORT
Year ended 30 June 2023
(previous corresponding period: 30 June 2022)

INVESTSMART GROUP LIMITED AND ITS CONTROLLED ENTITIES ABN 62 111 772 359

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This Appendix 4E should be read in conjunction with InvestSMART Group Limited (InvestSMART or the Group) Audited Consolidated Financial Report and Directors' Report for the year ended 30 June 2023 lodged with the Australian Securities Exchange on 17 August 2023.

	30/06/2023	30/06/2022	Movement	Movement
	\$'000	\$'000	\$'000	%
Revenue from ordinary activities	10,266	9,702	564	6%
Profit/(Loss) from ordinary activities after tax for the period attributable to members	(975)	(740)	(235)	-32%
Profit/(Loss) for the period attributable to members	(975)	(740)	(235)	-32%
Net tangible assets (cents per ordinary share)	3.92	4.33		

Commentary on Results for the period

The table below shows the consolidated performance of InvestSMART Group Limited for the years ended 30 June 2023 and 30 June 2022.

	2023	2022
	\$	\$
Management fees - funds	3,150,693	2,690,468
Performance fees - funds	160,557	-
Subscription income	5,375,493	5,278,786
Commissions income - insurance	1,349,487	1,439,998
Other Income	16,389	33,153
Total Operating Income	10,052,619	9,442,405
Total Operating Expenses	10,680,027	9,340,870
Operating Profit/(Loss)	(627,408)	101,535
Interest income	144,989	1,831
Government grants	58,600	101,832
Employee benefit expense and contingent payments	(148,379)	(513,308)
Amortisation of intangibles	(570,688)	(570,688)
Net gain/(loss) on sale of subsidiary (AWI Ventures) and call option	-	14,299
Profit/(loss) before income tax	(1,142,886)	(864,499)
Income tax benefit	168,321	124,323
Profit/(loss) for the period	(974,565)	(740,176)

Total operating income increased by 6% compared to the prior year. Management fees - funds increased by 17% compared to the prior year. Total funds under management increased from \$470 million at 30 June 2022 to \$533 million at 30 June 2023. Subscription income from Intelligent Investor and Eureka Report increased by 2% compared to the prior year. Funds management fees and subscription income are the focus areas of the business moving forward. Total operating expenses increased by 14% compared to the prior year. Employee costs increased by 20%. Total staff increased from 35 at 30 June 2022 to 41 at 30 June 2023.

Cash and cash equivalents is \$7.81 million at 30 June 2023 compared to \$8.08 million at 30 June 2022.

Refer to the “Review of Operations” section of the Directors’ Report, the Quarterly Business Update lodged separately on 21 July 2023 and the Investor Presentation lodged separately on 17 August 2023 for further commentary.

Dividend Information

The Group did not recommend, declare, or pay a dividend during the year ended 30 June 2023 (2022: nil).

Associate entities

Refer to the attached financial report Note 10.

Independent Auditors’ Report

The Consolidated Financial Report for InvestSMART Group Limited for the year ended 30 June 2023 has been audited by the Company’s independent external auditor, BDO Audit Pty Ltd. A copy of the independent external auditor’s report may be found at pages 48 to 51 of the Annual Report.

Additional Information

Additional Appendix 4E disclosures and other significant information may be found in InvestSMART Group Limited Audited Consolidated Financial Report and Directors’ Report for the year ended 30 June 2023 (lodged with this document), the Quarterly Business Update lodged separately on 21 July 2023 and the Investor Presentation lodged separately on 17 August 2023.

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2023 Annual Report

Annual Report for the year ended
30 June 2023

InvestSMART Group Limited
ABN 62 111 772 359

OUR VISION

To help all Australians grow and protect their wealth.

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WHY?

Because we believe people should be able to take control of their financial future. And it shouldn't be hard or expensive to do so.

HOW?

By providing innovative tools, research and advice that people can trust, empowering them to make better investing decisions.



COMPANY ADVANTAGE

UNIQUE PRODUCTS & ECOSYSTEM

Our proprietary wealth platform operates within a content and tools ecosystem

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Platform

One Digital Platform

- Self-select, transact and manage multiple products and services
- Product and service delivery
- Administration and tax reporting

InvestSMART

Professionally managed accounts
Capped fees

- Diversified ETF portfolios**
- Conservative
 - Balanced
 - Growth
 - Ethical Growth
 - High Growth
- Single asset class ETF portfolios**
- International Equities
 - Interest Income
 - Property and Infrastructure
 - Hybrid Income

Intelligent Investor

Active ETFs – ASX-listed
Variable fees

- Australian Equity Income Fund (INIF)
- Australian Equity Growth Fund (IIGF)
- Ethical Share Fund (INES)
- Select Value incl. International (IISV)

Eureka

Variable fees

- Eureka Asset-backed Loan Fund

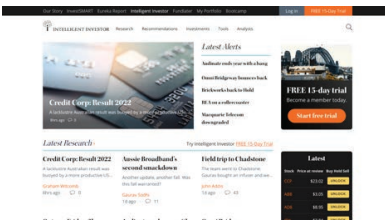
Lending service

Fundlater

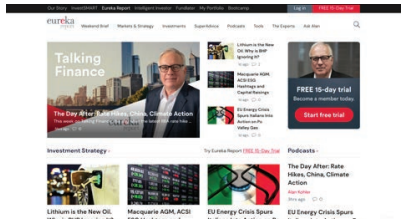
Backed by Eureka Asset-backed Loan Fund

Fundlater lending service available for our diversified ETF portfolios with a maximum loan value of \$6,000 per user.

Content



Content

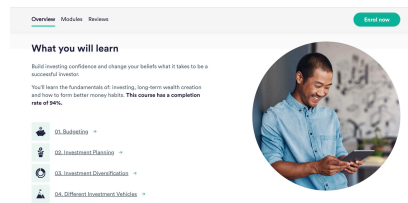


Tools

Calculators



Bootcamp



Ambassadors



Paul Clitheroe, AM
Chairman



Effie Zahos
Non-Executive
Director



Alan Kohler, AM
Editor-in-Chief

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CHAIRMAN AND MANAGING DIRECTOR'S REPORT

Dear Shareholders,

The vision of InvestSMART is to “help all Australians grow and protect their wealth.” The key strategic goal to achieve this vision is to be Australia’s #1 digital wealth platform. In financial year 2023 we continued to make strides towards this goal against a difficult macroeconomic environment.

On behalf of the Directors, we are pleased to announce the results for InvestSMART Group (The Group) for the financial year ended 30 June 2023.

	2023	2022
	\$	\$
Management fees - funds	3,150,693	2,690,468
Performance fees - funds	160,557	-
Subscription income	5,375,493	5,278,786
Commissions income - insurance	1,349,487	1,439,998
Other Income	16,389	33,153
Total Operating Income	<u>10,052,619</u>	<u>9,442,405</u>
Commission rebates	395,632	452,369
Employee costs	5,922,906	4,944,787
Marketing costs	1,175,723	1,004,236
Other operating expenses	3,185,766	2,939,478
Total Operating Expenses	<u>10,680,027</u>	<u>9,340,870</u>
Operating Profit/(Loss)	<u>(627,408)</u>	<u>101,535</u>

We continued to grow revenue in FY23 and are particularly pleased with the following aspects:

- Overall revenue growth of 6% compared to the prior year
- Growth in Management fees – funds of 17%
- Listing our fourth ASX Exchanged Traded Managed Fund, The Intelligent Investor Select Value Fund (IISV). IISV is the fourth listed Intelligent Investor fund and the first to incorporate internationally listed shares.
- Recording our first performance fee. IISV is the first fund that has a performance fee.
- Growth in subscription income despite declining subscribers. We were able to retain customers in higher priced products, post price increases, in excess of expectations.

We are well capitalised and debt free with \$7.8m in cash at bank at 30 June 2023.

Employee costs increased significantly as we increased our total staff from 35 at 30 June 2022 to 41 at 30 June 2023. We made several new hires within marketing in the full knowledge that our product suite is fully developed and the key to future growth is marketing.

UNIQUE ECOSYSTEM

Over several years we worked hard to integrate several assets into one unique ecosystem. The content, calculators and expertise in these businesses creates an ecosystem that attracts people to our website and engagement to help them improve their financial future. In addition to the integrated businesses we have developed several additional tools including a bootcamp course, digital statement of advice and a referral programme. A digital ecosystem is complex, however we believe that we have the architecture, expertise, user experience, products, tools and ambassadors to simplify the complex.

In June 2023 the Government announced the Delivering Better Financial Outcomes package adopting the bulk of the recommendations made in Michelle Levy's Quality of Advice Review to be developed over the second half of 2023 and early 2024. We await further detail on implementation with particular reference to the content of financial advice records, definitions of personal advice, general advice, "good advice" and life insurance commissions. The new environment will deliver better outcomes for investors and is laden with opportunity for companies positioned to service them as they deserve to be. This outcome follows several turbulent years for the advice profession. The Hayne Royal Commission increased the barriers for millions of Australians to obtain independent, low-cost advice. The Covid-19 pandemic accelerated the availability and use of technology to deliver solutions. The outcomes of Delivering Better Financial Outcomes package should galvanise the finance industry to deliver what millions of investors want but haven't previously been able to get - independent, low-cost financial advice and products.

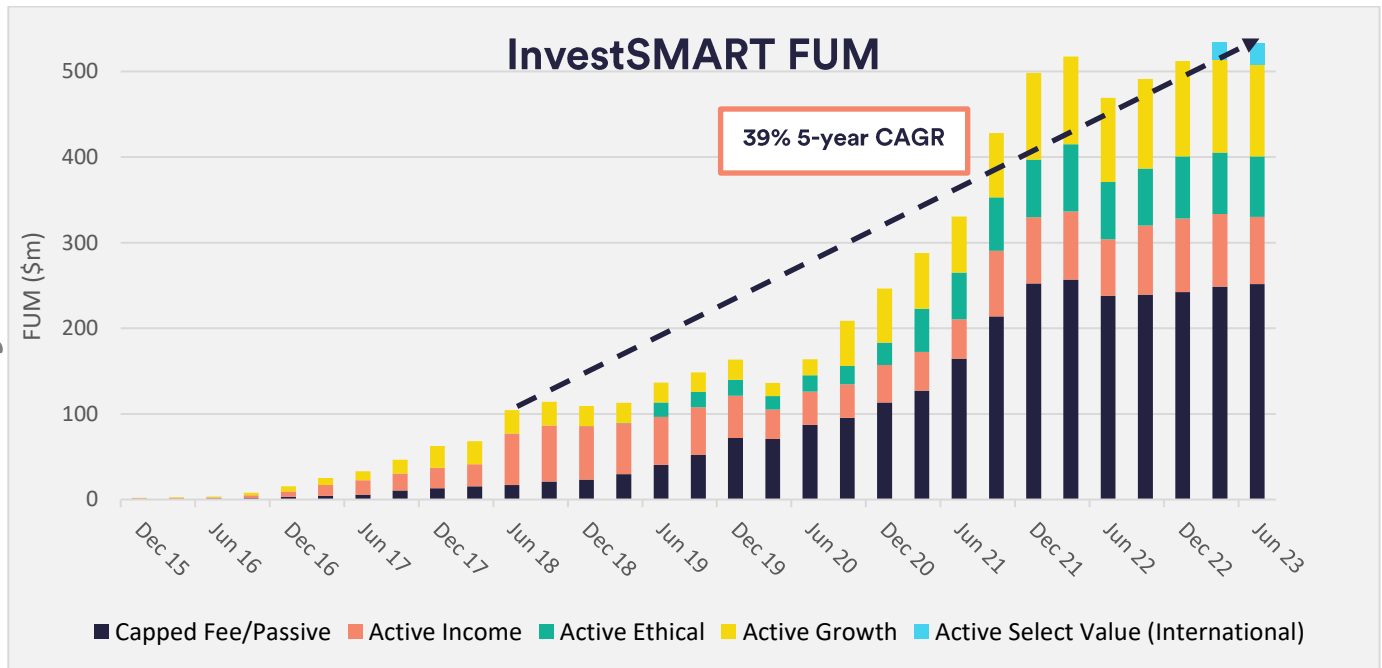
As a digital-first company with a unique, developed ecosystem and hundreds of thousands of do-it-yourself investors, we have a head start in the race. In FY23 we had 13.9 million website pageviews with 6.6 million visits. Servicing over 740,000 prospective members, 9,230 subscribers, 12,105 FUM accounts and more than 139,000 free portfolio manager accounts monitoring close to \$34 billion in assets. InvestSMART is at the forefront of digital advice.

	Free Active Database	Total Member Portfolios	Value of assets held on Portfolio Manager (\$bn)
Jun-16	546,980	63,014	\$12.61
Jun-17	586,309	88,892	\$20.09
Jun-18	637,024	109,472	\$26.46
Jun-19	692,812	118,506	\$28.56
Jun-20	677,514	123,930	\$30.56
Jun-21	704,030	130,471	\$31.65
Jun-22	728,397	136,825	\$31.71
Jun-23	743,432	139,541	\$33.87

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GROWING FUNDS UNDER MANAGEMENT

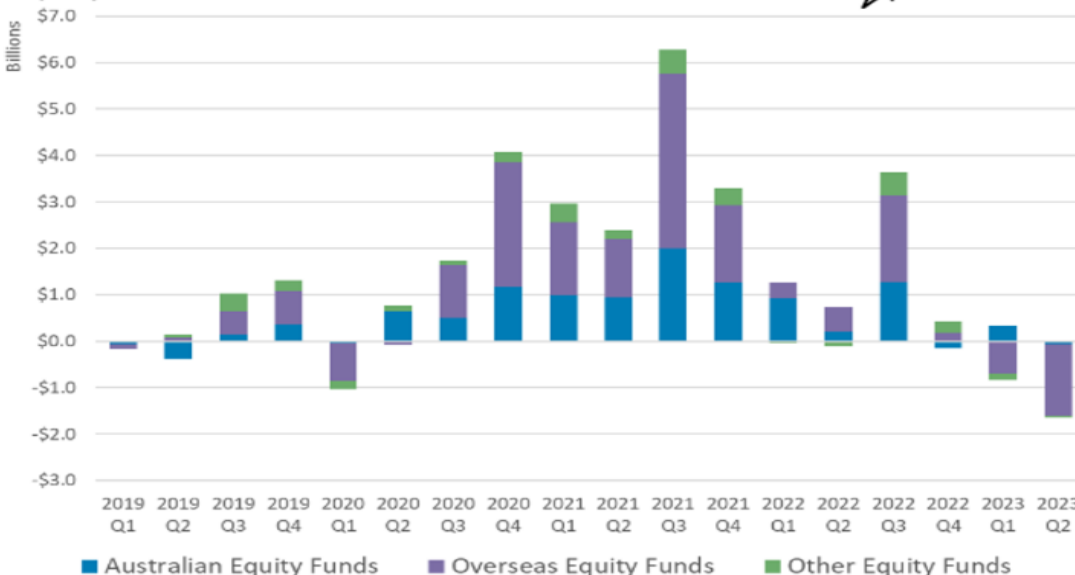
Our digital wealth platform is delivering strong annual growth, achieved through trust, high quality content, technology and innovative products. FUM has grown at a 39% 5-year Compound Annual Growth Rate (CAGR) since 30 June 2018.



FUM growth in FY23 slowed to 13%. We finished the year at \$533 million, which at times has frustrated us. In particular the slower growth of PMA accounts, our core engine for monetising the delivery of advice to all Australians, slowed with 2,505 accounts at year end. We grew PMA accounts by 60% in FY22 which makes the result in FY23 frustrating. On reflection, the words of our CEO ring in my ears “We grow fast in a fast market, and grow slow in a slow market.” Our results compared to market flows for Australian equity funds endorse Ron’s position:

Equity Fund Flows - Net Flow

CALASTONE



Source: Calastone

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The InvestSMART Professionally Managed Accounts investment platform (PMA) was launched in 2018 and contains many innovative features. PMA investment accounts focus on investing into our selection of preferred ETFs which provide a balance between performance returns, cost efficiency and risk diversification. The investor portfolio is registered under the investor's name in a unique HIN, giving the investor legal and beneficial ownership of the underlying securities. PMA fees are capped at \$550 per annum, a unique feature in a wide product landscape. The simplicity of the product and technology have allowed us to cap fees. The number of PMA accounts at year end is 2,505, flat over the year.

Rounding out our offering we have Australian active funds managed by Intelligent Investor including Income, Growth, Ethical and Select Value Funds. These funds are offered as active exchange traded funds on the ASX and provide low-cost access to managed funds for investors on the ASX CHESS platform with low minimum investment requirements, enhanced transparency (ongoing quotation) and simplicity (application and redemption process is through the ASX CHESS platform). We conduct secondary offerings for each fund on an annual basis to our growing community of investors. The Select Value Fund was launched in March 2023 with \$21 million raised in an initial offer. This is our first actively managed fund incorporating internationally listed shares. The result was particularly pleasing in light of the Calastone fund flow data above. Pleasingly, 40% of investors in the fund did not hold another InvestSMART issued fund prior to the raising. Total Funds Under Management for these funds was \$281m at 30 June 2023, 21% higher than a year earlier.

SUBSCRIPTIONS

Intelligent Investor and *Eureka Report* subscription products continue to deliver relevant, expert, timely commentary and financial recommendations. They are an important element in the InvestSMART ecosystem, generating valuable cash flow, search engine optimisation and, critically, trust. Subscription income increased by 2% to \$5.3m during FY23 whilst total subscribers declined 12% to 9,230 subscribers. Retention for all products remained stable with an average retention rate of 86% for the year, in line with prior periods. We implemented price increases through FY22 and FY23 which has resulted in increased revenue with no impact on retention. Unfortunately, we have not been able to attract the same volume of new members to our products through FY23. Our long-term expectation for subscriptions remains low single digit growth in revenue and number of subscribers. We may not achieve this goal in FY24 due to the drop in subscribers in FY23 but continue to focus on attracting new subscribers to achieve growth in the long-term.

OUTLOOK

We recorded an operating loss of \$627k in FY23. The business is well capitalised with \$7.8 million of cash at bank and revenue in our funds management products is growing. We increased the size of our team in FY23 awaiting the inevitable turn in consumer confidence to be at the forefront of new inflows. We are comfortable with our process of leveraging up and down marketing expenditure as opportunities arise to accelerate growth. With an experienced team and a suite of innovative products and services we are well positioned to grow the number of clients and profits. The leverage within our operating profit model remains. The majority of our costs are fixed, whilst every new investor adds, on average, 0.60% of their investment to Revenue.

The vision of the Company is to “help all Australians grow and protect their wealth.” The building blocks of this vision are in place with the infrastructure for a larger funds management business within our ecosystem. InvestSMART has built Australia's premier direct investor wealth platform focused on digital investment advice with over 740,000 members. Further growth will be driven by our Professionally Managed Accounts investment platform underpinned by Australia's first capped fee funds, and our bespoke ASX-listed Intelligent Investor fund products.

With a fully developed product suite and a unique ecosystem, our focus is to accelerate the growth of funds management income. Making it easier for our clients to invest with us by providing better online experiences with

fewer manual processes is central to that goal. InvestSMART provides ideal low-cost solutions for the majority of Australians.

The Board remains confident in InvestSMART's long term strategy to be Australia's #1 digital wealth platform for all Australians looking to take control of their investments to meet their financial goals.

The Board would like to thank our staff, shareholders, and clients for their continued contribution to the ongoing success of our business. We look forward to realising the full potential of our business over coming years and celebrating with you our future success.



Paul Clitheroe
Chairman



Ron Hodge
Managing Director

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CORPORATE GOVERNANCE STATEMENT

The InvestSMART Board is committed to achieving and demonstrating best practice standards of corporate governance with the Australian Stock Exchange (ASX) regulations. Our goal is to ensure we protect the rights and interests of all stakeholders and ensure the company is properly managed through the implementation of sound strategies and action plans.

We achieve this through good management and by supervising an integrated framework of controls over the company's resources to ensure our commitment to high standards of ethical behaviour. In developing corporate governance policies and practices for the Group, the Company takes into account the Constitution of the Company (Constitution) and applicable legislation and standards, including:

- Corporations Act 2001 (Cth) (Corporations Act);
- Australian Securities Exchange Listing Rules (Listing Rules);
- Corporate Governance Principles and Recommendations, 4th Edition published by the ASX Corporate Governance Council (ASXCGC); and
- legislation governing Australian Financial Services Licences and other licences held by members of the Group.

A description of the company's corporate governance practices is set out in the Company's corporate governance statement which can be viewed at <https://www.investsmart.com.au/shareholder-centre/governance>. The 2023 corporate governance statement is dated 16 August 2023 and is approved by the Board. The statement reflects the corporate governance practices in place throughout the 2023 financial year.

Our remuneration report is enclosed in the annual report and outlines group remuneration policies, Board performance and the senior executive remuneration policies and compensation.

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DIRECTORS' REPORT

The Directors present their report on InvestSMART Group Limited (the Company) and its subsidiaries (collectively the Group) for the financial year ended 30 June 2023.

Review of operations

The table below shows the consolidated performance of the Group for the years ended 30 June 2023 and 30 June 2022. This information is presented to show the relative changes in operating income over the period.

	2023	2022
	\$	\$
Management fees - funds	3,150,693	2,690,468
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Income tax benefit	168,321	124,323
Profit/(loss) for the period	<u>(974,565)</u>	<u>(740,176)</u>

Total operating income increased by 6% compared to the prior year. Management fees - funds increased by 17% compared to the prior year. Total funds under management increased from \$470 million at 30 June 2022 to \$533 million at 30 June 2023. Funds under management consists of Professionally Managed Accounts (portfolios of exchange traded funds under a capped fee model on the InvestSMART platform) and Intelligent Investor ASX listed Active Exchange Traded Funds. Subscription income from Intelligent Investor and Eureka Report grew 2% compared to the prior year. Total subscribers declined by 12% from 10,464 subscribers at 30 June 2022 to 9,230 subscribers at 30 June 2023. Funds management fees and subscription income are the focus areas of the business moving forward.

Employee costs increased by 20%. Total staff increased from 35 at 30 June 2022 to 41 at 30 June 2023.

Employee benefit expense and contingent payments is lower due to the end of the amortisation period for contingent payments in December 2022. Contingent payments consisted of the amortisation of payments made for the acquisition of Kohler and Company Pty Ltd from December 2018 (date of acquisition) to December 2021. The amortisation period (the period during which a percentage of these payments could be clawed back) ended in December 2022.

Cash and cash equivalents is \$7.81 million at 30 June 2023 compared to \$8.08 million at 30 June 2022. The Net Tangible Assets of the Group is 3.92c per share at 30 June 2023 (2022: 4.33c).

The Group has substantial realised capital tax losses that have not been recognised in the financial statements as the Directors believe there are negligible opportunities to utilise those losses in the medium term.

Significant Changes in State of Affairs

There were no significant changes in the Group's state of affairs during the period.

Principal Activities

The principal activities of the Group during the year were the provision of financial services and products to retail investors in particular in the areas of funds management, wealth management and personal insurance.

Events Subsequent to Balance Date

There have been no significant events since 30 June 2023 up to the date of this report.

Business strategies and prospects

The Group will continue to focus on increasing the conversion of users of free products on its website and mobile application to new subscribers and investors in its fund management products. The Group continues to offer free portfolio management services, free content, calculators, education and tools as part of the conversion and trust building process. The Group will continue to focus marketing efforts on our products through targeted campaigns, digital advertising, search engine optimisation and media coverage.

Attrition rates for insurance commissions are expected to continue.

Environmental regulation

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

Dividends

No dividend has been declared, recommended or paid for the financial year ended 30 June 2023 (2022: nil).

Earnings/loss per share

Basic loss per share and diluted loss per share is 0.88 cents (2022: 0.67c).

Business Risks

The Group accepts that it is exposed to risks inherent in the services provided. The Group has adopted an enterprise risk management model to mitigate the likelihood of these risks occurring. The Audit, Risk and Compliance Committee appointed by the Board of InvestSMART Group Limited has oversight of the Risk Management Policy, Risk Register and the risk management process. In summary The Group is exposed to the following risks:

- Market and Investment – market conditions, volatility and counterparty risk
- Operational – Outsourcing, fraud and valuation of assets
- Financial – capital management and liquidity
- Technology – data, cyber security and malicious activity
 - Loss of personal data may result in compensation, regulatory notification and reputational damage
 - Denial of service attacks may result in an inability to provide services for a period of time
 The Group continually reviews its cyber resilience including, but not limited to, protection, detection, response and recovery.
- Human Resources – loss of key personnel and employee misconduct

- Strategic – execution of strategy and competition
- Regulatory – adverse regulatory change and non-compliance with laws and regulations
- Reputational
- Governance

Directors

The names and details of the Directors of the Company who held office during the year and at the date of this report (unless otherwise specified) are:

Paul Clitheroe AM (Appointed Non-Executive Chairman 26 November 2014, appointed Executive Chairman 31 March 2015, reappointed Non-Executive Chairman 24 February 2016)

Non-executive Chairman

Bachelor of Arts (UNSW), SNF Fin, CFP

Age 68

Paul Clitheroe was a founding director of leading financial planning firm ipac and has been involved in the investment industry since he graduated from the University of New South Wales in the late 1970s. From 1993 to 2002 Paul hosted the popular Channel 9 program *Money*. Since 1999 he has been the chairman and chief commentator of *Money* magazine. He writes personal finance columns for metropolitan, suburban and regional newspapers across Australia. Paul has been a media commentator and conference speaker for more than 30 years and is regarded as one of Australia's leading experts in the field of personal investment strategies and advice.

Paul is Chairman of Monash Absolute Investment Company Ltd (commenced: 20/01/2016) and previously a Director of Wealth Defender Equities Ltd, both ASX-listed investment companies. He is also Chairman of the Ensemble Theatre Foundation, Chairman of Ecstra (formerly Financial Literacy Australia) and Chairman of the youth anti-drink driving body, RADD. In 2012, Macquarie University appointed Mr Clitheroe as Chair of Financial Literacy. He is a Professor with the School of Business and Economics.

Michael Shepherd AO (Appointed 1 March 2014)

Lead Independent Non-Executive Director

Chairman of the Audit, Risk and Compliance Committee

Chairman of the Nomination and Remuneration Committee

SF Fin, MAICD

Age 73

Michael Shepherd has had a successful career in financial services over more than 40 years. He was a director of ASX Limited and group between 1988 and 2007, including a term as Vice-Chairman between 1993 and 2007. Michael was also Chairman of the ASX Derivatives Board and Chairman of the ASX Market Rules Committee.

Michael is currently Chairman of Navigator Global Investments Limited (a listed investment management company, commenced 16/12/2009) and a member of the Responsible Entity Compliance Committee of UBS Global Asset Management (Australia) Limited. He is also a Senior Fellow and Life Member, Financial Services Institute of Australasia, after being a director of that body between 2001 and 2009, including 2 years as National President.

Peter Ronald Hodge (Appointed 1 September 2015, appointed Managing Director 24 February 2016)

Managing Director

BCom, BEcon, MSc, FFin, GAICD

Age 52

Ron Hodge was the founder of InvestSMART in 1999. Mr Hodge later sold this business to Fairfax Media in October 2007 where he continued as General Manager. He has worked in financial services for over 25 years, including at UBS in Singapore and Bell Commodities in Sydney. Ron holds a Masters degree in Computer Science, Bachelors Degree in Commerce, Bachelors Degree in Economics, a Graduate Diploma in Applied Finance and Investments and is a Graduate of the Australian Institute of Company Directors.

Effie Zahos (Appointed 11 November 2020)

Independent Non-executive Director

BEcon
Age 53

Effie Zahos is one of Australia's leading personal finance commentators with more than two decades of experience helping Australians make the most of their money. A regular money expert on Channel 9's Today Show and on radio around Australia, Effie is also the author of *The Great \$20 Adventure*, *A Real Girl's Guide to Money* and *Ditch the Debt and Get Rich*.

Effie was editor of Money magazine until 2019, having helped establish it in 1999 and is now Editor-at-Large of Canstar. Passionate about financial literacy, Effie sits on the board of directors for Ecstra, a not-for-profit organisation committed to building the financial capability of all Australians.

Effie holds a Bachelor of Economics Degree from the University of Queensland.

Company Secretary

Catherine Teo was appointed Company Secretary and General Counsel on 12 February 2019. Catherine is a qualified lawyer, admitted in the Supreme Court of New South Wales and the High Court of Australia and has over ten years' experience as a corporate lawyer. Catherine resigned as Company Secretary on 25 February 2021 to commence maternity leave. Catherine was reappointed as company secretary on 31 January 2022.

Meetings of Directors

The number of Directors' Meetings (including Meetings of Committees of Directors) and number of Meetings attended by each of the Directors of the Company during the 2023 financial year were:

	Directors' Meetings		Meetings of Audit, Risk and Compliance Committee		Meetings of Nomination and Remuneration Committee		Meetings of Investment Committee	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
Paul Clitheroe	8	7	6	4	1	1	4	3
Ron Hodge	8	8	-	-	-	-	4	4
Michael Shepherd	8	8	6	6	1	1	-	-
Effie Zahos	8	8	6	6	-	-	4	4

Interests in the Securities of the Company

The relevant interests of each Director in the securities of the Company shown in the Register of Directors' Shareholdings as at the date of this report are:

Director	Ordinary Shares
Paul Clitheroe	5,000,000
Michael Shepherd	600,000
Peter Ronald Hodge	14,685,093
Effie Zahos	Nil

Directors are not required under the Company's constitution to hold any shares, options or any other securities in the Company.

Unitholdings in Funds

The number of units held during the year by each Director in funds for which InvestSMART Funds Management Ltd acts as Responsible Entity:

	Balance at 30 June 2022	Units acquired	Units disposed	Balance at 30 June 2023
Intelligent Investor Australian Equity Growth Fund				
Paul Clitheroe	42,389	7,120	-	49,509
Michael Shepherd	10,790	1,812	-	12,602
Ron Hodge	14,233	2,167	16,400	-
Intelligent Investor Australian Equity Income Fund				
Ron Hodge	17,293	2,088	19,381	-
Intelligent Investor Ethical Share Fund				
Ron Hodge	14,423	1,823	16,246	-
Intelligent Investor Select Value Share Fund				
Ron Hodge	-	20,000	-	20,000
Professionally Managed Accounts				
Paul Clitheroe	-	3	-	3
Ron Hodge	4	-	1	3
Eureka Asset-Backed Loan Fund				
Ron Hodge	540,000	-	250,000	290,000

Interests in Contracts or Proposed Contracts with the Company

Paul Clitheroe and Ron Hodge have received loans from the company as part of the Employee and Directors Share Plan (EDSP) as detailed below.

Parties related to Paul Clitheroe received three loans of \$6,000 each as Fundlater clients during the year. Ron Hodge and related parties held two Fundlater loans during the year. The Fundlater loans were issued by InvestSMART Financial Services Pty Ltd. The loans were sold to Eureka Asset-Backed Loan Fund, a Fund issued by InvestSMART Funds Management Limited.

Other than as noted above, none of the Directors have an interest in, or proposed interests in, contracts with the Group.

Remuneration Report (Audited)

The Group's remuneration policy is designed to offer a remuneration structure that aligns management incentives with the interests of shareholders and attracts and retains employees and Directors who have

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extensive experience in the financial services industry and are knowledgeable in investment management best practice. Remuneration is reviewed at least annually by the Nomination and Remuneration committee, which consists of non-executive directors.

All Directors must have a commitment to good corporate governance. The primary role of the non-executive Directors is the protection and enhancement of sustainable shareholder value through:

- (a) ensuring the control and accountability framework is in place so that all significant issues relating to the operation and performance of the Company and its subsidiary entities are brought to the attention of the Board;
- (b) monitoring governance policies, practices and systems to ensure they are effective and appropriate; and
- (c) monitoring risk policies, practices and systems to ensure they are effective and appropriate.

The Directors agree the remuneration each Director receives (other than any Managing Director or Director who is a salaried officer), subject to the sum determined by the Company in general meeting. No option or bonus plans are in place for Directors other than those listed below.

Under ASX Listing Rule 10.17, the maximum fees payable to Directors may not be increased without prior approval from the Company at a general meeting. Directors will seek approval from time to time as deemed appropriate.

The Directors will be entitled to receive the following benefits:

- (a) the maximum total remuneration of the Directors of the Company (excluding the Managing Director) has been approved by shareholders at \$400,000 per annum to be divided amongst them in such proportions as they agree. Directors are not required to allocate the entire amount.
- (b) Paul Clitheroe is eligible to participate in the EDSP and received 4,000,000 shares divided into three equal tranches and a corresponding limited recourse loan on 9 December 2020, as approved by shareholders at the Annual General Meeting on 11 November 2020. The EDSP shares replaced the 4,000,000 LTIP shares previously issued. Paul's shares have no performance conditions. The first tranche is issued at 15 cents and vested immediately. The second tranche is issued at 20 cents and vested on 30 November 2021. The third tranche is issued at 30 cents and vested on 30 November 2022. The loan relating to each tranche is repayable 5 years after each tranche vests.
- (c) Ronald Hodge, as Managing Director, is eligible to participate in the EDSP and received 4,566,665 shares divided into three equal tranches and a corresponding limited recourse loan on 9 December 2020, as approved by shareholders at the Annual General Meeting on 11 November 2020. The EDSP shares replaced the 4,566,665 LTIP and ESOP shares previously issued. Ron's shares have no performance conditions. The first tranche is issued at 15 cents and vested immediately. The second tranche is issued at 20 cents and vested on 30 November 2021. The third tranche is issued at 30 cents and vested on 30 November 2022. On 8 December 2021 Ron received 210,000 EDSP shares at a price 25c in lieu of cash as part of the Group's short-term incentive plan (STI) as approved by shareholders at the Annual General Meeting on 17 November 2021. The shares vested immediately. On 8 December 2022 Ron received 120,000 EDSP shares at a price 34c in lieu of cash as part of the Group's short-term incentive plan (STI) as approved by shareholders at the Annual General Meeting on 23 November 2022. The shares vested immediately. The loan relating to each tranche of shares is repayable 5 years after each tranche vests.

Key management personnel may receive fixed remuneration as cash, shares through the Group's EDSP and cash or shares through the Group's short-term incentive plan (STI). Fixed remuneration is reviewed at least annually. The Group aims to position executives and staff at or near the median for comparable roles in a similar industry. Consideration is also given to capability, experience, performance and other elements of remuneration.

All staff and executives are entitled to participate in the STI scheme as part of their total remuneration subject to Group and employee specific indicators. The Group performance indicator is budgeted revenue for the financial year. The total STI pool is determined by the Group's relative performance against budget. The total

value of the STI pool increases at a predetermined rate as outperformance against budget increases. Executives and employees receive an STI from this bonus pool where they achieve individual key performance indicators. The STI may be received in cash or shares, subject to restrictions of a cap on cash amount and availability of shares to be issued. The performance conditions were chosen to incorporate overall performance of the company against budget and individual qualitative and quantitative assessments.

The Group has linked performance with compensation in relation to the performance of the InvestSMART Group share price through the Group's Employee and Director Share Plan (EDSP), which is an equity-settled share-based payment to employees and Directors. On 9 December 2020 all shares issued under the company's previous equity-settled share-based payment plans, the Long-Term Incentive Plan (LTIP) and the Employee Share Ownership Plan (ESOP) were bought back and new shares issued under the new EDSP plan. The market price of InvestSMART Group on this date was 9.1 cents. The value of any benefits given to Directors or key management personnel (KMP) is detailed below.

The table below reflects results and measurements recommended by the Corporations Act for discussion of the relationship between company performance and remuneration.

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenue (\$)	10,265,663	9,702,468	8,680,504	10,613,052	11,987,384
Total comprehensive profit/(loss) (\$)	(974,565)	(740,176)	35,778	(1,335,658)	(1,770,852)
Share price (\$)	0.170	0.240	0.215	0.074	0.062
Dividends declared and paid (\$)	-	-	-	-	-
Shares bought back on market	-	-	377,823	-	-

The Group continues to focus on consistently growing revenue in funds management and subscriptions to add further shareholder value. The Group's Revenue declined from 2018 to 2021 and earnings have been negative in some years due to the nature of the business. Funds management commissions on new products were abolished in 2014 with existing commissions arrangements grandfathered. This meant that this revenue source would decline consistently. This revenue source was permanently banned from 1 January 2021. The table below shows the decline in commissions revenue and progress growing funds management and subscriptions revenue:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Funds management fees (\$)	3,311,250	2,690,468	1,456,246	900,213	764,953
Subscription revenue (\$)	5,375,493	5,278,786	4,883,208	4,350,653	4,235,400
Commissions on funds management and insurance (\$)	1,349,487	1,439,998	2,071,280	5,295,069	6,398,769

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The Directors' remuneration for the year ended 30 June 2023 is detailed in the following table:

Name of Director		Short-term benefits			Post-employment benefits	Long-term benefits	Share based payments^	Total
		Base remuneration	Cash bonus	Annual Leave*	Super-annuation	Long Service Leave*	Equity settled	
		\$	\$	\$	\$	\$	\$	\$
Paul Clitheroe	FY23	82,192	-	-	8,630	-	1,475	92,297
	FY22	82,192	-	-	8,219	-	19,670	110,081
Michael Shepherd	FY23	82,192	-	-	8,630	-	-	90,822
	FY22	82,192	-	-	8,219	-	-	90,411
Ron Hodge	FY23	272,727	-	(4,500)	28,636	4,543	19,361	320,767
	FY22	271,348	-	1,242	27,135	5,612	41,113	346,450
Effie Zahos	FY23	60,000	-	-	-	-	-	60,000
	FY22	60,000	-	-	-	-	-	60,000
TOTAL	FY23	497,111	-	(4,500)	45,896	4,543	20,836	563,886
	FY22	495,732	-	1,242	43,573	5,612	60,783	606,942

^ Share-based payments consists of apportioned expense under AASB 2 – Share-based payments for EDSP shares issued

* The movement in annual leave and long service leave entitlements accrued during the year

No Director of the Company has received or become entitled to receive a benefit, other than a remuneration benefit as disclosed in the notes to the financial statements, by reason of a contract made by the Company or a related entity with the Director or with a firm of which they are a member, or with a Company in which they have a substantial interest. Parties related to Paul Clitheroe received three loans of \$6,000 each as Fundlater clients during the year. Ron Hodge and related parties held two Fundlater loans during the year. The Fundlater loans were issued by InvestSMART Financial Services Pty Ltd. The loans were sold to Eureka Asset-Backed Loan Fund, a Fund issued by InvestSMART Funds Management Limited.

Key Management Personnel

Ron Hodge (Managing Director), Nigel Poole (Chief Technology Officer) and Alastair Davidson (Head of Funds Management) were considered to be Key Management Personnel (“KMP”) for the year ended 30 June 2023. All of the KMP are on ongoing contracts which require from the KMP 3 months’ written notice of intention to terminate employment. The Board may terminate the employment of a KMP with 6 months’ written notice, if without cause.

The remuneration of the key management personnel who were not Directors for the year to 30 June 2023 is shown below.

Name of KMP		Short-term benefits			Post-employment benefits	Long-term benefits	Share based payments^	Total
		Base remuneration	Cash bonus	Annual Leave*	Super-annuation	Long Service Leave*	Equity settled	
		\$	\$	\$	\$	\$	\$	\$
Nigel Poole	FY23	237,613	16,290	(432)	26,660	4,726	1,647	286,504
	FY22	229,429	15,455	165	24,488	5,723	21,964	297,224
Alastair Davidson	FY23	204,377	-	3,215	21,460	4,320	16,428	249,800
	FY22	210,095	-	(2,276)	21,009	4,065	37,068	269,961

^ Share-based payments consists of apportioned expense under AASB 2 – Share-based payments for EDSP shares issued

* The movement in annual leave and long service leave entitlements accrued during the year

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Shares held by Key Management Personnel and Directors

Security	Balance at 30 June 2021	Shares acquired during the year	Balance at 30 June 2022	Shares acquired during the year	Balance at 30 June 2023	Approval or issue date	Value at issue date	Estimated or actual vesting date	Vested balance at 30 June 2021	Shares vested during the year	Vested Balance at 30 June 2022	Shares vested during the year	Vested balance at 30 June 2023
Paul Clitheroe	5,000,000	-	5,000,000	-	5,000,000				1,333,333	1,333,333	2,666,666	1,333,334	4,000,000
Fully Paid Issued Capital	1,000,000	-	1,000,000	-	1,000,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EDSP 1	1,333,333	-	1,333,333	-	1,333,333	9/12/2020	0.019	9/12/2020	1,333,333	-	1,333,333	-	1,333,333
EDSP 2	1,333,333	-	1,333,333	-	1,333,333	9/12/2020	0.018	30/11/2021	-	1,333,333	1,333,333	-	1,333,333
EDSP 3	1,333,334	-	1,333,334	-	1,333,334	9/12/2020	0.014	30/11/2022	-	-	-	1,333,334	1,333,334
Michael Shepherd	600,000	-	600,000	-	600,000								
Fully Paid Issued Capital	600,000	-	600,000	-	600,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ron Hodge	13,998,669	416,424	14,415,093	270,000	14,685,093				1,522,221	1,732,221	3,254,442	1,642,223	4,896,665
Fully Paid Issued Capital	9,432,004	206,424	9,638,428	150,000	9,788,428	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EDSP 1	1,522,221	-	1,522,221	-	1,522,221	9/12/2020	0.019	9/12/2020	1,522,221	-	1,522,221	-	1,522,221
EDSP 2	1,522,221	-	1,522,221	-	1,522,221	9/12/2020	0.018	30/11/2021	-	1,522,221	1,522,221	-	1,522,221
EDSP 3	1,522,223	-	1,522,223	-	1,522,223	9/12/2020	0.014	30/11/2022	-	-	-	1,522,223	1,522,223
EDSP 4	-	210,000	210,000	-	210,000	8/12/2021	0.089	8/12/2021	n/a	210,000	210,000	-	210,000
EDSP 5	-	-	-	120,000	120,000	8/12/2022	0.147	8/12/2022	n/a	n/a	n/a	120,000	120,000
Nigel Poole	4,466,666	-	4,466,666	-	4,466,666				1,488,888	-	2,977,777	1,488,889	4,466,666
EDSP 1	1,488,888	-	1,488,888	-	1,488,888	9/12/2020	0.019	9/12/2020	1,488,888	-	1,488,888	-	1,488,888
EDSP 2	1,488,889	-	1,488,889	-	1,488,889	9/12/2020	0.018	30/11/2021	-	1,488,889	1,488,889	-	1,488,889
EDSP 3	1,488,889	-	1,488,889	-	1,488,889	9/12/2020	0.014	30/11/2022	-	-	-	1,488,889	1,488,889
Alastair Davidson	5,622,604	170,000	5,792,604	120,000	5,912,604				1,488,888	1,658,889	3,147,777	1,608,889	4,756,666
Fully Paid Issued Capital	1,155,938	-	1,155,938	-	1,155,938	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EDSP 1	1,488,888	-	1,488,888	-	1,488,888	9/12/2020	0.019	9/12/2020	1,488,888	-	1,488,888	-	1,488,888
EDSP 2	1,488,889	-	1,488,889	-	1,488,889	9/12/2020	0.018	30/11/2021	-	1,488,889	1,488,889	-	1,488,889
EDSP 3	1,488,889	-	1,488,889	-	1,488,889	9/12/2020	0.014	30/11/2022	-	-	-	1,488,889	1,488,889
EDSP 4	-	170,000	170,000	-	170,000	1/09/2021	0.089	1/09/2021	n/a	170,000	170,000	-	170,000
EDSP 5	-	-	-	120,000	120,000	21/09/2022	0.123	21/09/2022	n/a	n/a	n/a	120,000	120,000

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EDSP 1, 2 and 3 shares were approved by shareholders at the Annual General Meeting on 11 November 2020. Maturity dates are 30 November 2025 for EDSP 1, 30 November 2026 for EDSP 2 and 30 November 2027 for EDSP 3. Issue prices are 15c (EDSP 1), 25c (EDSP 2) and 30c (EDSP 3). EDSP 4 shares were issued in lieu of cash bonus in 2021, vest immediately and have an issue price of 25c. EDSP 5 shares were issued in lieu of cash bonus in 2022, vest immediately and have an issue price of 34c. Maturity dates are 5 years post issuance. Ron Hodge's EDSP 4 shares were approved at the Annual General Meeting on 17 November 2021. Ron Hodge's EDSP 5 shares were approved at the Annual General Meeting on 23 November 2022.

The EDSP shares have no performance conditions in order to vest. The directors believed that the issue prices for the EDSP shares better aligned the interests of Paul Clitheroe and key management personnel with the shareholders.

The EDSP shares issued are dependent on the relevant director or employee not resigning or being dismissed for cause before each tranche vests.

Key management personnel transactions concerning dividends and ordinary shares are on the same terms and conditions applicable to ordinary shareholders.

This concludes the Remuneration Report which has been audited.

Insurance of Directors

During the financial year, the Company has given indemnity and paid insurance premiums to insure Directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Directors or officers of the Company or subsidiaries, other than conduct involving a wilful breach of duty in relation to the Company or subsidiaries. Details of the nature of the liabilities covered and the amount of premiums paid have not been disclosed as disclosure is prohibited under the terms of the contract.

Indemnification of auditors

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an auditor of the company or of any related body corporate against a liability incurred as such auditor.

Non-Audit Services

A network firm, BDO Services Pty Ltd, received \$29,481 for non-audit services (taxation services). The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. No other non-audit services have been provided by the auditor or by another person on the auditor's behalf during the year. This statement has been made in accordance with advice provided by the Company's audit committee and has been endorsed by a resolution of that committee.

Proceedings on behalf of the Group

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2023 has been received and can be found on page 19.

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The annual directors' report is signed in accordance with a resolution of the Directors.



Paul Clitheroe
Chairman
Dated this 16th day of August 2023 at Sydney

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DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF INVESTSMART GROUP LIMITED

As lead auditor of InvestSMART Group Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of InvestSMART Group Limited and the entities it controlled during the year.



Tim Aman
Director

BDO Audit Pty Ltd
Sydney
16 August 2023

Consolidated Statement of Comprehensive Income

	Notes	2023 \$	2022 \$
Management fees – funds		3,150,693	2,690,468
Performance fees – funds		160,557	-
Subscription income		5,375,493	5,278,786
Commission income – insurance		1,349,487	1,439,998
Other income	3	229,433	293,216
Total Income		10,265,663	9,702,468
Net loss/(gain) on financial instruments at fair value through profit and loss	4	(356)	142,102
Accounting and administrative costs		657,777	568,828
Audit fees	23	174,994	147,985
Business insurance		322,240	292,912
Commission rebates		395,632	452,369
Directors' fees		241,644	240,823
Employee costs		5,974,705	5,243,470
Legal and statutory expenses		90,331	93,949
Marketing and advertising		1,175,723	1,004,236
Other expenses		440,297	421,370
Software and website costs		1,036,516	928,475
Depreciation and amortisation		802,466	815,823
Employee benefit expense	16	96,580	214,625
Total expenses		11,408,549	10,566,967
Profit/(loss) before income tax		(1,142,886)	(864,499)
Income tax benefit	7	168,321	124,323
Profit/(loss) for the year		(974,565)	(740,176)
Other comprehensive income, net of income tax		-	-
Total comprehensive profit/(loss) for the year		(974,565)	(740,176)
Basic earnings/(loss) per share (cents per share)	20	(0.88)	(0.67)
Diluted earnings/(loss) per share (cents per share)	20	(0.88)	(0.67)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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Consolidated Statement of Financial Position

		2023	2022
	Notes	\$	\$
ASSETS			
Cash and cash equivalents	19	7,812,215	8,080,119
Trade and other receivables	8	827,546	590,241
Prepayments and deposits		215,664	256,365
Financial assets at fair value through profit and loss	5	39,255	8,899
Loans receivable	6	41,600	6,210
Fixed assets, including software	12	92,703	90,253
Right of use asset	9	595,633	797,289
Deferred tax asset	7	410,814	435,579
Intangibles	11	802,181	1,372,868
Total assets		10,837,611	11,637,823
LIABILITIES			
Trade and other payables	13	806,504	723,415
Subscriptions received in advance		2,788,805	2,470,118
Trail commissions to rebate		241,988	283,395
Provisions	14	801,522	723,132
Lease liability	9	639,822	828,722
Deferred tax liability	7	349,453	542,539
Total liabilities		5,628,094	5,571,321
Net assets		5,209,517	6,066,502
EQUITY			
Issued capital	17	58,562,495	58,541,495
Employee Benefit reserve	16	2,331,174	2,234,594
Retained losses		(55,684,152)	(54,709,587)
Total equity		5,209,517	6,066,502

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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Consolidated Statement of Changes in Equity

	Notes	Issued Capital \$	Retained losses \$	Employee Benefit Reserve \$	Total Equity \$
Balance at 30 June 2021		58,495,245	(53,969,411)	2,019,969	6,545,803
Comprehensive loss for the year		-	(740,176)	-	(740,176)
Employee benefit share reserve	16	-	-	214,625	214,625
Payment of Employee Share Plan Loans		46,250	-	-	46,250
Balance at 30 June 2022		<u>58,541,495</u>	<u>(54,709,587)</u>	<u>2,234,594</u>	<u>6,066,502</u>
Comprehensive loss for the year		-	(974,565)	-	(974,565)
Employee benefit share reserve	16	-	-	96,580	96,580
Payment of Employee Share Plan Loans		21,000	-	-	21,000
Balance at 30 June 2023		<u>58,562,495</u>	<u>(55,684,152)</u>	<u>2,331,174</u>	<u>5,209,517</u>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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Consolidated Statement of Cash Flows

		2023	2022
Cash flows from operating activities	Notes	\$	\$
Receipts from customers		10,133,643	8,040,797
Payments to suppliers and employees		(10,349,086)	(9,552,198)
Interest received		144,989	1,831
Government grants and tax incentives		68,411	101,832
Net cash used in operating activities	19(a)	<u>(2,043)</u>	<u>(1,407,738)</u>
Cash flows from investing activities			
Sale of subsidiary		-	3,200,000
Purchase of investments		(30,000)	(10,000)
Issue of fundlater loans		(908,500)	(1,216,695)
Receipts from repayments of fundlater loans		150,761	389,721
Sale of fundlater loans		722,350	820,764
Purchase of fixed assets		(32,519)	(30,550)
Net cash (used in)/provided by investing activities		<u>(97,908)</u>	<u>3,153,240</u>
Cash flows from financing activities			
Principal payments for leases		(188,953)	(194,800)
Proceeds from employee share plan loans		21,000	46,250
Net cash used in financing activities		<u>(167,953)</u>	<u>(148,550)</u>
Net increase in cash and cash equivalents		(267,904)	1,596,952
Cash and cash equivalents at beginning of the year		8,080,119	6,483,167
Cash and cash equivalents at the end of the year	19(b)	<u>7,812,215</u>	<u>8,080,119</u>

The above Consolidated Statement of Cash flows should be read in conjunction with the accompanying notes.

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Notes to the Consolidated Financial Statements

1. Reporting Entity

InvestSMART Group Limited (the “*Company*”) is domiciled in Australia and is the parent entity of the group which includes the entities listed in Note 10 (the “*Group*”) and is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements of the Group are presented for the year ended 30 June 2023. The Group is primarily involved in operating businesses delivering financial services to retail investors in Australia, primarily in wealth and funds management.

2. Summary of significant accounting policies

Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial report has been prepared on an accruals basis, and is based on historical cost, with the exception of the valuation of financial assets as described below.

The financial statements were authorised for issue by the Directors on the date the Directors’ declaration was signed. The directors and shareholders have the power to amend these financial statements after issue.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Adoption of New and Revised Accounting Standards

The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period. The adoption of these did not have a material impact on the financial statements of the Group. Any other new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on liquidity and not on a current versus non-current classification. The expected period of recovery or settlement of amounts are disclosed in the relevant notes.

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Revenue Recognition

Revenue from contracts with customers

Under *AASB 15 Revenue from Contracts with Customers* an entity recognises revenue by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group derives revenue from retail customers in Australia. Contract duration is long-term except for subscription revenue which is typically between one month and one year.

The Group has a performance obligation to service customers who have purchased subscriptions in advance and recognises revenue when that subscription service has been delivered. Where a transfer of services has not occurred a contract liability is recognised for subscriptions in advance.

Commission income is derived from trailing commissions on funds management and insurance products under a contract to distribute products to the InvestSMART client base. Commissions are recognised when the Group has satisfied its performance obligations, which occurs when control of the goods or services are transferred to the customer. When the performance obligation has been satisfied, the Group will recognise as revenue the amount of the transaction price that is allocated to the performance obligation after excluding any estimates of variable consideration that are constrained.

Management fees – funds are recognised based on net assets under management at the end of each day. Revenue is recognised as the performance obligation is satisfied. Performance fees - funds are recognised when the right to receive payment has been established. The Group's entitlement to a performance fee is dependent on outperformance over the S&P ASX 200 Accumulation Index and the RBA cash rate over each 12-month period ending 30 June subject to a high-water mark. The high-water mark is the net asset value per Unit at the end of the most recent Calculation Period where there was an entitlement to a performance fee, less any intervening income or capital distribution.

Management and performance fees are variable consideration and are not recognised unless the Group assesses it is probable that a significant reversal in the cumulative amount of revenue will not occur. The performance fee measurement period is the year ending 30 June each year.

Investment and interest revenue

Fundlater fees are recognised in the Consolidated Statement of Comprehensive Income using the effective interest method. Fundlater clients are provided with a non-recourse loan repayable over a fixed period at fixed rate instalments. An effective interest method adjustment is calculated to recognise fees from the date a Fundlater loan is granted to the final instalment at the rate that discounts estimated future cash receipts.

Realised and unrealised gains on investments measured at fair value through profit and loss are recognised in the Statement of Comprehensive Income. Realised gains and losses are calculated as the difference between the consideration received and the fair value at the previous period end.

Dividends and distributions are recognised on the applicable ex-dividend date.

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Interest income is recognised as it accrues.

Other income

Other income is recognised when it is received or the right to receive payment is established. Government grants are recognised once all conditions of the grant have been met.

Investments at Fair Value

The Group's investments are all measured at fair value in accordance with AASB 13: Fair Value Measurement.

The fair values of the Group's listed investments are determined from the amount quoted on the primary exchange of the country of domicile. If a listed investment is measured at fair value and has a bid price and an ask price, fair value is based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread.

The fair value of the Group's unlisted ventures investments is determined primarily using the price at which any recent transaction in the security may have been effected, adjusted for the Directors' view as to the likely success of the business model and discounted for the likelihood of a liquidity event occurring in the next 3 years. Valuation principles are in line with International Private Equity and Venture Capital Valuation (IPEV) Guidelines.

A derivative is a financial contract whose value depends on, or is derived from, underlying assets, liabilities or indices. Derivative transactions include a wide assortment of instruments, such as forwards, futures, options and swaps. The fair value of derivatives that are not exchange traded is estimated based on most recent transactions. Where no recent transactions are available fair value is determined by applying a binomial option pricing model, which takes into account current market conditions (volatility and interest rates).

Changes in the fair value of investments are recognised in the Statement of Comprehensive Income. Transaction costs directly attributable to the acquisition of the investments are expensed in the Statement of Comprehensive Income as incurred.

Loans receivable

Loans receivable consist of Fundlater loans. Fundlater clients are provided with a non-recourse loan repayable over a fixed period at fixed rate instalments consisting of principal and facility fee payments. At initial recognition loans are measured at fair value which is the transaction price.

Subsequently loans are measured at fair value through other comprehensive income (FVOCI) where loans are held within a business model whose objective is achieved by both collecting contractual flows and selling the assets. Loans are subsequently measured at amortised cost where loans are held solely to collect contractual cash flows of principal and facility fees. An effective interest method adjustment is calculated to recognise loans receivable at the rate that discounts estimated future cash receipts. Where loans receivable are reclassified from amortised cost to FVOCI any gain or loss arising from a difference between amortised cost and fair value is recognised in other comprehensive income.

Loss allowances under amortised cost and FVOCI are determined using an allowance for expected credit losses (refer to the accounting policy for impairment of financial assets).

Fundlater fees are recognised in the Consolidated Statement of Comprehensive Income using the effective interest method under the FVOCI and amortised costs methods.

When loans receivable at FVOCI are derecognised the cumulative gain or loss recognised in other comprehensive income is reclassified to Other Income in the Statement of Comprehensive Income. Loans

receivable are derecognised only when the Group assess that it has transferred the contractual rights to receive cash flows for the asset and substantially all the risks and rewards of ownership of the loan have been transferred.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2023 and the results of all subsidiaries for the period from 1 July 2022 to 30 June 2023. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights and excludes those subsidiaries determined by the Directors to be investments held for resale. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, or when they are established.

Associates

An associate is an entity over which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Investments in associates are accounted for using the equity method of accounting. The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Dividends or distributions received or receivable from an associate reduce the carrying value of the investment. Where an associate was previously a controlled entity of the Group, the deemed cost for applying the equity method is the fair value on the date that the Group ceased to have a controlling interest.

Intercompany transactions and balances

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. 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.

Where there is a change in ownership interest, there will be an adjustment between the carrying amounts of the controlling and "non-controlling" interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners of the Company.

When a Company acquires control through a change in investment policy, the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. Any amounts above net tangible assets are held as goodwill or intangibles at that point.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate,

jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Business combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the fair value consideration transferred, measured at acquisition date and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's Cash-Generating Units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The Group has determined that it operates as one Cash Generating Unit for the purposes of testing goodwill impairment.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the consolidated statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Impairment of financial assets

The Group assesses at each reporting date an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to

receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Under the general approach for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Trade receivables consist of commissions, funds management fees receivable and subscription fees due from merchants which are generally received in the month following recognition.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Share-based Payments to Employees and Directors

Employees (including executive directors) of the Group may receive remuneration in the form of share-based payments, where employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. The cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in the employee benefits reserve.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. This cost is reversed in the event that an employee forfeits any share-based payment, when leaving the Group or other circumstances.

The expense in the consolidated statement of comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Income Tax

The Group has formed a tax consolidated group and has executed tax-sharing agreements with each controlled entity. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Group also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from

controlled entities in the tax consolidated group. The income tax expense (revenue) for the year comprises current income tax expense and deferred tax expense or benefit.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit and loss. No deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised only to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective assets and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with bank and term deposits which are convertible to a known amount of cash within 3 months and subject to insignificant risk of changes in value.

Long service and Annual leave provisions

The Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave and annual leave measured as 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.

Expenses

The Group records all expenses on an accruals basis. This includes accounting, audit, legal and administrative fees, management fees, employee costs, marketing and advertising costs, director's fees, travel and accommodation expense, rent expenses, commission rebates, other expenses, market data costs, software and website costs.

Property, Plant and Equipment

All property, plant and equipment is carried at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to

profit or loss during the reporting period in which they are incurred. Depreciation on assets is calculated using the straight-line method to allocate their cost, net of residual value, over the estimated useful lives as follows:

Computer and office equipment	2-4 years
Network and production equipment	3-4 years
Leasehold improvements	shorter of the expected fitout life or lease term (approximately 3-5 years)

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Earnings/loss per share

Basic earnings/loss per share is calculated by dividing profit/(loss) attributable to members of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for any bonus element. Diluted earnings/(loss) per share is calculated by dividing profit attributable to members of the Company by the total number of ordinary shares that would be outstanding if all the EDSP shares had vested.

Share 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.

Functional and presentation currency

The functional and presentation currency of the Group is Australian dollars.

Leases

At the commencement of a contract, the Group assesses whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For identified leases the Group recognises a right-of-use asset and a lease liability at the lease commencement date. No assets or liabilities are recognised if the lease is short term (less than 12 months) or of low value.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments) and includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease. Interest expense on the lease liability and depreciation expense (using the straight-line method) on the right-of-use asset is recognised in the statement of profit or loss.

Comparatives

Where necessary, comparative information has been reclassified to be consistent with the current reporting period.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group has not recognised deferred tax assets relating to carried forward realised capital and revenue losses on the basis that it does not expect to derive sufficient future capital gains to utilise the current losses within a 3 to 5-year time period. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 4.8%. Refer to Note 9 for further information. Fund distribution contracts were acquired as intangible assets under a business

combination on 1 January 2015. Whilst they have no expiry date, it is expected that customers on which the distribution fees are earned will leave over 6 - 10 years.

Subscriber lists were acquired as intangible assets on acquisition of The Constant Investor in December 2018. Amortisation rates are based on the Group's historical experience and are amortised on a straight-line basis. The Constant Investor subscriber lists are assumed to have a 5-year life.

3. Other income

	2023	2022
	\$	\$
Gain on sale of subsidiary	-	155,299
Government grants	68,411	101,832
Education - Bootcamp	11,713	17,659
Fundlater Fees	4,320	16,595
Interest	144,989	1,831
	<u>229,433</u>	<u>293,216</u>

Government grants consists of research and development incentives.

4. Change in fair value of financial assets at fair value through profit and loss

	2023	2022
	\$	\$
Net unrealised gain/(loss) on investments	356	(1,102)
Net realised loss on investments	-	(141,000)
	<u>356</u>	<u>(142,102)</u>

Net realised loss on investments in 2022 is due to the expiry of a call option over The Term Deposit Shop.

5. Financial assets held at fair value

	2023	2022
	\$	\$
Investments in Professionally Managed Accounts	<u>39,255</u>	<u>8,899</u>

Further information on the fair value determination and the risk exposures of financial assets held at fair value is provided in Note 15.

6. Loans receivable

	2023	2022
	\$	\$
Loans receivable	<u>41,600</u>	<u>6,210</u>

Loans receivable consists of Fundlater loans. Subject to a minimum investment of \$4,000 a client will receive a non-recourse loan of up to \$6,000 to fund a new Professionally Managed Account (minimum investment is \$10,000). Professionally Managed Accounts is a scheme issued by InvestSMART Funds Management Ltd. A \$6,000 loan is repayable over 20 equal monthly instalments of \$325 each. The \$325 payments are split into \$300 for principal repayment and \$25 for the administration fee.

Loans receivable are measured at fair value through other comprehensive income (FVOCI) at 30 June 2023 as the loans are held to collect contractual flows and sell the assets. The Eureka Asset-Backed Loan Fund (EABL) purchases loans from the Group on a regular basis. EABL is issued by InvestSMART Funds Management Limited. The fair value of the loans which were sold to EABL that the Group has derecognised and has continuing involvement in is \$442,975 at 30 June 2023.

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The Group may be required to repurchase Fundlater loans where they are delinquent within one month of sale to EABL. The fair value at 30 June 2023 of loans that were sold within one month of 30 June 2023 is \$53,279. This amount represents the Group's maximum exposure to loss from its continuing involvement in derecognised loans and the undiscounted cash flows that would be required to repurchase the loans. The amount was determined by summing all loans that were sold within one month of 30 June 2023. The maturity of the undiscounted cash flows that would be required to repurchase the derecognised loans is less than 1 month from 30 June 2023.

The greatest amount of transfers of loans that took place during the reporting period is loans with a fair value of \$138,375 transferred in October 2022. The proceeds from transfers during October 2022 was \$138,375.

The Group assesses at each reporting date an allowance for expected credit losses (ECLs). The allowance for ECLs at origination and at 30 June 2023 is assessed as zero. The equity within client's accounts (the \$4,000 deposit and subsequent principal repayments) is considered adequate to cover outstanding payments if a client closes their account. Based on a range of possible outcomes the probability that a clients account will be closed with insufficient equity to cover outstanding repayments is remote.

The \$25 administration fee is recognised in the Consolidated Statement of Profit and Loss under Other Income and within Other Income as Fundlater Fees (Refer Note 3). The \$25 administration fee is adjusted for the requirements of AASB 9 to be recognised under the effective interest method.

7. Income tax

(a) Income tax benefit recognised in the Statement of Comprehensive Income

	2023	2022
The components of income tax benefit:	\$	\$
Current income tax expense	-	-
Deferred tax income relating to the origination and reversal of temporary differences	168,321	124,323
Total income tax benefit	<u>168,321</u>	<u>124,323</u>

(b) Income tax benefit

A reconciliation of income tax benefit applicable to accounting profit before income tax at the statutory income tax rate to income tax benefit at the entity's effective income tax rate for the years ended 30 June 2023 and 30 June 2022 is as follows:

	2023	2022
	\$	\$
Prima facie income tax benefit calculated at 25% on operating loss	285,722	216,125
Add/(Less) tax effect of:		
Expenditure not deductible in current year	(50,005)	(127,965)
Recognition of previously unused tax losses	-	18,312
Income not taxable	17,103	25,458
Losses carried forward not recognised	(83,701)	-
Adjustments for prior years	(798)	(7,607)
Income tax benefit	<u>168,321</u>	<u>124,323</u>

(c) Deferred tax assets and liabilities**Deferred tax assets**

The deferred tax asset balance comprises temporary differences recognised as follows:

	2023	2022
	\$	\$
Accruals and provisions not deductible in this period	247,098	221,711
Lease liability	159,956	207,181
Deductible capital expenditure	3,760	2,304
Tax losses carried forward	-	4,384
Closing balance	<u>410,814</u>	<u>435,579</u>
Movements in deferred tax assets		
Opening balance	435,579	323,206
Benefit/(charge) in the income statement	<u>(24,765)</u>	<u>112,373</u>
	<u>410,814</u>	<u>435,579</u>

Deferred tax liabilities

The deferred tax liability balance comprises temporary differences recognised as follows:

	2023	2022
	\$	\$
Future tax expense for intangibles acquired	200,545	343,217
Right-of-use assets	<u>148,908</u>	<u>199,322</u>
	<u>349,453</u>	<u>542,539</u>
Movements in deferred tax liabilities		
Opening balance	542,539	554,489
Benefit in the income statement	<u>(193,086)</u>	<u>(11,950)</u>
	<u>349,453</u>	<u>542,539</u>

A tax rate of 25% was applied for the year ending 30 June 2023 (2022: 25%) as the Group is classified as a small business for tax purposes. The Group expects to continue to be classified as a small business for tax purposes.

The Group has not recognised deferred tax assets relating to carried forward tax losses as it is not considered probable that future taxable profit will be available against which the unused tax losses can be utilised. The potential deferred tax asset that could be realised at 30 June 2023 is \$4,030,124 (2022: \$3,916,208), of which \$3,921,685 is realised capital losses (2022: \$3,916,208).

8. Trade and other receivables

	2023	2022
	\$	\$
Trade receivables	762,076	548,798
GST receivable	<u>65,470</u>	<u>41,443</u>
	<u>827,546</u>	<u>590,241</u>

9. Leases

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 4.8%. Leases recognised as right-of-use assets and lease liabilities consist of office premises.

The total cash outflow for lease payments for the year ended 30 June 2023 is \$224,052 (2022: \$222,833). The interest expense on lease liabilities for the year ended 30 June 2023 is \$35,152 (2022: \$28,707).

Right-of-use assets	2023	2022
	\$	\$
Balance at the beginning of the year	797,289	274,398
Additions	-	738,504
Depreciation charge	201,656	215,613
Balance at the end of the year	<u>595,633</u>	<u>797,289</u>
Number of right-of-use assets leased	2	2
Range of remaining term	0.9-3.7 years	1.9-4.7 years
Average remaining lease term	2.3 years	3.3 years
Number of leases with extension options	1	1
Number of short-term leases	Nil	Nil
Expense for short-term leases	\$Nil	\$Nil

Lease liabilities

Maturity analysis of lease liability	2023	2022
	\$	\$
Up to 12 months	189,820	189,914
Between 1 and 5 years	450,002	638,808
Total	<u>639,822</u>	<u>828,722</u>

10. Controlled entities and investments in associates

(a) Controlled entities

The company exercised control over the below entities during the period:

	% owned at	
	30-Jun-23	30-Jun-22
Intelligent Investor Holdings Pty Ltd	100%	100%
The Intelligent Investor Distribution Pty Ltd	100%	100%
InvestSMART Financial Services Pty Ltd	100%	100%
InvestSMART Funds Management Ltd	100%	100%
InvestSMART Advice Pty Ltd	100%	100%
Yourshare Financial Services Pty Ltd	100%	100%
InvestSMART Insurance Pty Ltd	100%	100%
van Eyck Group Holdings Pty Ltd	100%	100%
Eureka Report Pty Ltd	100%	100%
Kohler and Company Pty Ltd	100%	100%

(b) Investments in associates

InvestSMART Funds Management Ltd is the Responsible Entity and issuer of Professionally Managed Accounts and is deemed to have significant influence over the financial and operating policy decisions of the fund. The fund is domiciled and has its principal place of business in Australia. The Group's ownership in the fund was classified as an investment in associate and accounted for using the equity method. The Group held 1 unit in the fund during the year and has a unitholding of 0.04% of Professionally Managed Accounts at 30 June 2023 (2022: 1 unit, 0.04%).

Summarised financial information for all associates:

	2023	2022
	\$	\$
Aggregate carrying amount	1	1
Aggregate profit/(loss) from continuing operations	-	-
Aggregate total comprehensive income	-	-

11. Intangible Assets

	Fund distribution contracts	Subscriber lists	Total
	\$	\$	\$
Balance at 30 June 2021	1,823,429	120,127	1,943,556
Amortisation	520,980	49,708	570,688
Balance at 30 June 2022	1,302,449	70,419	1,372,868
Amortisation	520,980	49,707	570,687
Balance at 30 June 2023	781,469	20,712	802,181

Fund distribution contracts were acquired as intangible assets under a business combination on 1 January 2015. Whilst they have no expiry date, it is expected that customers on which the distribution fees are earned will leave over 6 - 10 years.

Subscriber lists were acquired as intangible assets on acquisition of The Constant Investor in December 2018. Amortisation rates are based on the Group's historical experience and are amortised on a straight-line basis. The Constant Investor subscriber lists are assumed to have a 5-year life.

12. Fixed assets including software

	Plant and equipment	Software	Total
	\$	\$	\$
Cost at 30 June 2021	305,282	115,235	420,517
Additions	34,404	-	34,404
Disposals	5,590	-	5,590
Cost at 30 June 2022	334,096	115,235	449,331
Additions	32,519	-	32,519
Cost at 30 June 2023	366,615	115,235	481,850
Accumulated depreciation at 30 June 2021	213,007	115,235	328,242
Depreciation charge for the period	33,757	-	33,757
Disposals	2,921	-	2,921
Accumulated depreciation at 30 June 2022	243,843	115,235	359,078
Depreciation charge for the period	30,069	-	30,069
Accumulated depreciation at 30 June 2023	273,912	115,235	389,147
Net book value at 30 June 2022	90,253	-	90,253
Net book value at 30 June 2023	92,703	-	92,703

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13. Trade and other payables

	2023	2022
	\$	\$
Trade payables and accruals	510,406	486,841
PAYG and superannuation	44,370	35,320
GST	251,728	201,254
	<u>806,504</u>	<u>723,415</u>

Trade payables are non-interest bearing and unsecured. Payment duration is disclosed in Note 15.

14. Provisions

	2023	2022
	\$	\$
Annual leave	253,548	226,655
Long service leave	386,951	316,706
Short-term incentive plan	126,220	143,637
Other	34,804	36,133
	<u>801,522</u>	<u>723,132</u>

15. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable.

AASB 7 Financial Instruments: Disclosures identifies three types of risk associated with financial instruments (i.e. the Group's investments, receivables and payables).

(i) Credit risk

AASB 7 defines this as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. 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. There are no other material amounts of collateral held as security at 30 June 2023.

Receivables are non-interest bearing and unsecured and will be received within 3 months. The credit risk exposure of the Group in relation to receivables is the carrying amount. The credit risk exposure of the Group in relation to cash is the carrying amount and any accrued unpaid interest. Cash investments are held with a number of banks all of which are rated AA- by Standard and Poor's. None of these assets are over-due or considered to be impaired.

(ii) Liquidity risk

AASB 7 defines this as the risk that an entity will encounter difficulty in meeting obligations associated with liabilities. Senior management monitors the Group's cash-flow requirements daily taking into account upcoming dividends, tax payments and investment activity.

The Group's inward cash-flows depend upon the level of trail commission, subscription revenue and funds management fees received. If these decrease by a material amount, the Group will amend its outward cash-flows accordingly. As the Group's major cash outflows are the cost of employees and rebates of trail commissions, the level of both of these is managed by the Board and senior management. The tangible assets of the Group are largely in the form of cash and short-term receivables.

The table below analyses the Group's non-derivative liabilities in relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the year-end date. The amounts in the table below are contractual undiscounted cash flows, except for subscriptions in advance which represent the undiscounted value of subscription services to be delivered.

	On- demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
At 30 June 2023:	\$	\$	\$	\$	\$
Undiscounted cash flows					
Trade and other payables	-	704,668	94,365	23,527	822,560
Trail commissions due to customers	-	86,733	155,255	-	241,988
Lease liabilities	-	57,300	168,709	483,184	709,193
	<u>-</u>	<u>848,701</u>	<u>418,329</u>	<u>506,711</u>	<u>1,773,741</u>
Undiscounted services to be delivered					
Subscriptions received in advance	-	1,027,079	1,656,243	105,483	2,788,805
	<u>-</u>	<u>1,027,079</u>	<u>1,656,243</u>	<u>105,483</u>	<u>2,788,805</u>
At 30 June 2022:					
Undiscounted cash flows					
Trade and other payables	-	622,576	87,312	13,527	723,415
Trail commissions due to customers	-	74,594	208,801	-	283,395
Lease liabilities	-	55,462	168,568	697,788	921,818
	<u>-</u>	<u>752,632</u>	<u>464,681</u>	<u>711,315</u>	<u>1,928,628</u>
Undiscounted services to be delivered					
Subscriptions received in advance	-	1,029,357	1,436,895	3,866	2,470,118
	<u>-</u>	<u>1,029,357</u>	<u>1,436,895</u>	<u>3,866</u>	<u>2,470,118</u>

(iii) Market risk

AASB 7 defines market risk as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Movements in the ASX All Ords have been used to calculate a "reasonably possible" change in market prices as the data is readily observable.

A general fall in market prices of 7.5 per cent and 15 per cent would lead to a reduction in the Group's equity and increase the reported loss by \$2,944 and \$5,888 respectively (2022: \$890 and \$1,780 respectively). The sensitivity analysis assumes all investments have a delta of 1 and are spread evenly across all investments.

The Group is not directly exposed to currency risk as all its operations are conducted in Australian dollars. The Group is engaged in activities conducted solely in Australia.

Interest rate risk

The Group's cash balances and term deposits expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Sensitivity analysis - interest rate risk

An increase of 75 basis points in interest rates at year end would have increased the Group's profit by \$57,670 (2022: \$38,427). A decrease of 75 basis points would have an equal but opposite effect.

At 30 June 2023, the Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and liability is set out in the table below:

	Weighted average interest rate (% pa)	Floating interest rate \$	Non- interest bearing \$	Total \$
Financial assets				
Cash assets	3.0%	6,332,656	1,479,559	7,812,215
Trade and other receivables		-	827,546	827,546
Prepayments and deposits		-	215,664	215,664
Loans receivable		-	41,600	41,600
Financial assets at fair value through profit and loss		-	39,255	39,255
		<u>6,332,656</u>	<u>2,603,624</u>	<u>8,936,280</u>
Financial liabilities				
Trade and other payables		-	806,504	806,504
Trail commissions due to customers		-	241,988	241,988
Lease liabilities		-	639,822	639,822
		<u>-</u>	<u>1,688,314</u>	<u>1,688,314</u>

At 30 June 2022, the Group's exposure to interest rate risk and the effective weighted average interest rate for each class of asset and liability is set out in the table below:

	Weighted average interest rate (% pa)	Floating interest rate \$	Non- interest bearing \$	Total \$
Financial assets				
Cash assets	0.0	6,666,979	1,413,139	8,080,119
Trade and other receivables		-	590,241	590,241
Prepayments and deposits		-	256,365	256,365
Loans receivable		-	6,210	6,210
Financial assets at fair value through profit and loss		-	8,899	8,899
		<u>6,666,979</u>	<u>2,218,819</u>	<u>8,941,834</u>
Financial liabilities				
Trade and other payables		-	723,415	723,415
Trail commissions due to customers		-	283,395	283,395
Lease liabilities		-	828,722	828,722
		<u>-</u>	<u>1,835,532</u>	<u>1,835,532</u>

Fair value hierarchy

AASB 13 requires the Group to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Directors. The Directors consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Group's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2023. Financial assets are separated between those classified as Fair Value through Profit and Loss (FVTPL) and those classified as Fair Value through Other Comprehensive Income according to AASB 9.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
At 30 June 2023				
Financial assets held at FVTPL				
Investment in Professionally Managed Account	39,255	-	-	39,255
Financial assets held at FVOCI				
Loans receivable	-	41,600	-	41,600
At 30 June 2022				
Financial assets held at FVTPL				
Investment in Professionally Managed Account	8,899	-	-	8,899
Financial assets held at FVOCI				
Loans receivable	-	6,210	-	6,210

During the reporting period ending 30 June 2023 there were no transfers between Level 1 and Level 2 fair value measurements.

Financial instruments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities, certain unlisted unit trusts and exchange traded derivatives.

Investments classified within level 2 have inputs based on quoted and unquoted prices. Loans receivable are classified within level 2. The loans are valued using a discounted cash flow approach which reflects the terms of the instrument and the timing of cash flows. The rate used to discount future cash flow is derived from observable data for similar loans.

16. Employee benefit reserve

Employee benefit shares are issued under the Employee and Director Share Plan (EDSP). The majority of EDSP shares (EDSP tranches 1, 2 and 3) were approved at the company's AGM on 11 November 2020, replacing the Long-Term Incentive Plan and Employee Share Option Plan.

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The number of shares outstanding and employee benefit reserve at the beginning and the end of the year ended 30 June 2023 is as follows:

For the year ended 30 June	2023		2022	
	Shares	\$	Shares	\$
Balance at the beginning of the year	28,391,664	2,234,594	27,959,998	2,019,969
EDSP shares granted	2,075,000	-	910,000	-
EDSP shares cancelled	-	-	(233,334)	-
Payment of employee incentive scheme loans	(140,000)	-	(245,000)	-
Employee benefit expense for the year	-	96,580	-	214,625
Balance at the end of the year	<u>30,326,664</u>	<u>2,331,174</u>	<u>28,391,664</u>	<u>2,234,594</u>

The terms of each tranche of EDSP on issue at year end are:

Type	Issue date	Issue price	Vesting date	Maturity date	Shares
EDSP 1	9/12/2020	\$0.15	9/12/2020	30/11/2025	9,014,999
EDSP 2	9/12/2020	\$0.20	9/12/2021	30/11/2026	9,179,999
EDSP 3	9/12/2020	\$0.30	9/12/2022	30/11/2027	9,146,666
EDSP 4	^	\$0.25	1/09/2021	1/09/2026	910,000
EDSP 5	^^	\$0.34	^^	^^	575,000
EDSP 6	16/03/2023	\$0.45	16/03/2024	16/03/2029	500,000
EDSP 7	16/03/2023	\$0.60	16/03/2025	16/03/2030	500,000
EDSP 8	16/03/2023	\$0.75	16/03/2026	16/03/2031	500,000
					<u>30,326,664</u>

^700,000 EDSP4 shares were issued to employees on 1 September 2021 in lieu of a cash bonus. 210,000 shares were issued to Ron Hodge in lieu of a cash bonus on 8 December 2021 as approved at the company's AGM on 17 November 2021.

^^455,000 EDSP5 shares were issued to employees on 21 September 2022 in lieu of a cash bonus and mature on 21 September 2027. 120,000 shares were issued to Ron Hodge in lieu of a cash bonus on 8 December 2022 as approved at the company's AGM on 22 November 2022. Ron's shares mature on 8 December 2027. All EDSP5 shares granted vested immediately.

EDSP 5 shares were issued during the year under the employee short-term incentive plan in lieu of a cash bonus.

EDSP 6, 7 and 8 shares were issued during the year to employees who were not employed by the Group when EDSP 1, 2 and 3 tranches were issued (November 2020) and as a supplement to staff who have progressed subsequent to November 2020.

A non-recourse loan is provided to participants to acquire the shares at the respective prices issued. 140,000 EDSP were converted to fully paid ordinary share capital during the year as the associated loans were paid (2022: 245,000 EDSP shares). The remaining EDSP loans have not been repaid and have not been included in fully paid ordinary share capital.

Loans for EDSP shares include 4,000,000 shares issued to Paul Clitheroe (Chairman), 4,896,665 shares issued to Ron Hodge (Managing Director/member of Key Management Personnel), 4,756,666 shares issued to Alastair Davidson (member of Key Management Personnel) and 4,466,666 shares issued to Nigel Poole (member of Key Management Personnel).

The fair value at grant date of EDSP shares is determined using a Binomial model. The inputs used include:

- the share price at grant date
- vesting price
- vesting period

- expected volatility (EDSP 5 – 57%, EDSP 6,7 & 8 – 56%)
- expected dividends (EDSP 5, 6, 7 & 8 – 1% yield)
- risk free interest rate (EDSP 5 – 3.5%, EDSP 6,7 & 8 - 3.2%)
- expected life of the option

Expected volatility is based on historic volatility and the implied volatility of comparable exchange traded options. The cost of the EDSP shares is recognised over the applicable vesting period through the statement of comprehensive income. The company estimated the fair value of this share benefit was \$73,772 at grant date for EDSP 5 shares and \$68,162 for EDSP 6, 7 & 8 shares.

The cost of EDSP shares issued are amortised over the applicable vesting period through the statement of comprehensive income.

17. Issued capital

	2023		2022	
	Shares	\$	Shares	\$
Fully paid ordinary share capital				
Balance at the beginning of the year	110,752,537	58,541,495	110,507,537	58,495,245
Payment of employee incentive scheme loans	140,000	21,000	245,000	46,250
Balance at the end of the year	110,892,537	58,562,495	110,752,537	58,541,495

An additional 30,326,664 shares are issued, as part of the EDSP detailed in Note 16 and the Directors Report. The shares have a non-recourse loan outstanding.

Under the EDSP, the director or employee can repay the loan by forfeiting the shares issued under the plan. The shares vest after certain time periods and may be forfeited prior to the loan repayment date and have therefore not been included in the issued share capital total.

All shares have no par value.

(a) Terms and conditions

The Company has ordinary shares on issue. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings.

(b) Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor and market confidence. To achieve this the Directors monitor the monthly performance of the operating entities, the Group's management expenses, and share price movements. Capital relates to equity attributable to investors. The Group maintains liquid capital to meet its responsibilities as a responsible entity.

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust any dividend payment to investors, capital returns or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2023 and 30 June 2022.

18. Related party information

Aggregate remuneration paid to Directors and other key management personnel by the Group in connection with the management of the affairs of the Group were:

	Short-term Employee Benefit Cash Salary & Fees \$	Employment Benefit Superannuation \$	Accrued Annual Leave \$	Accrued Long Service Leave \$	Employee Share Benefit \$	Total \$
2023	955,391	94,016	(1,717)	13,589	32,458	1,093,737
2022	950,711	89,070	(869)	15,400	119,815	1,174,127

Detailed remuneration disclosures are provided in the remuneration report contained in the Directors' Report.

The Directors' remuneration excludes insurance premiums paid and payable by the Group in respect of Directors' liability insurance. Apart from the details disclosed in this note and the Directors' Report, no key management personnel have entered into a material contract with the Group during the financial year.

The Directors of InvestSMART Group Limited are responsible for determining and reviewing compensation arrangements for the Managing Director and key management personnel. The Directors also assess the appropriateness of the nature and amount of emoluments of each Director on a periodic basis by reference to workload and market conditions. The overall objective is to ensure maximum stakeholder benefit from the retention of a high-quality board whilst constraining costs.

Paul Clitheroe and his related parties received three loans of \$6,000 each as Fundlater clients during the year. The Fundlater loans were issued by InvestSMART Financial Services Pty Ltd. The loans were sold to Eureka Asset-Backed Loan Fund, a Fund issued by InvestSMART Funds Management Limited, during the year. The loans were made on terms equivalent to those that prevail in arm's length transactions. Ron Hodge and a related party of Ron Hodge received loans of \$6,000 each as Fundlater clients during the year ended 30 June 2022.

Eureka Asset-Backed Loan Fund commenced operations on 6 April 2022. The Fund is issued by InvestSMART Funds Management Limited, a subsidiary of InvestSMART Group Ltd. The assets of the Fund consisted of Fundlater loans receivable at 30 June 2023. During the year Eureka Asset-Backed Loan Fund purchased loans of \$722,350 (2022: \$820,764) from the Group at fair value.

Investments in associates are disclosed in Note 10 (b). The Group owned 1 unit in the Professionally Managed Accounts, a scheme issued by InvestSMART Funds Management Limited, at 30 June 2023. The Group received management fees from managed investment schemes classified as investments in associates of \$596,673 for the year ended 30 June 2023 (2022: \$367,205). The Group held receivables for management fees from managed investment schemes classified as investments in associates at 30 June 2023 of \$48,301 (2022: \$48,169).

19. Statement of Cash Flows

(a) Reconciliation of net profit from ordinary activities after income tax to net cash used in operating activities

	2023	2022
	\$	\$
Profit/(Loss) for the year	(974,565)	(740,176)
Adjustments to reconcile profit after tax to net cash flows:		
Net (gain)/loss on financial instruments at fair value through profit and loss	(356)	142,102
Gain on Sale of subsidiary	-	(155,299)
Employee benefit expense	96,580	214,625
Depreciation and amortisation	802,466	815,823
Decrease/(increase) in deferred tax asset	24,765	(112,373)
Decrease in deferred tax liability	(193,086)	(11,950)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(237,307)	(150,465)
Decrease in prepayments	40,701	3,238
Increase/(decrease) in subscriptions received in advance	318,687	(1,252,244)
Increase/(decrease) in trade and other payables	120,072	(161,019)
Net cash used in operating activities	<u>(2,043)</u>	<u>(1,407,738)</u>

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

	2023	2022
	\$	\$
Cash at bank	<u>7,812,215</u>	<u>8,080,119</u>

The credit risk exposure of the group in relation to cash is the carrying amount and any accrued unpaid interest. Cash investments are held with a number of banks all of which are rated AA- by Standard and Poor's.

20. Earnings/(loss) per share

	2023	2022
	cents	cents
Basic earnings/(loss) per share (cents per share)	<u>(0.88)</u>	<u>(0.67)</u>
Diluted earnings per share (cents per share)	<u>(0.88)</u>	<u>(0.67)</u>
Earnings/(loss) as per Statement of Consolidated Income	<u>(974,565)</u>	<u>(740,176)</u>
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	<u>110,846,455</u>	<u>110,592,688</u>
Weighted average number of ordinary shares outstanding during the year used in calculating diluted earnings per share if all EDSP shares vest and non-recourse loans are repaid	<u>139,998,420</u>	<u>139,058,622</u>

As the Group is in a loss position in 2023 share based incentive plans do not affect the diluted earnings per share calculation as potential ordinary shares shall be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

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21. Contingent liabilities and commitments

At 30 June 2023 the Group has the following contingent liabilities:

	2023	2022
	\$	\$
Guarantees for office rentals	97,106	97,106
Guarantees for intermediary facilities	401,000	601,000
	<u>498,106</u>	<u>698,106</u>

InvestSMART Financial Services Pty Ltd, a subsidiary of InvestSMART Group Ltd, may be required to repurchase Fundlater loans where they are delinquent within one month of sale to Eureka Asset-Backed Loan Fund (EABL). Since the inception of EABL zero loans have been repurchased. The estimate of reimbursement of loans purchased at 30 June 2023 is \$nil. Loans sold to EABL within one month of 30 June 2023 total \$52,945. Any reimbursement would result in a repurchase of the loan at fair value and closure of the loan account if repayment terms are not met. The provision for expected credit losses for Fundlater loans has been assessed as \$nil.

22. Franking Account

	2023	2022
	\$	\$
Opening balance of franking account	2,715,701	2,931,463
Adjustment for franking credits received in prior years	13	4,083
Adjustments for tax refundable in respect of the prior year's profits	(68,411)	(219,845)
Adjusted franking account balance	<u>2,647,303</u>	<u>2,715,701</u>

23. Auditors remuneration

BDO Audit Pty Ltd received \$174,994 for audit and review fees (2022: \$147,985).

Audit and review fees include fees for:

- Auditing and reviewing the statutory financial report of the parent entity covering the group
- Auditing the statutory financial report of Australian Financial Services Licensees which are controlled entities
- Assurance services required by legislation to be provided by the auditor (reporting to ASIC for the purposes of Form FS 71 for AFS licensees)
- Auditing and reviewing schemes issued by InvestSMART Funds Management Limited
- Audit of compliance plans of schemes issued by InvestSMART Funds Management Limited

Fees for other services performed by audit and network firms:

	2023	2022
	\$	\$
BDO Services Pty Ltd - taxation services	<u>29,481</u>	<u>59,307</u>

The nature of taxation services in the current year comprises:

- Review and lodgement of income tax returns for the Group and schemes issued by InvestSMART Funds Management Limited. Review of tax provisions for the parent entity in the prior year
- Review and lodgement of government grants
- Review of tax schedules and calculations
- Review and liaison with the Australian Taxation Office for the merger of schemes issued by InvestSMART Funds Management Limited

24. Parent entity information

	2023	2022
	\$	\$
Statement of Financial Position		
Assets		
Current assets	98,219	51,799
Non-current assets	5,732,246	5,808,974
Total Assets	<u>5,830,465</u>	<u>5,860,773</u>
Liabilities		
Current liabilities	-	-
Total Liabilities	<u>-</u>	<u>-</u>
Net Assets	<u>5,830,465</u>	<u>5,860,773</u>
Equity		
Contributed Equity	58,562,495	58,541,495
Employee benefit reserve	2,331,174	2,234,594
Retained earnings	(55,063,204)	(54,915,316)
Total Equity	<u>5,830,465</u>	<u>5,860,773</u>
Statement of Profit or Loss and other Comprehensive Income		
Net loss for the year after income tax expense	147,888	1,880,047
Total Comprehensive loss for the year	<u>147,888</u>	<u>1,880,047</u>

At 30 June 2023 InvestSMART Group Ltd has a contingent liability for guarantees for office rentals of \$97,106 (2022: \$97,106).

The accounting policies of the parent entity, InvestSMART Group Limited, used in determining the financial information shown above, are the same as those applied in the Group's consolidated financial statements, as detailed in Note 2.

25. Segment information

The Group has only one reportable segment. The Group is engaged solely in retail financial services conducted in Australia, deriving revenue from commissions, subscriptions and funds management fees. The entity's operations are merged across subsidiaries, management, location and presentation of reporting. The operating segment identification is based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources.

26. Events occurring after reporting date

There have been no significant events since 30 June 2023 up to the date of this report.

27. Company details

The registered office and principal place of business of the Company and subsidiaries is:
Suite 2, Level 2, 66 Clarence St
Sydney NSW 2000

Directors' declaration

In accordance with a resolution of the Directors of InvestSMART Group Limited, I state that:

1. In the opinion of the Directors:
 - (a) The financial statements, notes and the additional disclosures included in the Director's Report designated as audited, of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2023 and of its performance for the year ended on that date.
 - (ii) complying with Australian Accounting Standards, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, as disclosed in Note 2 and Corporations Regulations 2001.
 - (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2023.

On behalf of the Board



Paul Clitheroe
Chairman
Dated this 16th day of August 2023 at Sydney

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INDEPENDENT AUDITOR'S REPORT

To the members of InvestSMART Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of InvestSMART Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, 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 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 (including Independence Standards)* (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.

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 of the current period. 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.

Valuation of share-based payments

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Note 14 to the financial report discloses an employee benefits expense in relation to share-based payments. The valuation of the share-based payments is a key audit matter due to the complexity in applying <i>AASB 2 Share-based Payment</i> and the degree of judgement and estimation in the inputs for the fair value of the options.</p>	<p>To address the matter, our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Reviewed the appropriateness of the accounting treatment in accordance with <i>AASB 2</i>; • Reviewed minutes of meetings and Group announcements to ensure completeness of information considered in the calculations; • Verified a sample of instruments to supporting agreements and contracts; and • Assessed the adequacy of the disclosures in accordance with Australian Accounting Standards.

Loan transfer and derecognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Note 6 to the financial report discloses transfer and derecognition of Fundlater loans during the year under a Loan Acquisition and Management Agreement.</p> <p>This is considered a key audit matter due to the significance of the loan transferred and the accounting treatment for the loan derecognition.</p>	<p>To address the matter, our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Reviewed the terms and conditions of the Loan Acquisition and Management Agreement and the Fundlater loans; • Agreed the value of transferred loans to supporting documentation; • Evaluated the impact of the loan transfer to the accounting treatment of the loans in accordance with the Australian Accounting Standards; and • Assessed the adequacy of the disclosures in accordance with Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 the 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 ability of the group 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 has no realistic alternative but to do so.

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 the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 30 June 2023


In our opinion, the Remuneration Report of InvestSMART Group Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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.

BDO Audit Pty Ltd

BDO



Tim Aman
Director

Sydney, 16 August 2023

ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Listing Rules is set out below.

The security holder information set out below was current as at 2 August 2023.

There were 141,219,201 ordinary shares held by 1,047 shareholders, all of which were quoted on the Australian Securities Exchange. There are no restricted shares on issue. There are no unquoted shares on issue.

Distribution of shareholders

Holdings Ranges	Holders	Total Shares	%
1-1,000	324	56,154	0.04%
1,001-5,000	230	963,690	0.68%
5,001-10,000	145	1,246,797	0.88%
10,001-100,000	222	8,800,131	6.23%
100,001 and over	127	130,152,429	92.16%
Totals	1,048	141,219,201	100.00%

The number of shareholders holding less than a marketable parcel of fully paid ordinary shares is 381.

Top 20 Shareholders:

Shareholder Name	Number of shares held	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,559,194	12.43%
MRS ROBIN ANNE OWLES & MR PETER RONALD HODGE <HODGE FAMILY SUPER FUND A/C>	9,338,427	6.61%
VADINA PTY LIMITED <JORDAN SUPER FUND A/C>	4,940,000	3.50%
ROBIN ANNE OWLES & RON PETER HODGE <HODGE FAMILY NO 2 A/C>	4,566,666	3.23%
HARRIETTE & CO PTY LTD <HARRIETTE INVESTMENT A/C>	4,100,000	2.90%
TORONTO COVE PTY LTD	4,000,000	2.83%
MR PAUL HUGH CLITHEROE	4,000,000	2.83%
CAMERON RICHARD PTY LTD <CAMERON RICHARD SUPER A/C>	3,838,517	2.72%
BELIKE NOMINEES PTY LIMITED <SHARE PLAN A/C>	3,760,765	2.66%
MYALL RESOURCES PTY LTD <MYALL GROUP SUPER FUND A/C>	3,300,000	2.34%
S M & R W BROWN PTY LTD <ROBERT & SALLY BROWN SF A/C>	3,091,000	2.19%
MRS ANTONIA CAROLINE COLLOPY	3,017,928	2.14%
ALASTAIR JOHN DAVIDSON & ELIZABETH JANE DENNING <DAVIDSON HOLDING A/C>	3,000,000	2.12%
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	2,797,747	1.98%
POOLE FAMILY PTY LTD <POOLE FAMILY SMSF A/C>	2,777,778	1.97%
MR PETER RAYMOND DAVIES	2,600,000	1.84%
PENDEX PTY LTD <PATCAIELITRUST A/C>	2,301,991	1.63%
FROHSHIBER PTY LTD	2,160,000	1.53%
STUART ANDREW PTY LTD <CAMPASPE FAMILY A/C>	2,124,660	1.50%
LEYLAND PRIVATE ASSET MANAGEMENT PTY LTD	2,000,000	1.42%
ONMELL PTY LTD <ONM BPSF A/C>	1,800,000	1.27%
Totals	87,074,673	61.66%
Total Securities on issue	141,219,201	100.00%

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Voting rights

At a general meeting, shareholders are entitled to one vote for each fully paid share held. On a show of hands, every shareholder present in person or by proxy shall have one vote and upon a poll, every shareholder so present shall have one vote for every fully paid share held.

Substantial shareholders

The Company has been notified of three shareholders who hold relevant interests of in excess of 5% of the Company's ordinary shares:

Name	Date of Interest	No of shares ¹	Percentage ²
Leyland Private Asset Management Pty Ltd	15 November 2017	25,138,492	18.94%
Perpetual Limited	17 November 2021	16,276,418	11.70%
Ron Hodge	1 June 2021	13,704,969	9.898%

¹ As disclosed in the last notice lodged with the Australian Securities Exchange by the substantial shareholder.

² The percentage set out in the notice lodged with the Australian Securities Exchange is based on the total issued capital of the Company at the date of the interest.

Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

On-market buyback

As at 2 August 2023, there is no current on-market buy-back.

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Directory

Registered Office

Suite 2, Level 2
66 Clarence Street
Sydney NSW 2000

Telephone: 1300 880 160

Directors

Paul Clitheroe AM (Chairman)
Ron Hodge (Managing Director)
Michael Shepherd AO (Lead Independent Non-Executive Director)
Effie Zahos (Independent Non-executive Director)

Company Secretary

Catherine Teo

Share Registry

Automic Pty Ltd
Level 5
126 Phillip Street,
Sydney NSW 2000

Shareholder Enquiries

Telephone: 1300 288 664 (within Australia); +61 2 9698 5414 (outside Australia)
Email: hello@automicgroup.com.au
Website: <https://investor.automic.com.au>

Auditors

BDO Pty Ltd
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Sydney NSW 2000
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