diverger

DIVERGER LIMITED

ABN 48 111 695 357

APPENDIX 4E

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

RULE 4.3A

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Appendix 4E

Preliminary Final Report

DIVERGER LIMITED

ASX:DVR

ABN:48 111 695 357

1. <u>Reporting period and previous corresponding reporting period</u>

Current reporting period	The financial year ended 30 June 2022
Previous corresponding reporting period	The financial year ended 30 June 2021

2. <u>Results for announcement to the market</u>

		2022 $'000	2021 $'000	% Change	Up/(down)
2.1	Revenues from continuing operations	125,044	91,709	36	up
2.2	Profit from ordinary activities after tax attributable to members	3,563	2,504	42	up
2.3	Net profit for the period attributable to members	3,563	2,504	42	up

2.4 A final fully franked dividend of 2.5 cents per ordinary share in respect to the current reporting period has been declared and will be paid on 27 September 2022.

An interim fully franked dividend of 1.5 cents per ordinary share in respect of the current reporting period was paid on 26 April 2022.

2.5 The record date for the final dividend is 13 September 2022.

2.6 A brief explanation of any of the figures in 2.1 to 2.4

For commentary and analysis of the above (unaudited) figures, please refer to the Diverger Investor Presentation that was released to the ASX on 25 July 2022 as well as the attached (unaudited) financial statements.

The Company's full Audited Annual Report 2022, is expected to be released on 24 August 2022.

Diverger Limited's Annual General Meeting will be held at 11.30am (Sydney time) on 11 November 2022 at Rooms 5-8, Level 11/1 Margaret Street, Sydney, NSW, 2000. The AGM will be held in hybrid format whereby there will be a choice to attend in person or via a virtual link that will be provided with the Notice of AGM. The Notice of AGM and related Proxy Form will be available on the Company's website on or before 7 October 2022.

Peter Brook
Chairman

1 August 2022

diverger

Preliminary (unaudited) financial statements

For the year ended 30 June 2022

DIVERGER LIMITED

ABN 48 111 695 357

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Note	(unaudited) 2022 $'000	2021 $'000
Revenue from continuing operations			
Services		**123,403**	88,213
Expense recoveries		**1,471**	2,736
Other revenue		**170**	761
	1	**125,044**	91,710
Other income	3	**-**	471
Expenses from continuing operations			
Adviser revenue share	1, 3	**(93,419)**	(61,212)
Other direct costs	1, 3	**(6,113)**	(7,470)
Salaries and employee benefits expenses	1, 3	**(14,164)**	(12,767)
Occupancy expenses		**(395)**	(367)
Professional fees and consultants		**(2,014)**	(2,115)
Administration expenses		**(472)**	(488)
Corporate costs		**(402)**	(497)
IT expenses		**(694)**	(552)
Marketing expenses		**(101)**	(195)
Other expenses		**(221)**	(172)
Finance costs	3	**(92)**	(224)
Depreciation and amortisation	3	**(1,348)**	(1,275)
Net loss on disposal of fixed assets		**-**	(2)
Impairment of intangible assets	3	**-**	(28)
Share based payments expense		**(174)**	(338)
Total expenses from ordinary operations		**(119,609)**	(87,702)
Profit before income tax		**5,435**	4,479
Income tax expense		**(1,686)**	(1,257)
Net profit from continuing operations for the year		**3,749**	3,222
Loss from discontinued operations		**-**	(240)
Total comprehensive income for the year		**3,749**	2,982
Profit for the year is attributable to:			
Non-controlling interests		**186**	478
Owners of the Company		**3,563**	2,504
		3,749	2,982
Total comprehensive income for the year is attributable to:			
Non-controlling interests		**186**	478
Owners of the Company		**3,563**	2,504
		3,749	**2,982**
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share from continuing operations (cents)	4	**9.47**	7.80
Diluted earnings per share from continuing operations (cents)	4	**8.90**	7.65
Basic earnings per share (cents)	4	**9.47**	7.02
Diluted earnings per share (cents)	4	**8.90**	6.89

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2022

	Note	(unaudited) 2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**2,527**	2,259
Receivables	6	**3,134**	3,869
Other current assets	7	**1,397**	1,269
Total current assets		**7,058**	7,397
Non-current assets			
Plant and equipment	8	**199**	96
Right of use assets	9	**1,344**	168
Intangible assets	10	**43,766**	44,248
Deferred tax assets		**1,426**	1,154
Total non-current assets		**46,735**	45,666
TOTAL ASSETS		**53,793**	53,063
LIABILITIES			
Current liabilities			
Trade and other payables	11	**5,922**	3,157
Provisions and employee benefits	12	**1,274**	2,968
Current tax liability		**1,140**	1,438
Provision for contingent consideration	13	**74**	-
Lease liabilities	9	**450**	116
Other liabilities	14	**635**	905
Total current liabilities		**9,495**	8,584
Non-current liabilities			
Provisions and employee benefits	12	**416**	382
Deferred tax liabilities		**5,127**	5,362
Lease liabilities	9	**957**	102
Total non-current liabilities		**6,500**	5,846
TOTAL LIABILITIES		**15,995**	14,430
NET ASSETS		**37,798**	38,633

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2022

	Note	(unaudited) 2022 $'000	2021 $'000
EQUITY			
Contributed equity	16	**29,751**	29,751
Retained earnings	17	**7,366**	5,308
Reserves		**681**	338
Equity attributable to owners of the Company		**37,798**	35,397
Non-controlling interests		**-**	3,236
TOTAL EQUITY		**37,798**	38,633
Net tangible assets per share (cents)		**(9.60)**	(4.19)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

Consolidated entity	Ordinary Shares $'000	Retained Earnings $'000	Reserves $'000	Owners of the Parent $'000	Non-controlling Interests $'000	Total $'000
At 1 July 2021	**29,751**	**5,308**	**338**	**35,397**	**3,236**	**38,633**
Profit for the year	-	3,563	-	**3,563**	186	**3,749**
Share based payment	-	-	174	**174**	-	**174**
Other comprehensive income	-	-	-	**-**	-	**-**
Total comprehensive income for the year	**-**	**3,563**	**174**	**3,737**	**186**	**3,923**
Transactions with owners in their capacity as owners:						
Dividends paid	-	(1,505)	-	**(1,505)**	-	**(1,505)**
Derecognition of non-controlling interest on acquisition – TaxBanter	-	-	169	**169**	(3,422)	**(3,253)**
At 30 June 2022	**29,751**	**7,366**	**681**	**37,798**	**-**	**37,798**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

Consolidated entity	Ordinary Shares $'000	Retained Earnings $'000	Reserves $'000	Owners of the Parent $'000	Non-controlling Interests $'000	Total $'000
At 1 July 2020	**26,234**	**5,939**	**-**	**32,173**	**3,515**	**35,688**
Profit for the year	-	2,504	-	**2,504**	478	2,982
Share based payment	-	-	338	**338**	-	338
Other comprehensive income	-	-	-	**-**	-	-
Total comprehensive income for the year	**-**	**2,504**	**338**	**2,842**	**478**	**3,320**
Transactions with owners in their capacity as owners:						
Share buy-back	(135)	-	-	**(135)**	-	**(135)**
Issue of ordinary shares as consideration for a business combination net of issue costs	3,652	-	-	**3,652**	-	**3,652**
Dividends paid	-	(3,135)	-	**(3,135)**	(552)	**(3,687)**
Derecognition of non-controlling interest on disposal - Law Central	-	-	-	**-**	13	**13**
Derecognition of non-controlling interest on acquisition of non-controlling share - Taxbytes	-	-	-	**-**	(218)	**(218)**
At 30 June 2021	**29,751**	**5,308**	**338**	**35,397**	**3,236**	**38,633**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Note	(unaudited) 2022 $'000	2021 $'000
Cash flows from operating activities			
Fees and adviser revenue received		**137,596**	103,943
Payments to advisers, suppliers and employees		**(129,383)**	(96,423)
Cash generated from operations		**8,213**	7,520
Interest received		**12**	21
Finance costs paid		**(76)**	(181)
Income tax paid		**(2,491)**	(1,105)
Net cash flows from operating activities	18	**5,658**	6,255
Cash flows from investing activities			
Payments for plant and equipment	8	**(168)**	(54)
Payments for other intangible assets net of disposals	10	**(491)**	(341)
(Payments)/receipts for the acquisition of subsidiaries, net of cash acquired		**(2,892)**	1,056
Dividends received from associates		**-**	591
Proceeds on the disposal of subsidiaries net of cash disposed		**450**	1,402
Proceeds on the disposal of associates		**-**	5,474
Payments for investments - other		**(125)**	-
Net cash (outflow)/inflow from investing activities		**(3,226)**	8,128
Cash flows from financing activities			
Payments for the issue of shares		**-**	(14)
Payments under share buy-back		**-**	(135)
Payments of principle of lease liabilities		**(240)**	(290)
Repayment of borrowings		**-**	(9,152)
Dividends paid to Company shareholders		**(1,505)**	(3,135)
Dividends paid to non-controlling interests in subsidiaries		**(360)**	(552)
Amounts (paid)/received - other loans		**(59)**	50
Net cash outflow from financing activities		**(2,164)**	(13,228)
Net increase in cash held		**268**	1,155
Cash at the beginning of the financial year		**2,259**	1,104
Cash at the end of the financial year		**2,527**	2,259

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

1. SEGMENT INFORMATION

(a) Description of segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers (**CODMs**). The CODMs, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Board of Directors, the Managing Director and the Chief Financial Officer.

The Group's reporting segments are based on business solutions provided to the wealth and accounting sectors.

At reporting date, the Group's reportable segments are as follows:

- **Wealth Solutions –** licencing options, operating systems and managed accounts to wealth advisers to enable them to provide services such as financial planning, risk insurance advice, self-managed superannuation administration and managed accounts. This segment comprises DWA Managed Accounts (CARE), GPS Wealth, Merit Wealth, SMSF Expert, Merit Referral Services (formerly Hayes Knight Referral Services), Diverger Wealth Protection (formerly Easton Wealth Protection) and Paragem from 1 February 2021.
- **Accounting Solutions** - provides professional support, help desk and training primarily to the accounting sector however more recently have extended to the wealth sector. This segment comprises Knowledge Shop, Taxbytes and TaxBanter. In the prior year, discontinued operations included Panthercorp (divested 1 February 2021) and Law Central (divested 14 December 2020).
- **Corporate** comprises the parent entity (Diverger Limited) which includes head office and corporate costs.

Geographical Segments
The consolidated entity operated only in Australia during the current and prior reporting period.

(b) Basis of accounting for purposes of reporting by operating segments
(i) Accounting policies adopted
Unless stated otherwise, all amounts reported to the CODM with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group except for normalised adjustments. Normalised adjustments are applied to earnings before interest, taxation, depreciation and amortisation (EBITA) to derive "Underlying Profit" or "Normalised EBITA".

Underlying Profit or **Normalised EBITA** is defined as earnings before interest, tax and amortisation (**EBITA**) excluding the impact of:

- One-off non-operational items including (acquisition/divestment and recapitalisation costs, restructure costs, impairment charges, fair value adjustments, gains/losses on divestments and lease accounting under AASB 16 Leases);
- Non-cash amortisation charges relating to separately identifiable intangible assets acquired under business combinations and other intangible assets.

The CODM view Normalised EBITA in conjunction with Net Revenue as key measures of underlying business performance.

Net Revenue is defined as Total revenue from continuing operations less adviser revenue share and expense recovery revenue.
(ii) Intersegment transactions
All intersegment transactions are at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements. Corporate costs are allocated to and recovered from reporting segments where there is a consumption of shared resources. Intersegment payables and receivables are initially recognised at the consideration received/to be received and are paid on account.

(iii) Segment assets and liabilities
Total assets and liabilities are generally presented to the CODM for decision making on a legal entity basis rather than by total segment and therefore are not presented on a segment basis in this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

1. SEGMENT INFORMATION (continued)

(c) Segment results

The segment information provided on reportable segments for the year ended 30 June 2022 is as follows:

Consolidated 2022	Wealth Solutions $'000	Accounting Solutions $'000	Corporate $'000	Total $'000
Revenue from continuing operations				
Full adviser gross fees	95,889	-	-	**95,889**
CARE & other platform income	5,804	-	-	**5,804**
Subscription services & fixed licensee fees	6,728	6,219	-	**12,947**
Training	-	8,323	-	**8,323**
Other fees & referral income	422	18	-	**440**
Expense recoveries	1,471	-	-	**1,471**
Other revenue & interest income	19	149	2	**170**
Total revenue from continuing operations	**110,333**	**14,709**	**2**	**125,044**
Timing of revenue				
Services recognised over time	12,532	6,219	-	**18,751**
Services recognised at a point in time	97,801	8,490	2	**106,293**
Total revenue from continuing operations	**110,333**	**14,709**	**2**	**125,044**
Net Revenue (after deduction of adviser revenue share and expense recoveries)	**15,443**	**14,709**	**2**	**30,154**
Normalised (non IFRS) EBITA – continuing	4,199	5,849	(2,992)	7,056
Normalised (non IFRS) EBITA	**4,199**	**5,849**	**(2,992)**	**7,056**
Reconciliation to IFRS Net profit before tax (Normalisation adjustments)				
Merger and acquisition costs	-	-	(394)	**(394)**
Diverger Limited rebranding	-	-	(48)	**(48)**
Professional fees - employee share plan	-	-	(57)	**(57)**
Impact of AASB16 - Leases	(9)	-	12	**3**
Intercompany debt forgiveness	415	-	(415)	**-**
Statutory EBITA				**6,560**
Interest revenue				**13**
Finance costs				**(92)**
Amortisation				**(1,046)**
Profit before income tax				**5,435**
Significant items of segment expenses				
Adviser revenue share and other direct costs	98,692	840	-	**99,532**
Salaries and employee benefits	3,765	6,649	3,750	**14,164**
Professional fees and consultants	1,018	54	942	**2,014**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

1. SEGMENT INFORMATION (continued)

The segment information provided on reportable segments for the year ended 30 June 2021 is as follows:

Consolidated 2021	Wealth Solutions $'000	Accounting Solutions $'000	Corporate $'000	Total $'000
Revenue from continuing operations				
Full adviser gross fees	64,141	-	-	**64,141**
CARE & other platform income	4,854	-	-	**4,854**
Subscription services & fixed licensee fees	4,885	5,528	-	**10,413**
Training	-	8,652	-	**8,652**
Other fees & referral income	151	57	-	**208**
Expense recoveries	2,681	-	-	**2,681**
Other revenue & interest income	269	492	-	**761**
Total revenue from continuing operations	**76,981**	**14,729**	**-**	**91,710**
Timing of revenue				
Services recognised over time	9,739	5,528	-	**15,267**
Services recognised at a point in time	67,242	9,201	-	**76,443**
Total revenue from continuing operations	**76,981**	**14,729**		**91,710**
Net Revenue (after deduction of adviser revenue share and expense recoveries)	**12,983**	**14,729**	**-**	**27,712**
Normalised (non IFRS) EBITA – continuing	2,774	5,865	(2,255)	**6,384**
Normalised (non IFRS) – discontinued	-	426	-	**426**
Normalised (non IFRS) EBITA	**2,774**	**6,291**	**(2,255)**	**6,810**
Reconciliation to IFRS Net profit before tax (Normalisation adjustments)				
Restructuring and acquisition costs	-	-	(842)	**(842)**
Loss on disposal of subsidiaries	-	(12)	-	**(12)**
Impairment of intangible assets	(28)	(500)	-	**(528)**
Reverse impact of AASB16 – Leases	(1)	-	-	**(1)**
Write back of deferred consideration	-	471	-	**471**
Share based payment expense				**(338)**
Statutory EBITA				**5,560**
Add: Statutory EBITA from discontinued operations				**90**
Statutory EBITA from continuing operations				**5,650**
Interest revenue				**21**
Finance costs				**(224)**
Amortisation				**(968)**
Profit before income tax				**4,479**
Significant items of segment expenses				
Adviser revenue share and other direct costs	67,850	832	-	**68,682**
Salaries and employee benefits	3,997	7,216	1,554	**12,767**
Professional fees and consultants	3,137	38	(1,060)	**2,115**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

2. REVENUE

	2022 $'000	2021 $'000
Revenue from continuing operations		
Sales revenue		
Fees, adviser revenue & recoveries	**124,874**	90,949
Interest income	**13**	21
Other revenue	**157**	740
	125,044	91,710

3. OTHER INCOME AND EXPENSE ITEMS

	2022 $'000	2021 $'000
Profit from before income tax has been determined after the following items:		
Other income		
Fair value adjustment – contingent consideration TaxBanter	**-**	471
Adviser share and other direct costs		
Adviser revenue share	**93,419**	61,317
Adviser systems	**1,947**	1,429
ASIC levy	**(554)**	2,195
Professional indemnity insurance	**1,344**	940
Other direct operating expenses Wealth Solutions	**2,536**	1,968
Training, membership and direct costs Accounting Solutions	**840**	833
	99,532	68,682
Employee benefits expense		
Salaries and wages	**11,514**	10,354
Defined contribution superannuation expense	**1,006**	882
Other employee benefits & related employment expenses	**1,644**	1,531
	14,164	12,767
Depreciation and amortisation of non-current assets:		
Depreciation		
Office equipment	**25**	32
Furniture, fittings and leasehold improvements	**40**	32
Finance leases – AASB 16	**237**	243
	302	307
Amortisation		
Client lists and relationships	**842**	779
Software platforms and other intangible assets	**204**	189
	1,046	968
Total depreciation and amortisation of non-current assets	**1,348**	1,275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

3. OTHER INCOME AND EXPENSE ITEMS (continued)

	2022 $'000	2021 $'000
Finance costs expensed		
Bank loans and overdrafts	**76**	181
Finance leases – AASB 16	**16**	17
Notional interest on contingent consideration - TaxBanter	**-**	26
	92	224
Impairment charges		
Client list – Merit Wealth	**-**	28
Impairment charges – discontinued operations		
Panthercorp	**-**	500
	-	528

4. EARNINGS PER SHARE

	2022	2021
(a) Basic earnings per share	**Cents**	Cents
From continuing operations attributable to the ordinary equity holders of the Company	**9.47**	7.80
From discontinued operations	**-**	(0.78)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**9.47**	7.02
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	**8.90**	7.65
From discontinued operations	**-**	(0.76)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**8.90**	6.89

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

4. EARNINGS PER SHARE (continued)

The following reflects the income used in the basic and diluted earnings per share computations:

	2022	2021
(c) Earnings used in calculating earnings per share	**$'000**	$'000
For basic earnings per share:		
Net profit attributable to ordinary equity holders of the Company	**3,563**	2,504
For diluted earnings per share:		
Net profit attributable to ordinary equity holders of the Company	**3,563**	2,504
(d) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	**37,612,804**	35,665,675
Weighted average number of ordinary shares for diluted earnings per share	**40,017,460**	36,361,554

	2022	2021
5. CASH AND CASH EQUIVALENTS	**$'000**	$'000
Cash at bank and on hand	**2,527**	2,259

	2022	2021
6. RECEIVABLES	**$'000**	$'000
Accrued income	**2,000**	2,566
Other debtors and receivables	**1,152**	1,308
Less: Allowance for credit losses	**(18)**	(5)
	3,134	3,869

	2022	2021
7. OTHER CURRENT ASSETS	**$'000**	$'000
Prepayments	**1,262**	1,259
Call Option – 19.99% Centrepoint Alliance Limited ordinary shares	**125**	-
Other current assets	**10**	10
	1,397	1,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

7. OTHER CURRENT ASSETS (continued)

Call Option Deed
On 23 June 2022, the Company entered into a Call Option Deed with TIGA Trading Pty Ltd and Thorney Holdings Proprietary Limited over 19.99% of the ordinary shares in Centrepoint Alliance Limited (**CAF or Centrepoint Alliance**).

At the same time, a non-binding and indicative proposal to the Board of CAF to acquire all of the shares for a combination of cash and Diverger shares valued at $0.325 per CAF share OR circa $64 million, by way of a Scheme of Arrangement.

The Call Option Deed fee was $125,000 which equates to its fair value at balance date. The Call Option Deed has a 5-month term and contains various conditions which trigger in the event CAF receive a competing proposal. Full details of the Call Option Deed was lodged with the ASX on 23 June 2022.

8. PLANT AND EQUIPMENT	Office equipment $'000	Furniture & fittings $'000	Total $'000
Year ended 30 June 2022			
Net carrying amount as at 1 July 2021	18	78	96
Additions	79	89	168
Depreciation charge	(25)	(40)	(65)
Net carrying amount as at 30 June 2022	**72**	**127**	**199**
At 30 June 2022			
Cost	577	433	1,010
Less accumulated depreciation	(505)	(306)	(811)
Net carrying amount	**72**	**127**	**199**
Year ended 30 June 2021			
Net carrying amount as at 1 July 2020	41	85	126
Additions	14	40	54
Net carrying amount of business combination	4	-	4
Depreciation charge	(32)	(32)	(64)
Loss on disposal	(9)	(15)	(24)
Net carrying amount as at 30 June 2021	**18**	**78**	**96**
At 30 June 2021 Cost	499	344	843
Less accumulated depreciation	(481)	(266)	(747)
Net carrying amount	**18**	**78**	**96**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

9. RIGHT OF USE ASSETS AND LEASE LIABILITIES

This note provides information in relation to the Group's leases where the Group is the leasee. Right of use assets and lease liabilities have been recognised from 1 July 2019 with the adoption of AASB 16 Leases. In previous periods these leases were classified as operating leases and were expensed directly in the consolidated statement of comprehensive income.

The Group leases 2 office sites across NSW and QLD. Lease terms are up to 4 years. Lease payments are discounted at the Group's incremental borrowing rate.

TaxBanter has a services agreement with an affiliated accounting firm who provides office space and support services. This is an open ended arrangement which can be cancelled by mutual agreement. Given the nature of this arrangement being cancellable at relatively short notice, the Group has continued to expense directly through occupancy expenses in the statement of comprehensive income.

(a) Amounts recognised in the balance sheet

	2022 $'000	2021 $'000
Right of use assets		
Office premises	**1,344**	168
Lease liabilities		
Current	**450**	116
Non-current	**957**	102
	1,407	218

(b) Amounts recognised in the consolidated statement of comprehensive income for continuing operations

	2022 $'000	2021 $'000
Depreciation charge under AASB 16 of right of use assets - Office premises	**237**	243
Finance costs under AASB 16 - Office premises	**16**	17
Expenses relating to other occupancy costs not included in lease liabilities	**381**	343
Total occupancy costs of continuing operations relating to premises leases, short-term service agreements and outgoings	**634**	603

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

10. INTANGIBLE ASSETS

Year ended 30 June 2022	Client lists & relationships $'000	Goodwill $'000	Software platforms $'000	Other $'000	Total $'000
Net carrying amount as at 1 July 2021	16,275	25,626	614	1,733	**44,248**
Additions	184	-	380	-	**564**
Disposals	-	-	-	(1)	**(1)**
Amortisation	(842)	-	(203)	-	**(1,045)**
Net carrying amount as at 30 June 2022	**15,617**	**25,626**	**791**	**1,732**	**43,766**
At 30 June 2022					
Cost	19,718	25,626	1,797	1,733	**48,874**
Less accumulated amortisation and impairment	(4,101)	-	(1,006)	(1)	**(5,108)**
Net carrying amount	**15,617**	**25,626**	**791**	**1,732**	**43,766**

Year ended 30 June 2021	Client lists & relationships $'000	Goodwill $'000	Software platforms $'000	Other $'000	Total $'000
Net carrying amount as at 1 July 2020	15,979	26,283[2]	451	1,634	**44,347**
Additions	1,268	1,579	352	108	**3,307**
Disposals	(165)	(1,736)	-	(9)	**(1,910)**
Impairment[1]	(28)	(500)	-	-	**(528)**
Amortisation	(779)	-	(189)	-	**(968)**
Net carrying amount as at 30 June 2021	**16,275**	**25,626**	**614**	**1,733**	**44,248**
At 30 June 2021					
Cost	19,533	25,626	1,414	1,733	**48,306**
Less accumulated amortisation and impairment	(3,258)	-	(800)	-	**(4,058)**
Net carrying amount	**16,275**	**25,626**	**614**	**1,733**	**44,248**

1. Impairment charges related the write down of Panthercorp to its recoverable amount prior to disposal ($500k) and for a client list in the Wealth division ($28k).
2. Opening goodwill balance has been restated to gross up for deferred tax liabilities relating to prior business combination separately identifiable intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

10. INTANGIBLES ASSETS (continued)

Impairment testing

The Group tests the carrying amount of goodwill and other intangible assets for impairment on an annual basis or where there has been an indication that an asset may be impaired.

The recoverable amount used in the impairment test is based on value-in-use calculations using projected cash flows approved by management covering a period of up to 5 years. Management's determination of cash flow projections have regard to a CGU's past performance and its expectation for the future.

Goodwill is allocated to the Group's cash generating units (CGUs) identified at the time of each business combination.

	2022	2021
A segment-level summary of the goodwill allocation is presented below:	**$'000**	$'000
Wealth Solutions	**12,198**	12,198
Accounting Solutions	**13,428**	13,428
	25,626	25,626

The following table sets out the key assumptions for those segments that have significant goodwill and other intangible assets allocated to them:

	Revenue growth rate		**Expense growth rate**		**Pre-tax discount rate**	
	2022	2021	**2022**	2021	**2022**	2021
	%	%	**%**	%	**%**	%
Wealth Solutions	**1.5 - 3.0**	(15.0) - 3.0	**1.5 - 3.0**	1.5 - 3.0	**12.5**	12.5
Accounting Solutions	**1.5 - 3.0**	1.5 - 3.0	**1.5 - 3.0**	1.5 - 3.0	**12.5**	12.5

The above growth rate assumptions are applied to 2022 financial year cashflow forecasts approved by the directors of the Company.

During the year ended 30 June 2022, the Group conducted impairment tests on all cash generating units and determined that their carrying values were not in excess of their recoverable amounts.

	2022	2021
11. TRADE AND OTHER PAYABLES	**$'000**	$'000
Current		
Trade payables	**841**	758
Other payables and accruals	**5,081**	2,399
Carrying amount of trade and other payables	**5,922**	3,157

Trade and other payables are generally settled on 30-day terms. Due to the short-term nature of these payables, their carrying value represents a reasonable approximation of their fair value.

For the year ended 30 June 2022, Other payables and accruals includes $0.53m for the ASIC levy. In prior years, this amount was recognised as a Provision based on an estimation of the amount payable. For year ended 30 June 2022, guidance was given by ASIC that the rate of the levy will remain unchanged from the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

12. PROVISIONS AND EMPLOYEE BENEFITS	2022 $'000	2021 $'000
Current		
Provision for annual leave	**886**	816
Provision for long service leave	**388**	432
Provision for ASIC levy	**-**	1,720
	1,274	2,968
Non-current		
Provision for long service leave	**416**	382

13. PROVISION FOR CONTINGENT CONSIDERATION	2022 $'000	2021 $'000
Current		
Balance at 1 July	**-**	468
Additions during the year at fair value	**74**[1]	-
Fair value adjustments during the year	**-**	(471)[2]
Notional interest on deferred consideration	**-**	26
Payments	**-**	(23)[3]
Provision for contingent consideration	**74**	-

1. Deferred amounts payable under an adviser referral arrangement with a Sydney based private licensee business, The Wealth Network.
2. Fair value adjustment to deferred consideration for TaxBanter
3. Final contingent consideration payment for TaxBanter

Contingent consideration is a level 3 financial liability within the fair value hierarchy.

14. OTHER LIABILITIES	2022 $'000	2021 $'000
Deferred revenue	**635**	905

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

15. BORROWINGS	2022 $'000	2021 $'000
(a) Borrowings		
Non-current		
Westpac facility	-	-
Total borrowings	**-**	**-**

The Company has a $10 million finance facility with Westpac Banking Corporation (WBC) with the following terms:

- $10 million principal and interest facility with debt amortisation on a notional 7-year term commencing 20 February 2020.
- Term - expires 1 August 2023
- Security - General Security Agreement over the Company and wholly owned subsidiaries
- Covenants:
  - Interest cover ratio - EBITDA/Gross Interest Expense greater than 4 times
  - Debt/EBITDA Ratio to be less than 2.5 times.

On 23 June 2022, the Company received approval from (WBC) to increase its facility to $35 million under a proposed plan to acquire Centrepoint Alliance Limited (CAF) which was outlined in an ASX announcement on 23 June 2022. The increased facility limit is subject to conditions related to the progress of the CAF transaction which has not been executed at the date of this report.

COMPLIANCE WITH LOAN COVENANTS

The Group has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 reporting periods. Under the terms of the combined facilities, all covenant ratios are applied on a Group EBITDA basis.

	2022	2021
(b) Loan facilities	**$'000**	$'000
Bank loan facilities	**10,000**	10,000
Notional amortised balance	**7,078**	8,602
Amount utilised	**-**	-
Unused loan facility	**7,078**	8,602

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

16. CONTRIBUTED EQUITY

(a) Movements in ordinary share capital	Number of shares	$'000
1 July 2021	37,612,804	29,751
Movements	-	-
30 June 2022	**37,612,804**	**29,751**
1 July 2020	34,459,471	26,234
Share issue to HUB24 as purchase consideration for the acquisition of Paragem Pty Ltd	3,333,333	3,666
Share buy-back[1]	(180,000)	(135)
Share issue costs	-	(14)
30 June 2021	**37,612,804**	**29,751**

1. Share buy-back commenced on 13 December 2018. The buy-back is conducted within the 10/12 limit. Amounts stated above are net of transaction costs. The Group did not buy back any shares in the current year.

(b) Ordinary shares

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The voting rights attached to the ordinary shares at a general meeting of shareholders are such that on a show of hands every member present (in person or by proxy) shall have one vote and on a poll one vote for each share held. Ordinary shares have no par value.

(c) Options

On 1 February 2021, the Company issued 1,700,000 options over ordinary shares to HUB24 at an exercise price of $1.20 per ordinary share which expire 1 February 2024 as consideration for entering into the technology partnership agreement. An expense of $0.34m was recognised in the Statement of Comprehensive Income in the prior year.

(d) Employee share scheme

No shares have been issued under the Company Incentive Plan in the current or prior year.

(e) Performance rights

On 18 November 2021 at the Company's Annual General Meeting, shareholders approved the Company's Incentive Plan (The Plan). During the year, a total of 1,145,066 performance rights were issued to employees and directors. These performance rights are subject to two vesting conditions over a 3-year test period commencing 1 July 2021. Vesting conditions are measured on a sliding scale between a minimum threshold and 100% achievement. The first vesting condition is an Absolute Total Shareholder Return (ATSR) between a minimum of 15% sliding up to 25% to meet a 100% vesting level. The second vesting condition is an Adjusted Net Revenue growth target between a minimum 100% sliding to 150% to meet a 100% vesting level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

16. CONTRIBUTED EQUITY (continued)

(f) Capital risk management

The Group's capital risk management objective is to safeguard its ability to continue as a going concern so that it can provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group monitors capital risk exposure by monitoring its gearing ratio. This ratio is calculated as Net Debt divided by total capital. Net Debt is calculated as total borrowings as shown in the balance sheet less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus Net Debt.

	2022 $'000	2021 $'000
The gearing ratios		
Total borrowings	**-**	-
Add: cash and cash equivalents	**2,527**	2,259
Net cash and borrowings - surplus funds	**2,527**	2,259
Total equity	**37,798**	38,633
Total capital	**35,271**	36,374
Gearing ratio	**0%**	0%

	2022	2021
17. RETAINED EARNINGS	**$'000**	$'000
Balance 1 July	**5,308**	5,939
Profit attributable to owners of the Company	**3,563**	2,504
Less dividends paid	**(1,505)**	(3,135)
Balance 30 June	**7,366**	5,308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

18. CASH FLOW STATEMENT RECONCILIATION

(a) Reconciliation of net profit after tax to net cash flows from operating activities

	2022	2021
	$'000	$'000
Net profit after income tax	**3,749**	2,982
Adjustments for non-cash items:		
Depreciation	**302**	362
Amortisation	**1,046**	988
Loss on disposal of subsidiary	**-**	10
Impairment of separately identifiable intangible assets	**-**	528
Fair value adjustment to contingent consideration	**-**	(471)
Share based payments expense	**174**	338
Notional interest on lease liabilities	**17**	17
Notional interest charge on contingent consideration - TaxBanter	**-**	26
Changes in assets and liabilities		
Decrease in trade, other receivables and other assets	**58**	44
Increase in deferred tax assets	**(272)**	(416)
Increase in trade and other payables	**1,044**	1,133
Increase in provisions and employee benefits	**73**	19
Increase/(decrease) in current tax liability	**(298)**	1,136
Decrease in deferred tax liability	**(235)**	(441)
Net cash flows from operating activities	**5,658**	6,255

(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:

	2022	2021
	$'000	$'000
Cash at bank	**2,527**	2,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

19. COMMITMENTS

Capital commitments

The Group's Accounting Solutions division is presently implementing a new technology platform to manage its training and membership. The total cost of the project is estimated to be $450,000 (GST inclusive) of which a further $115,000 remains as an estimated outstanding development commitment.

20. CONTINGENCIES

There were no contingent liabilities as at 30 June 2022 (2021: Nil).

21. EVENTS AFTER THE BALANCE SHEET DATE

On 1 July 2022, the Group acquired a 35% equity interest in a leading financial planning practice, McGregor Wealth Management Pty Ltd (**MWM**) which is licensed through GPS Wealth Ltd (AFSL 254 544, also a wholly owned subsidiary of the Group). Purchase consideration for MWM consists of an initial cash consideration of $0.74 million, followed by deferred consideration up to $0.56 million during the first 18 months, subject to agreed earnings targets. Expected Earnings Before Interest, Tax and Amortisation (EBITA) contribution from MWM is based on a run rate EBITA of $0.70 million per annum for which the Group's share is expected to be $0.25 million on an equity accounted basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2022

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the consolidated entity in the preparation and presentation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity (**the Group**), consisting of Diverger Limited (**Diverger** or **the Company**) and the entities it controls.

(a) Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Diverger Limited is a company limited by shares, incorporated and domiciled in Australia and is a for-profit entity for the purpose of preparing the financial statements.

These financial statements are presented in Australian dollars which is the entity's functional and presentation currency.

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in financial/directors' reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest one million and one dollar (where indicated).

As at 30 June 2022, the consolidated entity had current net liabilities of $2.44 million (30 June 2021: current net liabilities of $1.19 million). For the year ending 30 June 2022, the consolidated entity had net cash inflow from operating activities of $5.66 million, (2021: $6.26 million).

The following matters have been considered by the directors in determining the appropriateness of the going concern basis of preparation in the financial statements:

(i) As part of the Group's treasury function, surplus cash is actively applied to the debt facility which was paid down to nil during the year however the Group continues to have access to a $10.0 million finance facility (amortised to $7.01 million which can be drawn upon at anytime);
(ii) Deferred revenue of $0.64 million is included in current liabilities representing revenue received in advance predominantly for training programs to be delivered after balance date. This amount has no anticipated cash outflow effect; and
(iii) Management project continued growth in profitability and continuing positive cashflow in the 2023 financial year.
(iv) Pre-approval of an increased finance facility limit to $35.0 million has been approved to execute the proposed Centrepoint Alliance Limited (CAF) acquisition per the Non-Binding Indicative Offer announced 23 June 2022. At balance date the acquisition and increased facility remains unexecuted.

(i) Compliance with IFRS
The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention
The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(iii) Critical accounting estimates
The preparation of these financial statements requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in note 32.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) New standards and interpretations not yet mandatory or early adopted
The Group has not yet assessed the impact of any new or amended Accounting Standards and Interpretations, however does not expect there to be any material impact on the financial statements when adopted.

(b) Principles of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (**the Group**) as at and for the period ended 30 June each year.

(i) Subsidiaries
The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intragroup balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held within the Group are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

(ii) Associates
Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

(iii) Equity method
Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. Unrealised gains and losses on transactions between the consolidated entity and an associate are eliminated to the extent of the entity's share in the associate.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Non-controlling interests
Non-controlling interests are allocated their share of net profit or loss after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in 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 owners of the Company.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

(v) Changes in ownership interests
A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings, as appropriate.

(c) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Further details on the segment reporting policy is provided in note 1.

(d) Foreign currency translation and balances
(i) Functional and presentation currency
The financial statements of each entity within the consolidated entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

(ii) Transactions and balances
Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction. Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential commission receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

The following specific recognition criteria within each segment must also be met before revenue is recognised:

Accounting Solutions revenue:

(i) Training revenue

Training revenue is derived via face to face training, webinar and other online formats. In all cases training revenue is recognised at the point in time the training program is delivered to the customer.

(ii) Membership subscription revenue

Membership subscription to accounting solutions help desk and practice support services is recognised over time on a monthly basis in line with the provision of access to the support services.

Wealth Solutions revenue:

(i) Fee for service and general advice fees

Revenue earned from the provision of services such as Statement of Advice (SOA) preparation and general investment advice fees are recognised at a point in time as services are delivered to the customer.

(ii) Investment management fees

Investment management fees are recognised over time in line with the provision of management and administration of client investment and superannuation funds.

(iii) Initial and on-going commissions on insurance products

Upfront commission is recognised as revenue at a point in time, being when the policy is placed by the provider. The performance obligation with respect to on-going commissions revenue is also ongoing in line with policy reviews and maintenance. The performance obligation for on-going commissions revenue is therefore satisfied at the point in time the service is delivered.

Factors contributing to uncertainty include:

- Duration an adviser may be licensed under one of the Group AFSLs
- Potential legislative changes
- Client initiated changes of insurance provider
- Insurance provider changes to providing on-going commission

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) License fees for full authorised and limited authorised advisers
Subscription fees are received from full authorised financial advisers (**ARs**) and limited authorised advisers (**LARs**) in return for services provided that are associated with licensing through one of the Groups AFSLs. Revenue is recognised over time in line with the licence period and associated services provided.

Other revenue:

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

(ii) Dividends and distributions
Dividends and distributions are recognised when the Group's right to receive the payment is established. Dividends received from associates are accounted for in accordance with the equity method.

(f) Other income

Other income includes recognition of gains on transactions which are non-operational or non-core in nature such as gains on disposal of investments, subsidiaries or other intangible assets. Income is brought to account after deduction of any applicable cost base from consideration proceeds received.

(g) Income tax and other taxes

(i) Income tax
Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(ii) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Tax consolidation

The Group has applied tax consolidation legislation to form one tax-consolidated group for all wholly owned subsidiaries. The Company being the head entity, and the subsidiaries in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only.

This means that:

- the head entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances only; and
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the head entity as intercompany payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations. Tax accounting for entities with a non-controlling interest are accounted for on a standalone basis.

(h) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The Group leases various offices nationally. Rental contracts are typically made for fixed periods of 3 - 5 years however may have extension options.

The lease payments are discounted using the interest rate implicit in the lease or by referring to the incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred to former owners of the acquiree and the equity issued by the Group, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs, other than the costs to issue debt or equity securities, are expensed as incurred.

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 conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration liability will be recognised in accordance with *AASB 9 Financial Instruments*, in profit or loss. When the contingent consideration is classified as equity, it should not be remeasured and any subsequent settlement is accounted for within equity.

(j) Impairment of non-financial assets

Non-financial assets other than goodwill, indefinite life intangibles and intangible assets not yet ready for use are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Trade and other receivables

Trade receivables are initially recognised at fair value less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days. The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

(l) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(m) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Classification

On initial recognition, the Group classifies financial assets as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI")

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise, on specified dates, to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes to the investment's fair value in OCI. This election is made on an investment by investment basis.

All other financial assets of the Group are measured at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Model Assessment
In making an assessment of the objective of the business model in which a financial asset is held, the Group considers all of the relevant information about how the business is managed, including:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are SPPI
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition unless the Group were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

(i) Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

(iii) Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Classification, subsequent measurement and gains and losses

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Finance costs are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(iv) Impairment of financial assets

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Plant and equipment

Cost and valuation

All classes of plant and equipment are stated at cost less depreciation and any accumulated impairment losses. Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation

The depreciable amounts of all fixed assets are calculated using the diminishing balance method over their estimated useful lives commencing from the time the asset is held ready for use. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of asset are:

- Office equipment	2 to 5 years
- Furniture and fittings	2 to 10 years
- Leasehold improvements	2 to 10 years

Derecognition

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(o) Goodwill and intangibles

Goodwill

Goodwill is initially measured at the excess over the aggregate of the consideration transferred, the fair value *(or proportionate share of net assets value)* of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less 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, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with *AASB 8 Operating Segments*.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangibles
Intangible assets acquired separately or in a business combination at fair value are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested 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 each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight line method to allocate the cost of separately identifiable intangible assets over their estimated useful lives as follows:

- Client contracts and related client relationships not exceeding 15 years

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(p) Trade and other payables
Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Borrowings
All loans and borrowings are initially measured at fair value, net of transaction cost. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The Group derecognises borrowings when, and only when, the Group's obligations are discharged, cancelled or they expire.

Borrowing costs
All borrowing costs are expensed in the period they occur unless they relate to a qualifying asset in which case they are capitalised until the asset is ready for its intended use or sale. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Provisions and employee benefits

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled wholly within twelve months of the reporting date are measured at the amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

The provision for employee benefits in respect of long service leave and annual leave which, are not expected to be settled wholly within twelve months of the reporting date, are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

The liability for long service leave is recognised and 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. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

The consolidated entity makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognized as an expense in the same period when the employee services are received.

(iv) Share-based payments

The Company has a share-based payment employee share ownership scheme via the Incentive Plan (The Plan). The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is measured at the market bid price at grant date. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options or performance rights that are expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

(v) Short-term incentive scheme

The Group recognises a provision when a bonus is payable in accordance with the employee’s contract of employment, and the amount can be reliably measured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(vi) Termination benefits

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the entity provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy.

The Group recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

(s) Contributed equity

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

(t) Earnings per share

(i) Basic earnings *per share*

Basic earnings per share is calculated by dividing:

- the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares,
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account: the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and;

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(u) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2022

23. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

In application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, an impairment loss may be recognised.

The carrying amount of goodwill at 30 June 2022 was $25.63 million (30 June 2021: $25.63 million). During the year there were nil impairment losses recognised for goodwill (2021: $0.50 million for the write down of Panthercorp to its recoverable amount prior to its divestment 1 February 2021).

Impairment of non-financial assets other than goodwill

All non-financial assets are assessed for impairment at each reporting date or when there may be indicators of impairment by evaluating whether their carrying amount is in excess of their recoverable amount. Nil impairment losses were recognised in the current year. (2021: $28k for a client list held by Merit Wealth).

Value-in-use calculations are based on projected cash flows approved by management covering a period of up to 5 years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future.

Income tax

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

The Group only brings to account tax losses incurred in those entities for which the directors believe that it is probable that future taxable profit will be available, against which the unused tax losses can be utilised.

Fair value measurements

Certain financial assets and liabilities are measured at fair value. Fair values have been determined in accordance with fair value measurement hierarchy.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. Fair value assessment includes the probability of non-market conditions being met.

The accounting estimates and assumptions relating to equity-settled share-based payments have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.