SMART INVESTMENT MANAGEMENT LIMITED

Company Registration No. 08704800 (England and Wales)

Financial Services Register No 627829

Financial Report

For the period ended 31 December 2022

Company Information

Directors	David Harrison Mark Sanderson
Secretary	Alexander Liptrot
Company number	08704800
Financial services register number	627829
Registered office	1, 55-71 Oliver’s Yard City Road London England EC1Y 1HQ
Auditor	BDO LLP 55 Baker Street, London W1U 7EU

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Strategic Report

The directors present the report on Smart Investment Management Limited ("SIM"), the Company, for the period ended 31 December 2022. The period was extended to 18 months from 1st July 2021 to 31st December 2022 during the period to align with the Morningstar group following the change in ownership on 30th June 2022.

Review of the Business

As shown in the statement of profit and loss, the Company's loss for the period after taxation is £816,562 (2021: £853,858), contributed to a combination of the following factors:

- closure of the Smartfund Protected and Unprotected fund ranges; and
- transfer of assets and liabilities, followed by subsequent closure of the Dubai branch.

The balance sheet shows that the Company's financial position at the period-end consists of net assets of £418,707 (2021: £1,235,269) including cash at bank and in hand of £503,367 (2021: £47,864).

The Company continues to promote the Smart Investment Management funds and model portfolios through a number of channels in the UK, the Middle East, and in Europe.

The Covid-19 pandemic and war in Ukraine had a detrimental, but not significant impact on the Company's revenue profile.

Future Activities

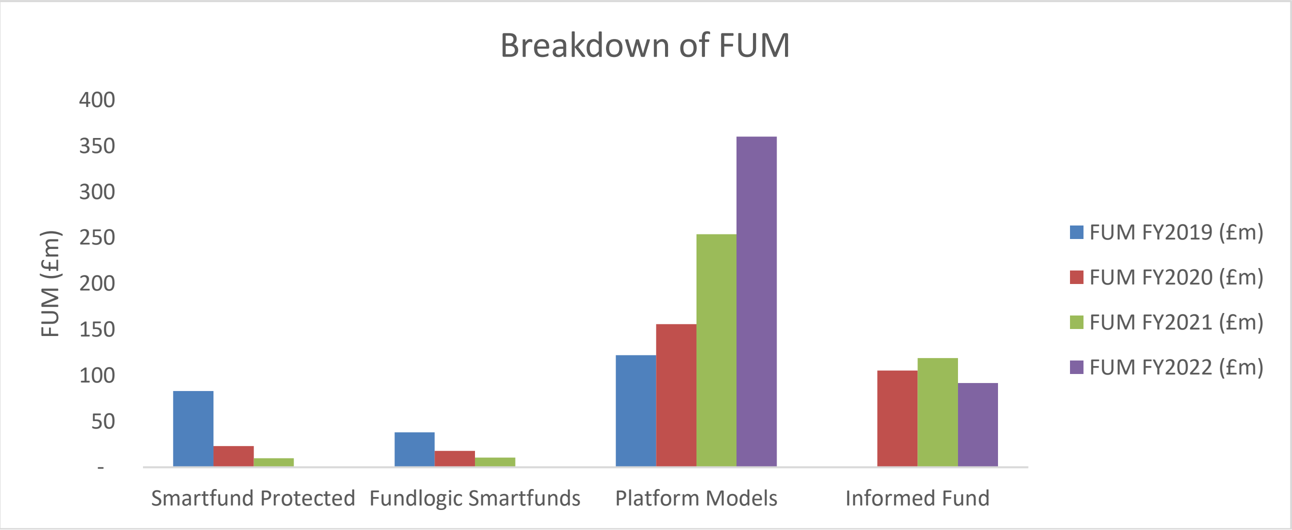
The sale of the Company and the other entities within the UK, Jersey and Hong Kong will lead to significant synergies with SIM as a business. The new parent, Morningstar, Inc. is a renowned investment manager, and its strategic goals will closely align with the Company's own.

Key Performance Indicators

The year saw the Company achieve several notable achievements during the year:

- Navigation of challenging market conditions to maintain funds under management throughout the year;
- Successful closure of Dubai branch, resulting in significant cost savings

Financial Performance



The figure for FY2021 Platform Models varies to the prior year strategic report, as the prior year measurements did not include the Single Asset Model offering by the Company. This is because the offering is not revenue-generative to the entity but does contribute to revenue growth and net inflows experienced elsewhere within the group.

Strategic Report (continued)

	18 Months to 31 December 2022	FY2021	FY2020	Difference	Difference
	£,000	£,000	£,000	£,000	%
Revenue	1,520	857	1,467	662	77
Expenses	(2,337)	(1,711)	(2,089)	(626)	37
EBIT (underlying)	**(817)**	**(854)**	**(622)**	**37**	**(4)**

The table above demonstrates the impact of the closure of the Dubai branch to the improving EBIT position. Six months of Dubai's expenses are still reflected in the above table, so next year's results stand to improve further.

Financial Risk

The Company is exposed to risks that arise from the use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and performs its obligations through the Risk and Regulatory Change Committee that is charged with risk oversight, management and internal control. The objective of the Risk and Regulatory Change Committee is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Liquidity and cash flow risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Company monitors this risk by reviewing projected cash flow requirements and ensuring that the group maintains sufficient working capital to ensure that requirements are met on a day-to-day basis. The Company's trade receivable risk arises from the group trade receivable with Morningstar Wealth (UK) Limited which in turn is reliant on Morningstar, Inc., the ultimate parent company in the United States.

Market risk arises from the Company's use of financial instruments, including interest bearing deposits. The Company manages this risk by reviewing its arrangements with depositors to ensure it attains the best available rate. The Company has no exposure to foreign exchange rates. Competitive risk is a continuing risk to the group, which could result in it losing business to its competitors. The Company manages this risk through continuous development of its innovative services and products in line with market and regulatory requirements.

Strategic Report (continued)

s172 Statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain in this annual report, and below, how the Board engages with stakeholders.

- The Board regularly reviews the Company's principal stakeholders and how it engages with them. This is achieved through information provided by management and participation by Board members at management meetings.

- The Company contributed towards several charitable donations during the year, as well as participating more directly with staff volunteering to assist with the facilitation of the event.

- In pursuit of greater engagement with its employees, the Company performed an annual survey of staff satisfaction and other metrics and used that data to propose changes to the working environment.

- To ensure we work responsibly with our stakeholders, including our suppliers and customers, the Board regularly reviews its suite of internal policies, including conflicts of interest and whistleblowing.

- The Board ensures that all staff complete a suite of mandatory annual training, including anti-bribery and whistleblowing modules.

The key Board decisions made in the year are set out below:

Significant Events/Decisions	**Key s172 Matter(s) Affected**	**Actions and Impact**
Sale of group including the Company to Morningstar, Inc.	Employees, Customers, Suppliers	Regular communications held with staff via townhalls, to ensure staff remained comfortable Customers informed of upcoming sale and rebranding, as well as assurances provided that the impact to services would be minimalised Suppliers informed of the change and re-papered where necessary
Closure of the London office and subsequent move to Morningstar London office	Employees, Suppliers	Staff informed in advance of changes and consulted regarding new location and work patterns Suppliers informed of change of address and agreements terminated where no longer necessary

The Strategic Report was approved on behalf of the board

Mark Sanderson
Director
26 April 2023

Directors' Report

The directors present their report and the financial statements for the period ended 31 December 2022. The period was extended to 18 months from 1st July 2021 to 31st December 2022 during the period to align with the Morningstar group following the change in ownership on 30th June 2022.

Directors

The Directors who served during the year and up to the date of approval of the financial statements, except as otherwise stated, were:

David Harrison
Mark Sanderson

Auditor

BDO LLP was appointed as auditor to the Company during the year and have indicated their willingness to continue in office.

Operating Results

The operating loss of the Company for the financial period after providing for income tax amounted to £816,562 (2021: £853,857).

Significant Changes in State of Affairs

On 30 June 2022, the Company was part of a sale from Praemium Limited to Morningstar, Inc. From this date, the parent of the Company, Morningstar Wealth Administration Limited, and the parent of Morningstar Wealth Administration Limited, Morningstar Wealth Portfolio Services Limited, were under 100% ownership by Morningstar Investment Management LLC, a subsidiary of Morningstar, Inc.

Employees

The Company has no full-time employees or related costs in the financial statements.

Going Concern

The financial statements of the Company have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The Company relies on the support of Morningstar, Inc., the ultimate parent company incorporated in the United States, for its working capital requirements and in order to meet its obligations as they fall due. The directors have received written confirmation from the parent confirming that it will continue to provide support to the Company for existing and future debts and ongoing working capital requirements to 30 June 2024, which will enable the Group to continue operating at current and planned levels of activity.

As part of an annual stress-testing exercise, the Company performs an analysis of the impact on the business of a wind-up event. The assumptions made in that scenario are considered to be worst-case, with a combination of a devastating market downturn, significant client withdrawals, no further investment from clients, and the removal of support of the parent. Under that model, the cash flow and profit of the consolidated Morningstar Wealth Platform Group, being comprised of the Company's immediate parent Morningstar Wealth Portfolio Services Limited, along with all of the parent's direct and indirect subsidiaries, is estimated for the 18-month period required for an orderly wind-up. Following this analysis, the Company ensures that the liquid capital held within the Company is greater than that required under a worst-case scenario. This will enable the entity to continue trading for eighteen months from the date of a wind-up trigger. The only scenario that the Company is envisioned to be able to encounter to engender this situation is that of withdrawal of the support of the parent, which, as discussed above, has been confirmed not to occur before 30 June 2024.

Throughout the Covid-19 pandemic and Ukraine war, the International Group's business model showed resilience and, though revenue was negatively impacted by the ensuing market downturns, the impact has not been of a material nature.

Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing these financial statements, and thus the financial statements do not include the adjustments that would be necessary should the going concern basis of preparation no longer be appropriate.

Subsequent Events

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Directors' Report (continued)

Dividends Paid or Recommended

No dividends were paid during the year and dividends are not recommended for payment.

Principal Activities

Smart Investment Management Limited is authorised by the Financial Conduct Authority. It administers investment management services, primarily to platform clients of Morningstar Wealth Administration Limited and Morningstar Wealth International Limited.

Likely Developments

Likely developments in the operations of the Company are that it will continue to expand its contributions towards the platform offering by continuous growth of its Single Asset Model offering. The Company will continue to rely on ongoing support from Morningstar, Inc. through the intercompany loan to finance ongoing operations. Affirmation has been received from Morningstar, Inc. that the loan will not be demanded to be repaid within the next 18 months.

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

Directors' Meetings

During the period there were six Directors' meetings held, of which all were quorate.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Directors' Responsibilities Statement

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance Financial Reporting Standard 101 Reduced Disclosures Framework which incorporate the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report (continued)

Indemnification of Officers

Praemium Limited, the previous parent company for the group, executed a deed of access, indemnity and insurance in favour of each director for entities within the group, including Smart Investment Management Limited.

Under the deeds, Praemium Limited indemnified the directors in respect of liabilities incurred in connection with holding office, to the extent permitted. Smart Investment Management Limited was also required to provide the directors with access to its Board papers.

Under its Constitution, Praemium Limited must have, subject to certain exceptions, indemnified each of its directors within the group to the extent permitted by law against liability that did not arise out of a lack of good faith.

Morningstar, Inc., the current parent company for the group, must, under its bylaws have, subject to certain exceptions, indemnified each of its directors within the group to the extent permitted by law against liability that did not arise out of a lack of good faith.

Statement of Disclosure to the Auditor

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed in accordance with a resolution of the Board of directors:

Mark Sanderson
Director
26 April 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMART INVESTMENT MANAGEMENT LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Smart Investment Management Ltd ("the Company") for the 18 month period ended 31 December 2022 which comprise the Statement of Profit & Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Financial Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- we obtained an understanding of the legal and regulatory frameworks that are applicable to the Company. These include but are not limited to compliance with the Companies Act 2006, UK GAAP and tax legislation. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (United Kingdom Generally Accepted Accounting Practice and the Companies act 2006).
- we enquired of management and those charged with governance to identify how the Company is complying with those legal and regulatory frameworks and whether there were any known instances of noncompliance, or any actual, suspected or alleged fraud. We corroborated our enquiries through review of board minutes as well as review of relevant regulatory compliance information and correspondence.
- we assessed the risk of susceptibility of the Company's financial statements to material misstatement, including how fraud might occur and determined the principle risks related to revenue recognition by testing nonstandard revenue journals.
- we considered the Company's environment that has been established to prevent, detect and deter fraud in particular in relation to the appropriateness of revenue recognition.
- we identified and tested a sample of journal entries, in particular any journal entries posted to revenue, those with unusual account combinations and journals posted by unexpected users.

- we implemented an element of unpredictability into our testing.
- we challenged assumptions and judgements made by management in their significant accounting estimates and judgements in the assessment of ECL on trade debtors.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Chris Meyrick (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
26 April 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Profit & Loss and Comprehensive Income
for the period ended 31 December 2022

	Notes	Continuing Operations 2022 £	Discontinued Operations 2022 £	Total 2022 £	Continuing Operations 2021 £	Discontinued Operations 2021 £	Total 2021 £
Turnover	3	748,050	771,626	**1,519,676**	857,412	-	**857,412**
Cost of sales*		16,938	-	**16,938**	(74,481)	-	**(74,481)**
Operating income		**764,988**	**771,626**	**1,536,614**	**782,931**	**-**	**782,931**
Operating expenses	4	(1,576,815)	(776,360)	**(2,353,176)**	(878,713)	(758,075)	**(1,636,788)**
Loss before tax		**(811,828)**	**(4,735)**	**(816,562)**	**(95,782)**	**(758,075)**	**(853,857)**
Taxation on loss on ordinary activities	5	-	-	**-**	-	-	**-**
Loss after tax		**(811,828)**	**(4,735)**	**(816,562)**	**(95,782)**	**(758,075)**	**(853,857)**
Other comprehensive income		-	-	**-**	-	-	**-**
Total comprehensive income attributable to owners of the parent		**(811,828)**	**(4,735)**	**(816,562)**	**(95,782)**	**(758,075)**	**(853,857)**

*Cost of sales represents a positive in the period due to the reversal of accruals for commissions reflected in the prior period.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Statement of Financial Position
as at 31 December 2022

	Notes	**1 Jul 21 – 31 Dec 22**	1 Jul 20 – 30 Jun 21
		£	£
FIXED ASSETS			
Tangible fixed assets	6	**-**	15,367
		-	15,367
CURRENT ASSETS			
Debtors and prepayments	7	**628,716**	1,218,330
Cash at bank and in hand	8	**503,367**	47,864
		1,132,083	1,266,194
TOTAL ASSETS		**1,132,083**	1,281,561
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	**(713,376)**	(45,388)
CURRENT ASSETS LESS CURRENT LIABILITIES		**418,707**	1,220,806
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10	**-**	(904)
NET ASSETS		**418,707**	1,235,269
CAPITAL AND RESERVES			
Called up share capital	11	**250,000**	250,000
Profit and loss account		**168,707**	985,269
SHAREHOLDERS' FUNDS		**418,707**	1,235,269

The financial statements were approved by the Board of directors and authorised for issue on 26 April 2023.

Mark Sanderson
Director

Statement of Changes in Equity
for the period ended 31 December 2022

	Issued Capital	Retained Earnings	Total
	£	£	£
Opening equity 1 July 2021	**250,000**	**985,269**	**1,235,269**
Total comprehensive expense for the year	-	(816,562)	(816,562)
Balance as at 31 Dec 2022	**250,000**	**168,707**	**418,707**

	Issued Capital	Retained Earnings	Total
	£	£	£
Opening equity 1 July 2020	**250,000**	**1,839,126**	**2,089,126**
Total comprehensive expense for the year	-	(853,857)	(853,857)
Balance as at 30 June 2021	**250,000**	**985,269**	**1,235,269**

Note 1: Statement of Significant Accounting Policies

(a) General Information

The financial statements of Smart Investment Management Limited for the period ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 26 April 2023. Smart Investment Management Limited (the Company) is a company limited by shares incorporated and domiciled in England and is a wholly owned subsidiary of Morningstar Wealth Portfolio Services Limited.

Smart Investment Management Limited is authorised by the Financial Conduct Authority. It administers investment management services, primarily to platform clients of Morningstar Wealth Administration and Morningstar Wealth International Limited.

(i) New standards and interpretations not yet adopted

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Basis of Preparation

The financial statements have been prepared in accordance with FRS 101 Reduced Disclosure Framework, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland. The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies.

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. The financial statements are prepared under the historical cost convention.

Under FRS 101 (Revised) Reduced Disclosures the Company has taken advantage of the following exemptions:

- Preparing a cash flow statement;
- Related party disclosures; and
- Business combinations; and
- Preparation of consolidated financial statements

(c) Going Concern

The financial statements of the Company have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The Company relies on the support of Morningstar, Inc., the ultimate parent company incorporated in the United States, for its working capital requirements and in order to meet its obligations as they fall due. The directors have received written confirmation from the parent confirming that it will continue to provide support to the Company for existing and future debts and ongoing working capital requirements to 30 June 2024, which will enable the Group to continue operating at current and planned levels of activity.

As part of an annual stress-testing exercise, the Company performs an analysis of the impact on the business of a wind-up event. The assumptions made in that scenario are considered to be worst-case, with a combination of a devastating market downturn, significant client withdrawals, no further investment from clients, and the removal of support of the parent. Under that model, the cash flow and profit of the consolidated Morningstar Wealth Platform Group, being comprised of the Company's immediate parent Morningstar Wealth Portfolio Services Limited, along with all of the parent's direct and indirect subsidiaries, is estimated for the 18-month period required for an orderly wind-up. Following this analysis, the Company ensures that the liquid capital held within the Company is greater than that required under a worst-case scenario. This will enable the entity to continue trading for eighteen months from the date of a wind-up trigger. The only scenario that the Company is envisioned to be able to encounter to engender this situation is that of withdrawal of the support of the parent, which, as discussed above, has been confirmed not to occur before 30 June 2024.

Throughout the Covid-19 pandemic and Ukraine war, the International Group's business model showed resilience and, though revenue was negatively impacted by the ensuing market downturns, the impact has not been of a material nature.

Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing these financial statements, and thus the financial statements do not include the adjustments that would be necessary should the going concern basis of preparation no longer be appropriate.

Note 1: Statement of Significant Accounting Policies (continued)

(d) Tangible Fixed Assets

Each class of property, plant and equipment is carried at historic cost less, where applicable, any accumulated depreciation and impairment losses.

(i) Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by directors for indications of impairment. If any such indications exist, an impairment test is carried out, and any impairment losses on the assets recognised in the statement of profit & loss and comprehensive income. To ensure that costs are not recognised in the statement of financial position in excess of their recoverable amounts, the recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employed and subsequent disposals discounted to their net present value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Plant and equipment is measured initially at cost. Cost includes all directly attributable expenditure incurred including costs to get the asset ready for its use as intended by management. Costs include an estimate of any expenditure expected to be incurred at the end of the asset's useful life, including restoration, rehabilitation and decommissioning costs.

(ii) Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight line basis over their useful lives (commencing from the time the asset is ready for use). Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	*Depreciation Rate*	*Method*
Furniture, Fixtures and Fittings	20%	Straight-line
Computer equipment	20%	Straight-line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement profit & loss and other comprehensive income.

(e) Financial instruments

Financial instruments are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

(i) Financial Assets

(a) Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method less provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. Trade receivables are generally due for settlement within 30 days. To assess for impairment of trade receivables and contract assets under IFRS 15, the Company applies a simplified approach of recognising lifetime expected credit losses as these items do not have a significant financing component.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Note 1: Statement of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

(i) Financial Assets (continued)

(b) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and is subject to an insignificant risk of changes in value. Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

(c) Fair value

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the balance sheet and notes to the financial statements. Fair value is defined as 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 and can be based on both readily available market prices or the best determination of a market price available to management at that time.

(d) Financial assets at fair value through profit or loss (FVTPL) (adopted on 1 July 2018)

Financial assets that are held within a different business model other that 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

(i) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below. Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities depending on the purpose for which the liability was acquired. The Company's financial liabilities include trade and other payables.

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the statement of comprehensive income line items "finance costs" or "finance income".

Trade payables are initially measured at fair value and are subsequently measured at amortised cost. These amounts are unsecured and are usually paid within 45 days of recognition.

(f) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured.

(g) Income tax

Current taxation is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. A deferred tax asset is regarded as recoverable and therefore recognised when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax is measured on a non-discounted basis at the average tax rates expected to apply in the periods which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Note 1: Statement of Significant Accounting Policies (continued)

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Company recognises revenue when performance obligations have been satisfied, and for the Company, this is when the services have been transferred to the customer and the customer has control of these. The Company's activities are described in detail below. When revenue is received but services not rendered at balance date the receipt is recorded in the statement of financial position as unearned income.

Interest revenue is recognised on a proportional basis using the effective interest rate in relation to the outstanding financial asset.

Dividends are recognised as revenue when the right to receive payment is established.

All revenue is stated net of the amount of value added tax (VAT), returns, trade allowances and other duties and taxes paid.

Revenue represents model management fees for platform assets and investment management fees for funds where SIM acts as the investment manager, both of which are determined monthly in arrears based on the value of investor portfolios or FUM respectively. Initial fees on the funds are recognised on the initial transfer. Revenue is, therefore, recognised in the accounting period in which the services are rendered. This method depicts the transfer of services to the customer because the entire benefit has been transferred to the customer in the accounting period.

(i) Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of value added tax (VAT), except:

1. where the amount of the VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
2. for receivables and payables which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(j) Cash flow statement

In accordance with Financial Reporting Standard 101 the Company is exempt from preparing a cash flow statement.

(k) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

(l) Consolidated financial statements

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by s400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the consolidated accounts of Morningstar Limited.

Note 1: Statement of Significant Accounting Policies (continued)

(m) Leases

The purpose of the accounting standard IFRS 16 Leases is to remove the distinction between 'Operating Leases' and 'Finance Leases'. This requires that all lease obligations, barring leases of a duration of 12 months or less, are recorded on the balance sheets of companies, rather than them being declared solely in the notes to the financial statements. The impact of that on the Company is felt through its effect on the treatment of rental leases entered into by the Company below.

As at 31 December 2022, the Company had no active leases.

Incremental Borrowing Rate ('IBR')

As the Interest Rate Implicit in the Lease ('IRIL') cannot be readily determined for any of the above leases, the Company has assessed the IBR.

The IBR is comprised of three elements:

- Reference Rate – the currency of the lease, the economic environment the lease takes place within, and the term of the lease;
- Financing Spread Adjustment – the term of the lease, the debt and creditworthiness of the lessee, and the economic environment the lease takes place within; and
- Lease Specific Adjustment – the type of asset, including how secure it is deemed to be.

To assess the lease, the following methodology was used:

- Reference Rate – the Weighted Average Lease Term ('WART') was calculated, using the actual payment schedule for the lease and comparing it to a monthly interest-paying government bond. The resulting ratio, tending to approximately 50%, was applied to the length of the lease to provide a government bond duration which would provide an applicable risk-free rate.
- A specific rate was retrieved from HSBC on the understanding that Morningstar, Inc. was bound to guarantee all liabilities, and these rates formed the basis of the IBR calculation.
- Lease Specific Adjustment – as the leased asset is property, it can be considered highly secure and thus to not have a significant influence over the IBR. HSBC has included in their calculation the reliance on Morningstar, Inc. as guarantor, acting as security.

The Financing Spread Adjustment, determined to be the lower of the entity's credit spread and Morningstar Inc. credit spread, and the Lease Specific Adjustment are summed to give the IBR. The Reference Rate is taken as the minimum possible IBR, whilst the rental yield for each property as stated in the Knight Frank Yield Guide is taken as the maximum possible IBR, as the rental yield is the return expected by investors after accounting for all costs and expenses, so comparable to the IRIL.

As the items being leased is a factor in HSBC's determination of the proposed borrowing rate, and due to the inclusion of Morningstar Inc. as the guarantor, the lease specific adjustment has been determined to be zero for each lease.

Management has assessed the rate used for the Company and believe that it accurately reflects the relative circumstances of the lease, and the financial circumstances of the Company in relation to the presence of a guarantor

Foreign Exchange Consideration

As the lease in Dubai was denominated in AED until it was transferred at 31 December 2021, the treatment incorporates the impact of the foreign exchange movements between GBP (the base currency of Morningstar UK) and AED. The impact is:

- The Right-of-Use asset converted from AED to GBP at the inception of the lease, and not converted again;
- Depreciation of the ROU asset dependant on the original value, depreciation to zero;
- Interest on the lease converted at the average rate for the month; and
- The lease liability revalued as at the closing exchange rate of each month, thus changes in the exchange rate will give rise to a foreign exchange gain or loss recorded in profit or loss.

Note 2: Financial Risk Management

The Company is exposed to risks that arise from the use of its financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Company's Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash at bank and on deposit
- Trade and other payables
- Intercompany receivables

General objectives, policies and risk management

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and performs its obligations through the Risk and Regulatory Change Committee that is charged with risk oversight, management and internal control. The objective of the Risk and Regulatory Change Committee is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk

Credit risk arises from the Company's trade receivables, other receivables, receivables from subsidiaries and cash at bank. The maximum amount of credit risk is the statement of financial position carrying values.

Trade receivables

Trade receivables consist of amounts due to the Company from its Smartfund branded Authorised Unit Trusts. Smart Investment Management Limited is responsible for the administration of these funds and is therefore responsible for the payment of its own invoices from the funds. Due to this there is virtually no risk of the amounts due to the Company not being paid.

The assessment made under IFRS 9, given the historic rate of recoverability being 100%, was that no provision was required.

Intercompany receivables

Intercompany receivables comprise amounts due from other entities within the Morningstar Wealth Platform group. These receivables have not been assessed as requiring any provision, as the letter of support referred to in the going concern section in Note 1 of these financial statements specifically contains a guarantee to those receivables.

Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least three months.

At balance date, these reports indicate that the Company is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. There have been no changes from previous periods.

Note 2: Financial Risk Management (continued)

As at 31 December 2022, financial liabilities have contractual maturities, which are summarised below:

2022	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 year	Later than 5 years
	£	£	£	£
Trade Payables	-	-	-	-
Accrued expenses	22,746	-	-	-
Lease liability	-	-	-	
Other payables	690,630	-	-	-
Total	**713,376**	**-**	**-**	**-**

2021	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 year	Later than 5 years
	£	£	£	£
Trade Payables	21,536	-	-	-
Accrued expenses	15,164	-	-	-
Lease liability	880	892	904	
Other payables	6,916	-	-	-
Total	**44,496**	**892**	**904**	**-**

The contractual amounts of financial liabilities in the tables above are equal to their carrying values. Differences from the statement of financial position amounts reflect the exclusion of statutory charges from the definition of financial liabilities.

The increase in the ‘Other payables’ line is a result of the greater level of intercompany recharges experienced over the 18 months to 31 December 2022, coupled with the decrease in profitability as a result of the closure of the Fundlogic and Protected Smartfunds.

Market risk

Market risk arises from the Company’s use of financial instruments. It is the risk that the fair value or future cash flows of the financial instruments will fluctuate as a result of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). This risk is mitigated by the diversification of assets across the funds and models which SIM manages.

Interest rate risk

The Company does not currently invest any of its cash balances in interest bearing accounts and therefore does not have any exposure to interest rate risk.

Currency Risk

The Company does not currently hold any foreign currencies and therefore does not have any exposure to currency risk. During the year, the Company held a limited amount of AED for the operations of the Dubai branch, and used those funds to settle commitments in AED. The Company has no ongoing obligations in AED.

As such, the Company considers the exposure to currency risk to be limited.

Note 3: Turnover

	1 Jul 21 – 31 Dec 22	1 Jul 20 – 30 Jun 21
	£	£
Turnover from:		
Platform Models	**380,249**	270,135
Smartfund Models	**367,801**	587,277
Intercompany Recharges	**771,626**	-
	1,519,676	857,412

Revenue represents model management fees for platform assets where SIM acts as the investment manager and fees from the protected and unprotected funds, both of which are determined monthly in arrears based on the value of investor portfolios. Initial fees on the funds are recognised on the initial transfer. Revenue is, therefore, recognised in the accounting period in which the services are rendered. This method depicts the transfer of services to the customer because the entire benefit has been transferred to the customer in the accounting period.

All are stated net of value added tax and accounted on an accrual's basis. Revenue is derived from the United Kingdom in GBP.

Note 4: Operating Expenses

	1 Jul 21 – 31 Dec 22	1 Jul 20 – 30 Jun 21
	£	£
Operating expenses include:		
- Auditor's remuneration	**30,053**	9,624
- Taxation services	**10,477**	4,203
- Contractors expense	**19,062**	30,397
- Marketing	**10,898**	8,184

During the period there were Directors' emoluments paid of £36,000 (PY: nil)

There were no employees in the Company during the period.

Note 5: Taxation

	1 Jul 21 – 31 Dec 22	1 Jul 20 – 30 Jun 21
	£	£
Analysis of tax charge for the period		
Current tax		
UK corporation tax at 19.00% (PY: 19.00%)	**-**	-
Deferred tax		
Origination and reversal of temporary differences	**-**	-
Tax on loss/profit on ordinary activities	**nil**	nil
Provision for deferred tax		
Movement in provision:		
Provision at start of period	**-**	-
Deferred tax charged in the statement of comprehensive income for the period	**-**	-
Provision at end of period	**nil**	nil
Deferred tax (asset)/liability not recognised	**nil**	2,493
Reconciliation of tax charge		
(Loss)/Profit on ordinary activities before tax	**(816,562)**	(853,857)
Tax on (loss)/profit on ordinary activities at standard CT rate of 19.00% (PY: 19.00%)	**(155,147)**	(162,233)
Effects of:		
Fixed asset differences	**(1,578)**	248
Group relief surrendered/(claimed)	**154,830**	163,453
Deferred tax not recognised	**1,895**	(1,468)
Income tax attributable to entity	**nil**	nil

Note 6: Tangible fixed assets

	Furniture, Fixtures and Fittings	Computer Equipment	Right of Use Assets	Total
	£	£	£	£
Cost:				
As at 1 Jul 2021	4,138	11,824	5,621	**21,583**
Additions	-	2,024	-	**2,024**
Disposals	(4,138)	(13,848)	(5,621)	**(23,607)**
As at 31 Dec 2022	**-**	**-**	**-**	**-**

	Furniture, Fixtures and Fittings	Computer Equipment	Right of Use Assets	Total
	£	£	£	£
Accumulated depreciation:				
As at 1 Jul 2021	1,306	1,853	3,057	**6,216**
Disposals	(1,723)	(3,102)	(3,973)	**(8,798)**
Charge for the year	417	1,249	916	**2,582**
As at 31 Dec 2022	**-**	**-**	**-**	**-**
Net book value at 31 Dec 2022	**-**	**-**	**-**	**-**
Net book value at 30 Jun 2021	**2,832**	**9,971**	**2,564**	**15,367**

Note 7: Debtors and prepayments

	1 Jul 21 – 31 Dec 22	1 Jul 20 – 30 Jun 21
	£	£
Due within one year:		
Trade receivables	**-**	33,691
Prepayments and accrued revenue	**90,684**	72,186
Receivable from related entity	**538,032**	1,112,453
	628,716	1,218,330

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable in the financial statements. The Group does not hold any collateral as security over any receivable balance. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables by assessing both historical loss rates and also current and forward-looking expectations. Historically the Company has fully collected its receivables and, given that current receivables can be collected at source from the underlying assets of the debtor and in the current period, and there are also no expected credit losses in the future, no impairment has been made.

The balances receivable from related entities are due and payable immediately and incur no interest. They are considered current assets as they are immediately available to be called on, but the Company does not currently have the intention to do so.

Note 8: Cash at hand and in bank

	1 Jul 21 – 31 Dec 22	1 Jul 20 – 30 Jun 21
	£	£
Bank balances	**503,367**	47,864

Note 9: Creditors: amounts falling due within one year

	1 Jul 21 – 31 Dec 22	1 Jul 20 – 30 Jun 21
	£	£
Current liabilities		
Trade payables	**-**	21,536
Accrued expenses	**22,746**	15,164
Lease liability	**-**	1,772
Payable to related entity	**674,358**	-
Value added tax	**16,272**	6,916
	713,376	45,388

Note 10: Creditors: amounts falling due after one year

	1 Jul 21 – 31 Dec 22	1 Jul 20 – 30 Jun 21
	£	£
Current liabilities		
Lease liability	**-**	**904**
	-	**904**

Note 11: Called up share capital

	1 Jul 21 – 31 Dec 22	1 Jul 20 – 30 Jun 21
	£	£
Authorised		
250,000 ordinary shares of £1 each	**250,000**	250,000
Allotted and fully paid		
250,000 ordinary shares of £1 each	**250,000**	250,000

In managing its capital, Smart Investment Management Limited's primary objective is to ensure its continued ability to provide an adequate return for its equity shareholders through capital growth. In making decisions to adjust its capital structure, for instance by issuing new shares, Smart Investment Management Limited considers not only its short-term position but also its long range operational and strategic objectives as well as the need to be compliant with externally imposed capital requirements set out by the Financial Conduct Authority. As at year end the Company was compliant with these requirements.

Ordinary shares participate in dividends and the proceeds on winding up the Company in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote.

Note 12: Related Party Transactions

Since the Company is a wholly owned subsidiary, advantage has been taken of the exemption granted by FRS 101 (Revised) Reduced Disclosures from the disclosure of transactions with other members of the group, which are wholly owned by the parent company Morningstar, Inc.

Note 13: Events after the balance sheet date

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Note 14: Control

The immediate holding company is Morningstar Wealth Administration Limited, a Company incorporated in the United Kingdom. The ultimate controlling party is Morningstar, Inc., which is resident in the United States and listed on the NASDAQ, and whose accounts are publicly available on its website www.Morningstar.com.

Morningstar, Inc. is headquartered at 22 West Washington Street, Chicago, IL 60602, United States.

Note 15: Discontinued Operations

On 31st December 2021, Smart Investment Management Limited transferred all assets and liabilities held within its Dubai branch to its parent company's Dubai branch, Morningstar Wealth Administration Limited, before the Company closed its own branch. The fundamental nature of the activities undertaken by the resources of the branch did not change; the decision taken was one based on a structural rationale, with the activities undertaken by the branch considered to more appropriately sit under the parent company.

The consideration received for the asset transfer was the carrying value of every asset and liability at the transfer date, totaling £120,635. The consideration was not received in cash, but was accounted for as an intercompany transaction in the active intercompany account between the Company and its parent.

Note 15: Discontinued Operations (continued)

An analysis of the financial results of the disposal group operation is as follows:

	1 Jul 21 – 31 Dec 21	1 Jul 20 – 30 Jun 21
	£	£
Cash consideration received	**-**	-
Other consideration received	**120,635**	-
Total consideration received	**120,635**	**-**
Cash disposed of	**(210)**	-
Net cash inflows on disposal of discontinued operation	**120,425**	**-**
Net assets disposed (other than cash):		
Property, plant and equipment	**(14,771)**	-
Debtors	**(111,001)**	-
Creditors: amounts falling due within one year	**5,347**	-
	(120,425)	-
Pre-tax gain on disposal of discontinued operation	**-**	-
Related tax expense	**-**	-
Gain on disposal of discontinued operation	**-**	-