diverger

ANNUAL REPORT

For the year ended 30 June 2023

DIVERGER LIMITED

ABN 48 111 695 357

CORPORATE DIRECTORY

Directors	
Peter Brook	Chairman
Nathan Jacobsen	Managing Director
Anthony McDonald	Non-executive Director
Carl Scarcella	Non-executive Director
Grahame Evans	Non-executive Director

Joint Company Secretaries

Mark Licciardo
Acclime Australia
Level 7, 330 Collins Street
MELBOURNE VIC 3000

Michael Harris
Chief Financial Officer and Joint Company Secretary
Diverger Limited

Principal registered office in Australia

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Communications	
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Share Registry

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Shareholder Enquiries: 1300 554 474

Shareholders requiring clarification of holdings or requesting changes of name or address should contact Link Market Services Limited directly on the above number, or email registrars@linkmarketservices.com.au.

Bankers	**Auditors**	**Legal Advisers**
Westpac Banking Corporation 360 Collins Street MELBOURNE VIC 3000	BDO Audit Pty Ltd Level 11, 1 Margaret Street SYDNEY NSW 2000	Colin Biggers & Paisley Level 42, 2 Park Street SYDNEY NSW 2000

Annual General Meeting

Diverger Limited's Annual General Meeting will be held at 10.30am (Sydney time) on 20 November 2023 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 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 9 October 2023.

CONTENTS

Chairman and Managing Director's Report	3
Directors' Report	5
Auditor's Independence Declaration	38

Financial Statements:

Consolidated statement of comprehensive income	40
Consolidated statement of financial position	42
Consolidated statement of changes in equity	43
Consolidated statement of cash flows	44
Notes to the consolidated financial statements	45
Directors' Declaration	97
Independent Auditor's Report	98
Additional Australian Securities Exchange Information	102

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

Dear Shareholders,

On behalf of the directors, we are pleased to present you the 2023 Annual Report for Diverger Limited (**Diverger** or **the Company**).

The Company has delivered solid Net Revenue growth of 19% and investment towards our stated FY25 growth targets, including completion of four accretive acquisitions. As forecast, Underlying Profit is in line with prior year, reflecting a year of uncertain markets and costs related to growth investments. We are pleased to report improving Underlying Profit momentum with 2H 20% higher than 1H and an FY24 outlook of $8-9m. Reflecting this momentum, Diverger confirms a final dividend of 3.5cps.

We are excited about Diverger's progress and share some of the year's highlights below:

Highlights:

- Increased Net Revenue by 19% to $37.61m (2022: $31.61m);
- Improved returns to shareholders by 10% with an increased dividend of 5.5cps (2022: 5.0cps);
- Underlying Profit (normalised EBITA) down 2% to $6.90m (2022: $7.06m);
- Further diversified our revenue model, now with >90% recurring revenue across five core services and a national footprint of circa 4,100 advice, accounting and other firms, up 8%;
- Substantial inflows into CARE portfolios of $863m despite market volatility, now managing $2.7bn of investor assets;
- Completed four acquisitions (one shortly after balance date) that collectively contribute more than $1.38m to FY24 EBITA;
- Statutory NPAT down by 24% to $2.83m (2022: $3.75m) due primarily to increased non-cash amortisation and adjustments related to M&A activity;
- Retained capacity to self-fund growth strategy, with $0.72m Net Debt after investing $4.1m of capital (plus $1.8m post balance date);
- Renewed finance facilities with circa $13.5m of existing headroom after post balance date acquisition

Our focus throughout the year has remained on accelerating Diverger's growth into a more substantial company that can materially improve returns to shareholders over time. The first half saw material investment in the core business and progressing inorganic opportunities, which positioned the business well for future growth, but incurred higher costs that particularly impacted 1H Underlying Profit. Factors contributing to higher operating costs across both divisions were investment in new capability to support realisation of FY25 growth targets; reinstatement of a post COVID-19 adviser event activity; higher employment costs reflecting the low unemployment environment; and the non-continuation of some one-off benefits in the prior year.

We were pleased to see these 1H investments contribute to a material 2H uplift in Underlying Profit, with the 2H result 36% higher than 1H. It is expected that this uplift in earnings will continue to improve into FY24, with directors pleased to provide Underlying Profit guidance of $8-9m.

Diverger's target market remains advice and accounting firms, with the financial advice market in particular enjoying strong growth (and a corresponding demand for support services from Diverger) off the back of the Royal Commission led collapse in adviser numbers and continued growth in demand for financial advice. Diverger is positioning to take advantage of this trend by scaling our client footprint, expanding the services these firms can buy from Diverger, and investing in the digital transformation of the way advice services are delivered to consumers. For FY23 this has meant:

- Extending the licensing business into the faster growing self-licensing market through the acquisition of AFSL Compliance, with Diverger now servicing more self-licensed firms than licensed;
- Adding a new service offer in IT infrastructure and cyber consulting services, through the acquisition of Priority Networking which we intend to offer to our existing firms as well as attract new clients;

CHAIRMAN AND MANAGING DIRECTOR'S REPORT (continued)

- Establishing the advice equity partnership model, completing two investments into McGregor Wealth Management and Atkinson Saynor Private Wealth (post balance date), which allows us to support growth and succession in those firms, in return for a growing return on invested capital. Both these investment opportunities came to Diverger through our licensing network and we are seeing a growing pipeline of opportunities in this space;
- Rollout of a new member portal for Knowledge Shop accounting firms and launch of the Knowledge Shop offer to advice firms;
- Continued investment into digital transformation of core operations, with expansion of the HubConnect machine learning data warehouse solution, pilot launch of a new business technology offers to advice firms and commencement of a machine learning/generative AI proof of concept for automation of client file notes; and
- Re-commenced client events post COVID, with completion of multiple conferences and events for advisers and accountants, supporting retention and continued advocacy.

In addition to our methodical execution of the strategy, Diverger believes there are material benefits to shareholders from industry consolidation and remains open to assessing and acting on more transformational opportunities to accelerate growth and take advantage of those market dynamics.

In this light Diverger submitted a Non-Binding Indicative Offer in July 2022 for the full acquisition of Centrepoint Alliance Limited. Diverger saw the opportunity to take a market leadership position in our section of the market which would facilitate the growth in services provided, scale efficiencies and margins. Whilst we believe in the strategic rationale for this transaction, those negotiations did not result in an outcome acceptable to the Diverger board. We remain open to opportunities to accelerate returns to shareholders in this market through earlier realisation of the FY25 growth targets.

We look forward to speaking with shareholders at the Annual General Meeting and on behalf of the Directors, we would like to thank our talented team and our clients for their support as well as for their ongoing commitment to Diverger.

Yours Sincerely,

Peter Brook
Chairman

Nathan Jacobsen
Managing Director

23 August 2023

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (**the Group**), consisting of Diverger Limited (**Diverger** or **the Company**) and the entities it controlled at the end of, or during, the year ended 30 June 2023, and the audit report thereon.

DIRECTORS

The following persons were directors of the Company during the whole or part of the financial year and up to the date of this report:

- Peter Brook (Chairman)
- Nathan Jacobsen (Managing Director)
- Anthony McDonald
- Carl Scarcella
- Grahame Evans

PRINCIPAL ACTIVITIES

During the year, the principal continuing activity of the Group was the provision of integrated services to the Australian Accounting and Wealth market.

RESULTS AND DIVIDENDS

The statutory net profit after tax of the Group for the year ended 30 June 2023 was $2.83 million (2022: $3.75 million). Total revenue from operating activities increased to $132.46 million, up from $125.03 million in the previous year, a rise of 6%.

The directors have declared the payment of a final, fully franked dividend of 3.5 cents per share. This dividend has a record date of 13 September 2023 and is to be paid on 27 September 2023. This is in addition to a 2.0 cent interim, fully franked dividend that was paid on 28 April 2023.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS

The directors are of the view that the best guide to the underlying performance of the Group at an operational level is **Net Revenue** and **Normalised EBITA** or **Underlying Profit.**

In addition, whilst the Company is focused on growing scale and capability, it also remains focused on maximising returns to shareholders. To achieve the Company's growth targets, the strategy includes pursuing appropriate inorganic acquisitions which are subject to prescribed accounting treatments that, at a statutory accounting level through non-cash amortisation and other fair-value adjustments, can negatively affect Statutory Earnings Per Share, notwithstanding being accretive on a cash and an underlying basis. Accordingly, the Board considers adopting an Adjusted EPS measure which is more aligned to shareholder interests (**NPATA**).

Net Revenue[1] is defined as total revenue from operating activities less Adviser revenue share.

1. During the year, the Group revised the definition of Net Revenue which previously removed cost recoveries. The revision is more consistent with market convention.

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

- 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 AASB16 Leases; and
- Non-cash amortisation charges.

NPATA is defined as Net Profit After Tax (NPAT), excluding:

- Amortisation; and
- Impairments and other non-cash fair-value adjustments.

Commentary on underlying performance

Net Revenue increased by 19% to $37.61 million (2022: $31.61 million).

Underlying Profit of $6.90 million was in line with the prior year (2022: $7.06 million) despite an increase in Net Revenue resulting in a lower Underlying Profit margin.

The lower Underlying Profit margin is attributed to a combination of factors affecting revenue growth and the Group's cost base.

Specific factors which negatively impacted revenue growth included:

- The volatility in financial markets which tempered the uplift in revenue earned from the CARE portfolios despite a material increase in funds under management;
- A slowing of Knowledge Shop membership growth in 1H23 as accountants responded to an inflationary cost environment;
- A temporary disruption in the marketing of Knowledge Shop services whilst transitioning to a new business development team; and
- The attrition of licensed advisers in 1H23, particularly in the GPS network, largely caused by advisers retiring or selling their businesses prior to the final deadline for FASEA ethics exam. Much of the attrition was recovered in 2H23

Factors contributing to higher operating costs across both divisions were:

- A planned investment in capability to drive and support the achievement of the FY25 targets outlined in the 15 November 2022 open house presentation, with the compensating revenue growth expected to be delivered in subsequent periods;
- Reinstatement of additional cost base post COVID-19, leading to material increases in conference, training, travel and entertainment costs previously deferred;

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

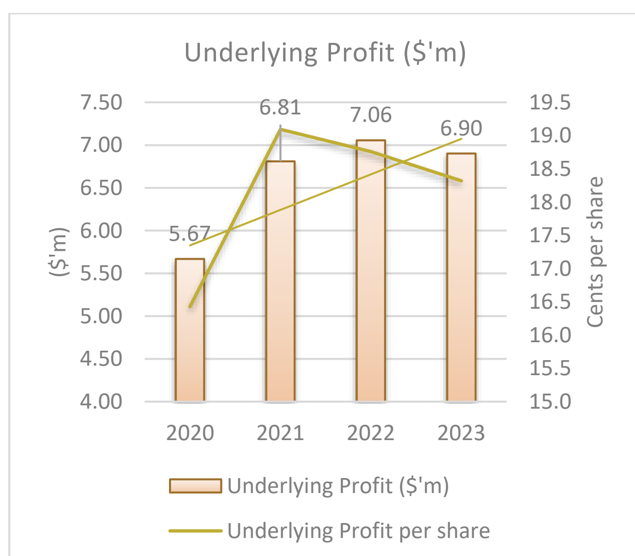
- Higher employment costs driven by the competition for talent, reflecting the low unemployment environment and the need to retain key staff during this period; and
- The non-continuation of some one-off P&L benefits recognised in the prior year including reversal of accruals relating to a reduced ASIC levy.

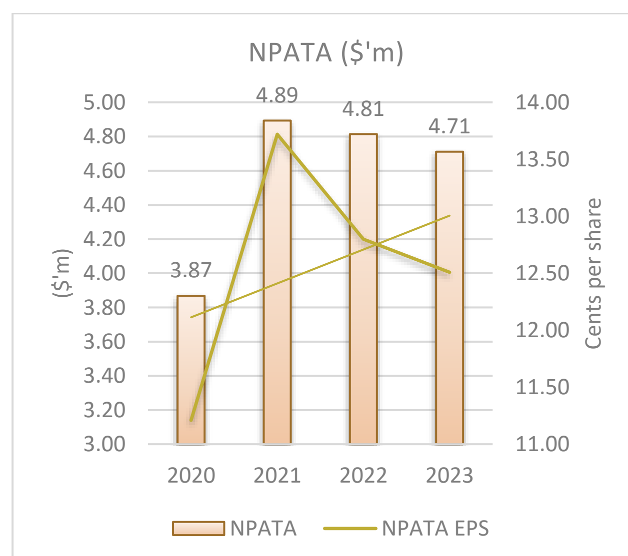
The impact of these factors on Underlying Profit was most pronounced in the first half of the year. A modest recovery in revenue growth in existing core businesses during the second half together with contributions from acquisitions resulted in Net Revenue increasing by 19% compared to FY22 and mitigated the impact of the higher operating cost base to deliver Underlying Profit in line with FY22.

Statutory and underlying performance compared to the prior year is presented in the following table:

Financial performance	2023 $'m	2022 $'m	Increase/ (decrease) %
Total revenue from operating activities	**132.46**	125.03	6
Net Revenue	**37.61**	31.61	19
Statutory net profit after tax	**2.83**	3.75	(25)
Underlying Profit[1]	**6.90**	7.06	(2)
NPATA	**4.71**	4.81	(2)
NPATA EPS (cps)	**12.5**	12.8	(2)

1. Underlying Profit is an unaudited, non-IFRS measure that the Group uses to assess performance as it excludes certain non-cash and one-off or non-operational items.





DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

Reconciliation of key performance metrics

i) Underlying Profit - Normalisation adjustments have been applied as set out in the following reconciliation between the Group's Statutory EBITDA as disclosed on the Consolidated Statement of Comprehensive Income to Underlying Profit (Normalised EBITA) for the current and previous years:

	2023 $'m	2022 $'m
Statutory EBITDA	**6.66**	6.86
Add/(deduct) normalisation adjustments[1]:		
Reverse impact of AASB16 - Leases (deduct rent costs)[2]	**(0.63)**	(0.24)
Acquisition and restructure costs[3]	**0.77**	0.50
Impairment of intangible assets[4]	**0.02**	-
Write back of call option - CAF[5]	**0.13**	-
Equity-accounted adjustments to gross up for interest and tax[6]	**0.06**	-
Total normalisation adjustments	**0.35**	0.26
Normalised EBITDA	**7.01**	7.12
Less**:** Operating depreciation (ex AASB16)	**(0.11)**	(0.06)
Underlying Profit (Normalised EBITA)	**6.90**	7.06

ii) NPATA - Adjustments to Net Profit After Tax as disclosed on the Consolidated Statement of Comprehensive Income are applied to derive NPATA as follows for the current and previous years:

Net Profit After Tax	**2.83**	3.75
NPATA adjustments:		
Add: Amortisation	**1.40**	1.05
Add: Impairment & other fair value	**0.15**	-
Add: Unwind of non-cash interest on contingent consideration	**0.33**	0.01
NPATA	**4.71**	4.81
NPATA EPS (cps)	**12.5**	12.8

1. Normalisation adjustments have not been subject to auditor review and are intended to provide greater insight into the underlying performance of the Group.
2. For the purposes of measuring Underlying Profit, the Group removes the effect of AASB16 Leases which at a statutory level effectively reclasses rent costs to depreciation.
3. During the year, the Group has incurred some non-recurring costs primarily associated with both completed and exploratory M&A and strategic opportunities. In the prior year non-recurring costs were incurred for restructure, rebranding and implementation of the employee share scheme.
4. Impairment charge of $22k applied to a client list intangible in the Wealth division.
5. On 23 June 2022 a Call Option Deed was entered into with Thorney Holdings which expired on 23 November 2022. The Call Option provided for an option over 39.16 million shares or 19.9% of the share capital of Centrepoint Alliance Limited (CAF) held by Thorney Holdings for 32.5 cents per ordinary share. The Deed contained additional provisions directly linked to the Non-Binding Indicative Offer made to CAF on the same day. The option was not exercised by the expiry date and as such, has been expensed through the statement of comprehensive income in the current year. The amount written back of $125k, was the cash amount paid and equated to its fair value at the time of recognition.
6. Adjustments to gross up share of profits from equity-accounted investments for interest and tax have been applied to the Group's equity investment in McGregor Wealth Management to derive share of EBITA that can be compared to wholly owned businesses on a like for like basis.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

Analysis by segment

The Group continues to service the wealth and accounting sectors through its three operating divisions, **Wealth Solutions**, **Accounting Solutions** and **Technology Solutions.**

Segment performance is summarised below:

Segment Result	1H23 $'m	2H23 $'m	2023 $'m	2022 $'m	Increase/ (decrease) %
Net Revenue					
Wealth Solutions	9.15	10.30	**19.45**	16.90	15
Wealth Solutions - acquired	0.04	0.35	**0.39**	-	100
Accounting Solutions	7.50	7.57	**15.07**	14.71	2
Technology Solutions - acquired	-	2.69	**2.69**	-	100
Other - Corporate	0.01	-	**0.01**	-	100
	16.70	20.91	**37.61**	31.61	19
Underlying Profit					
Wealth Solutions	1.71	2.41	**4.12**	4.20	(2)
Wealth Solutions - *acquired*	0.09	0.31	**0.40**	-	100
Accounting Solutions	2.68	2.62	**5.30**	5.85	(9)
Technology Solutions - *acquired*	-	0.27	**0.27**	-	100
Divisional results	4.48	5.61	**10.09**	10.05	-
Corporate overheads	(1.56)	(1.63)	**(3.19)**	(2.99)	(7)
Group Underlying Profit	2.92	3.98	**6.90**	7.06	(2)

The Group's three operating divisions continued to grow Net Revenue from existing operations as well as accelerating growth through acquisitions made through the year. As foreshadowed during 1H23 results presentation, the Group expected a stronger 2nd half performance which resulted in a 20% uplift in Underlying Profit before the contribution of acquisitions.

The below table illustrates the growth in the second half of the year for both existing businesses (Organic) and the part year impact of businesses acquired during the year (Inorganic). For an analysis the Group's forward outlook based on current run-rate earnings, refer to the Outlook section of this report.

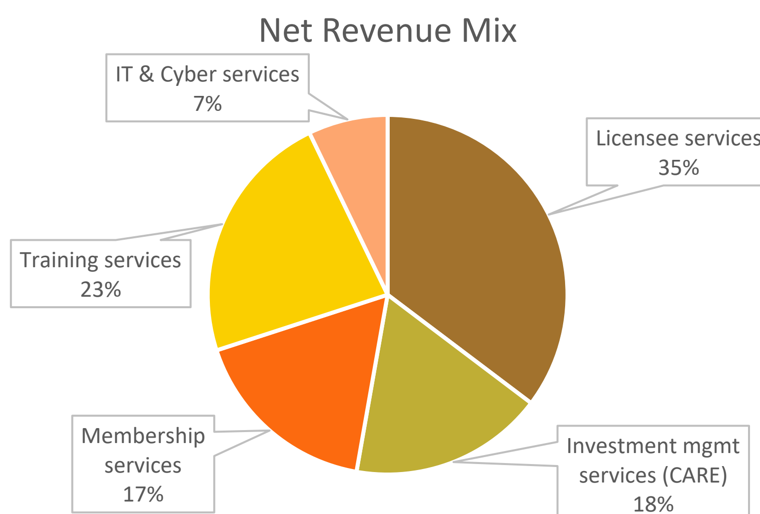
Underlying Profit	1H23 $'m	2H23 $'m	2023 $'m	1H/2H Increase %
Organic	2.83	3.40	**6.23**	20
Inorganic	0.09	0.58	**0.67**	>100
Total	2.92	3.98	**6.90**	36

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

The total Net Revenue composition of the Group illustrated below demonstrates 5 core revenue streams that operate across the Group and their respective relativities. Net Revenue at a divisional level is split between the Wealth Solutions division, Accounting Solutions division and the Technology Solutions division is 53%/40%/7% respectively. At a total level, 90+% of Net Revenue is considered to be of a recurring nature.

EBITA margins vary according to revenue stream and therefore total Group EBITA margin is driven by service mix which is changing overtime. At a divisional level, indicative EBITA margins are circa: Wealth Solutions 23% - 27%; Accounting Solutions 35% - 40%; and Technology Solutions 10%. The Group is currently operating at an overall 23% EBITA margin to Net Revenue.



Commentary on the Group's 3 operating divisions is outlined below:

1. Wealth Solutions

The Group's Wealth Solutions division comprises the following entities during the year:

- DWA Managed Accounts Pty Ltd **(CARE)** - 100%
- GPS Wealth Ltd **(GPS)** - 100%
- Merit Wealth Pty Ltd **(MW)** - 100%
- Paragem Pty Limited (**Paragem**) - 100%
- DivergerX Pty Ltd (**DVRX**) - 100%
- McGregor Wealth Management Pty Ltd (**MWM**) - 35% (acquired 1 July 2022)
- AFSL Compliance Pty Ltd (**AFSLC**) - 100% (acquired 1 December 2022)

The Group's Wealth Solutions division provides a range of licensee and adviser services to a network of 442 advice firms nationally (2022: 296). Of these firms at balance date, there are 141 (2022: 155) full authorised representative firms (ARs), 186 (2022: 5) self-licensed advice firms (SLs) and 115 (2022: 136) limited authorised representative firms (LARs). Within each firm, there can be multiple advisers.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

The performance of the Wealth Solutions division is summarised below:

Wealth Solutions	2023 $'m	2022 $'m	Increase/ (decrease) %
Full adviser (**AR**) gross fees	**96.93**	95.89	1
Full adviser fixed licensee fees	**5.95**	5.77	3
Less: Adviser revenue share	**(94.84)**	(93.42)	(2)
AR Net Revenue	**8.04**	8.24	(2)
Limited adviser subscription revenue (**LAR**)	**0.72**	0.94	(23)
Self-License services (**SL**)	**0.53**	0.02	>100
Expense recoveries	**3.09**	1.47	>100
Other revenue	**0.89**	0.43	>100
Total Licensee Services	**13.27**	11.10	20
CARE investment management fees	**6.57**	5.80	13
Net Revenue	**19.84**	16.90	17
Segment result - Underlying Profit	**4.52**	4.20	8

The Wealth Solutions division experienced Net Revenue growth of 17% and Underlying Profit growth of 8% compared to the prior year.

Net Revenue from ARs was relatively in line with the prior year. Whilst there has been continued improvement in most key performance metrics in this part of the business, there was a reduction in the number of firms compared to the prior year, declining from 155 to 141 firms. This was driven by a number of factors including consolidation of firms, some movement to self-licensing within Diverger and some exiting driven by the final ethics exam deadline of the FASEA education reforms.

Overall, the average gross fees generated by the firms licensed by the Group increased by 9% to $0.67 million per firm, indicating the continuing strong demand for advice as well as an increasing quality of the Group's licensed planning firms. Average Net AR fees received by the Group increased by 5% to $55k per firm as the Group continued to improve fee structures across the 3 licensees.

On 1 December 2022, the Group acquired AFSL Compliance Pty Ltd (**AFSLC**) consistent with a strategy to expand the Group's capability to deliver services to the self-licensed market. The acquisition provided the Group with an established client base of 160 self-licensed advice firms and additional annualised consulting fees of $0.70 million. Since the date of acquisition, AFSLC has contributed Net Revenue of $0.40 million and Underlying Profit of $0.26 million as well as growing its client base to 179 firms. This momentum is expected to continue as the financial services industry transforms and more advice firms become self-licensed.

Subscription revenue from Limited Authorised Representatives (**LARs**) fell by 23% to $0.72 million in line with a decrease in the number of LARs on license to 169 (2022: 210). The reduction in LARs was expected and has occurred over the past 3 years as a direct result of the FASEA education requirements which has forced accountants to reassess the value of retaining a limited license. LAR revenue forms 2% of total Group Net Revenue and therefore the impact of any continued decline is relatively minor.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

CARE Managed Accounts continued to grow with CARE investment management fees increasing by 13% to $6.57 million and funds under management at 30 June 2023 up 21% to $2.68 billion compared to the prior year (2022: $2.22 billion). The rate of growth was slower than the compound growth rate of 24% over the last 3 years reflecting the current economic environment. During the year inflows continued to be strong despite significant volatility in markets and uncertainty regarding a potential global recession (net flows of $236m made up of $863m inflows and $627m outflows of which included programmed pension outflows). Markets growth was mixed but buoyed by a strong finish to the year. Outflows increased but only in line with growth of overall funds under management. Refer to the table below for 5-year growth performance.

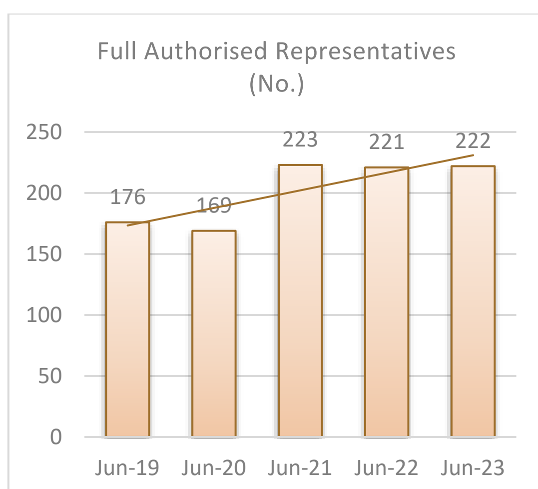
MWM, the Group's 35% equity-accounted investment, acquired 1 July 2022 delivered a share of profit (EBITA) of $137k for the year. The result is lower than expected and is reflective of an initial period of restructuring within the practice to address resource gaps that had emerged. The business is now restructured and performing in line with expectations and share of earnings are expected to continue to grow over the coming year. In recognition and support of this initial disruption, the Board agreed to extend the performance period relating to contingent consideration by 6 months to 30 June 2024.

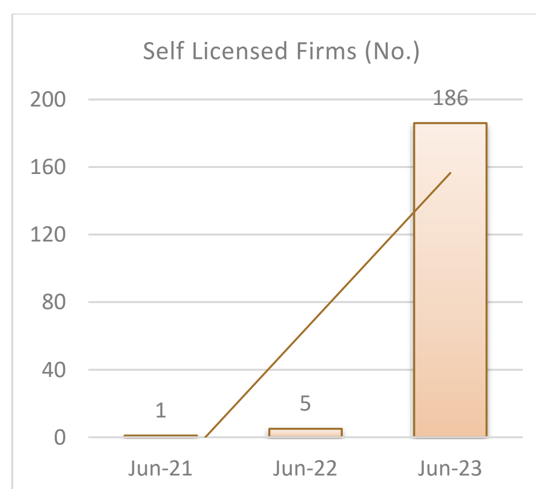
Other revenue primarily consists of education partnership contributions as well as back-office services provided to ARs through the Group's outsourcing partners.

Underlying Profit for Wealth Solutions increased by 8% to $4.52 million compared to the prior year (2022: 4.20 million). EBITA margin adjusted for expense recovery revenue (ASIC levy and Xplan recoveries) of 27% was consistent with the prior year. Whilst the division entered into higher margin revenue streams with AFSLC and the continued growth in CARE, a higher overall margin has been offset with the reinstatement of certain costs which had been deferred due to COVID-19, including staff resourcing as well as adviser training and conferences. Staff costs were also impacted by the low employment environment which has necessitated a general increase in wages to attract and retain talent.

However, forward EBITA margins are expected to continue to improve over the medium term through higher revenue growth, a higher margin service mix and with the assistance of technology.

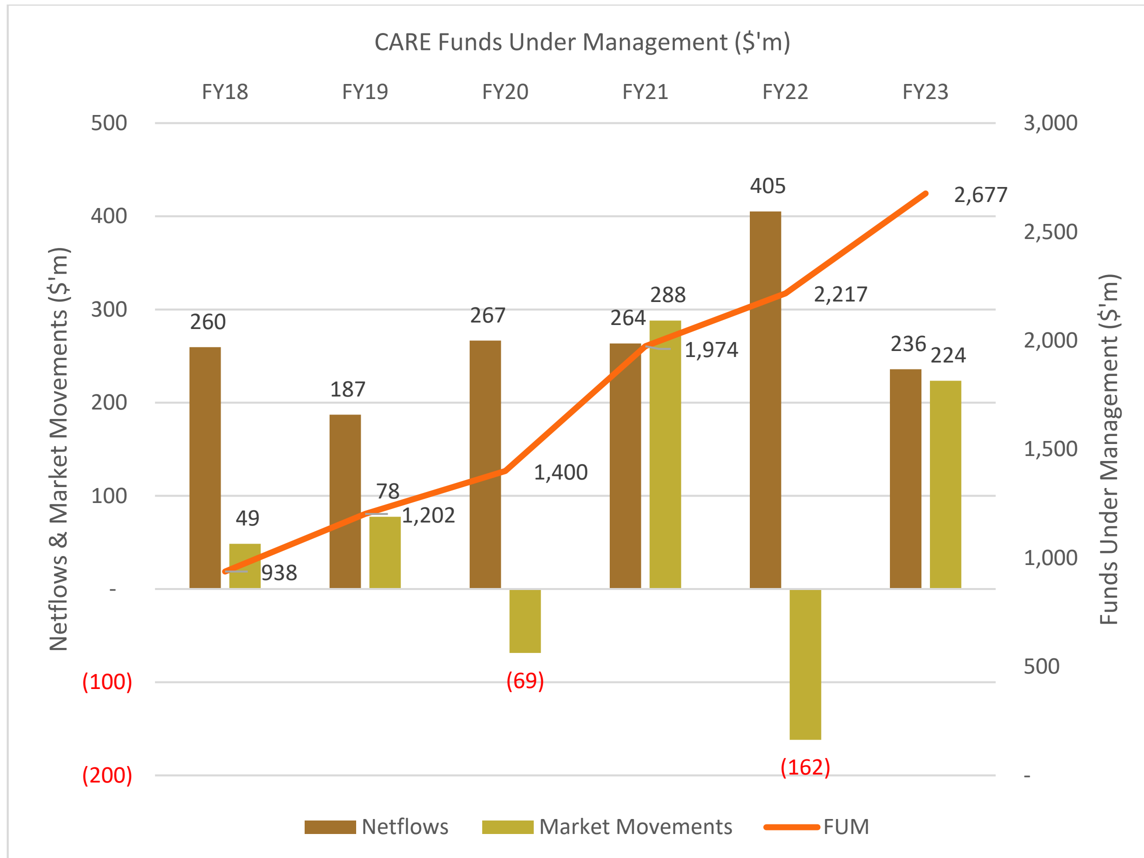
Comparative information on the division's core revenue drivers is illustrated below:





DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)



2. Accounting Solutions

The Group's Accounting Solutions division comprises the following entities during the year:

- Knowledge Shop Pty Ltd (**Knowledge Shop or KS**) - 100%
- TaxBanter Pty Ltd (**TaxBanter or TBR**) - 100%

The Group's Accounting Solutions division provides a range of support services to accounting and wealth firms, including online technical support through a subscription service and training delivered by online and face to face formats.

The performance of the Accounting Solutions segment is summarised below:

Accounting Solutions	**2023 $'m**	**2022 $'m**	**Increase/ (decrease) %**
Membership subscription revenue	**6.45**	6.22	4
Training revenue	**8.57**	8.32	3
Other revenue	**0.05**	0.17	(71)
Net Revenue	**15.07**	14.71	2
Segment result - Underlying Profit	**5.30**	5.85	(9)

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

The Accounting Solutions division had lower earnings compared to the prior year due to a combination of a slower rate of revenue growth as well as investment in additional business development and technical resources which take time to deliver a return. This has resulted in an expected short-term decrease in EBITA margin to 35%, down from 40% in the prior year.

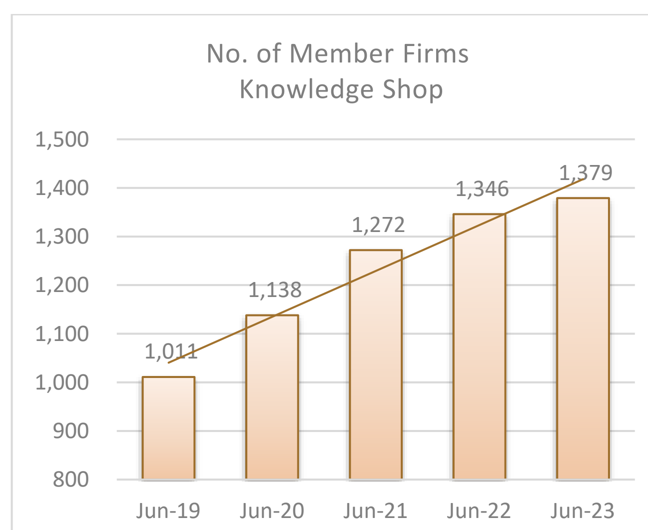
Membership subscription revenue from Knowledge Shop increased by 4% to $6.45 million compared to the prior year in line with the continued growth in the number of members to 1,379. Membership grew at a slower rate than prior years partly due to accountants deferring expenditure in response to a rising cost environment, however also partly due to the transition to a new business development team resulting in some lost momentum in the first half of the year. This team is now in place which has resulted in a stronger second half member acquisition rate that is expected to continue.

Training revenue through the Group's two training brands Knowledge Shop and TaxBanter grew modestly by 3% to $8.57 million compared to the prior year. Over the current year, the training businesses continued to adjust to the hybrid working environment of our clients post COVID-19 requiring continuing adaption of our inhouse training delivery and fee models where audiences are spread between in-office and home. This realignment has made some progress as evidenced through the return to revenue growth after two years of disruption caused by the pandemic.

Underlying Profit for Accounting Solutions decreased by 9% ($549k) to $2.67 million compared to the prior year. The result reflects the modest revenue growth referred to above which was more than offset by costs associated with investment in additional resources to drive and support higher revenue and profit growth in future periods. Staff costs associated with technical training and business development increased by 10% or $0.7 million compared to the prior year reflecting an investment in increased capacity for growth as well as the impact of wage inflation in the current low unemployment environment.

Recurring revenue profile
The majority of the division's Net Revenue is recurring in nature. The Accounting Solutions division engages with circa 3,500 accounting firms annually. A large number of these firms are either Knowledge Shop members or firms that commit to an annual inhouse training program and collectively make up circa 90% of the division's Net Revenue. The remaining 10% of Net Revenue is derived from accounting firms that may be repeat customers but engage on an ad hoc transactional basis in topic specific training.

The table below demonstrates consistent growth in the number of accounting firms who have joined Knowledge Shop's membership subscription service:



DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

3. Technology Solutions

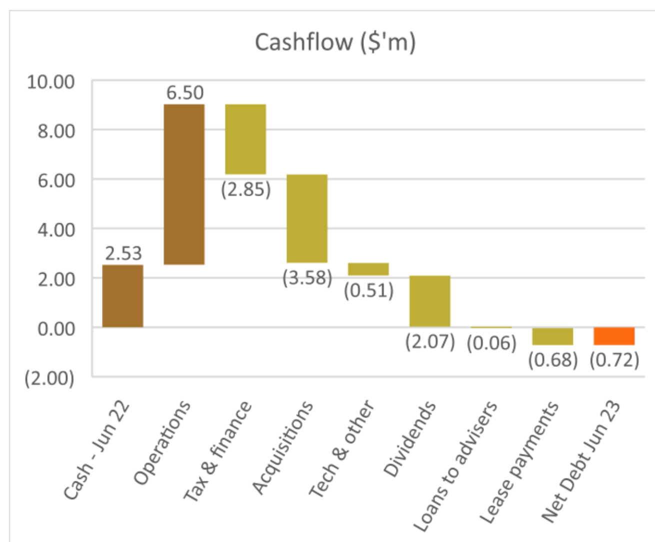
On 17 January 2023, the Group completed the acquisition of a 100% equity interest in Priority Networking Pty Ltd (**PNET**), with an effective date of 1 January 2023. See below section Acquisitions completed.

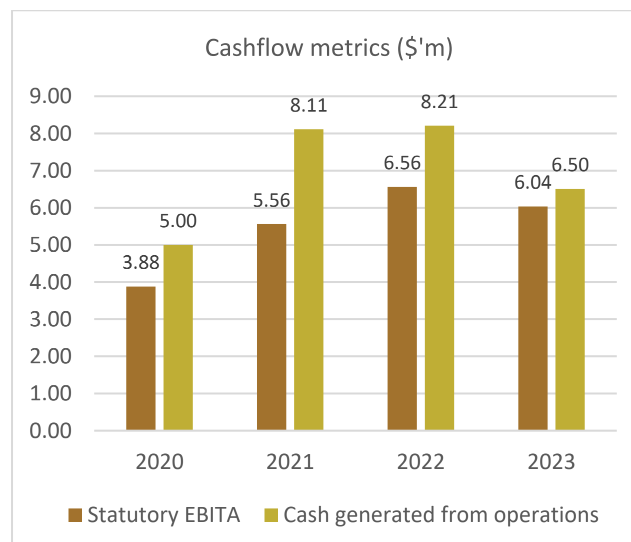
For the 6 months to 30 June 2023 since the completion of the acquisition, PNET has performed in line with expectations. In addition, the Group has been working with PNET to develop a suite of technology support services as part of the group cross-sell strategy which are expected to positively impact results in future periods.

	6 months to 30 June 2023 $'m
Manage service fees & consulting	**1.32**
Hardware & software	**1.35**
Other	**0.02**
Net Revenue	**2.69**
Segment result - Underlying Profit	**0.27**

Cashflow and capital management

Cash generated over the year was reinvested into growth investments and returns to shareholders, as illustrated below:





The Group maintains a strong alignment between operating cashflows and reported earnings, with very low credit risk as most income streams are cash settled in advance or as services are delivered.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

Net operating cash inflow (after tax payments) of $3.66 million, with existing cash reserves were applied to the following:

Investment activities:

- Upfront payments across 3 business acquisitions of $3.58 million (MWM, AFSLC, PNET); and
- Investments of $0.51 million in technology platforms and capability.

Shareholder returns:

- Total dividends paid through the year were $2.07 million of which included a final dividend of $1.32 million (3.0cps) for the 2022 financial year and a 2023 interim dividend of $0.75 million (2.0cps).

Acquisitions completed

During the year, 4 acquisitions were completed including Atkinson Saynor Private Wealth (**ASPW**) completed 3 July 2023.

(a) McGregor Wealth Management Pty Ltd

On 1 July 2022, the Group executed agreements to acquire a 35% equity interest in McGregor Wealth Management Pty Ltd (**MWM**), a leading financial planning practice licensed through GPS Wealth Ltd (AFSL 254 544), a wholly owned subsidiary of the Group.

The Group's strategic intent is to be a market leading provider of services to advisers. The investment in MWM forms part of a broader strategy to invest in a number of practices and provide additional resources that assist in their next phase of growth. Investment in growing adviser practices enhances the contribution of the Wealth Solutions division through increased share of earnings and recurring cash dividends.

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 24 months, subject to agreed earnings targets.

Expected annualised Underlying Profit used as the basis for the acquisition are $0.74 million pa (DVR 35% share $0.25 million). Underlying Profit of $0.14 million contributed during the current year was below initial expectation however following a business restructure, MWM is now delivering as expected.

(b) AFSL Compliance Pty Ltd

On 1 December 2022, the Group completed the acquisition of 100% of the issued share capital of AFSL Compliance Pty Ltd (**AFSLC**). AFSLC was established in 2010 and provides support to advice firms that hold their own Australian Financial Services License or are looking to obtain their own license. The acquisition of AFSLC provides the Group with an established client base of 160 self-licensed advice firms (now 179 firms) and deeper capability in consulting services to that market.

Purchase consideration for AFSLC consists of an initial cash consideration of $1.37 million, followed by deferred consideration in 3 tranches up to a total of $1.98 million during the first 36 months, subject to a material earnings uplift.

Expected annualised Underlying Profit used as the basis for the acquisition was $0.50 million pa of which $0.26 million was contributed during the current year from the date of acquisition.

(c) Priority Networking Pty Ltd

On 17 January 2023, the Group completed the acquisition of a 100% equity interest in Priority Networking Pty Ltd (**PNET**), with an effective date of 1 January 2023.

PNET is a national provider of technology support (including cyber protection) with 139 customers having grown from 130 at acquisition date. The acquisition enables the Group to expand the services it provides to its network of circa 4,000 accounting and advice firms to include technology infrastructure and cyber protection services whilst also enhancing organisational technology capability, a key enabler of the Group's growth strategy.

Purchase consideration for PNET consists of an initial cash consideration of $1.79 million, followed by deferred consideration in 2 tranches up to a total of $0.9 million during the first 24 months, subject to a material earnings uplift. The expected Underlying Profit used as the basis for the acquisition was $0.45 million pa of which $0.27 million was contributed during the current year from the date of acquisition.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

(d) Atkinson Saynor Private Wealth Pty Ltd

On 3 July 2023, the Group completed the business acquisition of Atkinson Financial Planning, a Melbourne based advice firm through a newly incorporated subsidiary, Atkinson Saynor Private Wealth Pty Ltd (**ASPW**). The Group has a controlling 55% equity interest in ASPW with the remaining 45% interest owned by David Saynor (**Saynor**), a financial adviser who has worked in the business for 20 years. As part of the transaction, Saynor has commenced as Managing Director of ASPW, taking over from the founding principal Steven Atkinson who has been retained for 8 months to assist with the transition.

Total purchase consideration was a payment of $3.20 million settled on completion (DVR share $1.76 million cash), followed by a deferred payment of $0.80 million (DVR share $0.44 million cash), 8 months from completion date subject to continuing business performance. In addition, there is a further earn-out payment of $0.30 million (DVR share $0.17 million cash) subject to client growth performance hurdles to be achieved, 8 months from completion.

Expected Underlying Profit from ASPW is $0.60 million in the first year (DVR 55% share, $0.33 million).

Outlook

Directors and management confirm Diverger remains committed to achieving the FY25 targets outlined at the Group's open house investor presentation on 15 November 2022 which include:

- Net Revenue $40m - $45m
- Underlying EBITA $10.5m - $12.5m
- Adjusted EPS (NPATA)[1] 18 - 22cps

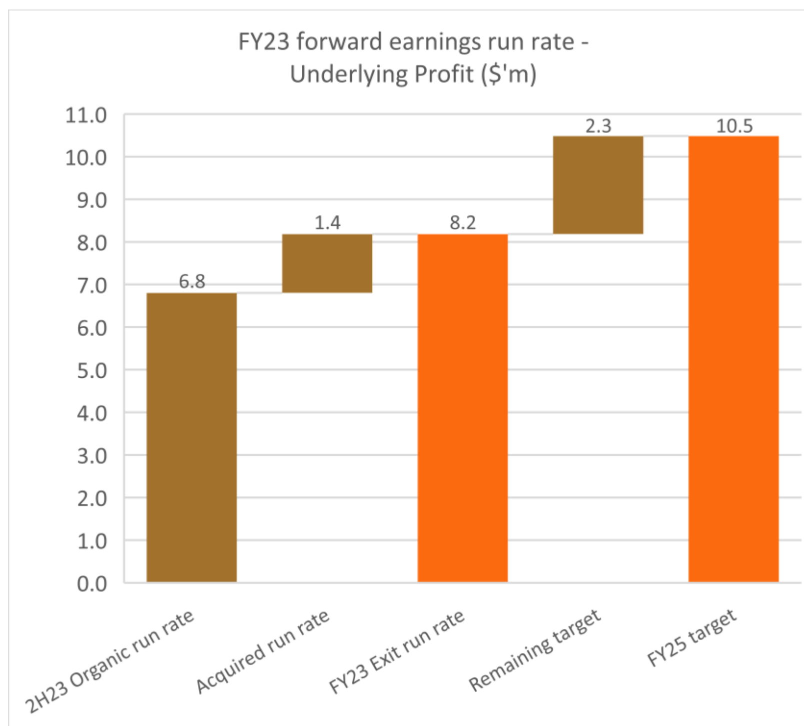
1. (NPATA) – NPAT adjusted for amortisation, impairment and other non-cash fair value adjustments.

Diverger will carefully deploy capital in accordance with its Capital Management Policy which seeks to maintain an appropriate capital structure that enables Diverger to balance the allocation of capital between investing for growth and sustainable returns to shareholders while maintaining financial stability.

The below analysis provides a high-level view of the present forward outlook of Underlying Profit based on the annualisation of the Group's current (2nd half) organic performance and acquisitions including **ASPW** completed on 3 July 2023. The Directors believe that the Company is making good progress toward achieving the targeted Underlying Profit range which is based on a combination of both continued organic and strategic inorganic investments.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)



The forward outlook of the Group's performance will depend on various factors and Directors note the possible material risks associated with uncertainty relating to market conditions that may impact the rate of revenue growth, cost pressure and availability of appropriate investment opportunities.

Significant changes in the state of affairs

Other than matters disclosed elsewhere, there were no significant changes in the state of affairs of the Group.

Events since the end of the financial year

On 3 July 2023, the Group completed the acquisition of a 55% interest in financial planning firm, Aktinson Saynor Private Wealth (**ASPW**), as outlined above and Note 26 of the Financial Statements.

On 14 August 2023, the Company executed documents to renew its finance facilities with Westpac Banking Corporation (**WBC**). The new combined facility increases the existing limit from $10 million to $16.4 million with a 3 year-term expiring 31 August 2026. The new facility will be available to the Company as a financing option to execute its inorganic growth strategy subject to the Company's capital management and investment criteria.

Likely developments and expected results

The Group will continue to pursue its operating strategy to create shareholder value by way of organic growth and acquisition opportunities. Further commentary on the Group's strategic direction and plan is set out in the Chairman and Managing Director's Report.

Environmental regulation

The Group's operations are not subject to any significant Commonwealth or State environmental regulations or laws.

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The following information is current as at the date of this report.

Peter Brook - Chairman. Appointed 17 March 2022. Non-executive director appointed 20 December 2021.		
Experience and expertise	Peter has over 40 years' experience with senior management roles across diverse and complex organisations within financial services. Peter was a Senior Partner in Grant Thornton and became the National Chairman of the Insolvency and Recovery practice. He later moved into senior executive roles working for MLC and Challenger in Asset Management and Life Insurance and as an executive director of 4 ASX listed asset management funds. Peter moved onto ASX listed Alinta Energy where he was an Executive Director and Chief Financial Officer working on the separation from the Babcock and Brown stable and its ultimate privatisation. Peter was the Managing Director of Pillar Administration for 4 years until it was sold by the New South Wales Government. Over that time, he shepherded the organisation through the changes needed by frequent and significant changes to the superannuation laws and regulations, the rationalisation of multiple operating member platforms to drive greater efficiency and quality, to respond to the digitisation of regulatory reporting, data and funds transfers and member self-service. Pillar administered around $120 billion of superannuation for clients such as Aware Super, State Super and Commonwealth Super. Most recently Peter was the Chair of ASX listed Xplore Wealth Limited before its sale to HUB24.	
Other current directorships	None	
Former directorships in last 3 years	Xplore Wealth Limited	
Special responsibilities	Member of Audit and Risk Committee Member of the Remuneration & Nomination Committee	
Interests in shares, options and rights	Ordinary shares - Diverger Limited	51,000
	Offered - Diverger Limited Performance Rights subject to shareholder approval	150,000

Carl Scarcella B.Com, FCPA - Non-executive Director. Appointed 15 May 2014.		
Experience and expertise	Carl joined the financial services industry in 1987. In 2000, Carl was one of the foundation managers of Snowball Group Limited, a listed independent advice business which provided financial services including financial planning, accounting and tax, portfolio management and portfolio administration. Carl was Chief Operating Officer and Company Secretary of Snowball from inception through to its merger with the Shadforth Group in 2011 to become SFG Australia Limited. Following his departure from SFG in 2012, Carl co-founded T&C Consulting Services, a firm which provided advice on growth strategies, governance frameworks, infrastructure solutions and M&A support.	
Other current directorships	None	
Former directorships in last 3 years	None	
Special responsibilities	Chair of the Audit and Risk Committee Member of the Remuneration & Nomination Committee Chair Risk and Compliance Sub-Committee	
Interests in shares, options and rights	Ordinary shares - Diverger Limited	183,333
	Performance rights - Diverger Limited	100,000

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (continued)

Grahame Evans, MBA, Dip SM, GAICD - Non-executive Director. Appointed 24 August 2017, previously Executive Director up until 30 June 2022.		
Experience and expertise	Grahame has been extensively involved with the financial services industry for over 30 years. He has held a variety of board positions including Chairman of Australian, Canadian, Singaporean & Chinese investment & advice businesses and also as a director of Malaysian and New Zealand companies. He is a regular speaker at conferences both in Australia and overseas and holds an MBA from the prestigious Australian Graduate School of Management. Grahame's executive roles have included CEO Investments for Tower Australia, Managing Director, AMP Consulting and Group Managing Director of Centrepoint Wealth.	
Other current directorships	Deputy Chairman & NED of DomaCom Limited	
Former directorships in last 3 years	None	
Special responsibilities	None	
Interests in shares, options and rights	Ordinary shares - Diverger Limited	668,513
	Performance Rights - Diverger Limited	100,000

Nathan Jacobsen B.Sc, MBS - Managing Director. Appointed 1 February 2021.		
Experience and expertise	Nathan is a senior executive with 16 years' experience in wealth management organisations, where his key focus has been on market strategy, M&A, business development, technology, operations and organisational transformation. Nathan's previous roles have included Managing Director of Paragem, Group Executive Advice & Technology Solutions at HUB24 and various General Manager roles at Perpetual Private. Prior to joining the financial services industry, Nathan worked in strategy and management consulting, as well as serving as an officer in the Australian Navy.	
Other current directorships	None	
Former directorships in last 3 years	Managing Director of Paragem Pty Ltd	
Special responsibilities	Managing Director	
Interests in shares, options and rights	Ordinary shares - Diverger Limited	68,783
	Performance rights - Diverger Limited	717,587

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (continued)

Anthony (Tony) McDonald B.Comm LLB - Non-executive Director. Appointed 1 February 2021.		
Experience and expertise	Tony co-founded financial planning firm Snowball Group Limited in 2000, which merged with Shadforth in 2011 to become ASX-listed SFG Australia Limited. Tony is also a former director of The Investment Funds Association of Australia (now Financial Services Council) and currently Chairman of a leading not-for-profit organisation. As a financial services executive Tony has worked in a variety of senior roles with the Snowball Group, SFG, Jardine Fleming Holdings Limited (Hong Kong), and Pacific Mutual Australia Limited. Prior to entering the financial services industry, Tony worked as a solicitor with the two global law firms, Baker & McKenzie and Coudert Brothers. He holds a Bachelor of Laws (LLB) and a Bachelor of Commerce (Marketing) from the University of NSW.	
Other current directorships	NED of HUB24 Ltd	
Former directorships in last 3 years	NED of URB Investments Ltd NED of 8IP Emerging Companies Ltd	
Special responsibilities	Chairman of the Remuneration & Nomination Committee	
Interests in shares, options and rights	Ordinary shares - Diverger Limited	13,333
	Performance Rights - Diverger Limited	100,000

JOINT COMPANY SECRETARIES

Mark Licciardo, B.Bus (Acc), GradDip CSP, FAICD, FGIA, FCIS - Joint Company Secretary. Appointed 6 December 2011. Mr Mark Licciardo founded Mertons Corporate Services in 2007. Mertons is now part of Acclime Australia where Mark is responsible for Acclime Australia's Listed Services Division. Mr Licciardo is an ASX-experienced director and chair of public and private companies, with expertise in the listed investment, infrastructure, biotechnology, and digital sectors. He currently serves as a director on several Australian company boards as well as foreign-controlled entities and private companies. During his executive career, Mark held roles in banking and finance, funds management, investment and infrastructure development businesses, including being the Company Secretary for ASX:100 companies Transurban Group and Australian Foundation Investment Company Limited. Mark holds a Bachelor of Business degree in accounting, a Graduate Diploma in Governance and is a Fellow of the Chartered Governance Institute, the Governance Institute of Australia and the Australian Institute of Company Directors.

Michael Harris, B.Comm, CPA - Chief Financial Officer & Joint Company Secretary. Appointed to Joint Company Secretary 1 December 2020. Appointed Chief Financial Officer 27 January 2015. Michael has over 20 years' experience working in various executive finance roles within ASX listed groups as well as internationally. Michael has extensive experience with ASX reporting, M&A, business integration, business transformation, system implementations, risk management and strategy. Michael is an effective leader and team developer. He has a diverse range of sector experience including financial services, energy, health, property and professional services.

DIRECTORS' REPORT (continued)

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors' Meetings		Audit & Risk Committee Meetings		Remuneration & Nomination Committee Meetings	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
Peter Brook	14	12	7	7	2	2
Nathan Jacobsen	14	14	7*	7*	2*	2*
Anthony McDonald	14	14	-	-	2	2
Carl Scarcella	14	14	7	7	2	2
Grahame Evans	14	14	7*	7*	-	-

*In attendance ex-officio.

COMMITTEE MEMBERSHIP

As at the date of this report, the Company's Audit and Risk Committee members are:

- Carl Scarcella – Chairman
- Peter Brook

At the date of this report, the Company's Remuneration & Nomination Committee members are:

- Anthony McDonald – Chairman
- Carl Scarcella
- Peter Brook

DIRECTORS' REPORT (continued)

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into deeds of access, insurance and indemnity with each director and officer which contain rights of access to certain books and records of the Group for a period of ten years after the director and officer ceases to hold office. This 10-year period can be extended where certain proceedings or investigations commence before the 10-year period expires.

In respect of the indemnity of the directors and officers, the Company is required, pursuant to the constitution, to indemnify all directors and officers, past and present, against all liabilities allowed under law. Under the deed of access, insurance and indemnity, the Company indemnifies parties against all liabilities to another person that may arise from their position as a director or an officer of the Company or its subsidiaries to the extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

In respect of insurance being obtained on behalf of the directors and officers, the Company may arrange and maintain directors' and officers' insurance for its directors and officers to the extent permitted by law. Under the deed of access, insurance and indemnity, the Company must obtain such insurance during each director's and officer's period of office and for a period of ten years after a director or an officer ceases to hold office. This 10-year period can be extended where certain proceedings or investigations commence before the 10-year period expires.

Disclosure of the insurance premiums and the nature of liabilities covered by such insurance are prohibited by the relevant contracts of insurance.

SHARES UNDER OPTION AND UNISSUED SHARES

As at the date of this report, no options were granted to the directors of the Company or other key management personnel of the Group during, or since the end of the financial year.

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. These options remain unexercised at balance date.

On 18 November 2021 following approval of the Plan at the 2021 AGM, the Company issued 1,145,066 performance rights (Tranche 1), of which 860,066 were issued to Key Management Personnel (KMP) and 285,000 to other employees. In addition, following the 2022 AGM on 11 November 2022, the Company issued an additional 950,514 performance rights (Tranche 2), of which 707,521 were issued to KMP and 242,993 were issued to other employees.

PROCEEDINGS ON BEHALF OF THE COMPANY

There are no legal or other proceedings being made on behalf of the Company or against the Company as at the date of this report.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

No additional engagements were undertaken with the Company's auditor during the year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 in relation to the audit for the financial year is provided with this report.

DIRECTORS' REPORT (continued)

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Diverger Limited is responsible for corporate governance. The Board has prepared the Corporate Governance Statement (CGS) in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations under which the CGS may be made available on the Company's website.

Accordingly, a copy of the Company's CGS is available on the Diverger website at www.diverger.com.au under the Investors section.

ROUNDING OF AMOUNTS

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 (where indicated).

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

The directors are pleased to present the Group's 2023 remuneration report which sets out the remuneration information for the Company's non-executive directors, executive directors and other key management personnel (KMP) of the Group.

The report contains the following sections:

(a) Details of KMP disclosed in this report
(b) Remuneration governance
(c) Executive remuneration policy and framework
(d) Relationship between remuneration and Group performance
(e) Non-executive director remuneration policy
(f) Voting and comments made at the Company's 2022 Annual General Meeting (AGM)
(g) Details of remuneration of KMP
(h) Service agreements
(i) Details of Incentive Plan
(j) Details of share-based compensation
(k) Equity instruments held by KMP
(l) Other transactions with KMP

(a) Details of KMP disclosed in this report

The following persons acted as KMP of the Company and the Group during or since the end of the financial year.

(i) Non-executive and Executive Directors

Peter Brook	Chairman
Nathan Jacobsen	Managing Director
Anthony McDonald	Non-executive Director
Carl Scarcella	Non-executive Director
Grahame Evans	Non-executive Director

(ii) Other KMP

Michael Harris	Chief Financial Officer
Lisa Armstrong	Managing Director of Knowledge Shop Pty Ltd

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

(b) Remuneration governance

The Remuneration & Nomination Committee (**RNC**) is a committee of the Board. It is primarily responsible for making recommendations to the Board on:

- The over-arching executive remuneration framework;
- Operation of the incentive plans for executive directors and senior executives, including key performance indicators (**KPIs**) and performance hurdles;
- Remuneration levels of executives; and
- Non-executive director fees.

The Committee's objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Group.

(c) Executive remuneration policy and framework

Remuneration policy

The policy for determining the nature and amount of remuneration of KMP is agreed by the Board of Directors as a whole on advice from the RNC. The Board obtains professional advice where necessary to ensure that the Group attracts and retains talented and motivated directors and employees who can enhance the performance of the Group through their contributions and leadership. The RNC makes specific recommendations on the remuneration package and other terms of employment for the Managing Director and other KMP having regard to performance, relevant comparative information, and if appropriate, independent expert advice.

For KMP, the Group can provide a remuneration package that incorporates both cash-based remuneration and, if appropriate, share-based remuneration. The contracts for service between the Group and KMP are on a continuing basis, the terms of which are to align executive performance-based remuneration with Group objectives. The remuneration policy is directly related to Group performance. The qualitative and quantitative criteria on which remuneration is based are set by the RNC and those objectives are consistent with the Group's strategic objectives and are linked to the at-risk component of the executives' remuneration as applicable.

The Board has the discretion under the Incentive Plan to offer and issue any (or any combination) of the following kinds of awards to eligible employees including executive directors:

- Options - rights to be issued ordinary shares in the Company upon the payment of an exercise price and satisfaction of specified vesting conditions including market and non-market conditions.
- Performance rights - rights to be issued one ordinary share in the Company for every performance right for nil exercise price upon the satisfaction of specified vesting conditions.
- Deferred share awards - ordinary shares in the Company that are issued in lieu of wages, salary, director's fees or other remuneration, or by the Company in addition to remuneration or in lieu of any discretionary cash bonus or other incentive payment.
- Exempt share awards - ordinary shares in the Company issued for nil consideration or at an issue price which is at a discount to the prevailing market price. Exempt share awards issued under the Plan may not be sold until the earlier of three years after issue or cessation of employment.
- Limited recourse loan awards - ordinary shares in the Company where some or all of the issue price is funded by way of a loan from the Company.

Executive pay for 2023

For the year ending 30 June 2023, the executive pay and reward framework consisted of three components:

- Base pay and benefits, including superannuation;
- Short-term Incentives (**STI**); and
- Long-term Incentives (**LTI**).

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Base pay and benefits
Executives receive their base pay and benefits structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' reasonable discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure that executive remuneration is competitive with the market.

Short-term Incentive (STI)
Payments of STI are made according to the following rules:

- The actual amount of STI to be paid will be determined by the Company in its absolute discretion by reference, inter alia, to the performance of the individual against the KPI's established by the Company following the annual performance review of the individual, conducted at the end of each financial year.
- Achievement of a KPI will result in a progressive STI payment calculation. A KPI may be partially met as determined by the Board such that a portion of that component may be credited.
- The Company agrees that it will act reasonably and in good faith in making any determination concerning the STI and the KPIs for any period during the term of the agreement.
- Where business conditions warrant a shift in focus for significant opportunities or operational requirements, the Board may adjust the KPI and STI weightings and apply discretion to overall evaluation as appropriate - in the interest of shareholders and fairness to executives.
- STI payments are made by the Company in the month following the publishing of finalised Company accounts in respect of the most recently completed financial year.
- KPIs will be based on year-end audited accounts where relevant.

Long-term Incentive (LTI)
The Company's LTI scheme is operated through the Incentive Plan (**Plan**) approved by shareholders 18 November 2021. Since the Plan has taken effect, there have been two tranches of performance rights issued to KMP and employees. On 18 November 2021, 1,145,066 performance rights were issued with an effective date 1 July 2021, (Tranche 1) and on 11 November 2022, 950,514 were issued (Tranche 2).

***(i)* Tranche 1 (T1)**
There are two vesting conditions that apply to T1 over a 3-year test period ending 30 June 2024 (**T1-Test Period**), (referred to as **T1-PC1** and **T1-PC2**, respectively).

T1-PC1 – Adjusted Net Revenue growth

For the purposes of T1-PC1:

- **Adjusted Net Revenue** is defined as the sum of Net Revenue plus the Company's share of equity-accounted Earnings Before Interest, Tax and Amortisation (**EBITA**). Part year contributions from acquisitions completed in the third year of the Testing Period are annualised at 30 June 2024.

The Company competes in an environment where scale with appropriate margins is a key driver of business growth and profitability. Accordingly, the Board considers that at this stage of its development, a performance condition measuring the growth in Adjusted Net Revenue, as described above, over a three-year period from 1 July 2021 is an effective way to build the Company's revenue base and with it, profitability and shareholder value.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

As part of the Company's growth strategy, the Company is taking partial equity interests in certain adviser practices subject to specific investment criteria. The acquisition of those practices is recognised in the financial statements as equity accounted investments. For the purposes of T1-PC1, Net Revenue will be adjusted to include the Company's share of EBITA from such equity-accounted investments, resulting in the Adjusted Net Revenue criteria.

For the T1-Testing Period, the Board has calibrated the vesting of the T1-PC1 performance rights to the growth in Adjusted Net Revenue as follows:

- Zero vesting will occur if the growth in Adjusted Net Revenue is below a minimum level of 100% over three years (representing an increase of approximately $27.7 million by 30 June 2024);
- 100% vesting will occur if the growth in Adjusted Net Revenue reaches 150% over three years (representing an increase of approximately $41.6 million by 30 June 2024); and
- Vesting between 100% and 150% growth in Adjusted Net Revenue will be on a straight-line basis between these two levels.

In order to ensure that Adjusted Net Revenue is calibrated in alignment with Shareholder interests, the above vesting of Performance Rights is subject at all times to an 'earnings per share' hurdle, which requires that the Company achieves, at least, 10% per annum compounded growth in earnings per share during the T1-Testing Period.

*T1-PC2 – Absolute Total Shareholder Return (**ATSR**)*

The Board, with advice from a specialist remuneration adviser, believes that Absolute Total Shareholder Return' is the most appropriate way to measure the success in implementing the Company's long term strategic objectives. The decision to use ATSR is based on the Company's intent to pursue high growth through the execution of a transformational strategy.

The ATSR hurdles are challenging and are intended to align vesting with superior Shareholder returns. The ATSR hurdles are based on a compound annual growth rate (**CAGR**) in the range of 15% to 25% over three years from a baseline share price at 30 June 2021 of $1.03. This CAGR range is significantly above the 30 June 2021, 20 year returns on Australian equities of 8.4% per annum reported in the 2021 Vanguard Index Chart Report. This will ensure that vesting of Performance Rights is directly linked to superior returns achieved for Shareholders.

ATSR measures the total return to Shareholders by calculating the increase (or decrease) between a 20-trading day VWAP for Shares measured immediately prior to (i) 1 July 2021 and (ii) 30 June 2024 (**T1-Test Date**), plus any dividends paid to Shareholders during this period.

For the T1-Testing Period, the Board has calibrated the vesting of the T1-PC2 performance rights to the growth in ATSR as follows:

- Zero vesting will occur if the CAGR of ATSR is below a minimum threshold vesting level of 15% over the T1-Testing Period;
- 100% vesting will occur if the CAGR of ATSR reaches or exceeds 25% over the T1-Testing Period; and
- Vesting between 15% and 25% of CAGR of ATSR over the T1-Testing Period will be on a straight-line basis between these two levels.

By way of example, if a CAGR of ATSR of 20% is achieved over the Testing Period, then 50% vesting of T1-PC2 Performance Rights will occur.

The 20-trading day VWAP for Shares up to 1 July 2021 was $1.03. Therefore (in the absence of any dividends) the 15% threshold (being the minimum threshold vesting level) equates to a share price of $1.57, and the 25% threshold equates to a share price of $2.01 when tested over the T1-Testing Period.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

The Board, in its sole and absolute discretion, may determine that an '**Abnormal Event**' has occurred in circumstances where, in the final year of the T1-Testing Period only, there is:

- A general ASX share market correction of at least 10%; or
- An unusual or abnormal event outside of management's control, which results in a temporary reduction in the Company's share price but which does not reflect the actual performance of the Company or its underlying value.

Following an Abnormal Event, the Board may determine that the T1-PC2 hurdle will be retested and measured over a four-year period ending 30 June 2025 (**T1-Last Test Date**), with correspondingly higher CAGR-ATSR hurdles over that four-year period (i.e. in order to satisfy PC2, the Share price must be in the range of $1.80 to $2.51, in the absence of any dividends).

Any T1-PC2 Performance Rights that have not vested after the T1-Test Date or the T1-Last Test Date, as the case maybe, will lapse and be forfeited.

(ii) **Tranche 2 (T2)**
There are two vesting conditions that apply to T2 over a 3-year test period ending 30 June 2024 (**T2-Test Period**), (referred to as **T2-PC1** and **T2-PC2**, respectively).

*T2-PC1 – Adjusted Earnings per Share (**Adjusted EPS**) – weighting: 50%*

For the purposes of T2-PC1:

The Company is focused on growing scale and capability whilst maximising returns to shareholders. Accordingly, the Board considers that a performance condition measuring Adjusted EPS, as described below, over the next three years ending 30 June 2025 is an effective way to incentivise the executive to manage the Company in a manner which is aligned to and consistent with shareholder expectations and interests.

In order to achieve the Company's growth targets, the strategy includes pursuing appropriate inorganic acquisitions which are subject to prescribed accounting treatments that, at a statutory accounting level through non-cash amortisation and other fair-value adjustments, can negatively affect Statutory Earnings Per Share, notwithstanding being accretive on a cash and an underlying basis. Accordingly, the Board considers adopting an Adjusted EPS measure is consistent with the Company's stated Capital Management Policy and better aligned to shareholder expectations and interests.

Adjusted EPS is measured by calculating the audited Net Profit After Tax attributable to shareholders, adjusted for amortisation, impairment and other fair-value adjustments (**NPATA**), divided by the weighted average number of ordinary shares outstanding during the financial year.

The Adjusted EPS hurdle so described is based on a compound annual growth rate (**CAGR**) in the range of 13.5% to 18.0% over the 3 year testing period from a baseline Adjusted EPS at 30 June 2022 of 12.25 cents. This will assist in ensuring that vesting of Performance Rights under T2-PC1 is directly linked to superior returns achieved for Shareholders.

The Board has calibrated the vesting of T2-PC1 performance rights to the CAGR of Adjusted EPS as follows:

- Zero vesting will occur if the CAGR of Adjusted EPS is below a minimum threshold vesting level of 13.5% over the T2-test period;
- 100% vesting will occur if the CAGR of Adjusted EPS reaches or exceeds a maximum threshold vesting level of 18.0% over the T2-test period; and
- Vesting between these two levels will be on a straight-line basis, with 25% vesting upon the CAGR of Adjusted EPS reaching 13.5% and 100% vesting if it reaches 18.0%.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

*T2- PC2 – Absolute Total Shareholder Return (**ATSR**) – weighting 50%*

The decision to use ATSR is based on the Company's intent to pursue high growth through the execution of its strategy, including both organic and inorganic growth.

The T2-PC2 ATSR hurdles measure the total return to Shareholders by calculating the increase (or decrease) between a baseline VWAP for Shares measured over the period 1 May 2022 to 30 July 2022 and a closing VWAP for Shares measured over the 20 trading day period immediately prior to 30 June 2025, plus any dividends paid to Shareholders during this period. The Board considers that the three-month baseline VWAP is appropriate having regard to the volume of trading in the Company's shares and their liquidity conditions over the relevant period.

The T2-PC2 ATSR hurdles are based on CAGR in the range of 12.5% to 20% over three years. This CAGR range is significantly above the 30 June 2022, 20-year returns on Australian shares of 8.2% per annum reported in the 2022 Vanguard Index Chart Report. The ATSR hurdles are considered challenging and are intended to align vesting with superior Shareholder returns.

For the T2-test period, the Board has calibrated the vesting of the T2-PC2 Performance Rights to the growth in ATSR as follows:

- Zero vesting will occur if the CAGR of ATSR is below a minimum threshold vesting level of 12.5% over the T2-Test Period;
- 100% vesting will occur if the CAGR of ATSR reaches or exceeds a maximum threshold vesting level of 20% over the T2-Test Period; and
- Vesting between these two levels will be on a straight-line basis, with 25% vesting upon the CAGR of ATSR reaching 12.5% and 100% vesting if it reaches 20.0%.

The three-month VWAP for Shares up to 31 July 2022 was $0.944. Therefore (in the absence of any dividends) the 12.5% threshold (being the minimum threshold vesting level) equates to a share price of $1.34 and the 20% threshold equates to a share price of $1.63 when tested over the Testing Period.

The Board, in its sole and absolute discretion, may determine that an '**Abnormal Event**' has occurred in circumstances where, in the final year of the Testing Period only, there is:

- A general ASX share market correction of at least 10%; or
- An unusual or abnormal event outside of management's control, which results in a temporary reduction in the Company's Share price but which does not reflect the actual performance of the Company or its underlying value.

Following an Abnormal Event, the Board may determine that the T2-PC2 hurdle will be retested and measured over a four-year period ending 30 June 2026 (**T2-Last Test Date**), with correspondingly higher CAGR ATSR hurdles over that four-year period (i.e. in order to satisfy T2-PC2, the Share price must be in the range of $1.51 to $1.96, in the absence of any dividends).

Any T2-PC2 Performance Rights that have not vested after the T2-Test Date or the T2-Last Test Date, as the case maybe, will lapse and be forfeited.

Board discretion on unvested performance rights

In certain circumstances the Board may in its absolute discretion elect to treat certain unvested performance rights as vested. Such circumstances include employee termination, resignation due to illness and a change in control of the Company.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

(d) Relationship between remuneration and Group performance

The remuneration policy has been designed to align KMP objectives with the Group business plan and long-term interests by providing a combination of fixed remuneration, STI and LTI's based on key performance criteria. Remuneration paid that was linked to company share price performance was $nil (2022: $nil).

The following table shows the key performance measures of the Group over the last 5 years:

	2023	2022	2021	2020	2019
Gross Revenue ($'000)	$132,455	$125,031	$91,710	$69,007	$59,804
Net Revenue ($'000)	$37,614	$31,612	$32,971	$27,273	$22,660
Normalised EBITA ($'000)	$6,902	$7,056	$6,810	$5,668	$5,116
Net profit after tax ($'000)	$2,832	$3,749	$2,982	$1,749	$2,726
Share price at end of year	$0.80	$0.81	$1.03	$0.75	$0.94
Basic earnings per share	7.52cps	9.47cps	7.02cps	4.30cps	7.85cps
Diluted earnings per share	6.89cps	8.90cps	6.89cps	4.30cps	7.85cps
Dividends paid or declared	5.5cps	5.0cps	9.0cps[1]	4.0cps	3.0cps
Remuneration linked to share price ($'000)	$nil	$nil	$nil	$nil	$nil

1. Includes 5.0 special dividend at the time of the HUB24 transaction.

(e) Non-executive director remuneration policy

On appointment to the Board, non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director.

Non-executive directors receive a Board fee which is inclusive of fees for chairing or participating on Board committees. They do not receive performance-based pay apart from the performance rights described above which are tested on the "ATSR" performance hurdles only. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently of the fees of non-executive directors based on comparative roles in the external market. Effective 1 September 2022, the Chairman in his capacity as Chairman was entitled to be paid a fixed remuneration of $82,400 per annum and $30,000 for additional executive support duties as well as $5,000 for each of the Remuneration & Nomination (RNC) and Audit Committees (ARC), (2022: $80,000 and $30,000 for additional executive support duties). Other non-executive directors were each entitled to be paid a fixed remuneration of $54,075 per annum (2022: $52,500) including superannuation contributions in their capacity as Non-executive directors. An additional $10,000 fee is paid to Chair both the RNC and ARC and an additional $5,000 is paid to each member of those committees.

The Constitution of the Company provides that non-executive directors as a whole may be paid or provided remuneration of an aggregate maximum total of $500,000 per annum (2022: $500,000) or other such maximum as determined by the Company in a general meeting. A non-executive director may be paid fees or other amounts as the directors determine where a director performs services outside the scope of the ordinary duties of a director, provided directors fees in aggregate do not exceed the maximum of $500,000. The Company may reimburse non-executive directors for their expenses properly incurred as a director or in the course of office, including special duties as approved by the Chairman.

(f) Voting and comments made at the Company's 2022 Annual General Meeting (AGM)

The Company received more than 99.9% of "yes" votes on its remuneration report for the 2022 financial year.

DIRECTORS' REPORT (continued)

(g) Details of remuneration of KMP

Remuneration for the year ended 30 June 2023

	Fixed remuneration			Other	Variable remuneration			
	Salaries & Fees	Superannuation	Long service leave provision[2]	Termination benefits	Cash bonus	Performance rights[3]	Total	Performance related
Directors' remuneration	$	$	$	$	$	$	$	%
Peter Brook	108,899	11,434	-	-	-	8,585	128,918	7
Nathan Jacobsen	408,373	25,292	11,011	-	140,000	45,739	630,415	30
Anthony McDonald	56,241	5,905	-	-	-	15,000	77,146	19
Carl Scarcella	69,061	7,251	-	-	-	15,000	91,312	16
Grahame Evans[1]	340,242	-	-	-	-	5,254	345,496	2
Sub-total directors	**982,816**	**49,882**	**11,011**	**-**	**140,000**	**89,578**	**1,273,287**	**18**
Executives' remuneration								
Lisa Armstrong	312,383	25,292	8,764	-	20,000	12,756	379,195	9
Michael Harris	309,763	25,292	9,010	-	100,000	12,756	456,821	25
Sub-total executives	**622,146**	**50,584**	**17,774**	**-**	**120,000**	**25,512**	**836,016**	**17**
Total key management personnel	**1,604,962**	**100,466**	**28,785**	**-**	**260,000**	**115,090**	**2,109,303**	**18**

1. Effective 1 July 2022 Grahame Evans retired from his executive capacity and commenced providing contracted services to the Group. Mr Evans is a non-executive director of the Company, a director of various wholly owned subsidiaries, a member of the CARE investment Committee, Responsible Manager and a member of various Risks & Compliance committees.
2. Represents the movement in provision, not cash paid.
3. Represents the value recognised in accordance with AASB 2 Share-based Payment of performance rights granted but not yet vested under the Company's Incentive Plan.

DIRECTORS' REPORT (continued)

Remuneration for the year ended 30 June 2022

	Fixed remuneration			Other	Variable remuneration			
	Salaries & Fees	Superannuation	Long service leave provision[4]	Termination benefits	Cash bonus	Performance rights[5]	Total	Performance related
Directors' remuneration	$	$	$	$	$	$	$	%
Peter Brook[1]	41,163	4,116	-	-	-	-	45,279	-
Nathan Jacobsen	376,436	23,568	6,975	-	120,000	54,970	581,949	30
Anthony McDonald	47,727	4,773	-	-	-	15,000	67,500	22
Carl Scarcella	56,818	5,682	-	-	-	15,000	77,500	19
Grahame Evans	347,367	23,568	3,348	-	72,703	15,267	462,253	19
Kevin White[2]	75,000	7,500	-	-	-	-	82,500	-
Greg Hayes[3]	7,955	795	-	-	-	-	8,750	-
Sub-total directors	**952,466**	**70,002**	**10,323**	**-**	**192,703**	**100,237**	**1,325,731**	**22**
Executives' remuneration								
Lisa Armstrong	304,273	23,568	2,401	-	45,898	15,267	391,407	16
Michael Harris	301,725	23,568	4,100	-	82,950	15,267	427,610	23
Sub-total executives	**605,998**	**47,136**	**6,501**	**-**	**128,848**	**30,534**	**819,017**	**19**
Total key management personnel	**1,558,464**	**117,138**	**16,824**	**-**	**321,551**	**130,771**	**2,144,748**	**21**

1. Peter Brook appointed Chairman 17 March 2022 and Non-executive Director 20 December 2021.
2. Kevin White resigned as Chairman 17 March 2022.
3. Greg Hayes resigned as Non-executive Director 26 August 2021.
4. Represents the movement in provision, not cash paid.
5. Represents the value recognised in accordance with AASB 2 Share-based Payment of performance rights granted but not yet vested under the Company's Incentive Plan.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk - STI/LTI	
	2023	2022	**2023**	2022
Executive directors				
Nathan Jacobsen	**70%**	70%	**30%**	30%
Grahame Evans[1]	**-**	81%	**-**	19%
Other KMP				
Lisa Armstrong	**91%**	84%	**9%**	16%
Michael Harris	**75%**	77%	**25%**	23%

1. Grahame Evans was remunerated as an Executive Director to 30 June 2022. On 1 July 2022, Mr Evans became a Non-executive Director.

(h) Service agreements

Remuneration and other terms of employment for KMP are formalised in employment agreements which specify the components of remuneration, benefits and notice periods. Participation in the STI and LTI schemes are subject to the Board's discretion. Other major provisions of the agreements relating to remuneration for the year ended 30 June 2023 are set out below:

Name	Term of agreement	Notice period[1]	Base salary including superannuation[2]	Termination payments[3]
Executive directors				
Nathan Jacobsen	No fixed term	Employee - 6 months Employer - 6 months	$450,000	6 months
Other KMP				
Lisa Armstrong	No fixed term	Employee - 6 months Employer - 3 months	$337,675	3 months
Michael Harris	No fixed term	Employee - 3 months Employer - 3 months	$335,055	3 months

1. The notice period applies without cause equally to either party unless otherwise stated.
2. Base salaries quoted are for the year ended 30 June 2023; they are reviewed annually by the RNC.
3. Base salary payable if the Group terminates employees with notice, and without cause (e.g. for reasons other than unsatisfactory performance).

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

(i) Details of Short-term Incentive Scheme for 2023

Under the 2023 STI scheme, certain employees including the following KMP were given specific KPIs that were designed to generate outcomes that are aligned to the Group's business plan which include both short and long term metrics. The STI award is subject to performance conditions that focus on Group earnings (MD & CFO) and individual business unit earnings (business unit managers), acquisition targets and operational targets. Each assessment area is weighted differently for each KMP.

The KPIs that were applied to the executive KMP are outlined in the table below, together with the key considerations relating to the assessment of performance of those KPIs.

KPI	Executive	Key considerations in achievement
Strategic	All	Executives' strategic performance is assessed in relation to the implementation of the Company's strategy which includes key strategic initiatives and the identification, investigation and completion of strategically aligned business transactions.
Group earnings	Nathan Jacobsen Michael Harris	Normalised EBITA measures are used to assess financial performance. Threshold levels are determined by reference to growth on the prior year and achievement of budget.
Operation earnings	Lisa Armstrong	Normalised EBITA of individual business unit measures are used to assess financial performance. Threshold levels are determined by reference to growth on the prior year and achievement of budget.
Operational	All	Various specific operational, compliance and sales metrics including growth initiatives, product development, compliance and risk management, special projects including technology and resourcing to achieve business strategy.
Corporate	Michael Harris	Various corporate projects that support the strategic plan.

For the year ending 30 June 2023, the RNC assessed the performance of the MD, and the RNC and MD jointly assessed the performance of the other KMP against their respective KPIs. The RNC recommended and the Board approved the following STI awards.

KMP	Maximum STI as a % of base salary	Actual STI awarded	Actual STI awarded as a % of maximum STI
Nathan Jacobsen	50%	$140,000	62%
Michael Harris	45%	$100,000	66%
Lisa Armstrong	35%	$20,000	17%

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

(j) Details of share-based compensation

No other share-based compensation was paid to KMP during the year apart from the issue of performance rights outlined below.

(k) Equity instruments held by KMP

Shareholdings

The numbers of ordinary shares in the Company held during the year by each KMP, including their personally related parties, are set out below:

2023 Name	Balance at the start of the year	Changes during the year	Balance at the end of the year
Peter Brook	30,000	21,000	51,000
Nathan Jacobsen	45,000	23,783	68,783
Anthony McDonald	13,333	-	13,333
Carl Scarcella	183,333	-	183,333
Grahame Evans	668,513	-	668,513
Lisa Armstrong	298,400	-	298,400

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Performance rights holdings

2023 Name	Balance at the start of the year	Changes during the year	Balance at the end of the year
Peter Brook	150,000[1]	-	150,000
Nathan Jacobsen	360,066	357,521	717,587
Anthony McDonald	100,000	-	100,000
Carl Scarcella	100,000	-	100,000
Grahame Evans	100,000	-	100,000
Michael Harris	100,000	100,000	200,000
Lisa Armstrong	100,000	100,000	200,000

1. The Board had resolved to issue performance rights to Peter Brook, however they were subject to shareholder approval on 11 November 2022.

Option holdings
There were no options issued to KMP during the year or prior year, or options held by KMP, including their personally related parties at balance date.

(l) Other transactions with KMP
There are no other related party transactions of the KMP other than if they were in the capacity of employees or temporary contractors employed on an arms-length basis.

End of audited Remuneration Report.

This report is made in accordance with a resolution of the directors.

Peter Brook
Chairman

Sydney
23 August 2023

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Australia

DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF DIVERGER LIMITED

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

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

This declaration is in respect of Diverger Limited and the entities it controlled during the period.

Tim Aman
Director

BDO Audit Pty Ltd

Sydney

23 August 2023

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

Annual Financial Report – 30 June 2023

Contents	Page no.
Consolidated statement of comprehensive income	40
Consolidated statement of financial position	42
Consolidated statement of changes in equity	43
Consolidated statement of cash flows	44
Notes to the consolidated financial statements	
1. Segment information	45
2. Revenue	48
3. Other expense items	49
4. Income taxes	51
5. Earnings per share	54
6. Cash and cash equivalents	55
7. Receivables	55
8. Other current assets	55
9. Investments accounted for using the equity method	56
10. Plant and equipment	58
11. Right of use assets and lease liabilities	59
12. Intangible assets	60
13. Trade and other payables	62
14. Provisions and employee benefits	62
15. Deferred revenue	62
16. Provision for contingent consideration	63
17. Borrowings	63
18. Contributed equity	64
19. Retained earnings	66
20. Business combinations	66
21. Cash flow statement reconciliation	69
22. Related party disclosures	70
23. Share-based payments	72
24. Commitments	73
25. Contingencies	73
26. Events after the balance sheet date	73
27. Financial instruments	74
28. Information relating to Diverger Limited (“the Parent entity”)	78
29. Auditors’ remuneration	79
30. Summary of significant accounting policies	80
31. Critical accounting estimates and significant judgements	95
Directors’ declaration	97
Independent auditor’s report	98
Additional Australian Securities Exchange information	102

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	**2023 $'000**	2022 $'000
Total revenue from operating activities			
Revenue from contracts with customers		**129,294**	123,403
Expense recoveries		**3,088**	1,471
Other revenue		**73**	157
	1, 2	**132,455**	125,031
Less:			
Adviser revenue share		**(94,841)**	(93,419)
Net Revenue		**37,614**	31,612
Other direct costs	3	**(10,084)**	(6,113)
Gross Margin		**27,530**	25,499
Expenses from ordinary operations			
Salaries and employee benefits expenses	1, 3	**(16,351)**	(14,164)
Occupancy expenses		**(154)**	(395)
Professional fees and consultants	3	**(1,956)**	(2,014)
Corporate - Directors, ASX, Registry and Co-Sec	3	**(465)**	(402)
IT expenses		**(802)**	(694)
Marketing expenses		**(112)**	(101)
Administration expenses	3	**(536)**	(472)
Other expenses		**(271)**	(221)
Share-based payments expense	23	**(148)**	(174)
Impairment expense	3	**(147)**	-
Total expenses from ordinary operations		**(20,942)**	(18,637)
Share of net profit of associates using the equity method		**74**	-
Statutory EBITDA		**6,662**	6,862
Finance income		**70**	13
Finance costs	3	**(527)**	(92)
Depreciation	3	**(626)**	(302)
Amortisation	3	**(1,404)**	(1,046)
Profit before income tax		**4,175**	5,435
Income tax expense	4	**(1,343)**	(1,686)
Total comprehensive income for the year		**2,832**	3,749
Total comprehensive income for the year is attributable to:			
Non-controlling interests		**-**	186
Owners of the Company		**2,832**	3,563
		2,832	3,749

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	Note	**2023 $'000**	2022 $'000
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	5	**7.52**	9.47
Diluted earnings per share (cents)	5	**6.89**	8.90

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 2023

	Note	2023 $'000	2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**385**	2,527
Receivables	7	**3,132**	3,134
Other current assets	8	**1,956**	1,397
Current tax receivable	4	**157**	-
Total current assets		**5,630**	7,058
Non-current assets			
Plant and equipment	10	**202**	199
Right of use assets	11	**1,042**	1,344
Intangible assets	12	**49,453**	43,766
Equity-accounted investments	9	**1,137**	-
Deferred tax assets	4	**1,276**	1,426
Total non-current assets		**53,110**	46,735
TOTAL ASSETS		**58,740**	53,793
LIABILITIES			
Current liabilities			
Trade and other payables	13	**5,240**	5,922
Provisions and employee benefits	14	**1,553**	1,274
Lease liabilities	11	**642**	450
Deferred revenue	15	**1,402**	635
Provision for contingent consideration	16	**1,558**	74
Current tax liability	4	**-**	1,140
Total current liabilities		**10,395**	9,495
Non-current liabilities			
Provisions and employee benefits	14	**476**	416
Borrowings	17	**1,105**	-
Lease liabilities	11	**535**	957
Provision for contingent consideration	16	**1,419**	-
Deferred tax liabilities	4	**6,104**	5,127
Total non-current liabilities		**9,639**	6,500
TOTAL LIABILITIES		**20,034**	15,995
NET ASSETS		**38,706**	37,798
EQUITY			
Contributed equity	18	**29,751**	29,751
Retained earnings	19	**8,126**	7,366
Reserves		**829**	681
TOTAL EQUITY		**38,706**	37,798
Net tangible assets per share (cents)		**(18.51)**	(9.60)

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 2023

Consolidated entity	Ordinary Shares $'000	Retained Earnings $'000	Reserves $'000	Owners of the Parent $'000	Non-controlling Interests $'000	Total $'000
At 1 July 2022	**29,751**	**7,366**	**681**	**37,798**	**-**	**37,798**
Profit for the year	-	2,832	-	**2,832**	-	**2,832**
Other comprehensive income	-	-	-	**-**	-	**-**
Total comprehensive income for the year	**-**	**2,832**	**-**	**2,832**	**-**	**2,832**
Transactions with owners in their capacity as owners:						
Share-based payments	-	-	148	**148**	-	**148**
Dividends paid	-	(2,072)	-	**(2,072)**	-	**(2,072)**
At 30 June 2023	**29,751**	**8,126**	**829**	**38,706**	**-**	**38,706**

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**
Other comprehensive income	-	-	-	**-**	-	**-**
Total comprehensive income for the year	**-**	**3,563**	**-**	**3,563**	**186**	**3,749**
Transactions with owners in their capacity as owners:						
Share-based payments	-	-	174	**174**	-	**174**
Dividends paid	-	(1,505)	-	**(1,505)**	-	**(1,505)**
Derecognition of non-controlling interest on acquisition of remaining 40% interest - 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 CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Fees and adviser revenue received		**146,771**	137,596
Payments to advisers, suppliers and employees		**(140,268)**	(129,383)
Cash generated from operations		**6,503**	8,213
Interest received		**70**	12
Finance costs paid		**(199)**	(76)
Income tax paid		**(2,718)**	(2,491)
Net cash inflows from operating activities	21	**3,656**	5,658
Cash flows from investing activities			
Payments for property, plant and equipment	10	**(76)**	(168)
Payments for other intangible assets, net of disposals		**(434)**	(491)
Payments for the acquisition of subsidiaries, net of cash acquired		**(2,842)**	(2,892)
Payments for investments accounted for using the equity method	9	**(735)**	-
Proceeds on the disposal of subsidiaries net of cash disposed		**-**	450
Payments for other investments - Call Option Centrepoint Alliance	8	**-**	(125)
Net cash outflow from investing activities		**(4,087)**	(3,226)
Cash flows from financing activities			
Payments of principle of lease liabilities		**(685)**	(240)
Net proceeds from borrowings	17	**1,105**	-
Dividends paid to Company shareholders	19	**(2,072)**	(1,505)
Dividends paid to non-controlling interests in subsidiaries		**-**	(360)
Net amounts paid - other loans provided		**(59)**	(59)
Net cash outflow from financing activities		**(1,711)**	(2,164)
Net (decrease)/increase in cash held		**(2,142)**	268
Cash at the beginning of the financial year		**2,527**	2,259
Cash at the end of the financial year		**385**	2,527

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 2023

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 primarily to wealth and accounting sectors as well as aligned Technology Solutions.

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, Merit Referral Services, Paragem, McGregor Wealth Management (**MWM**), and AFSL Compliance (**AFSLC**).
- **Accounting Solutions** - provides professional support, help desk and training primarily to the accounting sector and more recently to the wealth sector. This segment comprises Knowledge Shop and TaxBanter.
- **Technology Solutions** - This segment has been created in 2023 upon the acquisition of Priority Networking (**PNET**) effective 1 January 2023. PNET provides managed services (MSP or outsourced IT services) and supply and installation of technology hardware and software subscriptions to a range of industries including both the accounting and wealth sectors.
- **Corporate** - includes all 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".

Net Revenue is defined as Total revenue from operating activities less Adviser revenue share.

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, divestment gains/losses and lease accounting under AASB 16 Leases; and
- Non-cash amortisation of intangible assets.

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

(ii) Intersegment transactions
All intersegment transactions are at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

(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 2023

1. SEGMENT INFORMATION (continued)

(c) Segment results

The segment information provided on reportable segments for the year ended 30 June 2023 is as follows:

Consolidated 2023	Wealth Solutions $'000	Accounting Solutions $'000	Technology Solutions $'000	Corporate $'000	Total $'000
Revenue from operating activities					
Full adviser gross fees	96,932	-	-	-	**96,932**
CARE & other platform income	6,571	-	-	-	**6,571**
Subscription services & fixed licensee fees	7,202	6,452	-	-	**13,654**
Training	-	8,573	-	-	**8,573**
Manage service fees & consulting	-	-	1,323	-	**1,323**
Hardware & software sales	-	-	1,352	-	**1,352**
Other fees & referral income	883	6	-	-	**889**
Expense recoveries	3,088	-	-	-	**3,088**
Other revenue	8	36	17	12	**73**
Total revenue from operating activities	**114,684**	**15,067**	**2,692**	**12**	**132,455**
Less: Adviser revenue share	(94,841)	-	-	-	**(94,841)**
Net Revenue	**19,843**	**15,067**	**2,692**	**12**	**37,614**
Normalised EBITA (non IFRS)	**4,518**	**5,301**	**273**	**(3,190)**	**6,902**
Reconciliation to IFRS Net profit before tax (Normalisation adjustments)					
Depreciation expense (ex AASB16 Leases)	37	20	3	51	**111**
Adjustment for AASB16 Leases (rent costs)	74	-	76	480	**630**
Acquisition and restructuring costs	(134)	-	(80)	(557)	**(771)**
Write-back of call option	-	-	-	(125)	**(125)**
Impairment of intangibles	(22)	-	-	-	**(22)**
Equity-accounted adjustments	(63)	-	-	-	**(63)**
Statutory EBITDA					**6,662**
Interest revenue					**70**
Finance costs					**(527)**
Depreciation					**(626)**
Amortisation					**(1,404)**
Profit before income tax					**4,175**
Significant items of segment expenses					
Adviser revenue share and other direct costs	102,775	1,072	1,078	-	**104,925**
Salaries and employee benefits	5,747	7,825	1,178	1,601	**16,351**
Professional fees and consultants	848	9	76	1,023	**1,956**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. SEGMENT INFORMATION (continued)

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 operating activities				
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**
Expense recoveries	1,471	-	-	**1,471**
Other fees & referral income	422	18	-	**440**
Other revenue	6	149	2	**157**
Total revenue from operating activities	**110,320**	**14,709**	**2**	**125,031**
Less: Adviser revenue share	(93,419)	-	-	**(93,419)**
Net Revenue	**16,901**	**14,709**	**2**	**31,612**
Normalised EBITA (non IFRS)	**4,199**	**5,849**	**(2,992)**	**7,056**
Reconciliation to IFRS Net profit before tax (Normalisation adjustments)				
Depreciation expense (ex AASB16 Leases)	25	21	19	**65**
Adjustment for AASB16 Leases (rent costs)	116	-	124	**240**
Acquisition and restructuring costs	-	-	(394)	**(394)**
Diverger Limited rebranding	-	-	(48)	**(48)**
Professional fees - employee share plan	-	-	(57)	**(57)**
Intercompany debt forgiveness	415	-	(415)	**-**
Statutory EBITDA				**6,862**
Interest revenue				**13**
Finance costs				**(92)**
Depreciation				**(302)**
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 2023

2. REVENUE

	Note	**2023 $'000**	2022 $'000
Revenue from contracts with customers			
Wealth Solutions revenue		**114,676**	110,314
Accounting Solutions revenue		**15,031**	14,560
Technology Solutions revenue		**2,675**	-
Revenue from contracts with customers		**132,382**	124,874
Other revenue			
Other revenue - Wealth Solutions		**8**	6
Other revenue - Accounting Solutions		**36**	149
Other revenue - Technology Solutions		**17**	-
Other revenue - Corporate (rent received)		**12**	2
Other revenue		**73**	157
Total revenue from operating activities	1	**132,455**	125,031
Net Revenue reconciliation			
Total revenue from operations		**132,455**	125,031
Less: adviser revenue share		**(94,841)**	(93,419)
Net Revenue	1	**37,614**	31,612
Disaggregation of revenue			
The disaggregation of revenue from contracts with customers is as follows:			
Timing of revenue			
Services recognised over time		**20,225**	18,751
Services recognised at a point in time		**112,230**	106,280
Revenue from contracts with customers		**132,455**	125,031

Net Revenue is defined as total revenue from operating activities less Adviser revenue share. During the year, the Group revised the definition of Net Revenue which previously removed cost recovery revenue. This revision is more consistent with market convention.

3. OTHER EXPENSE ITEMS

	2023 $'000	2022 $'000
Profit before income tax has been determined after the following items:		
Other direct costs		
Adviser systems	**2,062**	1,947
ASIC levy	**1,303**	(554)
Professional indemnity insurance	**1,376**	1,344
Other direct operating expenses Wealth Solutions	**3,193**	2,536
Training, membership and direct costs Accounting Solutions	**1,072**	840
Hardware and software direct costs Technology Solutions	**1,078**	-
	10,084	6,113
Employee benefits expense		
Salaries and wages	**12,394**	11,514
Defined contribution superannuation expense	**1,251**	1,006
Other employee benefits & related expenses	**2,706**	1,644
	16,351	14,164
Professional fees and consultants		
Audit, tax and accounting services	**339**	318
Consulting services & investment committee	**1,103**	1,288
Legal costs	**514**	408
	1,956	2,014
Corporate costs		
ASX and share registry costs	**96**	99
Company secretarial costs	**68**	65
Directors' fees	**301**	238
	465	402
Administration expenses		
Bank charges	**159**	149
Insurance (excluding professional indemnity)	**212**	168
Postage, printing, stationery and telephones	**88**	107
Allowance for credit losses	**39**	17
Subscriptions and other	**38**	31
	536	472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

3. OTHER EXPENSE ITEMS (continued)

	2023 $'000	2022 $'000
Profit before income tax has been determined after the following items:		
Depreciation and amortisation:		
Depreciation		
Furniture and fittings	**46**	40
Office equipment	**65**	25
Finance leases - AASB 16	**515**	237
	626	302
Amortisation		
Client lists and relationships - equity accounted investments	**118**	-
Client lists and relationships - controlled entities	**1,041**	842
Leasehold improvements	**15**	-
Software platforms and other intangible assets	**230**	204
	1,404	1,046
Total depreciation and amortisation	**2,030**	1,348
Finance costs expensed		
Bank loans and overdrafts	**199**	76
Finance leases - AASB 16	**68**	16
Notional interest on contingent consideration	**260**	-
	527	92
Impairment expense		
Client list - Paragem	**22**	-
Call Option - Centrepoint Alliance Limited ordinary shares	**125**	-
	147	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2023

4. INCOME TAXES

	2023 $'000	2022 $'000
(a) Components of tax expense		
Current tax expense	**1,439**	2,262
Deferred tax benefit	**(96)**	(576)
Total	**1,343**	1,686

	2023 $'000	2022 $'000
(b) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expenses as follows:		
Profit before tax	**4,175**	5,435
Prima facie income tax on the profit before income tax at 30% (2022: 30%)	**1,252**	1,630
Tax effect of:		
Non-allowable deductions	**180**	70
Over provision in prior year	**(38)**	(11)
Benefit arising from franked dividend rebate & tax losses brought to account	**-**	(3)
Non assessable income of investments accounted for using the equity method	**(35)**	-
Acquisitions (lower tax rate)	**(16)**	-
Income tax expense attributable to profit or loss	**1,343**	1,686

	2023 $'000	2022 $'000
(c) Current tax		
Current tax relates to the following:		
Current tax receivable/(liability)		
Opening balance	**(1,140)**	(1,438)
Charged to income	**(1,439)**	(2,262)
Utilisation of tax losses	**2**	69
Tax payments	**2,718**	2,491
Acquisitions/(disposals)	**16**	-
Closing balance	**157**	(1,140)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

4. INCOME TAXES (continued)

	2023 $'000	2022 $'000
(d) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets/(liabilities)		
Opening balance	**(3,701)**	(4,208)
Charged to income net of available fraction losses utilised	**92**	507
Acquisitions	**(1,219)**	-
Closing balance	**(4,828)**	(3,701)
Amounts recognised in the consolidated statement of financial position:		
Deferred tax asset	**1,276**	1,426
Deferred tax liability	**(6,104)**	(5,127)
	(4,828)	(3,701)
Deferred income tax as at 30 June relates to the following:		
Deferred tax assets:		
Un-deducted expenditure (s40-880)	**183**	154
Accruals and provisions	**1,093**	1,272
Deferred tax asset	**1,276**	1,426
Deferred tax liabilities:		
Fair value of assets acquired in a business combination and undistributed income of associates	**(6,104)**	(5,127)
Deferred tax liability	**(6,104)**	(5,127)
Net deferred tax liability	**(4,828)**	(3,701)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2023

4. INCOME TAXES (continued)

(e) Tax losses

Tax losses brought to account
Available fraction losses utilised during the year were $4,655 (tax effect $1,396).

Tax losses not brought to account
As at 30 June 2023, the Group has unrecouped operating income tax losses subject to available fraction of $279,849 which have not been brought to account, (2022: $284,534). The Group has unrecognised capital tax losses of $2,790,985 (2022: $2,790,985).

Unrecognised temporary differences
As 30 June 2023, there are no unrecognised temporary differences associated with the Group's investment in subsidiaries and associates, as the Group has no liability for additional taxation should unremitted earnings be remitted (2022: Nil).

(f) Franking credit balance

	2023 $'000	2022 $'000
Franking credit balance:		
The amount of franking credits available for the subsequent financial year before allowing for any current year proposed dividends are:		
Franking account balance as at the end of the financial year at 30% (2022: 30%)	**8,210**	5,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

5. EARNINGS PER SHARE

	2023 Cents	2022 Cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	**7.52**	9.47
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**6.89**	8.90

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

	2023 $'000	2022 $'000
(c) Earnings used in calculating earnings per share		
For basic earnings per share:		
Net profit attributable to ordinary equity holders of the Company	**2,832**	3,563
For diluted earnings per share:		
Net profit attributable to ordinary equity holders of the Company	**2,832**	3,563
(d) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	**37,663,830**	37,612,804
Weighted average number of ordinary shares for diluted earnings per share	**41,112,107**	40,017,460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

6. CASH AND CASH EQUIVALENTS

	2023 $'000	2022 $'000
Cash at bank and on hand	**385**	2,527

7. RECEIVABLES

	2023 $'000	2022 $'000
Trade debtors	**787**	834
Other receivables	**386**	318
Less: Allowance for credit losses	**(40)**	(18)
Accrued income	**1,999**	2,000
	3,132	3,134

8. OTHER CURRENT ASSETS

	2023 $'000	2022 $'000
Prepayments	**1,767**	1,262
Call Option - Centrepoint Alliance Limited ordinary shares	**-**	125[1]
Inventory	**189**	-
Other current assets	**-**	10
	1,956	1,397

1. 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**). At the same time, a Non-Binding Indicative Offer was made to the Board of CAF to acquire all of the shares for a combination of cash and Company 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 equated to its fair value. The Call Option Deed was not exercised by its expiry date being 23 November 2022 and accordingly an associated impairment charge was recognised in the Consolidated Statement of Comprehensive Income in the current year.

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Details of equity-accounted investments

On 1 July 2022, the Group executed agreements to acquire a 35% equity interest in McGregor Wealth Management Pty Ltd (**MWM**), a leading financial planning practice licensed through GPS Wealth Ltd (AFSL 254 544, a wholly owned subsidiary of the Group).

The Group's strategic intent is to be a market leading provider of services to advisers. The investment in MWM forms part of a broader strategy to invest in a number of practices and provide additional resources that assist in their next phase of growth. Investment in growing adviser practices enhances the contribution of the Wealth Solutions division through increased share of earnings and recurring cash dividends.

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 24 months, subject to agreed earnings targets.

Details of the purchase consideration and net assets acquired are as follows:

Purchase consideration:	**Fair Value $'000**
Cash	735
Contingent consideration[1]	446
	1,181

1. Contingent consideration is recognised at the present value of expected future cash payments assuming the achievement of all performance hurdles.

(b) Movements in carrying amounts

	2023 $'000
Carrying amount at the beginning of the financial year	-
Acquisition of MWM	**1,181**
Share in profit after tax	**74**
Amortisation of separately identifiable intangible assets	**(118)**
Carrying amount based on share in net assets of associate	**1,137**

(c) Share of associates' profits or losses

	2023 $'000
Profit before income tax	**99**
Income tax expense	**(25)**
Profit after tax	**74**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(d) Summarised financial information for associates

The table below provides summarised financial information for MWM. The information disclosed reflects the amounts presented in the financial statements of MWM for the period of ownership and not the Group's share of those amounts, or separately identifiable intangibles recognised as part of the equity-accounted investment.

	2023 $'000
Summarised statement of financial position	
Current assets	186
Non-current assets	1,610
Current liabilities	(152)
Non-current liabilities	(1,196)
Net assets	448
Summarised statement of comprehensive income	
Revenue	1,722
Profit from operations after income tax	212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

10. PLANT AND EQUIPMENT

	Office Equipment $'000	Furniture & Fittings $'000	Leasehold Improvements $'000	Total $'000
Year ended 30 June 2023				
Net carrying amount as at 1 July 2022	86	113	-	**199**
Additions	74	2	-	**76**
Net carrying amount from business combination	-	-	56	**56**
Disposal of asset - cost	-	(7)	-	**(7)**
Disposal of asset - accumulated depreciation	-	4	-	**4**
Depreciation charge	(65)	(46)	-	**(111)**
Amortisation charge	-	-	(15)	**(15)**
Net carrying amount as at 30 June 2023	**95**	**66**	**41**	**202**
At 30 June 2023				
Cost	881	198	102	**1,181**
Less accumulated depreciation/amortisation	(786)	(132)	(61)	**(979)**
Net carrying amount	**95**	**66**	**41**	**202**
Year ended 30 June 2022				
Net carrying amount as at 1 July 2021	37	59	-	**96**
Additions	89	79	-	**168**
Depreciation charge	(40)	(25)	-	**(65)**
Net carrying amount as at 30 June 2022	**86**	**113**	**-**	**199**
At 30 June 2022				
Cost	807	203	-	**1,010**
Less accumulated depreciation	(721)	(90)	-	**(811)**
Net carrying amount	**86**	**113**	**-**	**199**

11. RIGHT OF USE ASSETS AND LEASE LIABILITIES

This note provides information in relation to the Group's leases where the Group is the lessee.

The Group leases 4 office sites across NSW, QLD, VIC and WA. 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.

	2023 $'000	2022 $'000
Amounts recognised in the balance sheet		
Right of use assets		
Office premises	**1,042**	1,344
Lease liabilities		
Current	**642**	450
Non-current	**535**	957
	1,177	1,407

	2023 $'000	2022 $'000
Amounts recognised in the consolidated statement of comprehensive income		
Depreciation charge under AASB 16 of right of use assets - Office premises	**515**	237
Finance costs under AASB 16 - Office premises	**68**	16
Expenses relating to other occupancy costs not included in lease liabilities	**154**	395
Total occupancy costs relating to premises leases, short-term service agreements and outgoings	**737**	648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

12. INTANGIBLE ASSETS

	Client lists & relationships $'000	Goodwill $'000	Software platforms $'000	Trademarks & brands $'000	Total $'000
Year ended 30 June 2023					
Net carrying amount as at 1 July 2022	15,617	25,626	791	1,732	**43,766**
Additions	4,353	2,290	337	-	**6,980**
Impairment[1]	(22)	-	-	-	**(22)**
Amortisation	(1,041)	-	(230)	-	**(1,271)**
Net carrying amount as at 30 June 2023	**18,907**	**27,916**	**898**	**1,732**	**49,453**
At 30 June 2023					
Cost	24,049	27,916	2,133	1,732	**55,830**
Less accumulated amortisation and impairment	(5,142)	-	(1,235)	-	**(6,377)**
Net carrying amount	**18,907**	**27,916**	**898**	**1,732**	**49,453**
Year ended 30 June 2022					
Net carrying amount as at 1 July 2021	16,275	25,626	614	1,733	**44,248**
Additions	184	-	381	-	**565**
Disposals	-	-	-	(1)	**(1)**
Amortisation	(842)	-	(204)	-	**(1,046)**
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	1,796	1,732	**48,872**
Less accumulated amortisation and impairment	(4,101)	-	(1,005)	-	**(5,106)**
Net carrying amount	**15,617**	**25,626**	**791**	**1,732**	**43,766**

1. Impairment charge for the termination of one full Authorised Representative (AR) acquired through a referral agreement in the Wealth division.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

12. 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 cash generating unit's (**CGUs**) past performance and its expectation for the future.

Goodwill is allocated to the Group's CGUs identified at the time of each business combination.

	2023 $'000	2022 $'000
A segment-level summary of the goodwill allocation is presented below:		
Wealth Solutions	**12,212**	12,198
Accounting Solutions	**14,280**	13,428
Technology Solutions	**1,424**	-
	27,916	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[1]		**Expense growth rate[1]**		**Pre-tax discount rate**	
	2023	2022	**2023**	2022	**2023**	2022
	%	%	**%**	%	**%**	%
Wealth Solutions	**1.5 - 3.0**	1.5 - 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
Technology Solutions	**1.5 - 3.0**	N/A	**1.5 - 3.0**	N/A	**12.5**	N/A

1. 5-year forecast cashflow growth rate 3%, terminal growth rate 1.5%

The above growth rate assumptions are applied to 2023 financial year cashflow forecasts approved by the directors of the Company.

During the year ended 30 June 2023, the Group conducted impairment tests on all cash generating units and determined that their carrying values were not in excess of their recoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

13. TRADE AND OTHER PAYABLES

	2023 $'000	2022 $'000
Current		
Trade payables	**1,255**	841
Other payables and accruals	**3,985**	5,081
	5,240	5,922

Trade and other payables are generally settled on 30-day terms. Relevant interest rates are disclosed in note 27(c). 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 2023, Other payables and accruals includes $1.30 million (2022: $0.53 million) for the ASIC levy, as well as $0.73 million (2022: $1.06 million) for Adviser revenue share. The remaining accrual balances are attributable to operating expenditure incurred.

14. PROVISIONS AND EMPLOYEE BENEFITS

	2023 $'000	2022 $'000
Current		
Provision for annual leave	**1,033**	886
Provision for long service leave	**457**	388
Provision for claims	**63**	-
	1,553	1,274
Non-current		
Provision for long service leave	**476**	416

15. DEFERRED REVENUE

	2023 $'000	2022 $'000
Deferred revenue - Accounting Solutions training/prepaid memberships	**605**	602
Deferred revenue - Wealth Solutions education partnerships/other	**797**	33
	1,402	635

Deferred revenue compromises revenue received in advance for prepaid memberships and training programs delivered by the Accounting Solutions division, as well as advanced payments from education partners which will be recognised in line with planned future adviser conferences within the Wealth Solutions division.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

16. PROVISION FOR CONTINGENT CONSIDERATION

	2023 $'000	2022 $'000
Balance at 1 July	**74**	-
Additions during the year at fair value	**2,717**[1,2,3]	74[4]
Notional interest on deferred consideration	**260**	-
Payments	**(74)**[4]	-
Total provision for contingent consideration	**2,977**	74
Current	**1,558**	74
Non-Current	**1,419**	-
Total provision for contingent consideration	**2,977**	74

1. MWM fair value of contingent consideration at acquisition date $0.51 million payable across 2 tranches subject to performance hurdles with final payment 30 June 2024.
2. AFSLC fair value of contingent consideration at acquisition date $1.68 million payable across 3 tranches subject to performance hurdles with final payment 1 December 2025.
3. PNET fair value of contingent consideration at acquisition date $0.79 million payable in 2 tranches subject to performance hurdles with the final payment 31 December 2024.
4. Deferred amounts payable under an adviser referral arrangement with a Sydney based private licensee business, The Wealth Network.

Contingent consideration is a level 3 financial liability within the fair value hierarchy. Discount rate applied 12.5%.

17. BORROWINGS

	2023 $'000	2022 $'000
Non-current		
Westpac facility	**1,105**	**-**
Total borrowings	**1,105**	**-**

On 23 June 2023, the Company received final renewal terms for its finance facilities with Westpac Banking Corporation (**WBC**) to renew from its existing $10 million facility which was due to expire 29 August 2023. Documents were executed with WBC on 14 August 2023.

Details of the new facilities are as follows:

- Two bank bill business loans and other operational facilities to a limit of $16,384,472:
  - Existing facility extension $5,962,189
  - Acquisition facility $10,000,000
  - Credit card and bank guarantees $422,283
- Term - expires 31 August 2026
- Security - General Security Agreement over all assets and undertaking of the Company and wholly owned subsidiaries with Guarantee and Indemnities
- Covenants:
  - Equity ratio - Shareholder funds/Total assets to be greater than 40%
  - Debt/EBITDA Ratio to be less than 2.5 times.

17. BORROWINGS (continued)

COMPLIANCE WITH LOAN COVENANTS

The Group has complied with the financial covenants of its borrowing facilities during the 2023 and 2022 reporting periods. Under the terms of the combined facilities, all covenant ratios are applied on a Group EBITDA basis.

The below table represents the existing facility at balance date prior to renewal of facility on 14 August 2023.

		2023 $'000	2022 $'000
(a)	**Loan facilities**		
	Bank loan facilities	**10,000**	10,000
	Notional amortised balance	**5,962**	7,078
	Amount utilised	**(1,105)**	-
	Unused loan facility	**4,857**	7,078

The amount of the facility utilised at balance date should be read in conjunction with surplus funds on balance sheet to derive Net debt.

		2023 $'000	2022 $'000
(b)	**Net Debt**		
	Cash on balance sheet	385	2,527
	Debt facility draw	(1,105)	-
	Net (debt)/surplus funds	**(720)**	2,527

18. CONTRIBUTED EQUITY

		Number of shares	**$'000**
(a)	**Movements in ordinary share capital**		
	1 July 2022	37,612,804	29,751
	Employee share plan	61,299	-
	30 June 2023	**37,674,103**	**29,751**
	1 July 2021	37,612,804	29,751
	30 June 2022	**37,612,804**	**29,751**

(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.

18. CONTRIBUTED EQUITY (continued)

(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. These options remain outstanding at balance date.

(d) Employee share scheme

On 31 August 2022, the Company issued 61,299 ordinary shares to employees under a $1,000 employee share scheme initiative.

(e) Performance rights

On 11 November 2022 following the Company's Annual General Meeting, 950,514 performance rights were issued to employees and directors (refer to note 23).

(f) Capital risk management

The Group applies a Capital Management Policy which follows a capital allocation model that defines an appropriate capital structure, acceptable investment hurdle rates and dividend payout ratio linked to the strategic direction of the Company. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt to maintain an optimal capital structure and to reduce the cost of capital.

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.

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.

	Note	**2023 $'000**	2022 $'000
Total borrowings	17	**(1,105)**	-
Add: cash and cash equivalents	6	**385**	2,527
Net cash and borrowings - (Net Debt)/surplus funds		**(720)**	2,527
Total equity		**38,706**	37,798
Total capital		**39,426**	35,271
Gearing ratio		**2%**	0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

19. RETAINED EARNINGS

	2023 $'000	2022 $'000
Balance 1 July	**7,366**	5,308
Profit attributable to owners of the Company	**2,832**	3,563
Less dividends paid	**(2,072)**	(1,505)
Balance 30 June	**8,126**	7,366

20. BUSINESS COMBINATIONS

(a) AFSL Compliance Pty Ltd

On 1 December 2022, the Group completed the acquisition of a 100% equity interest in AFSL Compliance Pty Ltd (**AFSLC**). AFSLC was established in 2010 and provides support to advice firms that hold their own Australian Financial Services License or are looking to obtain their own license. The acquisition of AFSLC provides the Group with an established client base of 160 self-licensed advice firms (at balance date 179 firms) and deeper capability in consulting services to that market.

Details of the purchase consideration and net assets at the date of acquisition are as follows:

(i) Purchase consideration:

- Upfront cash payment $1.37 million settled on completion;
- Tranche 2 - $0.69 million cash to be paid 12 months from completion upon achieving annual revenue of $0.69 million, which is reduced to $nil on a sliding scale based on applying a shortfall formula;
- Tranche 3 - $0.69 million cash to be paid 24 months from completion upon achieving annual revenue of $0.80 million, which is reduced to $nil on a sliding scale based on applying a shortfall formula; and
- Tranche 4 - Earn-out incentive of up to $0.60 million cash to be paid 36 months from completion based on achieving EBITDA of $0.80 million. The earnout is reduced to $nil on a straight-line basis on EBITDA between $0.80 - $0.50 million.

	Fair Value $'000
Cash	1,370
Contingent consideration[1]	1,536
	2,906

1. Contingent consideration is recognised at the present value of expected future cash payments assuming the achievement of all performance hurdles.

(ii) The assets and liabilities recognised as a result of the acquisition are as follows:

	1 December 2022 $'000
Trade debtors	14
Tax receivable	17
Other liabilities	(11)
Net identifiable assets acquired	**20**
Goodwill	865
Deferred tax liability	(865)
Separately identifiable intangible asset - Client list	2,886
Net assets acquired	**2,906**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

20. BUSINESS COMBINATIONS (continued)

(iii) Revenue and profit contribution:

The acquired subsidiary contributed revenues of $0.40 million and net profit before tax of $0.26 million to the Group for the 7 months to 30 June 2023. If the acquisition had occurred on 1 July 2022, consolidated proforma revenue and net profit before tax for the year ended 30 June 2023 would have been $0.64 million and $0.50 million respectively. The accounting policies of the newly acquired subsidiary are consistent with the Group's accounting policies.

(b) Priority Networking Pty Ltd

On 17 January 2023, the Group completed the acquisition of a 100% equity interest in Priority Networking Pty Ltd (**PNET**), with an effective date of 1 January 2023.

PNET is a national provider of technology support (including cyber protection) with 139 customers, having grown from 130 at acquisition date. The acquisition enables the Group to expand the services it provides to its network of circa 4,000 accounting and advice firms to include technology infrastructure and cyber protection services whilst also enhancing organisational technology capability, a key enabler of the Group's growth strategy.

Details of the purchase consideration and net assets at the date of acquisition are as follows:

(i) Purchase consideration:

- Upfront cash payment $1.79 million;
- Tranche 2 - $0.45 million cash to be paid 12 months after completion date on the condition that EBITA in the first 12 months does not fall below $0.45 million. The payment is reduced to $nil on a sliding scale between EBITA of $0.45 - $0.40 million; and
- Tranche 3 Earnout - $0.45 million based on EBITA in the second 12-month period following completion is greater than or equal to $0.75 million. The earnout is reduced to $nil on a straight-line basis on EBITA between $0.75 - $0.60 million.

	Fair Value $'000
Cash	1,793
Contingent consideration[1]	734
	2,527

1. Contingent consideration is recognised at the present value of expected future cash payments assuming the achievement of all performance hurdles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

20. BUSINESS COMBINATIONS (continued)

(ii) The assets and liabilities recognised as a result of the acquisition are as follows:

	1 January 2023 $'000
Cash	319
Trade debtors	246
Stock	110
Fixed assets and leasehold	57
Trade and other payables	(374)
Employee entitlements	(304)
Bank loan	(53)
Provision for tax	(11)
Net identifiable liabilities acquired	**(10)**
Goodwill[1]	1,430
Separately identifiable intangibles - customer list	1,457
Net deferred tax liability	(350)
Net assets acquired	**2,527**

1. Goodwill is attributable to the workforce, business processes, expected synergies and profitability of the acquired business.

(iii) Revenue and profit contribution:

The acquired subsidiary contributed revenues of $2.82 million and net profit before tax of $0.25 million to the Group for the 6 months to 30 June 2023. If the acquisition had occurred on 1 July 2022, consolidated proforma revenue and net profit before tax for the year ended 30 June 2023 would have been $5.62 million and $0.28 million respectively. In the 6 month period prior to acquisition, PNET incurred non-recurring adjustments to accounting balances to align accounting policies as part of the business combination which impacted net profit before tax. On a normalised basis without those accounting adjustments, PNET profit before tax would have been approximately $0.40 million. The accounting policies of the newly acquired subsidiary post completion are consistent with the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

21. CASH FLOW STATEMENT RECONCILIATION

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

	2023 $'000	2022 $'000
Net profit after income tax	**2,832**	3,749
Adjustments for non-cash items:		
Amortisation	**1,404**	1,046
Depreciation	**626**	302
Impairment of separately identifiable intangible assets	**22**	-
Share of associates profits	**(74)**	-
Share-based payments expense	**148**	174
Notional interest on lease liabilities	**68**	16
Notional interest charge on contingent consideration	**260**	-
Changes in assets and liabilities		
Decrease in trade, other receivables and other assets	**634**	59
(Decrease)/increase in trade and other payables	**(917)**	1,044
Increase in provisions and employee benefits	**57**	73
Decrease in current tax liability	**(1,309)**	(298)
Decrease/(increase) in deferred tax assets	**231**	(272)
Decrease in deferred tax liability	**(326)**	(235)
Net cash flows from operating activities	**3,656**	5,658

(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:

	2023 $'000	2022 $'000
Cash at bank (refer to note 6)	**385**	2,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2023

22. RELATED PARTY DISCLOSURES

(a) Parent entity
The parent entity within the Group is Diverger Limited (refer to note 28 for information relating to the parent entity).

(b) Subsidiaries
The consolidated financial statements include the financial statements of the parent entity and its controlled entities, both directly and indirectly owned, listed in the following table:

Subsidiary Name	Country of incorporation	Proportion of ownership interest and voting power held (%)	
		2023	2022
DWA Managed Accounts Pty Ltd	Australia	**100.0**	100.0
Diverger Wealth Protection Pty Ltd	Australia	**100.0**	100.0
Diverger Wealth Holdings Pty Ltd	Australia	**100.0**	100.0
Diverger Distribution Services Pty Ltd	Australia	**100.0**	100.0
Knowledge Shop Pty Ltd	Australia	**100.0**	100.0
Diverger Financial Services Pty Ltd	Australia	**100.0**	100.0
Merit Wealth Pty Ltd	Australia	**100.0**	100.0
Diverger Services Pty Ltd	Australia	**100.0**	100.0
Merit Referral Services Pty Ltd	Australia	**100.0**	100.0
GPS IP Group Holdings Pty Ltd	Australia	**100.0**	100.0
GPS IP Pty Ltd	Australia	**100.0**	100.0
GPS Wealth Services Pty Ltd	Australia	**100.0**	100.0
GPS Wealth Ltd	Australia	**100.0**	100.0
DivergerX Pty Ltd	Australia	**100.0**	100.0
PTW Care Pty Ltd	Australia	**100.0**	100.0
Personal Insurance Solutions Australia Pty Ltd	Australia	**100.0**	100.0
Tax Bytes Pty Ltd	Australia	**100.0**	100.0
The SMSF Expert Pty Ltd	Australia	**100.0**	100.0
TaxBanter Pty Ltd	Australia	**100.0**	100.0
Paragem Pty Limited	Australia	**100.0**	100.0
AFSL Compliance Pty Ltd	Australia	**100.0**	-
Priority Networking Pty Ltd	Australia	**100.0**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2023

22. RELATED PARTY DISCLOSURES (continued)

(c) Key management personnel compensation

	2023 $	2022 $
Short-term employment benefits	**1,893,747**	1,896,839
Post-employment benefits	**100,466**	117,138
Share-based payments	**115,090**	130,771
Total remuneration	**2,109,303**	2,144,748

Detailed remuneration disclosures are provided in the remuneration report on pages 25 to 37.

(d) Transactions with related parties
The following transactions occurred with related parties:

Transactions with HUB24
HUB24 who has a 31.51% shareholding in the Company, provides Responsible Entity services to DWA Managed Accounts Pty Ltd, a wholly owned subsidiary of the Company for the CARE Managed Accounts.

On a full year basis, fees received from HUB24 were:

	2023 $	2022 $
Education partnership	**65,000**	20,000

On a full year basis, fees paid to HUB24 were:

	2023 $	2022 $
Responsible entity fees	**1,016,878**	875,057

(e) Outstanding balances arising from related party transactions
The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2023 $	2022 $
Current receivables		
Rob McGregor - Director MWM	**86,000**	-
HUB24	**-**	22,000
	86,000	22,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

22. RELATED PARTY DISCLOSURES (continued)

(f) Other transactions and balances with key management personnel and their related parties

There are no other related party transactions of the KMP other than if they were in the capacity of employees or temporary contractors employed on an arms-length basis.

23. SHARE-BASED PAYMENTS

During the year, a total of 950,514 (Tranche 2) performance rights were issued to employees and directors under the Company's Incentive Plan (2022: Tranche 1, 1,145,066).

Tranche 1 (T1) 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 (T1-PC1) is an Adjusted Net Revenue growth target between a minimum 100% sliding to 150% to meet a 100% vesting level. The second vesting condition (T1-PC2) is an Absolute Total Shareholder Return (ATSR) between a minimum of 15% sliding up to 25% to meet a 100% vesting level.

Tranche 2 (T2) performance rights are subject to two vesting conditions over a 3-year test period commencing 1 July 2022. Vesting conditions are measured on a sliding scale between a minimum threshold and 100% achievement. The first vesting condition (T2-PC1) is an Adjusted Earnings Per Share compound average growth rate (CAGR) target over 3 years between a minimum 13.5% sliding to 18% to meet a 100% vesting level. The second vesting condition (T2-PC2) is an Absolute Total Shareholder Return (ATSR) CAGR between a minimum of 12.5% sliding up to 20% to meet a 100% vesting level.

Performance Rights	**2023**	2022
Outstanding at the beginning of the year	1,145,066	-
Granted - Subject to T2-PC1	400,257	-
Granted - Subject to T2-PC2	550,257	-
Granted - Subject to T1-PC1	-	378,026
Granted - Subject to T1-PC2	-	767,040
Outstanding at the end of the year	2,095,580	1,145,066
Exercisable at end of year	-	-
Weighted average remaining contractual life of outstanding performance rights (Years)	1.7	1.0

The fair value of the performance rights granted during the year have been measured depending on their performance condition. Vesting conditions subject to Adjusted EPS and Net Revenue hurdles (PC 1) are non-market conditions which use the Black Scholes option pricing model and managements estimation of probability of vesting. Vesting conditions based on Total ATSR which are a market-based condition, uses a Monte Carlo Simulation model.

Grant date	Performance condition	Expiry date	Share price at grant date	Expected volatility	Dividend yield	Risk-free interest rate	Probability at grant date (non-market)	Fair value at grant date
11/11/2022	T2-PC1	11/11/2026	1.00	45.00%	4.00%	3.2%	33%	$0.30
11/11/2022	T2-PC2	11/11/2026	1.00	45.00%	4.00%	3.2%	-	$0.48
18/11/2021	T1-PC1	30/06/2024	1.04	30.00%	4.00%	0.18%	50%	$0.47
18/11/2021	T1-PC2	30/06/2024	1.04	30.00%	4.00%	0.18%	-	$0.45

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

23. SHARE-BASED PAYMENTS (continued)

During the year the Group recognised a share-based payments expense of $0.15 million in relation to performance rights, (2022: $0.17 million).

Other share-based payments

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 $0.34 million was recognised in the Statement of Comprehensive Income in the year of issue. At 30 June 2023, 1,700,000 options remain outstanding.

24. COMMITMENTS

Capital commitments

The Group's Wealth Solutions division is presently implementing a client payment system to manage its clients' direct debit payments. The total cost of the project is $0.2 million (GST inclusive) of which a further $0.07 million remained outstanding at balance date.

25. CONTINGENCIES

There were no contingent liabilities as at 30 June 2023 (2022: $nil), apart from those disclosed in note 16, Provision for contingent consideration.

26. EVENTS AFTER THE BALANCE SHEET DATE

(a) Atkinson Saynor Private Wealth

On 3 July 2023, the Group completed the business acquisition of Atkinson Financial Planning, a Melbourne based advice firm through a newly incorporated subsidiary, Atkinson Saynor Private Wealth Pty Ltd (**ASPW**). The Group has a 55% controlling interest in ASPW with the remaining 45% interest owned by David Saynor (**Saynor**), a financial adviser who has worked in the business for 20 years. As part of the transaction, Saynor has commenced as Managing Director of ASPW, taking over from the founding principal Steven Atkinson who has been retained for 8 months to assist with the transition.

Total purchase consideration was a payment of $3.20 million settled on completion (Group share $1.76 million cash), followed by a deferred cash payment of $0.80 million (Group share $0.44 million), 8 months from completion date subject to continuing business performance. In addition, there is a further earn-out payment of $0.30 million (Group share $0.17 million) subject to client growth performance hurdles to be made 8 months from completion.

Expected Earnings Before Interest Tax and Amortisation (EBITA) from ASPW is $0.60 million in the first year (Group's 55% share, $0.33 million). On consolidation to the Group's financial statements, it is expected that the majority of the purchase consideration value will be attributed to intangible assets (client lists), with some small adjustments related to transferring employee entitlements (4 staff) and working capital.

(b) Finance Facility

On 14 August 2023, the Company executed documents to renew its finance facilities with Westpac Banking Corporation (**WBC**). The new combined facility increases the existing limit from $10 million to $16.4 million with a 3 year-term expiring 31 August 2026. The new facility will be available to the Company as a financing option to execute its inorganic growth strategy subject to the Company's capital management and investment criteria.

27. FINANCIAL INSTRUMENTS

The Group's financial instruments consist mainly of deposits with and borrowings from banks, short-term investments, accounts receivable and payable and loans to and from subsidiaries. In addition, the Group operates managed accounts under the CARE brand which are held on external investment platforms. The Group receives fees based on these funds.

The Group's risk management framework considers the risk of unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is overseen by the Audit and Risk Committee which monitors financial risk as part of its risk management framework.

The Group holds the following financial instruments:

	2023 $'000	2022 $'000
Financial assets		
Cash and cash equivalents	**385**	2,527
Trade and other receivables	**3,132**	3,134
Call option - 19.99% Centrepoint Alliance Limited ordinary shares	**-**	125
Total financial assets	**3,517**	5,786
Financial liabilities		
Trade and other payables	**5,240**	5,922
Borrowings	**1,105**	-
Contingent consideration	**2,977**	74
Total financial liabilities	**9,322**	5,996

The Group's operating activities expose it to a variety of financial risks comprising:

- Market price risk
- Currency risk
- Interest rate risk
- Credit risk
- Liquidity risk

(a) Market price risk

Market price risk represents the loss that would be recognised if the value of global financial markets were to decline. The Group earns financial planning revenue which is predominantly based on fees charged for service and is not directly linked to financial markets, thereby mitigating market price risk in the Group's Wealth Solutions segment.

The Group has also earnt portfolio management fee revenue which is more closely linked to global equity market values and based on funds under management. The funds under management is subject to market risk in that the base will increase during periods of market growth, but decrease during periods of market decline. This exposure primarily relates to funds that are held on external platforms guided by the Group's CARE philosophy. There are many variables that have an impact on global financial markets including a combination of price, currency and interest rate risks. Directors believe that sensitivity analysis based on movement in funds under management derived from price risk in isolation does not provide a meaningful assessment of the Group's exposure.

27. FINANCIAL INSTRUMENTS (continued)

(b) Currency risk

Exposure to currency risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The Group does not hold any material foreign currency denominated financial instruments.

(c) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the Group uses. Non-derivative interest-bearing assets are predominantly short-term liquid assets, such as bank deposits and interest-bearing current accounts.

The Group's exposure to market interest rates arises primarily from drawdowns of debt finance and commercial banks which expose the Group to variable interest rates.

The Group seeks to match the type of securities which are used as collateral with an ability for such securities to provide an income stream to assist in the servicing of the debt. Whilst the Group hopes to achieve at least a cash flow neutral outcome from this asset-liability management, there is no guarantee such an outcome will be achieved due to the equity nature of securities from which income is derived, which is likely to result in variable distributions and dividends.

Due to the simplistic nature of the Group's debt financing, policies and procedures in relation to risk management of the debt position are generally prescribed to the Group in the form of maximum available loan amounts and rate of interest charged.

The following tables summarise the interest rate risk of the Group, together with effective interest rates at balance date.

30 June 2023	Weighted average interest rate %	Fair value level	Fair value $'000	Interest bearing $'000	Non interest bearing $'000	Total $'000
Financial assets:						
Cash and cash equivalents	-	-	-	-	385	**385**
Trade and other receivables	-	-	-	-	3,132	**3,132**
Financial liabilities:						
Trade and other payables	-	-	-	-	5,240	**5,240**
Borrowings	5.95	-	-	1,105	-	**1,105**
Contingent consideration	12.50	3	2,977	-	-	**2,977**
Net financial liabilities			**2,977**	**1,105**	**1,723**	**5,805**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

27. FINANCIAL INSTRUMENTS (continued)

30 June 2022	Weighted average interest rate %	Fair value level	Fair value $'000	Interest bearing $'000	Non interest bearing $'000	Total $'000
Financial assets:						
Cash and cash equivalents	-	-	-	-	2,527	**2,527**
Trade and other receivables	-	-	-	-	3,134	**3,134**
Financial liabilities:						
Trade and other payables	-	-	-	-	5,922	**5,922**
Contingent consideration	-	-	-	-	74	**74**
Net financial liabilities			**-**	**-**	**335**	**335**

If average interest rates had increased by 1% (100 basis points), assuming all other variables held constant, pre-tax profit for the year would have been lower by $17k (2022: higher by $26k).

The Group manages its capital to ensure the entities in the Group will be able to continue as going concerns while maximising the return to its shareholders through the optimisation of the debt and equity ratio.

The Group's policy is to manage borrowings centrally to fund all Group acquisitions and provide funding for working capital while allowing subsidiaries to manage borrowings to fund their local capital expenditure requirements, within strict parameters imposed by the Company.

To manage overall capital risks, it may be necessary for the Board of Directors to adjust the level of dividends paid to shareholders, return capital to shareholders or issue new shares. Capital is monitored on an overall basis, but with an emphasis on maintaining access to the Group's debt facilities.

(d) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

At balance date the Group does not have any material credit risk exposure to any single debtor or group of debtors under transactions entered into by the Group. At balance date 67% of trade receivables are within approved credit terms (2022: 71%). All trade receivables that are not impaired are expected to be received.

The Group's cash investments are managed internally under Board approved guidelines. Funds are invested for the short-term with the major Australian banks which have a Standard & Poor's short-term rating of A1+.

The maximum exposure to credit risk at balance date of recognised financial assets is the carrying amount of those assets, net of allowance for expected credit losses of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

27. FINANCIAL INSTRUMENTS (continued)

(e) Liquidity risk

Liquidity risk includes the risk that, as a result of the Group's operational liquidity requirements:

- the Group will not have sufficient funds to settle a transaction on the due date;
- the Group will be forced to sell financial assets at a value which is less than fair value; or
- the Group may be unable to settle or recover a financial asset at all.

To help mitigate these risks the Group attempts to ensure the entity has accessible liquidity in the form of cash and access to bank financing. All financial assets and liabilities have maturity of less than 12 months.

(f) Fair values of financial assets and liabilities

Financial assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data

Refer to the table in note 27(c) for allocation of financial liabilities by level.

For other assets and liabilities, the fair value approximates their carrying value.

Movements in the fair value of the provision for contingent consideration are as follows:

	2023 $'000	2022 $'000
At 1 July	**74**	-
Additions during the year at fair value	**2,717**	74
Notional interest on deferred consideration	**260**	-
Payments	**(74)**	-
At 30 June	**2,977**	74

The valuation technique used to fair value the provision for contingent consideration is discounted cash flow and the significant unobservable input is a discount rate of 12.5%. If the discount rate had changed by +/- 1% (100 basis points), assuming all other variables held constant, the impact on pre-tax profit for the year would have been -/+ $30k (2022: $nil).

(g) Reconciliation of net financial assets to net assets

	2023 $'000	2022 $'000
Net financial assets and liabilities as above	**(5,805)**	(335)
Non-financial assets and liabilities	**44,511**	38,133
Net assets per statement of financial position	**38,706**	37,798

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

28. INFORMATION RELATING TO DIVERGER LIMITED ("THE PARENT ENTITY")

The accounting policies of Diverger Limited (the Parent Entity), which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 30 for a summary of the significant accounting policies relating to the Group.

(a) Summarised statement of financial position

	2023 $'000	2022 $'000
Current assets	**511**	2,467
Non-current assets	**21,991**	19,014
Total assets	**22,502**	21,481
Current liabilities	**17,707**	12,157
Non-current liabilities	**698**	490
Total liabilities	**18,405**	12,647
Net assets	**4,097**	8,834
Contributed equity	**29,751**	29,751
Reserves	**660**	512
Accumulated losses	**(26,314)**	(21,429)
Total equity	**4,097**	8,834

(b) Summarised statement of comprehensive income

	2023 $'000	2022 $'000
Loss of the parent entity	**(2,814)**	(2,813)
Total comprehensive loss of the parent entity	**(2,814)**	(2,813)

The parent entity (Diverger Limited or the Company), has recorded net current liabilities of $17.20 million (2022: $9.69 million). The primary driver of this net position is due to the Group maintaining a centralised treasury function where the Group's cash balances are swept on a routine basis to the Company from the wholly owned subsidiaries creating inter-company balances in current liabilities. Cash sweeps are applied to non-current debt. Periodically, the Group will settle these inter-company balances by the declaration of inter-company dividends which effectively returns profits to the parent entity from the subsidiaries reversing the net current liability position. In addition, the Company holds the Group's finance facility which can be drawn down at any time (refer to note 17).

(c) Parent entity guarantees

The parent has not provided any guarantees in relation to debts of its subsidiaries.

(d) Parent entity contingent liabilities

The parent has no contingent liabilities as at the date of this report.

(e) Parent entity contractual commitments

The parent has no contractual commitments for the acquisition of property, plant or equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

29. AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.

	2023 $	2022 $
(a) Auditors of the Group - BDO and related network firms		
Audit and review of financial statements		
- Group	**202,475**	171,550
Other statutory assurance services		
- Controlled entities - FS71	**56,340**	43,640
Total remuneration of BDO	**258,815**	215,190
(b) Non-BDO audit firms		
Audit and review of financial statements	**-**	-
Total remuneration of non-BDO audit firms	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

30. 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 financial report was authorised for issue by the directors on 23 August 2023.

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 2023, the consolidated entity had current net liabilities of $4.77 million (30 June 2022: current net liabilities of $2.44 million). For the year ending 30 June 2023, the consolidated entity had net cash inflow from operating activities of $3.66 million, (2022: $5.66 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:

- As part of the Group's treasury function, surplus cash is actively applied to the debt facility which had a Net Debt balance of $0.7 million at year end however the Group continues to have access to a $10.0 million finance facility (amortised to $5.96 million) which can be drawn upon at any time (finance facility limit increased to $16.4 million on 14 August 2023);
- Deferred revenue of $1.40 million (2022: $0.64 million) is included in current liabilities representing revenue received in advance predominantly for training programs and education partnerships which are delivered after balance date. This amount has no net cash outflow effect; and
- Management project continued growth in profitability and continuing positive cashflow in the 2024 financial year.

(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 31.

(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 2023

30. 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 2023

30. 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 2023

30. 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 2023

30. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Licensee 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.

(v) Self-license and other adviser support services
Revenue earned from the provision of services such as periodic audits, AFSL establishment, general support are recognised at a point in time as services are delivered to the adviser.

Technology Solutions revenue:
Revenue earned from the provision of IT products and services are recognised at a point in time as the products and services are delivered to the customer.

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 2023

30. 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 2023

30. 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 2023

30. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with AASB 3 Business Combinations. 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 2023

30. 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 2023

30. 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.

30. 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.

Refer to note 27(f) for classification of financial assets and liabilities by fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

30. 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 and amortisation of leasehold

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 amortised 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 2023

30. 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 (see note 30(j) for methodology). 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 2023

30. 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 an employee share-based payment 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 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 2023

30. 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) Inventory
Inventories are valued at the lower of cost and net realisable value (**NRV**). The NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell, the determination of which requires judgement by the Group including: the estimated costs to bring the inventory to its location and condition for sale, estimated costs to sell, and the expected selling price.

(t) 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.

(u) 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.

(v) 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 2023

31. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

In application of the Group's accounting policies described in note 30, 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 2023 was $27.92 million (30 June 2022: $25.63 million). During the year there were nil impairment losses recognised for goodwill (2022: $nil). Details of impairment testing are set out in note 12.

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. A minor impairment loss of $22k was recognised in the current year in relation to a terminated advisor that was acquired through a referral arrangement (2022: $nil).

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 (refer to note 27(f)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2023

31. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS (continued)

Lease term and discount rate
Where lease arrangements contain options to extend the term or terminate the contract, the Group assesses whether it is ‘reasonably certain’ that the option to extend or terminate the contract will be made. The extension or termination option is only exercisable by the Group. However, management has no reasonable certainty at this time that any option on its current leases will be exercised, and as such, the option is not included in the calculation of the lease liabilities. Lease liabilities and right-of-use assets are measured using the reasonably certain contract term.

The discount rate applicable to a lease arrangement is determined at the inception of the contract or when certain modifications are made to the contract. The discount rate applied is the rate implicit in the arrangement, or if unknown, the Group’s incremental borrowing rate. A discount rate of 5.0% has been applied to all lease arrangements of the Group.

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.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 40 to 96 in accordance with the *Corporations Act 2001*:

a. comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;

b. as stated in note 30, the consolidated financial statements also comply with International Financial Reporting Standards; and

c. give a true and fair view of the financial position of the consolidated entity as at 30 June 2023 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Diverger Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the executive director and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ended 30 June 2023.

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

On behalf of the Board.

Peter Brook
Chairman

Sydney
23 August 2023

BDO

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INDEPENDENT AUDITOR'S REPORT

To the members of Diverger Limited

Report on the Audit of the Financial Report

Opinion

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

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's term that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in Pages 25 to 37 of the directors' report for the year ended 30 June 2023.

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

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

Tim Aman
Director

Sydney, 23 August 2023

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of Goodwill – Impairment Assessment

Key audit matter	*How the matter was addressed in our audit*
The Group's disclosures in respect to Goodwill and impairment assessment are included Note 12 of the consolidated financial report. Annual impairment testing requires a significant amount of judgment and estimation by Management, in the determination of Cash Generating Units, cash flows, growth rates and discount rates. The critical assumptions used by Management are disclosed in Note 31. The assumptions and complexity of the calculations have made the impairment assessment of goodwill a Key Audit Matter.	In order to evaluate and challenge key assumptions used by Management in their impairment analysis, our procedures included but were not limited to: - Critically evaluating whether the models prepared by Management comply with the requirements of AASB 136 Impairment of Assets; - Evaluating the appropriateness of Management's identification of the Group's cash generating units; - Recalculating the mathematical accuracy of the impairment models; - Comparing the projected cash flows, including assumptions relating to revenue growth rates and operating margins, against historical performance to testing the accuracy of Management's projections; - In conjunction with our valuation specialists, assessing the discount rates and EBITDA multiples utilised in the recoverable amount calculations; - Applying a sensitivity analysis to Management's key assumptions; and - Assessing the adequacy of the Group's disclosures in relation to Goodwill and Impairment.

Business combinations

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 20 of the consolidated financial report, the Group acquired a 100% equity interest in AFSL Compliance Pty Ltd and Priority Networking Pty Ltd. The audit of the accounting for this acquisition is a key audit matter due to	Our procedures included, among others: - Inspected the sale and purchase agreement to verify the costs of acquisition and assess the accounting impact of any conditions relating to the acquisition;

the significant judgment and complexity involved in assessing the determination of the fair value of net asset acquired, including the identifiable intangible assets.	- Reviewed the appropriateness of the accounting treatment for acquisitions made in the period to ensure compliance with the Australian Accounting Standards; - Compared the assets and liabilities recognised on acquisition against the executed agreements and the historical financial information of the acquired businesses; - Working with our valuation specialists, critically assessed the Purchase Price Allocation computation, including assessing the inputs and methodologies used in identifying and valuing any identifiable intangible asset; and - Assessed the adequacy of the Group's disclosures of the acquisition.

Other information

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

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report

ADDITIONAL AUSTRALIAN SECURITIES EXCHANGE INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The shareholder information set out below was applicable as at 22 August 2023.

(a) Distribution of equity securities

Ordinary share capital
As at 22 August 2023 there were 37,674,103 shares held by 562 shareholders, all of which were quoted on the ASX. All issued ordinary shares carry one vote per share and carry the rights to dividends.

Range	Number of holders	Number of shares
1 - 1,000	218	104,688
1,001 - 5,000	90	278,511
5,001 - 10,000	59	465,409
10,001 - 100,000	148	4,960,421
100,001 - over	47	31,865,074
TOTAL	**562**	**37,674,103**

(b) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Ordinary shares held	
Ordinary shareholders	**Number**	**%**
HUB24 Limited	11,853,271	31.46
EQT Holdings ATF the Micro Activist Fund and Associates	3,534,737	9.38
Greg Hayes (direct and associated entities)	3,234,480	8.59
	18,622,488	**49.43**

ADDITIONAL AUSTRALIAN SECURITIES EXCHANGE INFORMATION (continued)

(c) Twenty largest holders of quoted equity securities as at 22 August 2023

		Ordinary shares	
Ordinary shareholders		**Number**	**%**
1	HUB24 Limited	11,853,271	31.46
2	Mr Kevin White & Mrs Margaret White <White Family Super Fund A/C>	1,820,000	4.83
3	A.C.N 098 682 556 Pty Ltd*	1,629,630	4.33
4	Greg Hayes*	1,538,781	4.08
5	National Nominees Limited**	1,525,581	4.05
6	Westferry Operations Pty Ltd	1,409,134	3.74
7	Mr Peter Geoffrey Hollick**	1,300,000	3.45
8	DMX Capital Partners Limited	839,308	2.23
9	Mr Craig Andrew Rosen	650,000	1.73
10	Mr Alistair David Strong	640,000	1.70
11	Mr Grahame David Evans & Mrs Catherine Jane Evans	594,502	1.58
12	BNP Paribas Nominees Pty Ltd	541,609	1.44
13	Citicorp Nominees Pty Limited	468,693	1.24
14	HP Capital Pty Ltd	444,444	1.18
15	Mr Anthony Raymond White	375,663	1.00
16	Interprac Financial Planning Pty Ltd	375,000	1.00
17	Top Pocket Pty Ltd <Top Pocket Superfund A/C>**	355,556	0.94
18	Top Pocket Pty Ltd**	353,600	0.94
19	Mr Shane Anthony Bransby	338,904	0.90
20	Alex James Pty Ltd <The McNally Family Super Fund A/C>	329,082	0.87
		27,382,758	**72.68**

The above ranking is based on individual entity holdings and does not consolidate where shares are held over multiple related parties.

* Related Parties
** Related Parties

(d) Restricted securities
As at 22 August 2023, there were 61,299 restricted ordinary shares subject to voluntary escrow.

(e) Voting rights
On a show of hands, every shareholder present in person or by proxy holding ordinary securities in the Company shall have one vote and upon a poll each ordinary security shall have one vote.