INVESTSMART GROUP LTD.

Appendix 4D - Half-year report for period ended 31 December 2020
(previous corresponding period: 31 December 2019)

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

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This information should be read in conjunction with the attached Interim Financial Report, the Annual Report for the year ended 30 June 2020 and quarterly business update for the period ended 31 December 2020.

	31-Dec-20	31-Dec-19	Increase/decrease over previous corresponding period
Revenues from ordinary activities ($'000)	4,460	5,560	-20%
Profit/(loss) from ordinary activities ($'000)	(530)	(652)	19%
Net profit/(loss) attributable to members ($'000)	(530)	(652)	19%
Net tangible assets (cents per ordinary share)^	3.71	3.72	

^Net tangible assets includes lease right-of-use assets and lease liabilities

Commentary on results for the period

Operating profit for the half-year ended 31 December 2020 and 31 December 2019 is reconciled to loss after tax as follows:

	2020 $	2019 $
Income		
Funds management fees	576,423	464,910
Subscription income	2,409,455	2,154,865
Commissions income - insurance	731,972	840,665
Commissions income - funds	594,225	2,103,797
Other income	37,797	22,957
Total operating income	**4,349,872**	**5,587,194**
Commissions rebates	222,622	843,733
Employment expenses	2,336,387	2,646,272
Marketing costs	315,756	165,831
Operating expenses	1,376,677	1,488,670
Total operating expenses	**4,251,442**	**5,144,506**
Net profit from operating activities	**98,430**	**442,688**
Other non-operating income^	110,473	-
Unrealised loss on ventures investments and call option	-	(27,375)
Employee benefit expense, contingent payments and restructure costs^^	(301,833)	(125,120)
Amortisation of intangibles	(581,897)	(1,014,883)
Impairment of intangibles	-	(283,464)
Loss before income tax	(674,827)	(1,008,154)
Income tax benefit	145,027	356,343
Loss for the period	**(529,800)**	**(651,811)**

^ Other non-operating income includes government grants of $40k (Dec19: $nil) and gain on sale of subsidiary of $70k (Dec19: $nil).

^^Employee benefit expense is $174k for the half-year ended 31 Dec 2020 (Dec19: $38k) which accounts for the cancellation and issue of employee share options in December 2020. Contingent payments is $98k for the half-year ended 31 Dec 2020 (Dec19: $87k) and consists of payments and amortisation of payments for the acquisition of Kohler & Co.

Note: InvestSMART Group Limited is transitioning through the impacts of Treasury Laws Amendment seeing industry wide cessation of grandfathered commissions income (fully discontinued from 1 January 2021). Early terminations have impacted the reporting period. Funds management fees and Subscription income are the focus areas of the business moving forward.

Funds management fees increased by 24% compared to the prior period as total funds under management increased from $163m at 31 December 2019 to $246m at 31 December 2020. The Group listed a third Active Exchange Traded Fund, the Intelligent Investor Australian Equity Growth Fund (ASX: IIGF) in October 2020, raising $33m in the initial offer. The total number of accounts on the Professionally Managed Accounts platform grew from 513 accounts at 31 December 2019 to 1,045 accounts at 31 December 2020.

Subscription income increased by 12% compared to the prior half-year due to an 8% increase in paying subscribers and a 4% increase in average revenue per subscriber from 31 December 2019 to 31 December 2020.

Commissions income decreased compared to the prior half-year. Several funds management product providers elected to cease payments of grandfathered commissions prior to the legislated deadline of 1 January 2021. The Treasury Laws Amendment (Ending Grandfather Conflicted Remuneration Remuneration) Bill 2019 removes grandfathering arrangements for commissions on funds management products and default insurance within superannuation from 1 January 2021.

In line with the early termination of commissions, the Group ceased rebates on commissions received from fund managers after 10 April 2020.

Operating expenses were selectively reduced from January 2020 to June 2020 to offset the effect of loss of commissions, to focus efforts on marketing (particularly digital conversion) and in response to Covid-19.

During the half-year all Long-Term Incentive Plan (“LTIP”) and Employee Share Option Plan (“ESOP”) shares were cancelled and replaced with an Employee and Director Share Plan (“EDSP”) as approved at the company’s AGM on 11 November 2020.

Amortisation of intangibles decreased due to a decrease in the carrying value of intangibles in the prior corresponding period. Fund distribution contracts were impaired in the prior corresponding period due to regulatory developments on grandfathered funds management commissions.

Details of entities over which control has been lost
InvestSMART Publishing Pty Ltd was sold on 18 December 2020 for a gain of $70,000. InvestSMART Publishing Pty Ltd was the licensee for Intelligent Investor Holdings Pty Ltd. InvestSMART Publishing Pty Ltd received no revenue from entities outside the InvestSMART Group. The licensee for Intelligent Investor Holdings Pty Ltd was changed to InvestSMART Financial Services Pty Ltd during the half-year.

Dividend
It is not proposed to pay a dividend.

Details of associate entities

	Ownership interest as at	
	31/12/2020	31/12/2019
Professionally Managed Accounts	0.1%	0.2%

Other
Additional Appendix 4D disclosure requirements and further information including commentary on operating performance factors affecting the results for the current period are contained in the attached Interim Financial Report and the quarterly business update (released separately).

The consolidated financial statements contained within the Interim Financial Report 2020, of which this report is based upon, have been reviewed by BDO Audit Pty Ltd.

InvestSMART Group Limited
ABN 62 111 772 359

Interim Financial Report
Half-year ended 31 December 2020

Contents

Directors' Report

The Directors present their report on InvestSMART Group Limited (the Company) and its subsidiaries (collectively the Group) for the half-year ended 31 December 2020.

Directors

The following persons were directors of the company during or since the end of the half-year and up to the date of this report:

Paul Clitheroe AM	Chairman and Non-executive Director
Michael Shepherd AO	Non-executive Director
Ron Hodge	Managing Director
Kevin Moore	Non-executive Director (resigned: 1 December 2020)
Effie Zahos	Non-executive Director (appointed: 11 November 2020)

Review and Results of Operations

Operating profit for the Group for the past two first half periods is shown below:

	2020 $	2019 $
Income		
Funds management fees	576,423	464,910
Subscription income	2,409,455	2,154,865
Commissions income - insurance	731,972	840,665
Commissions income - funds	594,225	2,103,797
Other income	37,797	22,957
Total operating income	**4,349,872**	**5,587,194**
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Marketing costs	315,756	165,831
Operating expenses	1,376,677	1,488,670
Total operating expenses	**4,251,442**	**5,144,506**
Net profit from operating activities	**98,430**	**442,688**
Other non-operating income^	110,473	-
Unrealised loss on ventures investments and call option	-	(27,375)
Employee benefit expense, contingent payments and restructure costs^^	(301,833)	(125,120)
Amortisation of intangibles	(581,897)	(1,014,883)
Impairment of intangibles	-	(283,464)
Loss before income tax	(674,827)	(1,008,154)
Income tax benefit	145,027	356,343
Loss for the period	**(529,800)**	**(651,811)**

^ Other non-operating income includes government grants of $40k (Dec19: $nil) and gain on sale of subsidiary of $70k (Dec19: $nil).
^^Employee benefit expense is $174k for the half-year ended 31 Dec 2020 (Dec19: $38k) which accounts for the cancellation and issue of employee share options in December 2020. Contingent payments is $98k for the half-year ended 31 Dec 2020 (Dec19: $87k) and consists of payments and amortisation of payments for the acquisition of Kohler & Co.

The Group continues to provide financial services under general advice to retail clients and self-managed superfunds.

Funds management fees increased compared to the prior period as total funds under management increased from $163m at 31 December 2019 to $246m at 31 December 2020. The Group listed a third Active Exchange Traded Fund, the Intelligent Investor Australian Equity Growth Fund (ASX: IIGF) in October 2020, raising $33m in the initial offer.

Subscription income increased compared to the prior half-year due to an 8% increase in paying subscribers and a 4% increase in average revenue per subscriber from 31 December 2019 to 31 December 2020.

Commissions income decreased compared to the prior half-year. Several funds management product providers elected to cease payments of grandfathered commissions prior to the legislated deadline of 1 January 2021. The Treasury Laws Amendment (Ending

Grandfather Conflicted Remuneration Remuneration) Bill 2019 removes grandfathering arrangements for commissions on funds management products and default insurance within superannuation from 1 January 2021.

In line with the early termination of commissions, the Group ceased rebates on commissions received from fund managers after 10 April 2020.

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 period under review.

During the half-year all Long-Term Incentive Plan ("LTIP") and Employee Share Option Plan ("ESOP") shares were cancelled and replaced with an Employee and Director Share Plan ("EDSP") as approved at the company's AGM on 11 November 2020.

Amortisation of intangibles decreased due to a decrease in the carrying value of intangibles in the prior corresponding period. Fund distribution contracts were impaired in the prior corresponding period due to regulatory developments on grandfathered funds management commissions.

Matters subsequent to the end of the half-year

No matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Group's state of affairs in future financial years.

Auditor's Independence Declaration

The auditor's independence declaration required under section 307C of the Corporations Act 2001 is included on page 5 of the half-year report. This report is made in accordance with a resolution of the Directors.

Paul Clitheroe AM
Chairman

Sydney
24 February 2021

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

As lead auditor for the review of InvestSMART Group Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 24 February 2021

Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2020

	Note	2020 $	2019 $
Funds management fees		576,423	464,910
Subscription income		2,409,455	2,154,865
Commissions income - insurance		731,972	840,665
Commissions income - funds		594,225	2,103,797
Net gain/(loss) on financial instruments at fair value through profit and loss		11,847	(20,326)
Other income	2	136,422	15,908
Total income		**4,460,344**	**5,559,819**
Accounting and administrative costs		268,085	245,137
Audit fees		71,063	82,981
Business insurance		114,196	98,309
Commission rebates		222,622	843,733
Directors' fees		110,333	120,000
Employee costs		2,456,270	2,732,958
Legal and statutory expenses		42,149	22,587
Marketing and advertising		315,746	165,831
Other expenses		189,100	267,691
Short term lease costs		-	106,982
Software and website costs		419,885	442,960
Depreciation and amortisation		751,683	1,116,906
Employee benefit expense	4	174,039	38,434
Impairment of intangibles		-	283,464
Total expenses		**5,135,171**	**6,567,973**
Loss before income tax		**(674,827)**	**(1,008,154)**
Income tax benefit		145,027	356,343
Loss for the period		**(529,800)**	**(651,811)**
Other comprehensive income, net of income tax		-	-
Total comprehensive loss for the period		**(529,800)**	**(651,811)**
Basic earnings per share (cents per share)	5	(0.48)	(0.59)
Diluted earnings per share (cents per share)	5	(0.48)	(0.59)

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

Consolidated Statement of Financial Position at 31 December 2020

	Note	31-Dec-20	30-Jun-20
ASSETS		$	$
Cash and cash equivalents		4,722,257	5,117,905
Trade and other receivables		228,510	433,524
Prepayments and deposits		401,264	227,184
Financial assets at fair value through profit and loss	3	1,971,273	2,179,293
Deferred tax asset		256,921	302,381
Fixed assets, including software less accumulated depreciation		105,491	118,673
Right of use asset		262,775	413,518
Intangible assets		2,228,900	2,810,796
Total assets		**10,177,391**	**11,603,274**
LIABILITIES			
Trade and other payables		517,544	726,437
Subscriptions received in advance		1,988,776	2,026,593
Trail commissions to rebate		314,183	753,944
Provisions		489,613	507,353
Lease liability		280,341	428,569
Deferred tax liability		647,835	838,322
Total liabilities		**4,238,292**	**5,281,218**
Net assets		**5,939,099**	**6,322,056**
Equity			
Issued capital		58,495,245	58,522,441
Employee Benefit reserve	4	1,978,843	1,804,804
Retained losses		(54,534,989)	(54,005,189)
Total equity		**5,939,099**	**6,322,056**

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

Consolidated Statement of Changes in Equity for the half-year ended 31 December 2020

	Note	Issued Capital	Retained losses	Employee Benefit Reserve	Total Equity
		$	$	$	$
Balance at 1 July 2019		58,522,441	(52,669,533)	1,748,939	7,601,846
Comprehensive loss for the period		-	(651,811)	-	(651,811)
Employee benefit share reserve	4	-	-	38,434	38,434
Balance at 31 December 2019		58,522,441	(53,321,344)	1,787,373	6,988,469
Balance at 1 July 2020		58,522,441	(54,005,189)	1,804,804	6,322,056
Comprehensive loss for the period		-	(529,800)	-	(529,800)
Employee benefit share reserve	4	-	-	174,039	174,039
Buyback of issued capital - on market		(27,196)	-	-	(27,196)
Balance at 31 December 2020		58,495,245	(54,534,989)	1,978,843	5,939,099

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

Consolidated Statement of Cash Flows for the half-year ended 31 December 2020

	2020	2019
Cash flows from operating activities	$	$
Receipts from customers	4,578,823	5,773,207
Payments to suppliers and employees	(5,087,740)	(5,253,119)
Interest received	2,426	14,177
Net cash provided by/(used in) operating activities	**(506,491)**	**534,265**
Cash flows from investing activities		
Purchase of fixed assets	(5,861)	(7,138)
Sale of subsidiary	70,000	-
Purchase of investment	-	(15,581)
Sale of investments	222,128	-
Net cash provided by/(used in) investing activities	**286,267**	**(22,719)**
Cash flows from financing activities		
Principal payments for leases	(148,228)	-
Share buyback	(27,196)	-
Net cash used in financing activities	**(175,424)**	**-**
Net increase/(decrease) in cash and cash equivalents	**(395,648)**	**511,546**
Cash and cash equivalents at beginning of the period	5,117,905	4,400,457
Cash and cash equivalents at the end of the period	**4,722,257**	**4,912,003**

This Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to the Consolidated Financial Statements for the half-year ended 31 December 2020

1. Significant accounting polices

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report of the Group for the year ended 30 June 2020.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those followed in the preparation of the annual financial report of the Group for the year ended 30 June 2020.

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

New and amended standards and interpretations adopted in the reporting period
There are no new accounting standards, amendments or interpretations issued that are not yet effective that are expected to have a material impact on the Group in current or future reporting periods.

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.

At the end of the period the Group assessed that there were no indications that separately identified intangible assets were impaired.

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. Fair value inputs use best information available in the circumstance of those investments, which include the Company's own data.

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 gains to utilise the current losses within a 3 to 5 year time period. The potential deferred tax asset that could be realised at 31 December 2020 is $4,767,495, of which $4,694,199 is realised capital losses.

2. Other income

For the half-year ended 31 December	2020	2019
	$	$
Gain on sale of subsidiary	70,000	-
Government Grants	40,473	-
Education - Bootcamp	21,262	-
Interest	2,426	14,177
Share of net profit of associate	2,261	1,731
	136,422	15,908

InvestSMART Publishing Pty Ltd was sold during the half-year for a gain of $70,000. InvestSMART Publishing Pty Ltd was the licensee for Intelligent Investor Holdings Pty Ltd. InvestSMART Publishing Pty Ltd received no revenue from entities outside the InvestSMART Group. The licensee for Intelligent Investor Holdings Pty Ltd was changed to InvestSMART Financial Services Pty Ltd during the half-year.

3. Financial assets and liabilities held at fair value

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 31 December 2020:

	Level 1	Level 2	Level 3	Total
At 31 December 2020	$	$	$	$
Financial assets at fair value through profit and loss:				
Investments in Separately Managed Accounts	-	27,285	-	27,285
AWI Ventures investee companies	-	-	1,693,988	1,693,988
Call option	-	-	250,000	250,000
	-	27,285	1,943,988	1,971,273
At 30 June 2020				
Financial assets at fair value through profit and loss:				
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
	31,365	203,940	1,943,988	2,179,293

During the reporting period ended 31 December 2020 there were no transfers between Level 1 and Level 2 fair value measurements.

Listed equities have inputs based on quoted market prices in active markets and are classified within level 1.

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 relate to investments in Separately Managed Accounts issued by Praemium Australia 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 over an unlisted business on 14 June 2018. Fair value has been determined using a binomial model.

Financial instruments 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 level 3 financial instruments:

	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, 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 over The Term Deposit Shop	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

There were no movements in the fair value of financial instruments categorised within level 3 between the beginning and the end of the reporting period.

Unrealised gain/loss through profit and loss is recognised in Net gain/loss on financial instruments at fair value through profit and loss in the Statement of Comprehensive Income.

4. Employee benefit reserve

All Long-Term Incentive Plan ("LTIP") and Employee Share Option Plan ("ESOP") shares were cancelled on 9 December 2020 and replaced with an Employee and Director Share Plan ("EDSP") as approved at the company's AGM on 11 November 2020. The number of shares outstanding and employee benefit reserve at the beginning and the end of the half-year ended 31 December 2020 is as follows:

Type	**Issue date**	**Shares**	**Issue price**	**Employee Benefit Reserve ($)**	**Share price hurdles**
LTIP 1	26/11/2014	4,000,000	$0.25	278,000	$0.33, $0.42 & $0.50
LTIP 2	17/06/2015	12,499,998	$0.25	1,192,585	n/a
LTIP 3	11/04/2019	4,000,000	$0.25	33,518	$0.33, $0.42 & $0.50
ESOP 1	28/12/2016	3,195,000	$0.31	247,076	n/a
ESOP 2	6/09/2017	550,000	$0.255	37,696	n/a
ESOP 3	4/03/2019	1,060,000	$0.255	15,929	n/a
Balance at 1 July 2020		25,304,998		1,804,804	
ESOP shares cancelled (03/07/2020)		600,000			
All LTIP & ESOP shares cancelled (9/12/2020)		24,704,998		21,891	
Shares granted:					
EDSP 1	9/12/2020	9,343,999	$0.15	147,150	n/a
EDSP 2	9/12/2020	9,343,999	$0.20	3,547	n/a
EDSP 3	9/12/2020	9,344,000	$0.30	1,451	n/a
Total employee benefit expense for the period				174,039	
Balance at 31 December 2020		28,031,998		1,978,843	

The number of shares outstanding and employee benefit reserve for the comparative half-year (half-year ended 31 December 2019) for all LTIP and ESOP shares is as follows:

	Shares	**Employee Benefit Reserve ($)**
Balance at 1 July 2019	25,427,299	1,748,939
Shares cancelled	630,000	
Employee benefit expense for the half-year		38,434
Balance at 31 December 2019	24,797,299	1,787,373

EDSP 1 shares vested immediately and mature on 30 November 2025. EDSP 2 shares vest on 30 November 2021 and mature on 30 November 2026. EDSP 3 shares vest on 30 November 2022 and mature on 30 November 2027. A non-recourse loan was provided to participants to acquire the shares at the respective prices issued. All EDSP shares loans have not been repaid and have not been included in fully paid ordinary share capital. EDSP shares include 4,000,000 shares issued to Paul Clitheroe (Chairman), 4,566,666 shares issued to Ron Hodge (Managing Director/member of Key Management Personnel), 4,466,666 shares issued to Alastair Davidson (member of Key Management Personnel) and 4,466,666 shares issued to Nigel Poole (member of Key Management Personnel). All shares were issued equally across the three tranches.

The fair values at grant date for EDSP shares were determined using a Binomial model. The inputs used include the share price at grant date, vesting price, vesting period, expected volatility (48%), expected dividends (1% yield), the risk free interest rate (0.35%-0.60% depending on the maturity date of the loan) and the expected life of the option. Expected volatility was based on historic volatility and the implied volatility of comparable exchange traded options. The cost of the EDSP shares are recognised over the applicable vesting period through the statement of comprehensive income.

LTIP 1 shares were issued to the Chairman, Paul Clitheroe, On 26 November 2014 (the grant date). The vesting terms were in three equal tranches on the later of the first, second and third anniversary of the grant date, or the date the share price was at or above

$0.33, $0.42 or $0.50 respectively for each tranche. The first tranche of these shares had vested, though the associated non-recourse loan had not been repaid. The remaining tranches had not vested. On 6 February 2019 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).

LTIP 2 Shares were issued to three key management personnel on 8 September 2015. The shares 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. On 6 February 2019 the Company extended the maturity of the loan on each tranche of shares by two years (as approved at the Extraordinary General Meeting held on 6 February 2019).

LTIP 3 shares were issued to Mr Alan Kohler on 11 April 2019 The vesting terms were 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. None of the tranches had vested at cancellation date.

ESOP 1 shares were issued on 28 December 2016 to the Managing Director and employees. The shares vested 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. On 6 February 2019 the Company extended the maturity of the loan on each tranche of shares by two years (as approved at the Extraordinary General Meeting held on 6 February 2019).

ESOP 2 shares were issued on 6 September 2017 to employees. The shares vested in three equal tranches over three years. The first tranche of shares vested on 6 September 2018, the second tranche vested on 6 September 2019 and the tranche vested on 6 September 2020. On 6 February 2019 the Company extended the maturity of the loan on each tranche of shares by two years (as approved at the Extraordinary General Meeting held on 6 February 2019).

ESOP 3 shares were issued on 4 March 2019. The shares vested in three equal tranches over three years. The first tranche of shares vested on 4 March 2020. The second tranche was due to vest on 4 March 2021 and the third tranche was due to vest on 4 March 2022.

All LTIP and ESOP shares were cancelled on 9 December 2020. The associated non-recourse loan for all LTIP and ESOP shares was not repaid, and therefore no value was included in fully paid ordinary share capital.

5. Earnings per share

For the half-year ended 31 December	2020	2019
Basic loss per share (cents per share)	(0.48)	(0.59)
Diluted loss per share (cents per share)	(0.48)	(0.59)
Earnings/(loss) as per Consolidated Statement of Comprehensive Income ($)	(529,800)	(651,811)
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	110,709,220	110,885,360
Weighted average number of ordinary shares outstanding during the year used in calculating diluted earnings per share if all EDSP shares vest and non-recourse loans are repaid	135,820,742	136,190,358

As the Group was in a loss position for the half-year ended 31 December 2020, share based incentive plans did 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.

6. 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.

7. Contingent liabilities and commitments

At 31 December 2020, InvestSMART Group has the following contingent liabilities:

	31-Dec-20	30-Jun-20
	$	$
Guarantees for office rentals	122,524	122,524
Guarantee for intermediary facilities	401,000	401,000
	523,524	523,524

8. Events occurring after reporting date

No matter or circumstance has occurred after the period end that has significantly affected, or may affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods.

Directors' Declaration

In the opinion of the Directors:

(a) the Consolidated Financial Statements and notes of InvestSMART Group Limited for the half-year ended 31 December 2020 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and

(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.

This declaration is made in accordance with a resolution of the Directors.

Paul Clitheroe AM
Chairman

Sydney
24 February 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of InvestSMART Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of InvestSMART Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group’s financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit Pty Ltd

BDO

Tim Aman
Director

Sydney, 24 February 2021