Annual Report 2020

Annual Report for the year ended
30 June 2020

InvestSMART Group Limited
ABN 62 111 772 359

INVESTSMART

www.investsmart.com.au
1300 880 160

OUR VISION

To help all Australians grow and protect their wealth.

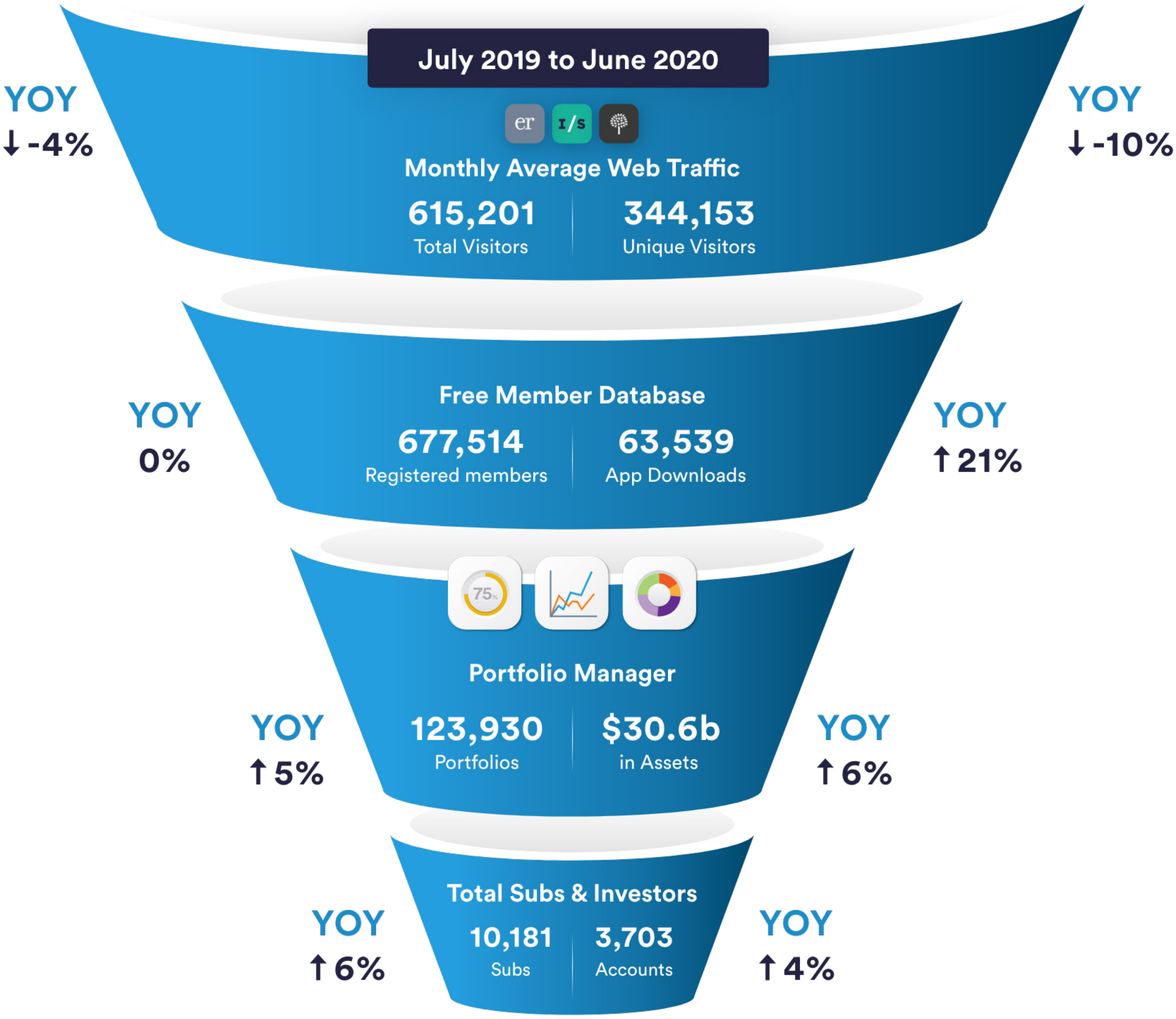
WHY?

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.

Highlights



Note: The website was split in September 2019 to allow clearer distinction between valuable sub brands InvestSMART, Eureka Report and Intelligent Investor. Overall traffic decreased as a result of this strategy, however the quality of traffic improved and the clear distinction between brands has led to a better user experience and conversion.

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Chairman and Managing Director's report

Dear Shareholders,

On behalf of the Directors we are pleased to announce the results for InvestSMART Group (the Group) for the financial year ended 30 June 2020.

	FY20	FY19
Funds management income	900,213	764,953
Subscription income	4,350,653	4,235,400
Commissions income - Fund Managers	3,689,240	4,610,068
Commissions Income - Insurance	1,605,829	1,788,701
Other Income	13,215	7,142
Total Income	**10,559,150**	**11,406,264**
Commission rebates Paid	1,398,697	1,779,800
Employee Costs	5,258,671	5,767,717
Marketing costs	635,962	1,509,210
Other Expenses	2,795,495	2,748,274
Total Operating Expenses	10,088,825	11,805,001
Operating profit	**470,325**	**(398,737)**

This year has been one of change, both planned and unexpected. The core strategic goal of the business has been to move away from grandfathered commission income in favour of a larger funds management business, driven by Australia's first capped fee funds and our bespoke Intelligent Investor fund products.

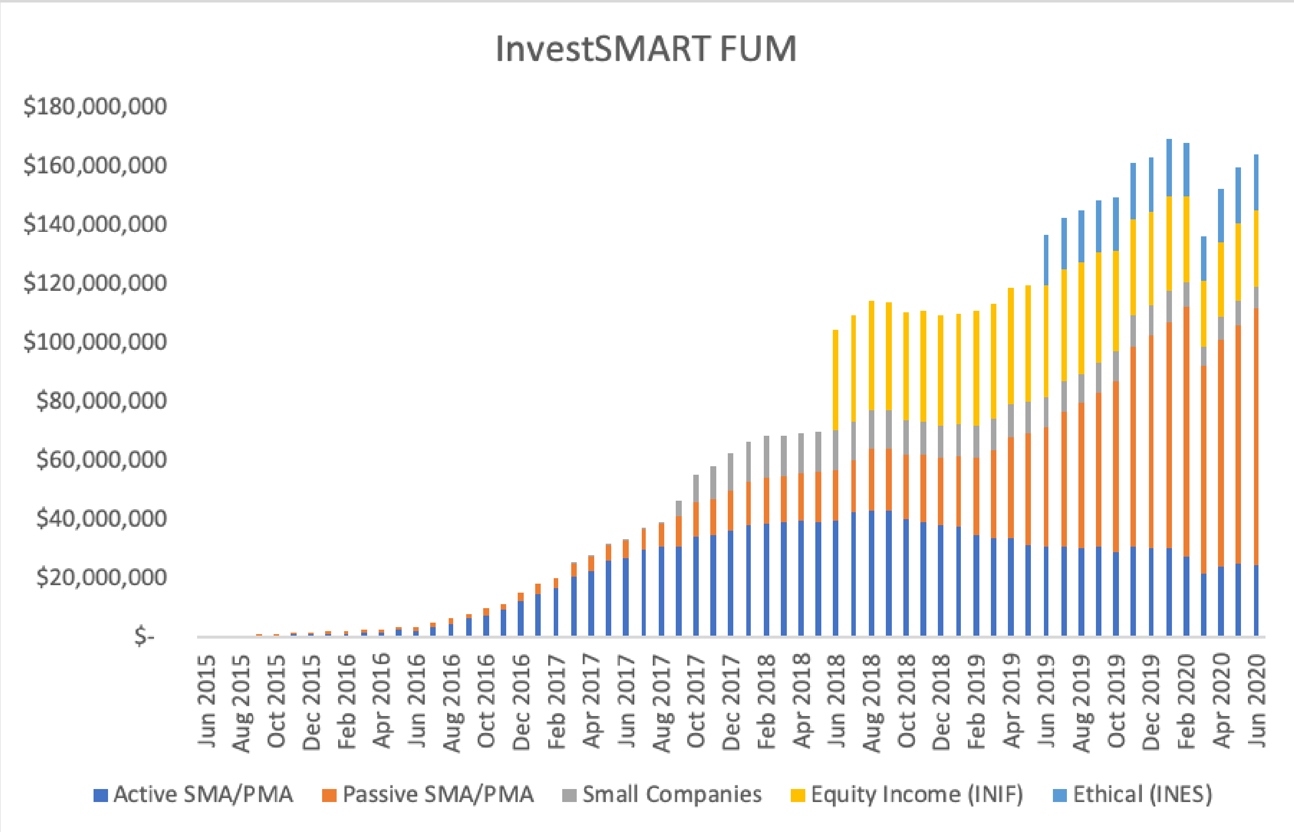
The COVID-19 pandemic has not derailed this shift with fees from funds under management (FUM) increasing 18% in FY20. We expect this income to accelerate, to the point where it offsets the decline in income from our trail commission book and insurance products.

As highlighted in previous announcements grandfathered trail commissions will end on 1 January 2021. This is something for which we have long planned, launching new funds management products and building our brand presence.

That focus is now slowly starting to pay off. Total funds under management across InvestSMART's Professionally Managed Account (PMA) and Intelligent Investor active portfolios grew 34% from $137 million on 30 June 2019 to $183 million on 20 February 2020.

The COVID-related market correction saw us finish the year at $164 million (up 20%), with March the only month where our PMA platform, launched in November 2018 with an industry-first capped fee structure, didn't result in net inflows.

Whilst *Intelligent Investor* and *Eureka Report* have limited growth potential - subscription revenue grew by 3% in FY20 - the cashflow from this business has helped us develop a new business based on digital advice and funds management. It has also allowed us to market these new services to investors not previously within our reach.



As this transition gathers pace over the coming years, the revenue from our legacy publishing businesses will become a much smaller part of group revenue as the growth in revenue from new business lines accelerates. A recent example is the launch of the Intelligent Investor Australian Equity Growth Fund, which will list on the ASX in early October. The initial interest in this fund has been very encouraging.

With a fully developed product suite, our focus now 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.

Even at this early stage, this has been good for our clients and our bottom line. In FY20, operating expenses fell by 15% while Cash at Bank increased by 16.5% from $4,400,457 in FY19 to $5,117,805.

The future of digital advice

Whilst implementing our transition plan occupies management, ahead lies a more attractive operating environment. The Royal Commission finally galvanised 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. This may be a painful transition, but it is also long overdue. 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.

As a digital-first company with hundreds of thousands of do-it-yourself investors, we have a head start in the race. Servicing over 680,000 prospective members, 10,000 subscribers, 3,700 FUM accounts and more than 120,000 free portfolio manager accounts monitoring close to $30 billion in assets, InvestSMART is at the forefront of digital advice.

			Value of assets held on Portfolio Manager ($billions)				
	Free Active Database	Total Member Portfolios	Value of Australian Equities	Value of Managed Funds	Value of Property	Value of Cash	Total Value
Jun-16	546,980	63,014	$5.13	$1.49	$4.74	$1.25	$12.61
Jun-17	586,309	88,892	$8.77	$1.96	$7.49	$1.87	$20.09
Jun-18	637,024	109,472	$11.88	$2.53	$9.63	$2.42	$26.46
Sep-18	651,482	111,149	$11.50	$2.54	$9.97	$2.50	$26.51
Dec-18	675,616	114,717	$11.60	$2.53	$10.30	$2.57	$27.00
Mar-19	683,814	117,046	$12.94	$2.79	$8.54	$2.67	$26.94
Jun-19	692,812	118,506	$14.01	$2.96	$8.81	$2.77	$28.56
Sep-19	655,392	119,629	$14.53	$3.03	$9.02	$2.87	$29.45
Dec-19	661,968	121,226	$15.62	$3.23	$9.29	$2.98	$31.11
Jun-20	677,514	123,930	$13.20	$3.00	$9.70	$3.14	$29.04

Corporate governance

The InvestSMART Board is committed to achieving and demonstrating best practice standards of corporate governance with the Australian Securities 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.

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

Outlook

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.

Ongoing regulatory oversight on financial institutions, especially financial planners, will continue to drive up the cost of personal specific advice, putting it out of reach for most Australians. InvestSMART's fully developed-suite of products and services are an ideal low-cost solution for many of these people.

Our job now is to make it increasingly simple for new members to engage with us and our products. This, we believe, will lead to higher conversions and more paying customers. Our low cost, capped fee passive portfolios – now representing $87m of total FUM are a good example of how this strategy is playing out. There is a far larger market for these products, which we have only just begun to address.

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.

Paul Clitheroe
Chairman

Ron Hodge
Managing Director

Corporate Governance Statement

Corporate governance includes the policies and practices by which InvestSMART Group Limited (***Company***) and its controlled entities (***Group Entities***) (collectively, ***Group***) are effectively managed. Those policies and practices prescribe:

- our ethics;
- the accountability of the Board for financial performance and growth; and
- the management of the risks which are encountered in running a company reliant upon the performance of financial assets and investments.

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.

The information in this Statement is current as at 18 September 2020 and has been approved by the Board.

1. Code of conduct

The Company's Code of Conduct prescribes that Directors, senior executives and employees must act with the utmost integrity and objectivity, striving at all times to demonstrate that the Company is worthy of the trust and confidence placed in it to help members with their financial security. The Code of Conduct sets the standards of behaviour that are expected by the Company from its Directors, senior executives and employees to deliver the right outcomes for all stakeholders and underpins the Company's corporate culture of acting lawfully, ethically and responsibly.

The Code of Conduct lists the Company's values, being:

- do what is right;
- achieve high standards;
- be accountable;
- strive to exceed members' expectations; and
- respect each other.

The Code of Conduct can be downloaded from the Company's website at: www.investsmart.com.au/shareholder-centre/governance.

While the Company does not have an anti-bribery and corruption policy, the principles of such a policy are contained with the Company's Code of Conduct and Conflicts of Interest Policy. Any material breaches of these policies are notified to the Board.

2. Responsibilities and functions of the board and management

The Board operates under a Board Charter which is reviewed annually to ensure it remains consistent with the Board's objectives, duties and responsibilities. Under that Charter, the role of the Board is to protect and enhance sustainable shareholder value through:

- ensuring the control and accountability framework in place requires all significant issues relating to the operation and performance of the Company and Group Entities to be brought to the attention of the Board;
- monitoring governance policies, practices and systems to ensure they are effective and appropriate;
- monitoring risk policies, practices and systems to ensure they are effective and appropriate; and
- where appropriate, constituting Board Committees to assist the Board in the fulfilment of its responsibilities.

The Board's responsibilities include:

- the consideration and approval of corporate strategy proposed by management and monitoring its implementation;
- overseeing and monitoring financial performance;
- approving financial and other reporting to shareholders, employees and other stakeholders of the Company;
- ensuring that the Company has appropriate human, financial and physical resources to execute Company strategies;
- reviewing Board and management succession planning;
- appointing, removing and monitoring the performance of the Managing Director and Key Management Personnel;
- appointing and removing the Company Secretary;
- considering and monitoring risks;
- reviewing the effectiveness of Company policies and procedures regarding risk management;
- reviewing the effectiveness of the Company's internal control and accounting systems;
- ensuring appropriate corporate governance structures are in place including standards of ethical behaviour and a culture of corporate and social responsibility;
- overseeing the Company's continuous disclosure obligations;
- reporting to shareholders and other stakeholders; and
- capital management.

The Board Charter was reviewed in August 2020. It can be downloaded from the Company's website at: www.investsmart.com.au/shareholder-centre/governance.

To assist the Board to carry out its responsibilities and functions, certain powers have been delegated to management, including the authority to undertake transactions and incur expenditure on behalf of the Group, up to specified thresholds.

Processes have been established to ensure that management provides relevant information to the Board to enable the Board to make informed decisions and effectively discharge its duties. The Board may also request additional information where necessary and may seek independent advice should it wish to do so.

3. Board structure

The Constitution provides for a minimum of three Directors and a maximum of twelve Directors.

The Company undertakes appropriate checks before appointing a person as a Director or putting forward a person as a candidate for election as a Director. All material information in the possession of the Company, which is relevant to whether or not a person should be elected or re-elected a Director, is provided to shareholders prior to an election taking place.

At the date of this Statement, the Board comprises an independent Chairman, two independent non-executive Directors and the Managing Director. Although Mr Paul Clitheroe receives performance-based remuneration as a participant under the Company's Long-Term Incentive Plan approved by shareholders at the Company's 2014 Annual General Meeting, after considering ASX guidance on the matter as set out in the ASXCGC Principles and Recommendations, the Board has determined that such participation is not material and will not interfere with Mr Clitheroe's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole. The Board will continue to monitor the independence of its Directors at least annually.

The Directors' Report included in the 2020 Annual Report provides the details of the Directors in office during the year ended 30 June 2020, together with their experience, expertise and qualifications and the number of Board meetings each attended during the year.

As at the date of this Statement, the Directors are:

Independent Chairman:
Mr Paul Clitheroe AM

Managing Director:
Mr Ron Hodge

Lead Independent Non-Executive Director:
Mr Michael Shepherd AO

Independent Non-Executive Director:
Mr Kevin Moore

Consistent with the ASXCGC Corporate Governance Principles and Recommendations, a majority of the Board is independent. The Board believes that at this time in the development of the Company the current allocation of responsibilities among the Directors is most practical and effective for the Company and in the best interests of shareholders.

The Board has assessed the mix of skills which best suit the business conducted by the Company. The Board considers that the current Directors have an appropriate mix of skills for the Company, including core skills in financial services, governance, marketing, digital distribution and product development.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

4. Terms of appointment of directors

The Company issues letters of appointment to Directors, which include:

- term of appointment;
- expectations regarding the Director's involvement and time commitment envisaged;
- powers and duties of Directors;
- circumstances in which the office of director will become vacant;
- remuneration and expenses;
- requirements regarding interests (including the disclosure of interests in securities) and independence;
- compliance with Company policies, including the Board Charter, Code of Conduct and Securities Trading Policy;

- induction and training;
- access to independent advice;
- indemnification and insurance; and
- confidentiality and the right of access to Company information.

Directors appointed by the Board to fill a casual vacancy or as an addition to existing Directors (other than a Managing Director) are appointed only to the conclusion of the general meeting following their appointment and must stand for election at that general meeting. Otherwise, Directors (other than any Managing Director) retire at the later of the third anniversary of their appointment or the conclusion of the third Annual General Meeting after their appointment and are available for re-election. Details of Directors, their experience, expertise and qualifications are set out in the Directors' Report included in the 2020 Annual Report.

The appointment and removal of any Managing Director is a matter for the Board as a whole.

5. Directors' interests and independence

The Board has in place processes to ensure that conflicts of interest are managed appropriately throughout the Group.

Directors are required to immediately notify the Company of interests or changes to interests as they arise. The Company Secretary maintains a register of Directors' interests. That register is updated as interests or changes in interests are notified and it is reviewed at the commencement of each regular Board meeting.

The Board assesses the independence of Directors and makes a determination in respect of each Director taking into account:

- specific disclosures made by the Director; and
- the factors relevant to assessing the independence of a directors set out in the ASX Corporate Governance Principles and Recommendations published by the ASXCGC.

6. Committees of the board

Under the Constitution the Directors may delegate any of their powers to a committee or committees. Any committees established by the Board:

- are entitled to obtain independent professional or other advice at the cost of the Company, unless the Board determines otherwise;
- are entitled to obtain such resources and information from the Company including direct access to employees of and advisers to the Company as they might require; and
- operate in accordance with a charter or terms of reference established by the Board.

6.1 Audit, risk and compliance committee

The Charter of the Audit, Risk and Compliance Committee can be downloaded from the Company's website at: www.investsmart.com.au/shareholder-centre/governance.

This Committee assists the Board to fulfil its corporate governance and oversight responsibilities in relation to:

1. Audit – the Committee reviews the integrity of the Group's financial reporting and oversees the independence of the external auditor;
2. Compliance – the Committee reviews the integrity of the Group's compliance framework;
3. Risk – the Committee assists the Board in fulfilling its risk management responsibilities as defined by applicable law and regulations, the Constitution and other applicable standards.

The Committee consists of not less than two members appointed by the Board. Where possible, a majority of members will be independent non-executive Directors. The Board appoints the Chairman of the Committee, who must be an independent non-executive Director. Preferably, the Chairman of the Board is not also the Chairman of the Committee.

In determining membership of the Committee, the Board seeks to identify and appoint:

- members who can all understand financial statements and are otherwise financially literate;
- at least one member with financial expertise either as a qualified accountant or other financial professional with experience in financial and accounting matters; and
- at least one member who has an understanding of the financial services industry.

The current Chairman of the Committee is Mr Michael Shepherd AO and the second Committee member is Mr Paul Clitheroe AM. The Board considers that a two-member Committee is appropriate given the size and complexity of the business. The current Committee members are not executives.

Details of the relevant qualifications and experience of the members of the Committee and number of meetings of the Committee held during the year ended 30 June 2020 are set out in the Directors' Report included in the 2020 Annual Report.

6.2 Nomination and remuneration committee

The Charter of the Nomination and Remuneration Committee can be downloaded from the Company's website at: www.investsmart.com.au/shareholder-centre/governance.

The Committee:

1. reviews and makes recommendations to the Board in relation to nomination matters;
2. develops and recommends to the Board strategies on gender diversity for the Board, committees of the Board and all other levels of the Company and Group Entities;
3. reviews and makes recommendations to the Board in relation to remuneration matters;
4. reviews and brings to the attention of the Board matters relating to:
    - remuneration structure including long term incentive arrangements and participation;
    - senior executive and key staff succession plans;
    - recruitment, retention and termination strategies;
    - the Remuneration Report of the Company; and
    - other matters identified from time to time by the Board.

The Committee consists of not less than two members appointed by the Board. Where possible, a majority of members will be independent non-executive Directors. The Board appoints the Chairman of the Committee. Preferably, the Chairman of the Board is not also the Chairman of the Committee.

The current Chairman of the Committee is Mr Michael Shepherd AO and the second Committee member is Mr Paul Clitheroe AM. The Board considers that a two-member Committee is appropriate given the size and complexity of the business. The current Committee members are not executives.

Details of the number of meetings of the Committee held during the year ended 30 June 2020 are set out in the Directors' Report included in the 2020 Annual Report.

Details about the Company's remuneration policies and practices are set out in the 2020 Remuneration Report included in the 2020 Annual Report. The 2020 Remuneration Report distinguishes the structure of Directors' remuneration from that of senior executives.

The Company has equity-based remuneration schemes. Hedging of unvested shares is prohibited under the Securities Trading and Prevention of Insider Trading Policy.

6.3 Investment committee

The Company has established an Investment Committee to review and, if thought fit, approve investment portfolios for use in the suite of investment products offered by Group Entities. The Committee is also responsible for the ongoing monitoring and review of investment portfolios.

Members of the Committee are drawn from the Board, management and external advisers based on their relevant skills and experience. The current members are Mr Paul Clitheroe (Chairman of the Committee), Mr Alastair Davidson (Head of Funds), Mr Ron Hodge (Managing Director), Mr Alan Kohler (Editor-in-Chief) and Ms Catherine Teo (General Counsel).

7. Securities trading and prevention of insider trading policy and staff trading and investment policy

The Company has adopted a policy regarding trading in its securities and the prevention of insider trading which applies to all Directors, employees and contractors and their associates. This policy can be downloaded from the Company's website at: www.investsmart.com.au/shareholder-centre/governance.

Those covered by the policy must not trade, arrange for someone else to trade, or communicate information to someone they know, or ought reasonably to know, may use the information to trade (or procure another person to trade) Company securities when they are in possession of price sensitive information relating to the Group which is not generally available to the market.

Directors and employees are generally only permitted to trade in Company securities in defined open periods and then, only if they are not in possession of price sensitive information relating to the Group which is not generally available to the market and if they have prior written approval to trade.

The Company has also adopted a separate policy dealing with staff trading and investment. That policy deals with the management of actual and perceived conflicts of interest arising where in the ordinary course of business Group Entities promote, analyse or report on securities.

8. Continuous disclosure

The Board is very conscious of its continuous disclosure obligations and has adopted a Continuous Disclosure Policy. A copy of this policy can be downloaded from the Company's website at: www.investsmart.com.au/shareholder-centre/governance.

All Directors and the Company Secretary are responsible for ensuring adherence to the Continuous Disclosure Policy. The Chairman or the Managing Director deal with media contact and any external communications.

The Board is responsible for reviewing and verifying the integrity of periodic corporate reports that are released by the Company to the market that are not audited or reviewed by an external auditor.

9. Independent professional advice

Directors may obtain independent professional advice at the Company's expense on matters arising in the course of their Board and Committee duties, after obtaining the Chairman's approval (or in the case of the Chairman, with the prior approval of the Chairman of the Audit, Risk and Compliance Committee). The Board requires that all Directors be provided with a copy of such advice and be notified if the Chairman's approval is withheld.

10. Performance assessment

The performance assessment of individual Directors, Committees and the Board is included in the Board Charter. The process is aimed at ensuring individual Directors, Committees and the Board as a whole work efficiently and effectively. As part of that process:

- the Board as a whole discusses and analyses its own performance during the year including suggestions for change or improvement;
- the Chairman meets with each non-executive Director separately to discuss individual performance, including development areas;
- a nominated Director leads the review of the Chairman.

Due to the size of the Board, a formal performance evaluation of Directors was not undertaken in the reporting period.

Each senior executive in the Group is engaged under a written contract which includes:

- the term of appointment;
- a description the position and associated duties and responsibilities;
- reporting;
- remuneration, including superannuation;
- the requirement to comply with corporate policies, including Delegations of Authority, Securities Trading and Prevention of Insider Trading Policy, Staff Trading and Investment Policy, Continuous Disclosure Policy, Continuing Professional Development Policy, Human Resources Policies and Procedures and Risk Management and Compliance Policies; and
- circumstances of termination and entitlements on termination.

Those contracts also set out the manner in which the performance of the respective senior executive is evaluated. Performance evaluation of senior executives was undertaken in the reporting period.

11. Diversity

In April 2016 the Company established a Diversity Policy, which is regularly reviewed and updated as necessary. It can be downloaded from the Company's website at: www.investsmart.com.au/shareholder-centre/governance.

The Board has not set measurable objectives for achieving diversity, however the Company has policies and procedures in place that are targeted at building and fostering a diverse and inclusive workplace. The Board believes these policies and procedures best suit the Company given its size and stage of development. The Company employs less than 100 staff and is not a "relevant employer" under the *Workplace Gender Equality Act 2012* (Cth).

The Company does not currently have any women on the Board or within the Key Management Personnel identified in the 2020 Annual Report. However, as at 31 August 2020, 27% of the employees in the Group are women and 23% of the Company's management team comprise of women. The Company will seek to maintain or increase this level of women employees in the future and to reflect gender diversity within the Board and Key Management Personnel.

12. Directors' induction and continuing education

The Company does not have a formal program for periodically reviewing whether there is a need for Directors to undertake professional development to maintain the skills and knowledge needed to perform their role as Directors effectively. The Board does not believe such a program should be implemented given the size and stage of development of the Company.

However, all Directors receive an induction after joining the Board and have access to continuing education to update and enhance their skills and knowledge to enable them to continue to carry out their duties.

13. Management of risk and internal control framework

The Board is the ultimate sponsor of risk oversight within the Group but does so in a manner which reflects the transparent nature of the Group's systems. The Company pays significant attention to risk as a consequence of its activities, which involve dealing in financial assets.

The Audit, Risk and Compliance Committee fulfils an essential role in the management of risk and the establishment, review and monitoring of internal controls. In addition, through the reporting of the Managing Director, the Board also monitors various measurements of absolute and relative risk. Reviews of the Company's risk management framework were undertaken throughout the reporting period.

Due to the relatively small size of the Group and the limited nature of its business operations, the Company does not have an Internal Audit function. This matter is reviewed periodically by the Audit Risk and Compliance Committee and that Committee makes relevant recommendations to the Board to improve the effectiveness of the Company's risk management and internal control processes.

The Company has access to a series of internal and external controls through the Managing Director, which govern the Company's material business risks. These controls include, but are not restricted to:

- external providers of accounting and related services to the Company and Group Entities; and
- regular reporting by the Managing Director to the Board.

The Company's exposure to economic, environmental and social sustainability risks and management of those risks is disclosed in the 2020 Annual Report.

The Board received a statement in writing from the Managing Director and the Chief Finance Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and the system is operating effectively in all material respects in relating to financial reporting risks.

14. Engaging shareholders

The Board is committed to ensuring that the shareholders are at all times provided with information sufficient to allow effective monitoring of the Company's performance, including:

- the Annual Report which is distributed to shareholders (at their election);
- the Half Yearly Report;
- periodic reports and special reports when matters of material interest arise;
- the Annual General Meeting and other meetings called to obtain shareholder approval of any action as required; and
- continuous and periodic disclosure.

The Chairman and the Managing Director are primarily responsible for promoting effective communication with shareholders and encouraging their participation at general meetings. The Board reviews the activities aimed at achieving these outcomes. The Company Secretary and the share registry are also available to assist shareholders. Shareholders have the option to receive communications from, and send communications to, the Company and the share registry electronically.

Current and archived announcements by the Company are available on the Company's website at: www.investsmart.com.au/shareholder-centre/announcements and at: www.asx.com.au.

The Company provides a review of operations and financial performance in the 2020 Annual Report, which includes the Company's financial report.

Results announcements to the Australian Securities Exchange, Business Updates (lodged quarterly in the ordinary course of business) and the full text of the Chairman's address at the Company's Annual General Meeting are lodged with Australian Securities Exchange and available on the Company's website at: www.investsmart.com.au/shareholder-centre/announcements and at: www.asx.com.au.

The External Auditor attends the Annual General Meeting of the Company and is available to answer questions from shareholders relevant to the audit of the Company.

Director's 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 2020.

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

Independent Chairman
(Appointed Non-Executive Chairman 26 November 2014, appointed Executive Chairman 31 March 2015, reappointed Non-Executive Chairman 24 February 2016)
Bachelor of Arts (UNSW), SNF Fin, CFP
Age 65

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 Mr Clitheroe 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. Mr Clitheroe 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.

Mr Clitheroe is Chairman of Monash Absolute Investment Company Ltd (commenced: 20/01/2016) and previously a Director of Wealth Defender Equities Ltd (commenced: 27/01/2015, ceased: 22/10/2018), both ASX-listed investment companies. He is also Chairman of the Australian Government Financial Literacy Board, Chairman of 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

Lead Independent Non-Executive Director
Chairman of the Audit, Risk and Compliance Committee
Chairman of the Nomination and Remuneration Committee
SF Fin, MAICD
(Appointed 1 March 2014)
Age 70

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. Mr Shepherd was also Chairman of the ASX Derivatives Board and Chairman of the ASX Market Rules Committee.

Mr Shepherd 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

Managing Director

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

BCom, BEcon, MSc, FFin, GAICD

Age 50

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. Mr Hodge 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.

Kevin A Moore

Independent Non-executive Director

(Appointed 1 December 2017)

FAICD, MCIM, JP

Age 56

Kevin Moore has multinational board and governance experience, specialising in digital marketing, and is a Growth Director with a focus on $10 million to $100 million businesses. Mr Moore is a fellow of the Australian Institute of Company Directors and a Member of the Chartered Institute of Marketing. He holds a Diploma in International and Export Marketing from Henley, The Management College, at The University of Reading. Mr Moore is Chairman of NowComms Asia Pte.

Company Secretary

Catherine Teo was appointed Company Secretary and General Counsel on 12 February 2019. Ms Teo 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.

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	8,496,666
Kevin Moore	559,809

Directors are not required under the Company's constitution to hold any Shares, Options or any other Securities in the Company. A portion of the shares held by Paul Clitheroe (2,666,667) are subject to vesting conditions.

Interests in Contracts or Proposed Contracts with the Company

None of the Directors have an interest in, or proposed interests in, contracts with the Company, other than the loans to Mr Paul Clitheroe and Mr Ron Hodge as part of the Long-Term Incentive Plan (LTIP) and Employee Share Ownership Plan (ESOP) as detailed below.

Principal Activities

The principal activities of the Group during the year was the provision of financial services and products under general advice to retail investors in particular in the area of wealth management, personal insurance and funds management.

Dividends

No dividend has been declared, recommended or paid for the financial year ended 30 June 2020 (2019: nil).

Review of operations

The table below shows the consolidated performance of the Group for the years ended 30 June 2020 and 30 June 2019. This information is presented to show the relative changes in operating income over the period.

	2020	2019
Continuing operations	**$**	**$**
Commission income - funds	3,689,240	4,610,068
Commission income - insurance	1,605,829	1,788,701
Subscription income	4,350,653	4,235,400
Funds management fees	900,213	764,953
Other income	100,298	48,352
Change in fair value of financial assets at fair value through profit and loss	(33,181)	539,910
Total Income	**10,613,052**	**11,987,384**
Total expenses	**10,357,158**	**11,924,546**
Profit before income tax, amortisation, impairment and employee benefit expense	**255,894**	**62,838**
Amortisation of intangibles	1,764,435	1,590,467
Employee benefit expense	55,865	305,600
Intangibles impairment	451,118	277,319
Loss before income tax	(2,015,524)	(2,110,548)
Income tax benefit	679,866	339,696
Loss for the year	(1,335,658)	(1,770,852)

The net tangible asset backing of the Company at 30 June 2020 was $4,047,201 (2019: $3,791,307). The net tangible asset backing per share at 30 June 2020 was $0.0365 per share (2019: $0.0342 per share). Net tangible assets includes leased right-of-use assets and lease liabilities.

Commissions income on funds is affected by The Treasury Laws Amendment (Ending Grandfather Conflicted Remuneration Remuneration) Bill 2019 which received assent on 28 October 2019. The Bill effectively removes grandfathering arrangements for commissions on funds management products from 1 January 2021. Some product providers have elected to remove grandfathered trails prior to 1 January 2021. Commissions income was also affected by market volatility in the second half of the year. The decrease in insurance commissions was within management's expectations.

Subscription income and funds management fees increased compared to 2019.

The enforced lockdown period significantly increased website traffic and engagement in free website content, calculators and tools. Total paying subscribers increased by 9% from 31 December 2019 to 30 June 2020.

The InvestSMART Professionally Managed Account (PMA) platform (launched in November 2018) continued to receive consistent net inflows each month, apart from March 2020. Total funds under management across the PMA and Intelligent Investor active portfolios increased from $137 million (at 30 June 2019) to a high of $183 million on 20 February 2020 (up 34%) before pulling back with Covid-19 market jitters to finish at $164 million by year end (up 20%).

Management and Board acted quickly at the onset of Covid-19 to selectively reduce remuneration of senior management and directors to partially offset potential falls in revenue.

Operating expenses are 14% lower than 2019. Marketing and other costs were selectively reduced over the year to offset the effect of loss of commissions, to focus efforts on digital conversion and in response to Covid-19.

The value of the AWI Ventures Investments are based on Director's Valuations and there were no material transactions or changes in circumstances during the year.

Amortisation of intangibles increased due to a change in accounting estimate on 30 April 2019 which resulted in a reduction in the useful life of fund distribution contracts. Depreciation increased due to the implementation of AASB16, which requires the recognition of a right-of-use asset and corresponding liability for leases.

During the year the Group assessed that there were indications that intangible assets within Fund Distribution Contracts were impaired. Recoverable amount was assessed as lower than the carrying value for these assets resulting in an impairment charge. Management's estimates of future cash flows were used to calculate the recoverable amount of intangible assets.

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.

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. In September 2019 the Group split its websites across the InvestSMART, Intelligent Investor and Eureka Report brands to improve conversion, simplify funnels and migrate all systems to one technology stack. The Group continues to offer free portfolio management service, free content, calculators and tools as part of the conversion and trust building process.

Total paying subscribers increased by 6% over the year and total FUM increased by 14% over the year. The Group intends to launch its third active exchange traded managed fund, The Intelligent Investor Growth Fund, in September 2020. The Group will continue to focus on increasing funds management fees and subscription income whilst selectively reducing costs to negate the decrease in commission revenue. Commissions income for funds management products will cease on 1 January 2021. Attrition rates for insurance commissions are expected to continue with a small portion affected by cessation of grandfathered commissions.

Significant Changes in State of Affairs

There were no significant changes in the Group affairs during the period.

Environmental regulation

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

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 2020 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	9	9	4	4	1	1	4	4
Ron Hodge	9	9	–	–	–	–	4	4
Michael Shepherd	9	9	4	4	1	1	–	–
Kevin Moore	9	9	–	–	–	–	–	–

Events Subsequent to Balance Date

Since 30 June 2020, there have been no significant events up to the date of this report.

Earnings/loss per share

Basic loss per share was 1.20 cents (2019: loss per share 1.60c), and diluted loss per share was 1.20 cents, (2019: loss per share 1.60c).

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 extensive experience in the financial services industry and are knowledgeable in investment management best practice.

The Company has linked performance with compensation in relation to the performance of the Company's share price through the Company's Long-Term Incentive Plan (LTIP) and Employee Share Ownership Plan (ESOP), which is an equity-settled share-based payment to employees and Directors. The value of any benefits given to Directors or key management personnel (KMP) is detailed below.

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 the Managing Director).

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) Mr Paul Clitheroe is eligible to participate in the LTIP and received 4,000,000 shares at 25 cents per share and a corresponding limited recourse loan on 26 November 2014, as approved by shareholders. 1,333,333 of these shares vested on 30 May 2016, when the share price reached $0.33 per share. The second tranche vests when the share price reaches $0.42 per share after 26 November 2016. The final tranche vests when the share price reaches $0.50 per share after 26 November 2017. There is no time limit for the share price to reach the vesting price.

(c) Mr Ronald Hodge, as Managing Director, is eligible to participate in the LTIP and received 4,166,666 shares at 25 cents per share and a corresponding limited recourse loan on 8 September 2015, as approved by shareholders. Mr Hodge's shares have no performance conditions and the first tranche of 1,388,888 vested on 8 September 2016, the second tranche vested on 8 September 2017 and the third tranche vested on 8 September 2018. As Managing Director Mr Hodge is eligible to participate in the ESOP and received 400,000 shares at 31 cents per share and a corresponding limited recourse loan on 28 December 2016, as approved by shareholders. The first tranche of 133,333 shares vested on 28 December 2017, the second tranche on 28 December 2018 and the third tranche on 28 December 2019.

The Directors' remuneration for the year ended 30 June 2020 is detailed in the following table:

Name of Director	Base fee $	Superannuation $	Accrued Annual Leave $	Accrued Long Service Leave $	LTIP & ESOP Expense $	Total $
Paul Clitheroe	79,452	7,548	–	–	–	87,000
Michael Shepherd	79,452	7,548	–	–	–	87,000
Ron Hodge	248,566	23,614	4,002	4,417	1,344	281,943
Kevin Moore	58,000	–	–	–	–	58,000
Total	**465,470**	**38,710**	**4,002**	**4,417**	**1,344**	**513,943**

The Directors' remuneration for the year ended 30 June 2019 is detailed in the following table.

Name of Director	Base fee $	Superannuation $	Accrued Annual Leave $	Accrued Long Service Leave $	LTIP & ESOP Expense $	Total $
Paul Clitheroe	82,192	7,808	–	–	19,601	109,601
Michael Shepherd	82,192	7,808	–	–	–	90,000
Ron Hodge	264,450	25,123	2,623	25,344	69,634	387,174
Kevin Moore	**60,000**	**–**	**–**	**–**	**–**	**60,000**
Total	**488,834**	**40,739**	**2,623**	**25,344**	**89,235**	**646,775**

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.

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 2020. 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.

Name of Key Managment Personnnel	Base fee $	Superannuation $	Accrued Annual Leave $	Accrued Long Service Leave $	LTIP & ESOP Expense $	Total $
Nigel Poole	213,341	20,267	1,245	3,633	1,008	239,494
Alastair Davidson	205,449	19,518	3,913	3,485	1,008	233,373

The remuneration of the key management personnel who were not Directors for the year to 30 June 2019 is shown below.

Name of Key Managment Personnnel	Base fee $	Superannuation $	Accrued Annual Leave $	Accrued Long Service Leave $	LTIP & ESOP Expense $	Total $
Nigel Poole	216,428	20,560	(12,624)	14,451	67,780	306,595
Alastair Davidson	201,214	19,115	712	13,819	67,780	302,640

Shares held by Key Management Personnel and Directors

Security	Balance at 30 June 2018	Shares acquired year ended 30 June 2019	Balance at 30 June 2019	Shares acquired year ended 30 June 2020	Balance at 30 June 2020	Approval or issue date	Value at issue date	Estimated or actual vesting date	Unvested balance at 30 June 2018	Shares vested year ended 30 June 2019	Unvested Balance at 30 June 2019	Shares vested year ended 30 June 2020	Unvested balance at 30 June 2020
Paul Clitheroe	5,000,000	–	5,000,000	–	5,000,000				2,666,667	–	2,666,667	–	2,666,667
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
LTIP Tranche 1	1,333,333	–	1,333,333	–	1,333,333	26/11/14	0.054	Note 1	–	–	–	–	–
LTIP Tranche 2	1,333,333	–	1,333,333	–	1,333,333	26/11/14	0.066	Note 1	1,333,333	–	1,333,333	–	1,333,333
LTIP Tranche 3	1,333,334	–	1,333,334	–	1,333,334	26/11/14	0.073	Note 1	1,333,334	–	1,333,334	–	1,333,334
Michael Shepherd	400,000	–	600,000	–	600,000								
Fully Paid Issued Capital	400,000	200,000	600,000	–	600,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ron Hodge	44,885,000	679,938	5,564,938	2,931,728	8,496,666				1,655,556	1,522,222	133,334	133,334	–
Fully Paid Issued Capital	318,335	679,938	998,273	2,931,728	3,930,001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
LTIP Tranche 1	1,388,888	–	1,388,888	–	1,388,888	17/06/2015	0.077	8/09/2016	–	–	–	–	–
LTIP Tranche 2	1,388,888	–	1,388,888	–	1,388,888	17/06/2015	0.083	8/09/2017	–	–	–	–	–
LTIP Tranche 3	1,388,889	–	1,388,889	–	1,388,889	17/06/2015	0.088	8/09/2018	1,388,889	1,388,889	–	–	–
ESOP Tranche 1	133,333	–	133,333	–	133,333	28/12/2016	0.050	28/12/2017	–	–	–	–	–
ESOP Tranche 2	133,333	–	133,333	–	133,333	28/12/2016	0.057	28/12/2018	133,333	133,333	–	–	–
ESOP Tranche 3	133,334	–	133,334	–	133,334	28/12/2016	0.063	28/12/2019	133,334	–	133,334	133,334	–
Kevin Moore	211,809	193,000	404,809	155,000	559,809								
Fully Paid Issued Capital	211,809	193,000	404,809	155,000	559,809	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nigel Poole	4,466,666	–	4,466,666	–	4,466,666				1,588,889	1,488,889	100,000	100,000	–
LTIP Tranche 1	1,388,888	–	1,388,888	–	1,388,888	17/06/2015	0.077	8/09/2016	–	–	–	–	–
LTIP Tranche 2	1,388,889	–	1,388,889	–	1,388,889	17/06/2015	0.083	8/09/2017	–	–	–	–	–
LTIP Tranche 3	1,388,889	–	1,388,889	–	1,388,889	17/06/2015	0.088	8/09/2018	1,388,889	1,388,889	–	–	–
ESOP Tranche 1	100,000	–	100,000	–	100,000	28/12/2016	0.050	28/12/2017	–	–	–	–	–
ESOP Tranche 2	100,000	–	100,000	–	100,000	28/12/2016	0.057	28/12/2018	100,000	100,000	–	–	–
ESOP Tranche 3	100,000	–	100,000	–	100,000	28/12/2016	0.063	28/12/2019	100,000	–	100,000	100,000	–
Alastair Davidson	4,794,339	–	4,794,339	453,720	5,248,059				1,588,889	1,488,889	100,000	100,000	–
Fully Paid Issued Capital	327,674	–	327,674	453,720	781,394	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
LTIP Tranche 1	1,388,888	–	1,388,888	–	1,388,888	17/06/2015	0.077	8/09/2016	–	–			
Fully Paid Issued Capital	1,388,888	–	1,388,888	–	1,388,888	17/06/2015	0.083	8/09/2017	N/A	N/A	N/A	N/A	N/A
LTIP Tranche 1	1,388,888	–	1,388,888	–	1,388,888	17/06/2015	0.077	08/09/2016	–	–	–	–	–
LTIP Tranche 2	1,388,888	–	1,388,888	–	1,388,888	17/06/2015	0.083	08/09/2017	1,388,888	1,388,888	–	–	–
LTIP Tranche 3	1,388,889	–	1,388,889	–	1,388,889	17/06/2015	0.088	8/09/2018	1,388,889	1,388,889	–	–	–
ESOP Tranche 1	100,000	–	100,000	–	100,000	28/12/2016	0.050	28/12/2017	–	–	–	–	–
ESOP Tranche 2	100,000	–	100,000	–	100,000	28/12/2016	0.057	28/12/2018	100,000	100,000	–	–	–
ESOP Tranche 3	100,000	–	100,000	–	100,000	28/12/2016	0.063	28/12/2019	100,000	–	100,000	100,000	–

Note 1: The LTIP shares issued to Paul Clitheroe vest in three equal tranches on the later of the first, second and third anniversary of the grant date, or the date the share price is at or above $0.33, $0.42 or $0.50 respectively for each tranche. The first tranche vested on 30 May 2016 and the remaining two tranches remain unvested. The performance of the share price was selected as the performance criteria as this closely aligns the rewards for performance to shareholder returns. The LTIP shares issued to Ron Hodge, Nigel Poole and Alastair Davidson vested at $0.25 per share on the dates noted above and have no performance conditions in order to vest. These LTIP shares were issued in relation to the termination of a management contract with one of the Group subsidiaries, and the Directors believed this compensation best aligned the executives to the interests of shareholders. The shares issued to the Managing Director and key management personnel as part of the ESOP on 28 December 2016 are dependent on the relevant 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.

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 2019	Units acquired	Units disposed	Balance at 30 June 2020
InvestSMART Australian Small Companies Fund				
Paul Clitheroe	84,226	1,278	–	85,504
Michael Shepherd	21,439	325	–	21,764
InvestSMART Australian Equity Income Fund				
Kevin Moore	10,000	–	–	10,000
InvestSMART Ethical Share Fund				
Alastair Davidson	–	8,000	–	8,000
Professionally Managed Accounts				
Ron Hodge	1	2	1	2

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 of subsidiaries 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.

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.

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

Our auditors are BDO Audit Pty Ltd. BDO Audit Pty Ltd received $5,000 for non-audit services (verification of a recommendation report). A network firm, BDO Services Pty Ltd, received $33,850 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.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 28.

Signed in accordance with a resolution of the Directors.

Paul Clitheroe
Chairman
Dated this 26th day of August 2020 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 2020, 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 period.

Tim Aman
Director

BDO Audit Pty Ltd

Sydney

26 August 2020

Consolidated Statement of Comprehensive Income

	Notes	2020 $	2019 $
Commission income – funds		3,689,240	4,610,068
Commission income – insurance		1,605,829	1,788,701
Subscription income		4,350,653	4,235,400
Funds management fees		900,213	764,953
Interest		21,094	46,371
Other income		79,204	1,981
Net gain/(loss) on financial instruments at fair value through profit and loss	3	(33,181)	539,910
Total Income		**10,613,052**	**11,987,384**
Share of net loss of associate		–	40,640
Accounting and administrative costs		412,791	316,671
Audit fees	20	137,962	172,944
Business insurance		196,860	169,675
Commission rebates		1,398,697	1,779,800
Directors' fees		232,001	240,000
Employee costs		5,513,341	5,846,625
Legal and statutory expenses		57,940	102,413
Marketing and advertising		640,348	1,514,210
Other expenses		541,768	458,992
Rent		131,958	331,831
Software and website costs		811,114	818,761
Travel and accommodation		22,646	42,489
Depreciation and amortisation		2,024,167	1,679,962
Employee benefit expense	13	55,865	305,600
Impairment of intangibles	8	451,118	277,319
Total expenses		**12,628,576**	**14,097,932**
Profit(loss) before income tax		**(2,015,524)**	**(2,110,548)**
Income tax benefit	5	679,866	339,696
Profit/(loss) for the year		**(1,335,658)**	**(1,770,852)**
Other comprehensive income, net of income tax		–	–
Total comprehensive profit/(loss) for the year		(1,335,658)	(1,770,852)
Basic earnings/(loss) per share (cents per share)	17	(1.20)	(1.60)
Diluted earnings/(loss) per share (cents per share)	17	(1.20)	(1.60)

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

Consolidated Statement of Financial Position

		2020	2019
ASSETS	Notes	$	$
Cash and cash equivalents	16	5,117,905	4,400,457
Trade receivables		433,524	750,169
Prepayments and deposits		227,184	262,494
Financial assets at fair value through profit and loss	4	2,179,293	2,196,894
Fixed assets, including software less accumulated depreciation	9	118,673	176,046
Right of use asset	6	413,518	–
Deferred tax asset	5	302,381	200,240
Intangibles	8	2,810,796	5,026,349
Total assets		11,603,274	13,012,649
LIABILITIES			
Trade and other payables	10	726,437	791,195
Subscriptions received in advance		2,026,593	1,708,725
Trail commissions to rebate		753,944	1,061,208
Provisions	11	507,353	433,625
Lease liability	6	428,569	–
Deferred tax liability	5	838,322	1,416,047
Total liabilities		5,281,218	5,410,800
Net assets		6,322,056	7,601,849
EQUITY			
Issued capital	14	58,522,441	58,522,441
Employee Benefit reserve	13	1,804,804	1,748,939
Retained losses		(54,005,189)	(52,669,531)
Total equity		6,322,056	7,601,849

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

Consolidated Statement of Changes in Equity

	Notes	Issued Capital $	Retained losses $	Employee Benefit Reserve $	Total Equity $
Balance at 30 June 2018		58,522,441	(50,898,679)	1,443,339	9,067,101
Comprehensive income for the year		–	(1,770,852)	–	(1,770,852)
Employee benefit share reserve	13	–	–	305,600	305,600
Balance at 30 June 2019		58,522,441	(52,669,531)	1,748,939	7,601,849
Comprehensive loss for the year		–	(1,335,658)	–	(1,335,658)
Employee benefit share reserve	13	–	–	55,865	55,865
Balance at 30 June 2020		58,522,441	(54,005,189)	1,804,804	6,322,056

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

Consolidated Statement of Cash Flows

	Notes	2020	2019
Cash flows from operating activities		**$**	**$**
Receipts from customers		11,259,652	11,280,325
Payments to suppliers and employees		(10,360,410)	(11,897,210)
Interest received		21,094	46,371
Income tax received		–	37,669
Net cash provided by/(used in) operating activities	16(a)	**920,336**	**(532,845)**
Cash flows from investing activities			
Proceeds from sale of investments		–	613,613
Proceeds from sale of associate		–	343,835
Purchase of investments		(15,580)	(19,419)
Acquisition of subsidiary, net of cash acquired		–	(542,326)
Purchase of fixed assets		(22,789)	(28,173)
Net cash provided by/(used in) investing activities		**(38,369)**	**367,530**
Cash flows from financing activities			
Principal payments for leases		(164,519)	–
Net cash used in financing activities		**(164,519)**	**–**
Net decrease in cash and cash equivalents		**717,448**	**(165,315)**
Cash and cash equivalents at beginning of the year		4,400,457	4,565,772
Cash and cash equivalents at the end of the year	16(b)	**5,117,905**	**4,400,457**

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

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 7 (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 2019. 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 26 August 2020. 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 new and revised standards and interpretations has resulted in changes to the Group's accounting policies. Any other new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

AASB 16 Leases was adopted from 1 July 2019. AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. The Group has chosen the modified retrospective application with the cumulative effect of initially applying the standard recognised at the date of initial application (1 July 2019). The Group recognised a right-of-use asset of $227,340 and a corresponding lease liability of $227,340 on application date. The Group recognised a right-of-use asset of $365,748 and a corresponding lease liability of $365,748 during the year for a new lease. Depreciation on right-of-use assets of $179,570 (disclosed as Rent before application of AASB16) and interest expense of $13,661 (disclosed as Rent before application of AASB16) was recognised for the period. The application of the standard did not have a material impact on total comprehensive income/(loss) for the year. Refer to Note 6 for further information.

The Group's accounting policy for leases is stated below.

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.

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.

Funds management fees 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 are recognised when the right to receive payment has been established. 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. There were no performance fees received or receivable at year end.

Investment and interest revenue

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.

Interest income is recognised as it accrues.

Investments at Fair Value

The Group's investments are all measured at fair value through profit or loss 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.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2020 and the results of all subsidiaries for the period from 1 July 2019 to 30 June 2020. 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 and funds management fees receivable 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, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. For the purposes of the Statement of Cash Flows, cash includes deposits held at call with financial institutions net of bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

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 4 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 LTIP and ESOP 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.

Estimates of future cash flows were used to estimate fair value of the assets acquired and liabilities assumed in business combinations. The fair value of intangible assets was calculated using management's estimates of future cash flows from each entity's identified intangible assets for the period of their expected useful life. Intangibles are tested for impairment at each balance date and when circumstances indicate that the carrying value may be impaired. The Group bases its assumptions used to test the impairment of goodwill on budgets and forecasts which are prepared for the Group's cash generating unit (CGU). These budgets and forecasts generally cover a five-year period, and a long-term growth rate (net of inflation) is used for longer periods.

Level 3 investments in financial assets are based on Director's estimates of the fair value of those investments, where reliable third-party sources of valuation are not available.

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.

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

	2020 $	2019 $
Net unrealised gain/(loss) on investments	(33,181)	553,934
Net realised gain/(loss) on investments	–	(14,024)
	(33,181)	539,910

4. Financial assets held at fair value

	2020 $	2019 $
AWI Ventures investee companies	1,693,988	1,721,363
Investments in Separately Managed Accounts	235,305	225,531
Call option	250,000	250,000
Financial assets at fair value through profit and loss	2,179,293	2,196,894

Investments in Separately Managed Accounts consists of investments in separately managed accounts issued by Praemium Australia Limited (managed by InvestSMART Financial Services Pty Ltd) and investments in Professionally Managed Accounts, a scheme issued by InvestSMART Funds Management Limited.

A call option was purchased on 14 June 2018 to acquire 100% of an unlisted company for $3,750,000 exercisable between the third and fourth anniversary date of entering the share option deed. The unlisted company is not considered to be a subsidiary as the Group is not exposed, nor has rights, to variable returns from its involvement with the company and does not have the ability to affect the returns of the company. Further information on the fair value determination and the risk exposures of financial assets held at fair value is provided in Note 12.

5. Income Tax

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

	2020	2019
The components of income tax expense:	**$**	**$**
Current income tax expense	–	–
Other adjustments for prior years	–	9,979
Deferred tax income relating to the origination and reversal of temporary differences	648,946	329,717
Change in tax rate	30,920	–
Total income tax benefit	679,866	339,696

(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 2020 and 30 June 2019 is as follows:

	2020	2019
	$	$
Prima facie income tax benefit calculated at 27.5% on operating loss	554,269	578,477
Add/(Less) tax effect of:		
Expenditure not deductible in current year	(48,571)	(131,395)
Impairment of intangibles	–	(76,263)
Recognition of previously unused tax losses	83,108	136,906
Change in tax rate	30,920	–
Income not taxable	22,351	–
Losses carried forward not recognised	(9,125)	(178,008)
Adjustments for prior years	46,913	9,979
Income tax benefit	679,866	339,696

(c) Deferred tax assets and liabilities

Deferred tax assets

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

	2020	2019
	$	$
Accruals and provisions not deductible in this period	179,120	182,857
Lease liability	111,428	–
Deductible capital expenditure	11,833	17,383
Closing balance	302,381	200,240
Movements in deferred tax assets		
Opening balance	200,240	274,101
Benefit in the income statement	102,141	(73,861)
	302,381	200,240

Deferred tax liabilities

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

	2020	2019
	$	$
Future tax expense for intangibles acquired	730,807	1,382,246
Prepayments	–	33,801
Right–of–use assets	107,515	–
	838,322	1,416,047
Movements in deferred tax liabilities		
Opening balance	1,416,047	1,720,249
Deferred tax arising on acquisition of subsidiary	–	99,376
Benefit in the income statement	(577,725)	(403,578)
	838,322	1,416,047

A tax rate of 27.5% was applied for the year ending 30 June 2020 (2019: 27.5%) as the Group is classified as a small business for tax purposes. A reduced tax rate of 26% will apply for reporting periods after 30 June 2020 (previously 27.5%). 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 2020 is $4,817,247, of which $4,724,949 is realised capital losses.

6. 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 5.2%.

The operating lease commitments disclosed applying AASB117 at the end of the reporting period immediately preceding the initial date of application is $430,720. A lease liability of $227,340 was recognised at the date of initial application. The difference is due to the lease of Sydney premises being classified as a short-term lease and the interest component of the lease liability for the Melbourne premises.

Right-of-use assets

Leases recognised as right-of-use assets and lease liabilities consist of office premises.

	$
Initial recognition of on adoption of AASB16 on 1 July 2019	227,340
Additions	365,748
Depreciation charge	179,570
Balance at 30 June 2020	413,518
Number of right-of-use assets leased	2
Range of remaining term	1 - 2 years
Average remaining lease term	1.3 years
Number of leases with extension options	1
Number of short-term leases (expired 31 March 2020)	1
Expense for short-term leases	131,958

The total cash outflow for lease payments is $366,141 (2019: $424,431).

Lease liabilities

Maturity analyses of lease liabilities at 30 June 2020:

	Less than 1 year	1 to 2 years	Total
	$	$	$
Lease payments	310,050	132,424	442,474
Interest	12,187	1,718	13,905
	297,863	130,706	428,569

The interest expense on lease liabilities for 2020 is $13,661.

7. Controlled entities and investments in associates

(a) Controlled entities

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

	% owned at	
	30/06/2020	30/06/2019
Intelligent Investor Holdings Pty Ltd	100%	100%
The Intelligent Investor Distribution Pty Ltd	100%	100%
InvestSMART Publishing 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%
AWI Ventures Pty Ltd	100%	100%
Eureka Report Pty Ltd	100%	100%
Kohler and Company Pty Ltd	100%	100%

(b) Investment 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 is classified as an investment in associate and accounted for using the equity method. The Group has a unitholding of 0.1% of Professionally Managed Accounts at 30 June 2020 (2019: 0.5%).

Summarised financial information for all associates:

	2020	2019
	$	$
Aggregate carrying amount	1	1
Aggregate profit/(loss) from continuing operations	–	(40,640)
Aggregate total comprehensive income	–	(40,640)

8. Intangible assets

	Goodwill	Fund distribution contracts	Subscriber lists	Content	Total
	$	$	$	$	$
Balance at 30 June 2018	–	5,703,100	552,350	–	6,255,450
Additions through business combinations	277,319	–	248,538	112,828	638,685
Amortisation	–	1,019,893	457,746	112,828	1,590,467
Impairment	277,319	–	–	–	277,319
Balance at 30 June 2019	–	4,683,207	343,142	–	5,026,349
Amortisation	–	1,591,127	173,308	–	1,764,435
Impairment	–	451,118	–	–	451,118
Balance at 30 June 2020	–	2,640,962	169,834	–	2,810,796

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.

The Group assesses at the end of each reporting period whether there are any indications that an asset may be impaired. During the reporting period the Group received communication from product providers that commissions from certain funds management products would end sooner than the mandated deadline of 1 January 2021 and that commissions on other products may end sooner than the mandated deadline.

The recoverable amount of the assets has been determined based on a value in use calculation using cash flow projections from financial forecasts and budgets approved by senior management covering a five-year period. It was concluded that the value in use did not exceed the carrying value less costs of disposal. As a result of this analysis, management has recognised an impairment charge of $451,118 in the current year against fund distribution contracts.

The calculation of value in use for the cash generating unit is most sensitive to the assumptions italicised below:

Future revenue growth – Future revenue growth is based on past experience (attrition rates), communications received from product providers and movements in the Australian share market. The cash flow projections assume a growth rate of 6% in the Australian share market. Future cash flow projections exclude estimated future cash inflows expected to arise from future restructurings or from improving or enhancing the asset's performance.

Discount rates - Discount rates represent the current market assessment of the risks specific to the assets, taking into consideration the time value of money and the risks incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the expected cost of interest-bearing borrowings the Group may be obliged to service. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

The Group considers no other assets to be impaired.

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

9. Fixed assets including software

	Plant and equipment	Software	Total
	$	$	$
Cost at 30 June 2018	374,702	211,790	586,492
Additions	28,173	–	28,173
Cost at 30 June 2019	402,875	211,790	614,665
Additions	22,789	–	22,789
Cost at 30 June 2020	425,664	211,790	637,454
Accumulated depreciation at 30 June 2018	137,500	211,624	349,124
Depreciation charge for the period	89,329	166	89,495
Accumulated depreciation at 30 June 2019	226,829	211,790	438,619
Depreciation charge for the period	80,162	–	80,162
Accumulated depreciation at 30 June 2020	306,991	211,790	518,781
Net book value at 30 June 2019	176,046	–	176,046
Net book value at 30 June 2020	118,673	–	118,673

10. Trade and other payables

	2020	2019
	$	$
Trade payables and accruals	503,346	497,604
Other payables	–	57,401
PAYG and superannuation payables	32,639	37,874
GST payable	190,452	198,316
	726,437	791,195

Trade payables are non-interest bearing and unsecured. Payment duration is disclosed in Note 12.

11. Provisions

	2020	2019
	$	$
Annual leave provision	235,609	220,626
Long service leave provision	199,998	195,253
Other provisions	71,746	17,746
	507,353	433,625

12. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable, investments in unlisted equities and derivatives classified as financial assets at fair value through profit and loss.

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 2020.

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, unlisted securities and short term receivables. Unlisted securities may be difficult to liquidate in a timely fashion.

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.

	On-demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
At 30 June 2020	$	$	$	$	$
Trade and other payables	–	643,575	69,335	13,527	726,437
Subscriptions received in advance	–	850,581	1,169,084	6,928	2,026,593
Trail commissions due to customers	–	263,546	490,398	–	753,944
Lease liabilities	–	79,567	230,533	132,476	442,576
Total financial liabilities	–	1,837,269	1,959,350	152,931	3,949,550
At 30 June 2019					
Trade and other payables	–	601,238	189,957	–	791,195
Subscriptions received in advance	–	749,841	945,293	13,591	1,708,725
Trail commissions due to customers	–	521,237	539,972	–	1,061,209
Total financial liabilities	–	1,872,316	1,675,222	13,591	3,561,129

(iii) Market risk

AASB 7 defines this 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. The range for a general fall in prices has increased due to an increase in volatility for the ASX All Ords.

A general fall in market prices of 10 per cent and 20 per cent would lead to a reduction in the Group’s equity and increase the reported loss by $217,929 and $435,859 respectively (2019: $107,524 and $217,717 respectively for a general fall in market prices of 5 per cent and 10 per cent). 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 $32,887 (2019: $34,243). A decrease of 75 basis points would have an equal but opposite effect.

At 30 June 2020, 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	0.4	4,290,398	827,506	5,117,905
Trade and other receivables		–	433,524	433,524
Prepayments and deposits		–	227,184	227,184
Financial assets at fair value through profit and loss		–	2,179,293	2,179,293
		4,290,398	3,667,507	7,957,906
Financial liabilities				
Trade and other payables		–	726,437	726,437
Subscriptions received in advance		–	2,026,593	2,026,593
Trail commissions due to customers		–	753,944	753,944
Lease liabilities		–	428,569	428,569
		–	3,935,543	3,935,543
Net financial assets/(liabilities)		4,290,398	(268,036)	4,022,363

At 30 June 2019, 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	1	3,936,130	464,326	4,400,457
Trade and other receivables		–	750,169	750,169
Prepayments and deposits		–	262,494	262,494
Financial assets at fair value through profit and loss		–	2,196,894	2,196,894
		3,936,130	3,673,883	7,610,014
Financial liabilities				
Trade and other payables		–	791,195	791,195
Trail commissions due to customers		–	1,061,208	1,061,208
Subscriptions received in advance		–	1,708,725	1,708,725
		–	3,561,128	3,561,128
Net financial assets/(liabilities)		3,936,130	112,755	4,048,886

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.

There has been no change in the Level 2 and Level 3 valuation techniques used for this report from previous reports. 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 2020:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
At 30 June 2020				
Financial assets				
Investments in Separately Managed Accounts	31,365	203,940	–	235,305
AWI Ventures investee companies	–	–	1,693,988	1,693,988
Call option	–	–	250,000	250,000
Financial assets held at fair value through profit or loss	31,365	203,940	1,943,988	2,179,293
At 30 June 2019				
Financial assets				
Investments in Separately Managed Accounts	20,564	204,967	–	225,531
AWI Ventures investee companies	–	–	1,721,363	1,721,363
Call option	–	–	250,000	250,000
Financial assets held at fair value through profit or loss	20,564	204,967	1,971,363	2,196,894

During the reporting period ending 30 June 2020 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. The level 2 investments held by the Group consists of investments in separately managed accounts issued by Praemium Australia Limited (managed by InvestSMART Financial Services Pty Ltd) and investments in Professionally Managed Accounts, a scheme issued by InvestSMART Funds Management Limited. The accounts hold primarily listed securities which are valued at the last closing price on the Australian Securities Exchange.

Description of significant unobservable inputs to valuation of Level 3 assets

Through AWI Ventures Pty Ltd, the Group has investments in 3 start-up companies in the financial technology sector. These companies have little or no revenue and therefore cannot be valued using Discounted Cash Flow. The fair value of the investee companies has been assessed as the price at which each investee company raised a material amount of new capital, or historic cost if they have not raised a material amount of new capital, adjusted for the Director's view of the likely success of the business.

The Group purchased a call option (derivative) over an unlisted business on 14 June 2018. Fair value has been determined using a binomial options pricing model.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Unlisted equities and options are classified within level 3.

The table below shows the assumptions used by management in assessing fair value of its investments in unlisted investments:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity to fair value
AWI Ventures investee companies	Market approach	Last issue price & date of new equity, last traded price of equity, Capital structure, Discount rate, Directors' qualitative assessment of investee business model success	N/A	An issue of new equity, or trade in existing equity, at a higher or lower price may have significant effect on fair value
Call option	Binomial option pricing model	Volatility rate, Last traded price of derivative	N/A	An issue of new equity, trade in existing equity, changes in interest rates, volatility rate, dividends at a higher or lower amount may have significant effect on fair value under option pricing models

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within level 3 between the beginning and the end of the reporting period:

Fair Value at 30 June 2019	1,971,363
Unrealised loss through profit and loss	27,375
Balance at 30 June 2020	1,943,988

13. Employee benefit reserve

	2020 $	2019 $
Long Term Incentive Plan (LTIP)	1,504,103	1,477,293
Employee Share Ownership Scheme (ESOP)	300,701	271,646
	1,804,804	1,748,939
Opening balance	1,748,939	1,443,339
Expense	55,865	305,600
Closing balance	1,804,804	1,748,939

On 26 November 2014 (the grant date), the Company lent $1,000,000 to the Chairman, Mr Paul Clitheroe, to acquire 4,000,000 shares at $0.25 per share as part of the Long-Term Incentive Plan, subject to vesting terms, as approved by shareholders at the Annual General Meeting in November 2014. The first tranche of these shares has vested, though the associated non-recourse loan has not been repaid, and therefore has not been included in fully paid ordinary share capital. The remaining tranches have not vested and therefore have not been included in fully paid ordinary share capital. On 6 February 2019 (the modification date) the Company extended the maturity of the loan on the first tranche of the options to 30 May 2021 (as approved at the Extraordinary General Meeting held on 6 February 2019). The incremental fair value granted at modification date is $19,601.

On 17 June 2015 (the grant date) the Company agreed to lend $3,125,000 in total to three key management personnel to acquire 12,499,998 shares at $0.25 per share, as part of the Long-Term Incentive Plan as approved by shareholders at the Extraordinary General Meeting in June 2015. These shares were issued on 8 September 2015 and vested in three equal tranches over three years. The first tranche of these shares vested on 8 September 2016, the second tranche vested on 8 September 2017 and the third tranche vested on 8 September 2018. The associated non-recourse loan has not been repaid, and therefore has not been included in fully paid ordinary share capital. On 6 February 2019 (the modification date) the Company extended the maturity of the loan on each tranche of shares by two years. The incremental fair value granted at modification date is $163,292.

On 28 December 2016 as part of the Employee Share Ownership Plan (ESOP) the Company lent $1,804,200 to the Managing Director and employees of the Group to acquire 5,820,000 ordinary shares as approved by shareholders at the Annual General Meeting on 29 November 2016. The shares were issued on the Grant Date and vest in three equal tranches over three years. The first tranche of these shares vested on 28 December 2017, the second tranche vested on 28 December 2018 and the third tranche vested on 28 December 2019. The associated non-recourse loan has not been repaid, and therefore has not been included in fully paid ordinary share capital. On 6 February 2019 (the modification date) the Company extended the maturity of the loan on each tranche of shares by two years. The incremental fair value granted at modification date is $40,461. 2,625,000 ESOP shares from this issue were forfeited and cancelled at 30 June 2020.

On 6 September 2017 the Company lent $178,500 to employees of the Group to acquire 700,000 ordinary shares under the ESOP. The shares were issued on the Grant Date and vest in three equal tranches over three years. The first tranche of shares vested on 6 September 2018 and the second tranche vested on 6 September 2019. The remaining tranche vests on 6 September 2020. The associated non-recourse loan has not been repaid, and therefore has not been included in fully paid ordinary share capital. On 6 February 2019 (the modification date) the Company extended the maturity of the loan on each tranche of shares by two years. The incremental fair value granted at modification date is $6,608. 150,000 ESOP shares from this issue were forfeited and cancelled at 30 June 2020.

On 4 March 2019 the Company lent $104,125 to employees of the Group to acquire 1,225,000 ordinary shares under the ESOP. The shares were issued on the Grant Date and vest in three equal tranches over three years. The first tranche of shares vested on 6 September 2018. The remaining two tranches have not vested. The associated non-recourse loan has not been repaid, and therefore has not been included in fully paid ordinary share capital. The incremental fair value at grant date is $34,524. 165,000 ESOP shares from this issue were forfeited and cancelled at 30 June 2020.

On 11 April 2019 (the grant date), the Company lent $1,000,000 to Mr Alan Kohler to acquire 4,000,000 shares, as part of the Long-Term Incentive Plan, subject to vesting terms, as approved by shareholders at the Extraordinary General Meeting on 6 February 2019. The shares issued will vest in three equal tranches on the later of the first, second and third anniversary of the grant date, or the date the share price is at or above $0.33, $0.42 or $0.50 respectively for each tranche. The Company estimated the fair value of this share benefit was $48,400 at the grant date.

Fair values at modification and grant dates were determined using Black-Scholes or Monte-Carlo methods. The inputs used include the share price at grant or modification date, vesting price, vesting period, expected volatility (44%), expected dividends (1% yield), the risk free interest rate (1.5%-1.75% depending on the maturity date of the loan) and the maturity date. Expected volatility was primarily based on historic volatility, with consideration given to implied volatility on comparable exchange traded options and the natural term structure of long dated options. The cost of the LTIP shares and ESOP shares are amortised over the applicable vesting period through the statement of comprehensive income.

14. Issued capital

	2020		2019	
	Shares	**$**	**Shares**	**$**
Fully paid ordinary share capital	**110,885,360**	**58,522,441**	**110,885,360**	**58,522,441**

An additional 20,499,998 shares were issued, as part of the LTIP detailed in Note 13 and the Directors Report. The vested shares have a non-recourse loan outstanding.

Under the LTIP, the director or employee can repay the loan by forfeiting the shares issued under the plan. The shares vest when the Company's share price reaches certain hurdles or 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.

An additional 4,805,000 shares are on issue under the ESOP to the Managing Director and other employees of the Group at 30 June 2020. Under the ESOP, the director or employee can repay the loan by forfeiting the shares issued under the plan. The shares vest over 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. The Group is not subject to any externally imposed capital requirements. Capital relates to equity attributable to investors.

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 2020 and 30 June 2019.

15. Related party information

Ron Hodge, Nigel Poole and Alastair Davidson were key management personnel of the Group during the financial year. Remuneration paid to key management personnel by the Group in connection with the management of 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
2020	667,356	63,399	9,160	11,535	3,360	754,810
2019	682,092	64,798	(9,289)	53,614	205,193	996,408

Shareholdings of key management personnel and their related entities:

Ordinary Shares	Balance at 30 June 2018	Shares acquired	Balance at 30 June 2019	Shares acquired	Balance at 30 June 2020
Ron Hodge	4,885,000	679,938	5,564,938	2,931,728	8,496,666
Nigel Poole	4,466,666	–	4,466,666	–	4,466,666
Alastair Davidson	4,794,339	–	4,794,339	453,720	5,248,059

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, no key management personnel have entered into a material contract with the Group during the financial year.

The Directors of the 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. The Directors' remuneration has been included in the remuneration report section of the Directors Report.

Investments in associates are disclosed in Note 7 (b). The Group received management fees of $186,219 (2019: $83,342) from managed investment schemes classified as investments in associates. The Group held receivables for management fees from managed investment schemes classified as investments in associates of $20,617 (2019: $6,654) at year end.

16. Statement of Cash Flows

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

	2020	2019
	$	$
Profit/(Loss) for the year	(1,335,658)	(1,770,852)
Adjustments to reconcile profit after tax to net cash flows:		
Net (gain)/loss on financial instruments at fair value through profit and loss	33,181	(539,910)
Employee benefit expense	55,865	305,600
Depreciation and amortisation	2,024,167	1,679,962
Share of net loss of associate	–	40,640
Decrease in deferred tax asset	(102,141)	73,861
Decrease in deferred tax liability	(577,725)	(403,578)
Impairment of intangibles	451,118	277,319
Change in operating assets and liabilities:		
Decrease/(Increase) in trade and other receivables	316,645	(83,938)
Decrease in prepayments	35,310	40,830
Decrease in trade and other payables	19,574	(152,779)
Net cash provided by/(used in) used in operating activities	920,336	(532,845)

(b) Reconciliation of cash

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:

	2020	2019
	$	$
Cash at bank	5,117,905	4,400,457

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.

17. Earnings/(loss) per share

	2020	2019
	cents	cents
Basic earnings per share (cents per share)	(1.20)	(1.60)
Diluted earnings per share (cents per share)	(1.20)	(1.60)
Earnings/(loss) as per Statement of Consolidated Income	(1,335,658)	(1,770,852)
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	110,885,360	110,885,360
Weighted average number of ordinary shares outstanding during the year used in calculating diluted earnings per share if all LTIP and ESOP shares vest and non-recourse loans are repaid	136,312,659	136,820,358

As the Group is in a loss position in 2020, share based incentive plans do not affect the diluted earnings per share calculation as potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

18. Contingent liabilities and commitments

At 30 June 2020 the Group has the following contingent liabilities:

	2020	2019
	$	$
Guarantees for office rentals	122,524	187,778
Guarantees for intermediary facilities	401,000	651,000
	523,524	838,778

19. Franking account

	2020	2019
	$	$
Opening balance of franking account	2,931,463	2,969,095
Adjustments for tax payment and tax payable/refundable in respect of the prior year's profits	–	(37,632)
Adjusted franking account balance	2,931,463	2,931,463

20. Auditors remuneration

	2020	2019
Auditing and reviewing the financial reports of the Group and managed investment schemes:	$	$
BDO Audit Pty Ltd - audit and review fees	137,962	–
EY - audit and review fees	–	172,944
	137,962	172,944

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

The fees for these services are not broken down as they are bundled.

Fees for other services performed by audit and network firms:

BDO Services Pty Ltd - taxation services	33,850	–
BDO Audit Pty Ltd - verification of a recommendation report	5,000	–
EY - verification of a recommendation report	–	5,000
	38,850	5,000

21. Parent Entity Information

	2020	2019
Statement of Financial Position	**$**	**$**
Assets		
Current assets	107,080	178,490
Non-current assets	4,361,020	4,400,397
Total Assets	4,468,100	4,578,887
Liabilities		
Current Liabilities	–	–
Total Liabilities	–	–
Net Assets	**4,468,100**	**4,578,887**
Equity		
Contributed Equity	58,522,441	58,522,441
Employee benefit reserve	1,804,804	1,748,939
Retained earnings	(55,859,145)	(55,692,493)
Total Equity	**4,468,100**	**4,578,887**
Statement of Profit or Loss and other Comprehensive Income		
Net loss for the year after income tax expense	166,652	600,921
Total Comprehensive loss for the year	**166,652**	**600,921**

At 30 June 2020 InvestSMART Group Ltd has a contingent liability for a guarantee for an office rental of $63,256 (2019: $128,260).

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.

22. 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.

23. Events occurring after reporting date

Since 30 June 2020, there have been no significant events up to the date of this report.

24. 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

Director's 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 2020 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 2020.

On behalf of the Board

Paul Clitheroe
Chairman
Dated this 26th day of August 2020 at Sydney

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 and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 2020 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 Intangible Assets

Key audit matter	*How the matter was addressed in our audit*
Note 8 to the financial report discloses the individual intangible assets, and discloses the assumptions used by the Group in testing these assets for impairment. During the reporting period the Group received communication from product providers that commissions from certain funds management products would end sooner than the mandated deadline of 1 January 2021. The impairment assessment is a key audit matter due to the size of the recorded asset of $2,810,796 ($2019 : $5,026,349) and the degree of estimation and assumptions required to be made by the Group, specifically concerning future discounted cash flows. An annual impairment test for the intangible asset is required under Australian Accounting Standard (AASB) 136 Impairment of Assets.	Our audit procedures included, amongst others: • Challenged key assumptions, including forecast growth rates by comparing them to historical results, business trends, economic and industry forecasts and comparable organisations; • Compared these assumptions against external benchmarks (such as for the terminal value multiple and discount rates) and considered the assumptions based on our knowledge of the Group and its industry; • Assessed the amortisation periods applied to the intangible assets; and • Assessed the related disclosure in the financial report to ensure accordance with Australian Accounting Standards.

Valuation of Unlisted Investments

Key audit matter	*How the matter was addressed in our audit*
Note 4 to the financial report discloses the Group's investment in unlisted securities of $1,693,988 (2019: $1,721,363). These comprise three holdings in companies in the financial technology sector. The investment is classified within level 3 of the fair value hierarchy as defined in AASB 13 Fair Value Measurement. The valuation of these investments is a key audit matter due to the size of the asset as well as the presence of significant unobservable inputs into the valuation of the assets.	Our audit procedures included, amongst others: • Assessed management's valuation and agreed inputs such as purchase price and last traded price to observable external and internal resources; • Assessed the valuation methodologies applied by management in the determination of the fair value; • Compared the valuation techniques applied at 30 June 2020 to those applied at the 31 December 2019 half year review; and • Ensured the adequacy of the disclosures relating to the investments within the financial report and within 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 2020, 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 5 to 9 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Investsmart Group Limited, for the year ended 30 June 2020, 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, 26 August 2020

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 16 September 2020.

There were 135,590,358 ordinary shares held by 1,100 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	336	57,501	0.040
1,001-5,000	228	970,457	0.720
5,001-10,000	162	1,410,379	1.040
10,001-100,000	249	9,934,268	7.330
100,001 and over	125	123,217,753	90.880
Totals	1,100	135,590,358	100.000

The number of shareholders holding less than a marketable parcel of fully paid ordinary shares is 572.

Top 20 shareholders:

Shareholder Name	Number of shares held	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	20,094,875	14.820%
HARRIETTE & CO PTY LTD <HARRIETTE INVESTMENT A/C>	4,334,011	3.196%
ROBIN ANNE OWLES & RON PETER HODGE <HODGE FAMILY NO 2 A/C>	4,166,666	3.073%
MR NIGEL ANDREW POOLE <POOLE FAMILY A/C>	4,166,666	3.073%
ONMELL PTY LTD <ONM BPSF A/C>	4,125,683	3.043%
MR PAUL HUGH CLITHEROE	4,000,000	2.950%
TORONTO COVE PTY LTD	4,000,000	2.950%
BELIKE NOMINEES PTY LIMITED <SHARE PLAN A/C>	3,760,765	2.774%
WEBABOUT PTY LTD	3,730,000	2.751%
MYALL RESOURCES PTY LTD <MYALL GROUP SUPER FUND A/C>	3,500,000	2.581%
RONNSCAM PTY LTD <DAVIDSON FAMILY A/C>	3,166,666	2.335%
MRS ANTONIA CAROLINE COLLOPY	3,017,928	2.226%
S M & R W BROWN PTY LTD <ROBERT & SALLY BROWN SF A/C>	3,012,500	2.222%
MRS CATHERINE MAREE JORDAN	3,000,000	2.213%
PATCAIELI PTY LTD <THE JKO SUPER FUND A/C>	2,702,747	1.993%
CAMERON RICHARD PTY LTD <CAMERON RICHARD SUPER A/C>	2,355,221	1.737%
PENDEX PTY LTD <PATCAIELITRUST A/C>	2,301,991	1.698%
VADINA PTY LIMITED <JORDAN SUPER FUND A/C>	1,940,000	1.431%
LEYLAND PRIVATE ASSET MANAGEMENT PTY LTD	1,560,000	1.151%
MR PETER RAYMOND DAVIES	1,500,000	1.106%
Total Securities of Top 20 Holdings	80,435,719	59.323%
Total of Securities	135,590,358	

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 held[1]	Percentage[2]
Leyland Private Asset Management Pty Ltd	15 November 2017	25,138,492	18.94%
Perpetual Limited	31 August 2020	18,456,995	13.49%
Ron Hodge	1 June 2020	8,404,362	6.17%

[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.

Securities 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

The Company announced that it would commence an on-market share buy back of up to 5% of its issued share capital on 25 June 2020.

As at 16 September 2020, no shares have been purchased under the on-market share buy back.

Directory

Registered Office

Suite 2, Level 2
66 Clarence Street
Sydney NSW 2000

Directors

Paul Clitheroe AM (Chairman)
Ron Hodge (Managing Director)
Michael Shepherd AO (Lead Independent Non-Executive Director)
Kevin A Moore (Independent Non-executive Director)

Company Secretary

Catherine Teo

Share Registry

Boardroom Pty Limited
Level 12
225 George Street
Sydney NSW 2000
Shareholder Enquiries
Telephone: +61 2 9290 9600
Email: enquiries@boardroomlimited.com.au

Auditors

BDO Audit Pty Ltd
11/1 Margaret Street
Sydney NSW 2000
Telephone: +61 2 9251 4100

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