

Annual Report 2019



For the year ended
30 June 2019

Netwealth Group Limited
ABN: 84 620 145 404

Contents

Appendix 4E	4	Auditor's independence declaration	50
Chairman's letter	6	Consolidated Statement of profit or loss and other comprehensive income	51
Joint Managing Directors' letter	8	Consolidated statement of financial position	52
Corporate highlights	11	Consolidated statement of changes in equity	53
Review of operations	12	Consolidated statement of cash flows	54
Financial operating performance	24	Notes to the Financial Statements	55
Board of Directors	29	Directors' declaration	101
Directors' report	31	Independent Auditor's review report	102
Remuneration report (audited)	37	Shareholder information	106

Our purpose is

To enable people to
see wealth differently
and discover a
brighter future

Appendix 4E

Report for the year ended 30 June 2019 (FY2019).

Netwealth Group Limited
ABN: 84 620 145 404

1. Details of the reporting period

Report for the year ended 30 June 2019 (FY2019).

Previous corresponding period year ended 30 June 2018 (FY2018).

2. Results for announcement to the market

	FY2019 \$'000	FY2018 \$'000	Increase/ (Decrease)	Var %
Revenue from ordinary activities	98,770	83,260	15,510	18.6%
Profit from ordinary activities before tax attributable to members	50,083	29,189	20,894	71.6%
Net profit for the period attributable to members	34,295	20,818	13,477	64.7%
Underlying net profit for the period attributable to members	35,986	29,047	6,939	23.9%

The FY2019 net profit for the period attributable to members includes a one off \$0.8 million cost of client rectification costs and legal expenses and an impairment of \$0.9 million in deferred receivables due to lower than expected amounts received from the sale of discontinued operations in FY2018.

The FY2018 net profit for the period attributable to members includes a one off \$8.7 million cost of listing on the Australian Stock Exchange (ASX).

Refer to the attached annual report (Directors' report – Review of operations section), for further commentary on the full year results.

3. Net tangible assets per ordinary security

	FY2019	FY2018
Net tangible assets as per ordinary security	26.7 cents	28.2 cents

Net tangible assets declined in FY2019 primarily due to a special dividend of \$12,300,000 declared and paid during the financial year.

4. Dividends information

	Amount per Share (cents)	Franked Amount per Share (cents)	% Franked	Tax rate for Franking Credit
Final 2018 dividend per share (paid 27 Sep 2018)	5.38	2.31	100%	30%
Special 2018 dividend per share (paid 27 Sep 2018)	5.18	2.22	100%	30%
Interim 2019 dividend per share (paid 28 Mar 2019)	5.50	2.36	100%	30%
Final 2019 dividend per share (to be paid 26 Sep 2019)	6.60	2.83	100%	30%

Final Dividend Dates

Ex-dividend date	26 August 2019
Record date	27 August 2019
Payment date	26 September 2019

There is no dividend reinvestment plan.

5. Control gained/loss over entities

Two fully owned non – operating subsidiaries, Pathway Licensee Services Pty Ltd and Bridgeport Financial Services Pty Ltd, were deregistered on 17 July 2019.

6. Details of associates and joint venture entities

Not applicable.

7. Compliance statement

This report is based on the consolidated financial statements for the year ended 30 June 2019 which have been audited by Netwealth Group Limited's auditors, Deloitte Touche Tohmatsu, with the review report attached.



Michael Heine
Joint Managing Director
19 August 2019

Chairman's Letter

Dear Shareholder,

It is my pleasure to present to you, on behalf of the Board of Directors (the Board) of Netwealth Group Limited, the FY2019 Annual Report.

We have experienced an excellent result in our 20th year. Netwealth Group Limited and its controlled entities ("Netwealth" or "the Group") has expanded its financial performance, operating metrics and delivered its strategic objectives.

We grew Funds Under Administration (FUA) by 29.9% in the year to \$23.3 billion, increased underlying NPAT by 23.9% to \$36.0 million while investing in our people and technology platform. During the year, we continued to invest in our staff and our number of employees increased by 34 people to 271 people at 30 June 2019. Our success is driven by two key factors. First our continued investment in market leading technology. We have invested in IT infrastructure, IT security, compliance and Platform functionality. Second, our non-wavering commitment to provide best-in-class service to our clients. Illustrating this is our achievement of again being ranked by Investment Trends as the No. 1 Platform for Platform functionality and having the highest overall user satisfaction for a platform provider.

Netwealth operates in a highly regulated environment and the Board takes its compliance and governance responsibilities very seriously. During the year, the final report of the Royal Commission into misconduct in Banking, Superannuation and Financial Services Industry (Royal Commission) was released. The report made a number of recommendations including the phasing out of grandfathered commissions and increased compliance and regulatory requirements for intermediaries. Some of these findings have had a positive impact for Netwealth and have led to an acceleration in the number of advisers from major wealth management institutions who can now use our services. Voluntarily, Netwealth conducted an internal review in relation to its current and historical processes with reference to matters identified during the Royal Commission hearings. This review identified matters involving client rectification costs and legal expenses of \$1.1 million. Our commitment has always been that when we make errors, we rectify them. The Board is committed to always acting ethically, being transparent and accountable. These attributes are essential for the long-term performance, sustainability and success of Netwealth.

Netwealth's purpose of 'enabling people to see wealth differently and discover a brighter future' shines through our community partnerships. For a third year, Netwealth supported Banqer, a financial educational platform for Australian kids. By improving the way financial education is delivered to the next generation, it is hoped that financial literacy in Australia will improve significantly. We have supported over 180 schools around the country with over 8,000 school children involved in the program. Our target with Banqer is 15,000 in the coming years.

In addition to Banqer, Netwealth has supported various charities and causes through involvement in other events, fundraisers and direct donations.

The Board is active and engaged in oversight of the Group and its strategy and have continued to invest in best-practice risk and governance processes and people to ensure that we maintain our high standards. In the current year, we have completed the implementation of a best-in-class risk and compliance system that enables accountability to be allocated to individuals and timely monitoring of



Jane Tongs
Independent
Non-Executive
Chairman

key controls. The strategic goals and plans approved for the year ahead are designed to ensure we achieve sustainable growth in revenues and profitability while ensuring a high level of governance and employee engagement.

Our staff are our greatest asset and they have embraced our core value of collaboration and partnering with our clients to provide them an unparalleled customer service experience. With employees from across the globe and of different gender, ethnicity and religion, we are reflective of Australia's multi-cultural and gender-equal society. The Board is appreciative of our employees' sustained contributions throughout the year and believes Netwealth has the vision, people, technology, systems and leadership to constantly innovate and grow to maintain its market leadership position. On behalf of the Board, I would like to thank the entire team of dedicated and talented people that work at Netwealth, they are the reason for our successful journey.

Finally, the Board would like to thank our shareholders and clients for their continued contribution to our success and we look forward to sharing our journey with them for many years ahead.

Yours sincerely

A handwritten signature in black ink, appearing to read 'JATn', with a stylized flourish at the end.

Jane Tongs
Chairman
19 August 2019

Joint Managing Director's Letter

Dear Shareholders,

Netwealth is now in its 20th year and has a track record of exceptional growth. The foundation of Netwealth's success has been a focus on product innovation delivering market leading functionality coupled with exceptional customer service.

Established in December 1999, Netwealth achieved its first billion dollars of FUA in 2007 and FUA has increased to \$23.3 billion at the end of FY2019. FUA growth for the past 3 years has averaged in excess of \$1 billion per quarter and in FY2019 we achieved record growth in FUA of \$5.4 billion.

We are confident in our future growth outlook, with a strong pipeline of business, including existing and new wealth management groups transitioning clients onto the platform in FY2020 and beyond.

Netwealth's clients are our number one priority and it was very gratifying that Netwealth has been recognised by Investment Trends as the No 1. platform for overall user satisfaction for the eighth consecutive year and was ranked No. 1 platform for overall functionality for the fourth year in a row¹.

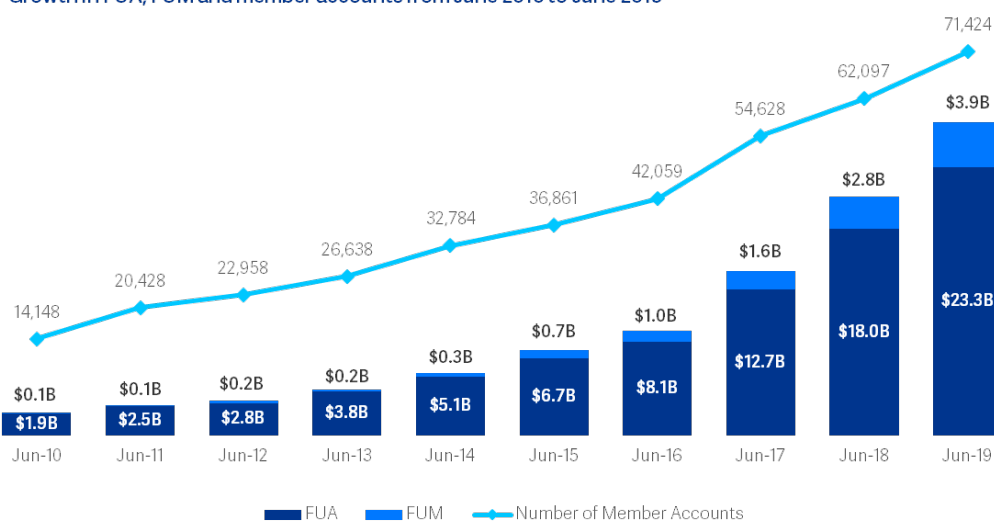


Michael Heine
Joint Managing
Director



Matthew Heine
Joint Managing
Director

Growth in FUA, FUM and member accounts from June 2010 to June 2019



Some other key achievements for the year included:

- NPAT of \$36.0 million, growth of \$6.9 million (23.9%) on FY2018², EBITDA of \$52.0 million, growth of \$9.7 million (22.9%) on FY2018²

¹ Investment Trends – April 2019 Planner Technology Report and Investment Trends – December 2018 Platform Competitive Analysis and Benchmarking Report

² Underlying EBITDA, NPAT, Operating Cashflow and Earnings Per Share (EPS) have been prepared to exclude non-recurring expenses for FY2019 and consistent with pro forma calculations for FY2018. A reconciliation is provided on page 26. Underlying EPS has been calculated based on the ordinary and performance shares currently on issue.

- EBITDA margin increased to 52.6% in FY2019, up from 50.8% in FY2018²
- Operating cash flow pre-tax of \$49.5 million, an exceptionally high cash conversion ratio of 95.3%²
- Netwealth remains debt free
- A fully franked final dividend of 6.60 cents per share was declared, payable on 26 September 2019, in addition to the interim dividend of 5.5 cents per share paid 28 March 2019
- EPS of 14.8 cents, up 2.9 cents versus FY2018²
- Average platform revenue per account increased by \$55 to \$1,460 from FY2018.

The size of the Australian Retail Platform market in which Netwealth operates is \$859 billion³. Netwealth is the largest specialist platform provider⁴ and ninth largest platform overall. Our market share in the 12 months to March 2019 increased to 2.5% having achieved the highest industry platform net inflows for this period of \$4.3 billion for the second consecutive year.

In FY2019 we continued to increase our investment in our platform technology and functionality with significant number of enhancements implemented throughout the year. In December 2018, Netwealth's cash management tool was recognised as the 'best new functionality' by Investment Trends. We have won this award for two consecutive years, last year for our automated record of advice functionality⁵. Other platform enhancements for the year included: a new web portal for clients and advisers, the addition of annuities to the platform and the ongoing enhancements of our reporting suite.

Regulatory compliance remains a key priority for Netwealth. The Group has a strong Legal, Risk and Compliance division which is focused on maintaining a very high standard of compliance with existing and new regulatory obligations and meeting community expectations at all times. We will continue to develop platform functionality to support the changes to regulatory requirements for both Netwealth and for financial intermediaries using our platform.

Recent years have seen considerable change and upheaval in the financial services industry. The Royal Commission came at a time when major financial institutions were already reviewing their commitment to the Wealth Management Industry and provided additional impetus for change. This has already benefited Netwealth and we see further benefits still to come.

Nonetheless, there are also many challenges which we and the industry face. We at Netwealth are confident that we have the skills and ability to manage these challenges and to keep growing our

³ Strategic Insight: Master Trusts, Platforms & Wrap (March 2019)

⁴ Specialist platform providers specialise in providing wealth management solutions via platform with the major providers being Netwealth, HUB24, OneVue, Praemium and Xplore Wealth (previously Managed Accounts Holdings).

⁵ Investment Trends – December 2018 Platform Competitive Analysis and Benchmarking Report

business profitably. We are also confident of meeting our obligations to all stakeholders in this changing regulatory environment.

There has been considerable broad coverage of greater pricing competition in the platform market. Netwealth always sought to maintain a strong but competitive pricing policy and have been successful in winning both small and large mandates from wealth managers seeking a platform that can provide for their needs and those of their clients.

We are particularly focused on expanding our whole of wealth solution to affluent and high net-worth clients which eventually benefits all clients using the Netwealth platform. We are a leader in solutions for high net-worth and wholesale clients and have broadened our offering over the past year and are continuing to do so.

While our superannuation products lead the market and have grown strongly, we have also experienced significant growth in our Investor Directed Portfolio Service (IDPS or Wrap account) which now represents approximately 60% of our FUA and 70% of our annual net inflows.

As Netwealth grows, our commitment to our people and clients remains a key focus. We are delighted to congratulate Amanda Atkinson on her recent promotion to the Executive team as Head of Investor Services. Amanda led the team for the past 12 years and has played a critical role in delivering and driving the high level of service Netwealth clients have become accustomed to. Amanda has a deep understanding and knowledge of our people, processes and systems and provides invaluable insights and guidance to the Executive team and to ensure that we maintain a clear focus on our clients and their advisers.

Netwealth's Executive team with their extensive industry expertise are "hands on" in the business and work closely with our highly qualified board of Directors. We thank and acknowledge the valuable contribution, commitment and leadership of the Executive team and Directors throughout the year.

We would like to thank all our existing clients for their ongoing support and welcome our new clients. We strive to continually enhance our products and services to meet their needs with new features that are innovative, whilst always delivering exceptional customer service.

We look forward to working with our staff, our clients and our valued shareholders now and in the future.

Yours sincerely



Michael Heine
Joint Managing Director
19 August 2019



Matt Heine
Joint Managing Director
19 August 2019

Corporate highlights

Netwealth has continued to experience significant growth in FY2019. Some highlights for the year were (comparative period being year to 30 June 2018):



NPAT \$36.0M¹

Growth \$6.9M (23.9%)
Statutory NPAT \$34.3M



EBITDA \$52.0M¹

Growth \$9.7M (22.9%)
Statutory EBITDA \$50.8M



Recurring revenue

High % of recurring platform revenue



\$23.3B FUA³

Growth \$5.4B (+29.9%)



\$3.9B FUM

Growth \$1.1B (+38.7%)



\$4.3B FUA net inflows

Growth \$0.2B (+4.0%)



Cashflow +\$49.5M¹

Operating cash flow pre-tax



EPS 14.8¹ cents

Growth 2.9 cents (+24.4%)



Annual Dividend 12.1 cps

Interim Dividend 5.5 cps
Final Dividend 6.6 cps



#1 platform⁴

Rated by Investment Trends;
Overall platform functionality &
adviser satisfaction



71,424

Member Accounts

Growth 9,327 accounts (15.0%)



2,579

Financial Intermediaries

Increased by 308 (13.6%)

- 1 Underlying EBITDA, NPAT, Operating Cashflow and EPS have been prepared to exclude non-recurring expenses for FY2019 and consistent with pro forma calculations for FY2018. A reconciliation is provided on page 26. Underlying EPS has been calculated based on the ordinary and performance shares currently on issue.
- 2 Recurring platform revenue is based on 30 June 2019 expected future revenue streams excluding insurance transition fees and transaction fees.
- 3 \$5.4 billion growth includes \$1.1 billion growth from market movement.
- 4 Investment Trends – December 2018 Platform Competitive Analysis and Benchmarking Report and Investment Trends – April 2019 Planner Technology Report.

Review of Operations

About Netwealth

Netwealth was created with an entrepreneurial spirit to challenge the conventions of Australia's financial services.

We are a technology company, a superannuation fund and an administration business. Above all we exist to inspire people to see wealth differently and discover a brighter future.

Founded in 1999, Netwealth is one of the fastest growing wealth management businesses in Australia.

We are rated No.1 by our clients for providing exceptional service and independent researchers continue to rate our technology as best in class.

Our financial products are:

- Superannuation including accumulation and retirement income products;
- Investor directed portfolio services for self-managed super and non-super investments;
- Managed Accounts; and
- Managed Funds.

Netwealth's digital platform supports how our financial products are delivered to market. For instance, via the platform, financial intermediaries and clients can invest and manage a wide array of domestic and international products.

The platform is built, developed and maintained by Netwealth's technology team. It is continuously enhanced using feedback from financial intermediaries, clients and other users and receives wide industry recognition as having market-leading functionality.

Supporting our financial products and technology platform is a significant investment in our people and resources to administer support, risk and governance and our custodial services.

Operational performance

FUA of \$23.3 billion as at 30 June 2019, increased by \$5.4 billion (29.9%) from 30 June 2018.

Netwealth was the market leader in terms of FUA net inflows⁶ and achieved record yearly FUA net inflows of \$4.3 billion in FY2019. Market movement during FY2019 accounted for the further \$1.1 billion growth in FUA.

Netwealth's FUA growth was primarily driven by:

- **Existing Financial Intermediaries:** Continued support from our existing clients accounted for approximately 75% of the FUA added during FY2019, through adding new member accounts to the platform and by increasing the amount of FUA of existing member accounts. At 30 June 2019, Netwealth had 2,579 Financial Intermediaries with member accounts on the platform; and
- **New Financial Intermediaries:** Inflows from 308 new Financial Intermediaries from FY2019 contributed approximately 25% of the FUA increase in FY2019 and underpins Netwealth's future growth.

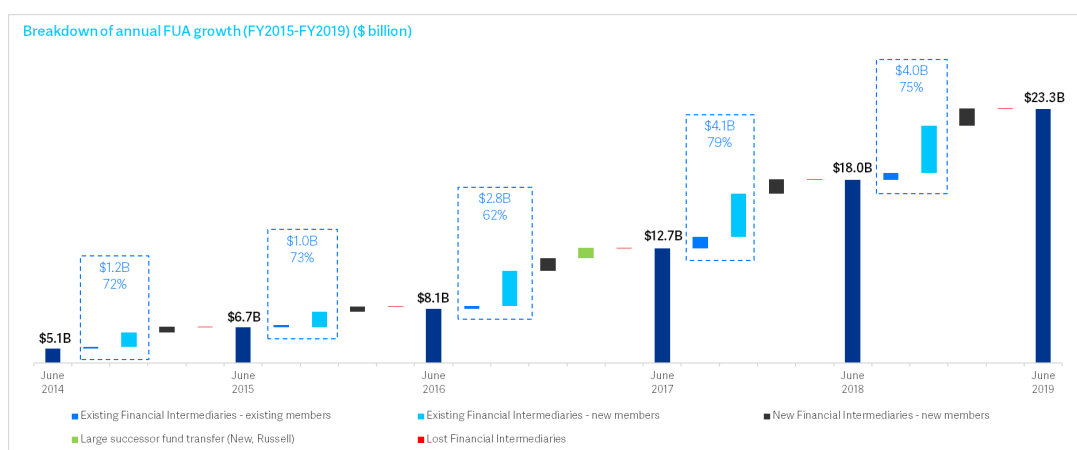


Figure 1: Source Netwealth

Funds Under Management (FUM) as at 30 June 2019 of \$3.9 billion, increased by \$1.1 billion (38.7%) from 30 June 2018. The increase included \$0.9 billion FUM net inflows and \$0.2 billion FUM market movement.

Managed Account FUM as at 30 June 2019 of \$2.8 billion, increased by \$0.9 billion (50.4%) from 30 June 2018. The increase included \$0.8 billion Managed Account FUM net inflows and \$0.1 billion of Managed Account FUM market movement.

⁶ Strategic Insight: Master Trusts, Platforms & Wraps (12 months flows to Mar 2019)

Member accounts as at 30 June 2019 of 71,424, increased by 9,327 accounts (up 15.0%) from 30 June 2018.

Pricing commentary has received a lot of attention in the industry as many competitor platform providers reduced/restructured their pricing offerings during FY2019. Importantly Netwealth's pricing, technology and service strategy continued to be successful during the year and a significant number of Licensees and Financial Intermediaries selected Netwealth as their preferred platform against incumbent platforms and/or in-house administration.

In the 12 months to 30 June 2019, Netwealth's platform revenue over average FUA decreased to 48.1bps, from 53.4bps in FY2018. A more important measure for Netwealth is the average revenue earned per account which increased by \$55 to \$1,460 per account during FY2019. A key driver of this increase was the increase in the average account size to \$323,000 per account at year end. Larger accounts typically earn higher transaction and ancillary fee income as these clients desire higher functionality.

Netwealth is the market leader for platform functionality and service and has an experienced executive team that are focused on cost management, growing profitable business and capitalising on current market opportunities.

Industry recognition

Netwealth continues to be recognised as the leading specialist platform in the market. For the eighth year in a row, Netwealth was ranked No.1 for overall user satisfaction in the Investment Trends Planner Technology report (May 2019). In addition, Netwealth was ranked No.1 for net promoter score from its users.

For the fourth year in a row, Netwealth was ranked No.1 for having the best platform functionality in the Investment Trends Platform Competitive Analysis & Benchmarking Report (Dec 2018). In addition, Netwealth won the 'Best Reporting' and 'Best Transaction Tools' awards and was awarded 'Best New Functionality' for its cash management tool. The graph below shows Netwealth's user satisfaction and overall functionality rating compared to eight of its competitors.

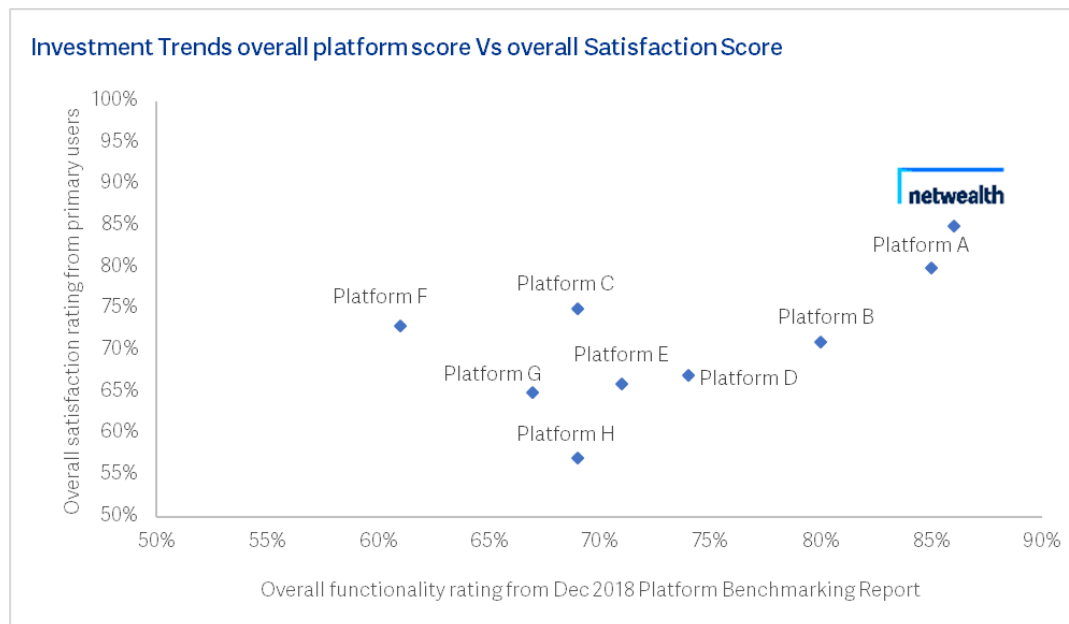


Figure 2: Source Investment Trends – December 2018 Platform Competitive Analysis and Benchmarking Report and Investment Trends – April 2019 Planner Technology Report. Figure: Composite score based on weighted average using Very Good = 100%, Good = 67%, Average = 50%, Poor = 17%, Very Poor = 0%

Further illustrating our market-leading capabilities:

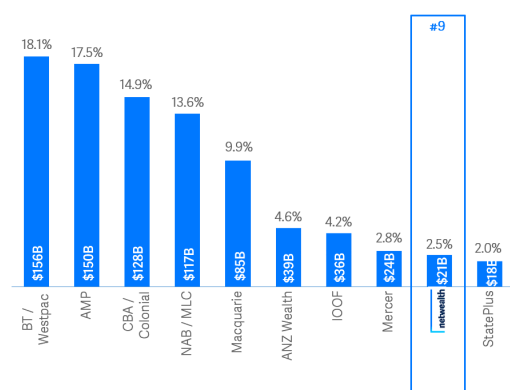
- Netwealth won the “Best Advised Product” award for the second year in a row: Chant West Super Awards (2019).
- In July 2018, Netwealth was ranked 15th most innovative company in Australia and New Zealand by the Australian Financial Review. The Australian Financial Review survey defines innovation as “change that adds value” and our Sophisticated Modelling and Rebalancing Technology (SMART) ROA functionality was recognised as change that adds value for our clients, Financial Intermediaries noting the time saved.
- Netwealth was awarded “SMSF platform provider of the year”: Momentum Media SMSF awards (2019).
- Leading administration platforms in terms of adviser satisfaction and investment functionality: Adviser Ratings research published in July 2018.

Outlook

The size of the Australian Retail Platform market in which Netwealth operates is \$859 billion. Netwealth is the largest specialist platform provider and 9th largest platform.

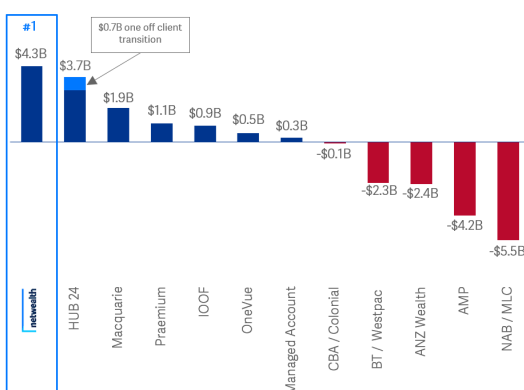
Our market share in the 12 months to March 2019 increased to 2.5% having achieved the highest industry platform inflows for this period of \$4.3 billion for the second consecutive year.

Platform providers by FUA market share⁽¹⁾
% market share (March 2019)



Source: Strategic Insight: Master Trusts, Platforms & Wraps (Mar 2019)
(1) Total industry retail FUA of \$858.5B (as at Mar 2019)

Platform provider net funds flows⁽²⁾
\$'Billions (12 months to March 2019)



Source: Strategic Insight: Master Trusts, Platforms & Wraps (Mar 2019)
(2) Total net flows of negative \$-1.4B. Not included Others of -\$0.5B (12 months to Mar 2019)

Netwealth is committed to retaining its market leadership by:

- Increasing its investment in technology to continue to develop market leading functionality and features, and ensuring its infrastructure is secure, stable, flexible and scalable;
- Providing quality administration and service excellence; and
- Winning and retaining profitable business and developing new revenue streams to diversify revenue sources.

Netwealth will continue to invest in sales and distribution to win new business and to grow our existing Financial Intermediaries and clients.

We expect that the number of advisers changing platforms will continue to increase and Netwealth, as the best-rated platform, is well positioned to take advantage of this opportunity. While Industry Super Funds are also benefiting from this shift, the Specialist Platform Providers are also a major beneficiary. Netwealth continues to receive net inflows from all Platforms and Industry funds.

Netwealth will continue to enhance product investment options and functionality, provide clients with efficiency in portfolio management and prioritise functional enhancements.

Netwealth operates in a highly regulated environment and FY2020 will be highly influenced by regulatory reform and more critical consumers in the superannuation and banking sectors. Netwealth

intends to stay abreast of regulatory obligations and community expectations to ensure compliance and minimise risk of breach and or reputational damage. Our functionality, service and pricing strategy have been successful in winning new business and developing a strong new business pipeline for future growth. Pricing competition is set to continue and Netwealth will continue to provide competitive pricing which offers clients value, quality service and market leading technology and functionality. We are focused on delivering profitable growth and developing new revenue streams to ensure our successful journey continues.

Innovations

At Netwealth, we constantly challenge ourselves to think differently and to identify opportunities that matter – to our clients, to the industry and to us.

During FY2019 Netwealth released a range of new platform features and products focused on improving the delivery of advice and increasing client engagement. These included:

Challenger annuities

Netwealth partnered with Challenger to give financial intermediaries and their clients access to annuities at the same rates as if they went directly to Challenger. Through a single online environment, users can apply for a range of Challenger annuities and track them alongside their platform account assets. Additional tools are available to manage an annuity account, including consolidated reporting of all client assets, annuity performance reports, calculators and a document vault for easy access to relevant annuity correspondence.

Managed Accounts innovations

A range of Managed Accounts enhancements were made during the year including:

- The addition of managed models to Netwealth's re-investment and auto-sell transactions and new client preference options to allow for greater client customisation;
- The expansion of Netwealth's Retail and Private Label Managed Accounts service, including the addition of new models, strategies and functionality;
- The addition of four new Netwealth diversified index models available on both the Core and Plus investment menus providing simple and low-cost investment solutions for clients; and
- Managed Accounts models were added to our SMART solution ("Sophisticated Modelling and Rebalancing Technology") to provide additional multi-asset capabilities.

Sophisticated cash management tools



2018 Platform Competitive Analysis and Benchmarking Report

Best New Functionality:
Cash Management Tool

Netwealth

In December 2018 Investment Trends awarded Netwealth the best new functionality award for its Cash Management Tool. This was the second year in a row we have been awarded this. This tool provides platform users a simple, efficient way to manage monthly cash liquidity requirements for all types of accounts.

Cash settings allows users to manage their excess cash via a set of investment instructions. It also provides users with the ability to establish rules for what happens when cash balances fall below defined limits.

The ability to set rules or triggers for the points in which cash should be invested and/or investment instructions for buys or sells provide users comfort that regular withdrawals such as pensions or insurance payments are always able to be met and that clients are able to automatically invest cash inflows if desired.

Cash Management

Cash Settings DCA

Cash Settings [What does this mean?](#)

Set a cash target? ☒ Yes ☐ No

Cash target (Minimum cash \$5,000.00)

Investment Instructions [What does this mean?](#)

Investment option All income and contributions received in your account will be left in your cash account.

Auto Sell Down Instructions [What does this mean?](#)

Sell trigger OR Custom

Investments to Sell on Trigger

Code	Name	Value
ANZ	Australia and New Zealand Banking Group Ltd	\$108,018.75
FCR	Ferrum Crescent Limited	\$368.00
ATYMLN	Atalaya Mining Plc	\$51,395.02
PLA0002AU	Platinum International Fund	\$21,910.72
VAN0001AU	Vanguard Australian Fixed Interest Index Fund	\$65,714.20

Cancel Submit

Cash Settings

— \$75,000.00 (Portfolio balance)

— \$50,000.00 (Available cash)

Buy

— \$5,000.00 (Sell trigger)

Image: Cash setting screen, part of the cash management functionality

Our people

Netwealth is a fast-growing financial services company focused on attracting, keeping, motivating and developing talented, innovative, creative and team-orientated people.

We are focused on creating a workplace that encourages an engaged and fulfilled workforce. In FY2019, our engagement results continue to be in the top quartile of comparable businesses that we benchmarked against, with an overall engagement rate of 78% (from 85% staff participation rate).

In the same engagement survey, culture, company confidence, innovation and management all received over 80% employee satisfaction.

Netwealth's key values are to be Curious, Optimistic, Courageous, Collaborative, Agile and Genuine. These organisational values and behaviours guide the way our people work together, communicate and live on a day-to-day basis.

Staff Recognition

In the last 12 months we have recognised and publicly celebrated over 20 of our team who have displayed role-model behaviours for our values during our quarterly staff town hall meetings.



Training, employee benefits and community involvement

We recognise that to attract and motivate our workforce, it is important to have a well-rounded training, support and employee benefits program. This program looks at supporting individual growth, fostering team activities and encouraging people to get involved with social and community activities.

Our training program continued to accelerate with programs at all team levels. . This year we invested more in our leadership program for senior team members, professional scrum master workshops, and “inspiring communications” sessions, as well as continued our industry qualification program. Our monthly “lunch and learn” internal knowledge sharing sessions were popular and well attended.

Netwealth team members continue to enjoy the access to a wide range of benefits including paid parental leave, subsidised holiday programme for school age ready kids, health and wellbeing benefits, a variety of social events organised by Netwealth and discounts to a number of services including transportation and financial services. This year we extended employee benefits by offering Netwealth funded income protection and private health insurance discounts.

The team also worked to raise funds for some of their favourite charities and events, having participated in Red25 (a blood donation drive), Bring your Dog to Work Day, Corporate Triathlon, September, the Bloody Long Walk and Oxfam Trailwalker during the year.



Diversity, inclusion and gender equality

Australia is a multi-cultural and gender-equal society and, mimicking that, is Netwealth’s workplace. We have employees from across the globe, from our 271 people we can speak 37 different languages. On International Friendship Day, we celebrated by cooking and sharing dishes originating from at least 10 different countries. Inclusion and diversity led to greater empathy within our team members and customers, helping us to better live our core value of Collaboration.

Netwealth does not believe in differential pay for persons performing the same job with equivalent experience, we therefore embrace the principles of the Workplace Gender Equality Agency report. We

remain committed to working towards our targets for gender balance. As at 30 June 2019, these figures are:

	% of Staff that are Women	
	2018-19	2019-20 Target
Executive and Non-Executive Directors	20%	30%
Senior Executive (excluding Executive Directors) ⁷	33%	30%
Managers	38% ⁸	40%
All Employees (excluding Non-Executive Directors)	46%	45%

Community partnership & programs

Netwealth's community partnerships and programs support our continual commitment to Netwealth's purpose of enabling people to see wealth differently and discover a brighter future.

Continuing to support financial literacy initiatives in schools

For the third year, Netwealth continues to support Banqer, a financial education platform for Australian kids, with the joint aim to improve financial literacy in schools.



As a business we recognise the importance of continuing to support financial literacy initiatives, particularly preparing young Australians for their financial futures.

Banqer brings financial education to life in primary schools across Australia, through an online platform that gives children hands on experience with saving, budgeting, credit, loans, superannuation, insurance, property, taxes and much more.

⁷ Refers to the executive leadership team (excluding Michael and Matt Heine) in Director's Report on page 33 and 34

⁸ The increase from prior year relates to reclassification of certain roles to better reflect the nature of their positions.

Alex, a Primary Teacher from Western Australia, has seen tangible benefits from the platform in his classroom. He says, "there aren't many adults who know how to use money responsibly". Through Banqer, "students [make] independent decisions about what to do with their money [and it's even helped me by] reinforcing the simple ways to make the most of your money through saving".

By improving the way financial education is delivered to include hands on experience, it's hoped that financial literacy in Australia will improve significantly in the years to come.

By the end of 2018, Netwealth had sponsored 8,279 Australian students across 160 number of schools to access independent financial education at no financial cost to them or the school. During this time students have shown the most interest in making contributions to their savings and making mortgage payments on their property.

Netwealth and Banqer form a strong partnership based on their shared mission to enable, educate and inspire people to see wealth differently and to discover a brighter future.

Students challenged to enhance the financial advice experience

For the second year in a row, Netwealth teamed up with Swinburne University and design studio MASS to run a five-day innovation challenge for final-year and honour students.



As leading global service providers such as Netflix, Amazon and Apple continue to change consumer expectations it is important that all businesses, including financial advisers, keep up or they risk leaving clients frustrated.

For this reason, our innovation challenge was for students to examine ways to improve the customer experience for Australians who receive or seek financial advice from a financial adviser.



Students also benefit by having the opportunity to apply their studies and experiences to real-life business and social challenges in an accessible and immediate manner. Although various programs do exist today, they are typically long-term graduate programs or internships which typically require months, if not longer. 'The Netwealth-Swinburne Design Sprint' addresses this by working on a real-life business challenge with industry specialists utilising creative design thinking techniques in only 5 days!

The outcome of this year's challenge was over 40 ideas and 7 winning concepts were generated with an overall high level of satisfaction being the participants' feedback. The post-event survey indicated 100% would participate again. One student outlined some of the benefits they gained from this experience: "Networking, interview and user testing tips, how to prioritise and delegate when under time restriction, and a tonne of financial knowledge I never would've known for at least a few more decades!"

Financial operating performance

Platform revenue increased by \$14.9 million (18.3%) to \$96.4 million for FY2019. Revenue growth resulted from strong FUA growth and increased transactional revenue and other ancillaries. 93.8% of platform revenue was recurring revenue for FY2019⁹. Total revenue of \$98.8 million for FY2019 has grown at a compound annual growth rate (CAGR) of 24.5% over the past four years.

- Operating expenses of \$46.8 million for FY2019, increased by \$5.8 million (14.2%) compared to FY2018¹⁰.
- Employee benefits expense increased by \$3.6 million (12.5%) to \$32.3 million for FY2019¹⁰. Headcount increased by 34 during FY2019. Employee benefits expense represented 69% of total operating expenses, Netwealth continued to increase its investment in information technology with two additional scrum teams added during FY2019.
- Total other operating expenses increased by \$2.2 million to \$14.5 million for FY2019¹⁰. The increases were primarily in software licences, insurance, compliance, advertising, marketing, and other expenses.
- EBITDA of \$52.0 million for FY2019 increased by \$9.7 million (22.9%) versus FY2018 and underlying EBITDA margin of 52.6% increased by 1.8% versus FY2018¹⁰.
- Netwealth's NPAT of \$36.0 million for FY2019 increased by \$6.9 million or 23.9% versus FY2018 and NPAT margin of 36.4% for FY2019 increased by 1.5% versus FY2018¹⁰. EPS of 14.8 cents for FY2019, increased by 2.9 cents versus FY2018¹⁰.
- Operating net cash flow pre-tax was \$49.5 million for FY2019, a 95.3% cash conversion ratio of EBITDA¹⁰.
- Statutory FY2019 results included \$2.0 million of costs associated with non-recurring expenses (\$1.7 million after tax). A full reconciliation between pro forma and statutory is provided on page 26.

⁹ Recurring platform revenue is based on 30 June 2019 expected future revenue streams excluding insurance transition fees and transaction fees

¹⁰ Underlying EBITDA, NPAT, Operating Cashflow and EPS have been prepared to exclude non-recurring expenses for FY2019 and consistent with pro forma calculations for FY2018. A reconciliation is provided on page 26. Underlying EPS has been calculated based on the ordinary and performance shares currently on issue

Statutory results FY2019

The table below sets out a summary of Netwealth's statutory statement of profit.

	Consolidated Group for Year Ended			
	30 June 2019 \$'000	30 June 2018 \$'000	Variance \$'000	Variance %
Income				
Platform revenue	96,369	81,460	14,909	18.3%
Other income	2,401	1,800	601	33.4%
Total income	98,770	83,260	15,510	18.6%
Expenses				
Employee benefits expenses	(32,344)	(28,739)	3,605	12.5%
Other costs and expenses	(15,584)	(24,654)	(9,070)	(36.8%)
Total expenses	(47,928)	(53,393)	(5,465)	(10.2%)
EBITDA on continuing operations	50,842	29,867	20,975	70.2%
EBITDA margin	51.5%	35.9%	15.6%	-
Depreciation and Amortisation	(759)	(678)	81	11.9%
NPBT on continuing operations	50,083	29,189	20,894	71.6%
Income tax expense	(14,882)	(9,572)	5,310	55.5%
NPAT on continuing operations	35,201	19,617	15,584	79.4%
NPAT margin	35.6%	23.6%	12.0%	-
Profit/(Loss) from discontinued operations	(906)	1,201	(2,107)	(175.4%)
NPAT for the period	34,295	20,818	13,477	64.7%

Reconciliation of underlying adjustments to the consolidated statement of profit or loss and other comprehensive income

Set out in the table below is a reconciliation of underlying adjustments to the statutory profit statement. In presenting the underlying statement of profit and loss, underlying adjustments have been made for material one-off expenses or receipts which will not occur going forward.

	Consolidated Group for Year Ended			
	30 June 2019 \$'000	30 June 2018 \$'000	Variance \$'000	Variance %
Statutory EBITDA on continuing operations	50,842	29,867	20,975	70.2%
Add back: IPO transaction costs	-	12,423	(12,423)	(100.0%)
Add back: Client rectification costs and legal expenses	1,121	-	1,121	100.0%
Underlying EBITDA on continuing operations	51,963	42,290	9,673	22.9%
Underlying EBITDA margin	52.6%	50.8%	1.8%	-
Depreciation and Amortisation	(759)	(678)	81	11.9%
Underlying NPBT on continuing operations	51,204	41,612	9,592	23.1%
Statutory Income Tax expense	(14,882)	(9,572)	5,310	55.5%
Add back: Tax impact from IPO transaction costs & listing cost	-	(3,729)	3,729	100.0%
Add back: Tax impact from Group Tax Consolidation	-	736	(736)	(100.0%)
Add back: Tax impact from legal expense and compensation	(336)	-	(336)	(100.0%)
Underlying NPAT on continuing operations	35,986	29,047	6,939	23.9%
Underlying NPAT margin	36.4%	34.9%	1.5%	-

Underlying results FY2019

Set out in the table below is the underlying statement of profit for FY2019 and FY2018.

	Consolidated Group for Year Ended			
	30 June 2019 \$'000	30 June 2018 \$'000	Variance \$'000	Variance %
Income				
Platform revenue	96,369	81,460	14,909	18.3%
Other income	2,401	1,800	601	33.4%
Total income	98,770	83,260	15,510	18.6%
Expenses				
Employee benefits expenses	(32,344)	(28,739)	3,605	12.5%
Other costs and expenses	(14,463)	(12,231)	2,232	18.3%
Total expenses	(46,807)	(40,970)	(5,837)	(14.2%)
Underlying EBITDA on continuing operations	51,963	42,290	9,673	22.9%
Underlying EBITDA margin	52.6%	50.8%	1.8%	-
Depreciation and Amortisation	(759)	(678)	81	11.9%
Underlying NPBT on continuing operations	51,204	41,612	9,592	23.1%
Income tax expense	(15,218)	(12,565)	2,653	21.1%
Underlying NPAT on continuing operations	35,986	29,047	6,939	23.9%
Underlying NPAT margin	36.4%	34.9%	1.5%	-
Underlying EPS (cents per share) ¹	14.8	11.9	2.9	24.4%

¹Underlying EPS has been calculated based on the ordinary and performance shares currently on issue. During the year, 280,000 performance shares were cancelled.

Underlying Cash Flow Statement FY2019

The table below sets out the summary consolidated statement of cash flows for FY2019 and FY2018.

	Consolidated Group for Year Ended			
	30 June 2019 \$'000	30 June 2018 \$'000	Variance \$'000	Variance %
Underlying EBITDA	51,963	42,290	9,673	22.9%
Non-cash items in EBITDA	214	(69)	283	410.1%
Changes in working capital	(1,645)	(2,193)	(548)	(25.0%)
Capital expenditure	(741)	(912)	(171)	(18.8%)
Net (purchases)/sale proceeds on investments	(291)	268	(559)	(208.6%)
Underlying Operating net cash flows before taxation	49,500	39,384	10,116	25.7%

Key platform statistics

Set out in the below table is a summary of Netwealth's key operating and financial metrics for FY2019 and FY2018.

	Consolidated Group for Year Ended			
	30 June 2019	30 June 2018	Variance	Variance %
FUA (EOP*) (\$ million)	23,337	17,960	5,377	29.9%
FUM (EOP*) (\$ million)	3,946	2,846	1,100	38.7%
FUA net inflows (\$ million)	4,334	4,166	168	4.0%
FUM net inflows (\$ million)	899	983	(84)	(8.5%)
Platform revenue/average FUA (bps)	48.1 bps	53.4 bps	(5.3 bps)	(9.9%)
Platform revenue/average number of accounts (\$)	1,460	1,405	55	3.9%

* EOP=End of Period

Board of Directors

The Directors bring to the Board a breadth of expertise and skills, including industry and business knowledge, financial management skills and corporate governance experience.

Name and title	Profile
 Jane Tongs Independent Non-Executive Chairman	- Jane has served as the independent Chairman of Netwealth (and its related entities) since April 2000. - Prior to 2000, Jane was a partner at PricewaterhouseCoopers, specialising in the financial services sector. She has experience with insurance, funds management and superannuation entities. - Jane has over 20 years' experience as non-executive director and superannuation fund trustee and is currently a director of Cromwell Property Group, Warakiri Group, CCI Insurance Ltd, Hollard General Insurance and Brighton Grammar School. - Jane holds a Bachelor of Business and a Master of Business Administration. Jane is a Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors. - Jane is a member of the Group Audit Committee, Group Compliance and Risk Management Committee, Group Remuneration Committee and is Chair of the Group Nomination Committee and Netwealth Investment Limited (NIL) Investment Committee.
 Michael Heine Joint Managing Director	- Michael has been a Director of Netwealth since its establishment in 1999. - Michael was instrumental in the establishment of Netwealth in 1999. Michael acted as sole Managing Director from 1999 to 2014 and has acted as Joint Managing Director together with his son Matthew since January 2015. - Michael has experience in Australian and European financial markets, including commodity trading, international financing, mortgage lending and property development. Michael was instrumental in the establishment of the Heine Brothers funds management business in 1982 and was its Managing Director from 1982 to 1999 when the company was acquired by ING (then Mercantile Mutual). - Michael is a member of NIL Investment Committee.
 Matthew Heine Joint Managing Director	- Matthew joined Netwealth in July 2001 and was appointed a Director in March 2004. He was appointed Joint Managing Director in January 2015. - Matthew has been instrumental in the development of the netwealth platform and products as well as the distribution, branding and marketing of the Group. Matthew's role and experience in the sales, marketing and strategy field brings a firsthand understanding of the industry and client base. In his executive capacity, Matthew has the Product, Technical, Sales and Marketing teams reporting to him. - Matthew holds a Diploma of Financial Services and an Advanced Diploma of Management.

Name and title	Profile
 Davyd Lewis Independent Non-Executive Director	• Davyd has been a Director of Netwealth since July 2009. • Davyd was a partner of Mallesons Stephen Jaques for 20 years until his retirement in 2008. Davyd's role included Partner in Charge of the Melbourne Centre, Managing Partner Practice of Mergers & Acquisitions, Property and Construction, Dispute Resolution and Intellectual Property, National Practice Team Leader of the Mergers & Acquisitions Group and responsibility for supervising the relationship with 50 of the firm's biggest clients. • Davyd holds a Bachelor of Economics, a Bachelor of Laws and a Master of Laws (majoring in securities markets and takeovers). • Davyd is a member of the Group Audit Committee and Group Nomination Committee. Davyd is the Chair of the Group Compliance and Risk Management Committee, the Group Remuneration Committee and the Group Due Diligence Committee.
 Timothy Antonie Independent Non-Executive Director	• Timothy has been a Director of Netwealth since November 2015. • Timothy commenced his career at Price Waterhouse (now PricewaterhouseCoopers) and qualified as a chartered accountant. He subsequently worked at several investment banks, including UBS Investment Bank as a Managing Director, where he advised major Australian companies in large scale mergers, acquisitions, sales and restructures and equity transactions, as well as day-to-day equity market facing matters. • Timothy is currently also a director of Breville Group Limited, Premier Investments Limited, Village Roadshow Limited and a principal of Stratford Advisory. • Timothy is a member of the Group Compliance and Risk Management Committee, Group Remuneration Committee, Group Nomination Committee and NIL Investment Committee. Timothy is the Chair of the Group Audit Committee.

Directors' Report

The directors present their report on Netwealth Group Limited "the Company" and its controlled entities for the year ended 30 June 2019 (FY2019). The consolidated entity is referred to as "the Group or Netwealth". In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the Directors in office at any time during, or since the end of the period are:

- Jane Tongs (Chairman)
- Michael Heine
- Matthew Heine
- Davyd Lewis
- Timothy Antonie

Directors have been in office since the start of the financial year to the date of this report.

Company overview

Netwealth is a financial services business listed on the ASX on 20 November 2017 (ASX: NWL).

Netwealth was founded in 1999 and established to provide investors and wealth professionals with a better way to invest, protect and manage their current and future wealth. Netwealth seeks to enable, educate and inspire Australians to see wealth differently and to discover a brighter future.

Netwealth offers a range of innovative portfolio administration, superannuation, retirement, investment and Managed Accounts solutions to investors and intermediaries including Financial Intermediaries, private client and high net worth firms.

Netwealth's award-winning platform is currently rated Australia's Number 1 Platform for overall functionality and overall satisfaction providing wealth professionals with the technology required to efficiently manage and add value to our clients¹¹.

¹¹ Investment Trends - December 2018 Platform Competitive Analysis and Benchmarking Report & Investment Trends – April 2019 Planner technology report

Directors meetings

During the financial year, 17 Group meetings of Directors (including committees of directors) were held. Attendances by each Director during the year were as follows:

	Board of Directors' meetings		Audit Committee		Remuneration Committee		Nomination Committee ¹		Compliance & Risk Committee	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Directors										
Jane Tongs	17	17	8	8	8	8	1	1	11	11
Davyd Lewis	17	17	8	8	8	8	1	1	11	11
Timothy Antonie	17	17	8	8	8	8	1	1	11	11
Michael Heine	17	17	-	-	-	-	-	-	-	-
Matthew Heine	17	14	-	-	-	-	-	-	-	-

(A) Number of meetings held during the time the director held office and was eligible to attend as a member

(B) Number of meetings attended

¹ Meetings called on an as needed basis

The qualifications and experience of Directors are detailed on page 29 to 30 of the Annual Report.

Corporate governance

Netwealth is committed to being ethical, transparent and accountable. We believe this is essential for the long-term performance and sustainability of our Company and supports the interests of our shareholders and clients. The full corporate governance statement is available on the Company's website at <https://www.netwealth.com.au/web/about-netwealth/shareholders/>

Diversity strategy

Netwealth understands the importance of diversity across styles of thought, religion, race, ethnicity, language, gender, sexual orientation, disability, age or any other area of potential difference and recognises that a diverse workforce with different skills and different ways of thinking can lead to a more innovative and efficient workplace and deliver stronger outcomes.

Netwealth has identified gender equality as a key area of focus, whilst also working on a number of other initiatives to support overall inclusion and diversity.

Executive leadership team

Profiles of Netwealth's senior management team are set out below.

Name and title	Profile
 Michael Heine Joint Managing Director	Refer to Board of Directors section
 Matthew Heine Joint Managing Director	Refer to Board of Directors section
 Grant Boyle Chief Financial Officer and Joint Company Secretary	- Grant joined Netwealth in May 2017. - Grant has more than 30 years' experience in financial services and the accounting profession. Most recently the Chief Financial Officer of EMR Capital, Grant has held several Chief Financial Officer and Chief Operating Officer roles within financial services, including at BlackRock, Powerwrap and Phillip Capital. - Prior to entering the funds/Platform space, Grant was a finance manager with ANZ Group Finance and a manager in the Corporate Recovery and Insolvency division of Ernst & Young.
 Rachel Axton General Manager, Legal, Risk and Compliance and Joint Company Secretary	- Rachel joined Netwealth in February 2016. - Rachel has 20 years of experience in financial services working across a range of wealth management providers, specialising in superannuation and investment services. Prior to joining Netwealth, Rachel managed the Colonial First State Custom Solutions Risk and Compliance team and contributed to Netwealth's strategic direction as part of the executive team. - Rachel is a Fellow of the Association of Super Funds of Australia. Rachel holds a Graduate Diploma in Superannuation Management and is completing a Bachelor of Business (Economics).

Name and title	Profile
 Philip Coldwell General Manager, Product	- Philip joined Netwealth in November 2011. - Philip has over 30 years' experience in the financial services industry including positions in the management of financial planning operations, technical services, product development and marketing. From 2000 to 2011 Philip was an owner and director of Integrity Financial Planners Pty Ltd. - Philip holds a Bachelor of Business from Swinburne and a Diploma of Financial Planning.
 Alistair Densley General Manager, Operations	- Alistair joined Netwealth in May 2002. - Having previously held a leadership role within Netwealth's IT Development Team, he has been Netwealth's General Manager, Operations, since September 2010. - Alistair has over 15 years' experience in the financial services industry and has played an important role in establishing and achieving scalability for many administrative processes across Netwealth's Platform. - Alistair holds a Bachelor of Commerce.
 John Hanrahan Chief Information Officer	- John joined Netwealth in May 2012. - John has responsibility for application development, technology infrastructure, business analysis, project management and technology vendor management. John has more than 20 years of experience in financial services technology. Prior to joining Netwealth, John led the Australian technology team for BlackRock. - John holds a Bachelor of Business (Banking and Finance) from Monash University.
 Amanda Atkinson Head of Investor Services	- Amanda joined Netwealth in February 2004. - Amanda is Head Investor Services. Her other responsibilities include designing and improving the scalability of the administrative processes and procedures across the Netwealth platform. - Amanda has over 15 years' experience in the financial services industry. - Amanda joined the Netwealth Executive Committee in March 2019.

Indemnification of Directors and Officers

The Group has paid premiums to insure each director and officer under a Directors and Officers Insurance policy. Further disclosure of information in relation to this policy is not permitted under the contract of insurance.

Review of Operations

Information on the operating and financial performance of the Group and its business strategies and outlook are set out in the Review of Operations and Financial Operating Performance on pages 12 to 28 of this annual report.

Significant changes in the state of affairs

The remaining Bridgeport Financial Services Pty Ltd assets and liabilities were wound down during the financial year. As at 17 July 2019, Bridgeport Financial Services Pty Ltd has been deregistered.

The remaining Pathway Licensee Services Pty Ltd assets and liabilities were wound down during the financial year. As at 17 July 2019, Pathway Licensee Services Pty Ltd has been deregistered.

There were no other significant changes in the state of affairs during the year.

Dividends

During the year, the Company declared on 18 February 2019 and paid on 28 March 2019 a fully franked dividend of 5.50 cents per share, representing a total dividend of \$13,072,000. There is no Dividend Reinvestment Plan.

Options and shares

No shares or options were issued during the financial year. There were no outstanding options at the end of the financial year.

Events subsequent to the end of the reporting period

On the 19th of August the Company declared a fully franked final dividend for FY2019 of 6.60 cents per share (total dividend of \$15,686,868) bringing the total fully franked dividends to 12.10 cents per share for the twelve months. The final dividend is payable on 26 September 2019.

There are no other matters or circumstances that have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

Environmental regulation

Netwealth's operations are not regulated by a significant environmental regulation under law of the Commonwealth or of a state or territory.

Proceedings on behalf of the Group

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a part for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is set out on page 50.

Rounding of amounts

The Group is of a kind referred to in the Australian Securities and Investments Commissions Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated.

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

A handwritten signature in black ink, appearing to read 'JATn', is positioned above the printed name of Jane Tongs.

Jane Tongs

Chairman

19 August 2019

Remuneration Report (Audited)

Dear Shareholders

Letter from the Remuneration Committee Chair

On behalf of the Board, I am pleased to present Netwealth's FY2019 Remuneration Report.

The Board is committed to driving excellent customer service, integrity and a strong performance culture. Aligning employee remuneration with excellent customer service and shareholder interest assists in doing so.

The Board recognises the importance of suitably incentivising senior executives and key staff. Our objective for our remuneration structure is to encourage appropriate behaviours among staff to meet our compliance, governance, growth targets and to retain our talent.

Netwealth's performance in FY2019

FY2019 was another successful year for Netwealth, with underlying EBITDA growth of 22.9% and underlying NPAT growth of 23.9%. This performance was driven principally by growth in FUA of 29.9% and FUM of 38.7%. This was achieved despite the increasing competition from our competitors and was the result of exceptional performance of our employees.

Short term incentives (STIs)

Netwealth's primary focus is on long term performance and our remuneration is structured on this basis. Generally, other than for the sales and distribution team and the Joint Managing Directors (JMDs), Netwealth only pays cash bonuses to employees on a discretionary basis where the employee has made an exceptional contribution. This year, one of those employees was the CFO, Grant Boyle. The JMDs were each also entitled to cash bonuses under the terms of their employment contracts. Details of these bonuses are set out in the Remuneration Report.

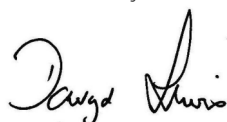
Long term incentives (LTIs)

The Board has put in place a new LTI scheme designed to incentivise and retain staff in the future. The first offers under the new LTI scheme will be made in FY2020. A summary of the new LTI scheme is set out in the Remuneration Report.

The Board also proposes in FY2020 to make a free shares offer to all permanent full-time and part-time employees with 3 or more years of service of \$1,000 worth of shares in the Company. Under the terms of the offer, the shares will be subject to a trading restriction for 3 years or until the employee ceases employment. This reward is to recognise the value that our committed staff bring to Netwealth and to our clients.

The Remuneration Committee believes the Remuneration Report will assist both our shareholders and other stakeholders to understand our remuneration policy, objectives and practices. We are committed to engaging with our shareholders and other stakeholders and we welcome your feedback.

Yours faithfully



Davyd Lewis

Chairman of the Remuneration Committee

19 August 2019

Contents

- A. Introduction
- B. Remuneration Objectives
- C. Remuneration Governance
- D. Remuneration Framework
- E. Remuneration Mix
- F. Overview of the Group Performance
- G. Executive Remuneration
- H. Non-Executive Directors Remuneration
- I. Other Information
- J. Previous Comments or Resolutions in Relation to Remuneration Report

A. Introduction

This FY2019 Remuneration Report for Netwealth is prepared in accordance with the requirements of the Corporations Act 2001 and its regulations. The report outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of the Group. KMP are the individuals who have authority and responsibility for planning, directing and controlling the activities of Netwealth, as defined under AASB 124 *Related Party Disclosure*. The following table lists Netwealth's KMP for FY2019.

Name	Position
Non-executive Directors	
Jane Tongs	Independent Non-Executive Chairman
Davyd Lewis	Independent Non-Executive Director
Timothy Antonie	Independent Non-Executive Director
Executive Directors	
Michael Heine	Joint Managing Director
Matthew Heine	Joint Managing Director
Senior executive	
Grant Boyle	Chief Financial Officer (CFO) & Joint Company Secretary

All KMP held office for the whole of FY2019. No KMP retired during FY2019.

B. Remuneration Objectives

The Board is committed to a remuneration framework targeted on driving excellent customer service, integrity and a performance culture. Netwealth's objectives for remuneration of all employees include:

- to promote achievement of the Netwealth's strategic objective of building short, medium and long-term shareholder and enterprise value;
- while remuneration arrangements are designed to promote and reward performance, they must also promote conduct consistent with the Board's risk appetite and protection of the interests of Netwealth's stakeholders;

- the structure for remuneration must be consistent with and promote adherence to Netwealth's ethics, values, policies and procedures;
- employees are to be fairly remunerated for work undertaken, having regard to the remuneration of employees in comparable positions in comparable organisations;
- remuneration levels should attract and retain high-quality employees;
- there is no gender bias in remuneration; and
- when setting the levels of remuneration, Netwealth's long term financial soundness and its prospective financial position and performance are to be considered.

Netwealth's objectives for remuneration of non-executive directors are:

- remuneration must be sufficient to attract and retain high quality non-executive directors;
- remuneration for non-executive directors must not create a conflict with their obligation to bring an independent judgement to matters before the Board;
- remuneration for each non-executive director should be appropriate based on their role and responsibilities, including the time commitment involved; and
- there must be no gender bias in determining remuneration.

C. Remuneration Governance

The Board is ultimately responsible for establishing Netwealth's remuneration policy (the Remuneration Policy) and determining non-executive director remuneration, senior executive remuneration and Netwealth's incentive structures. The Board is assisted by the Remuneration Committee (the Committee). The Committee is comprised of the Group's three independent non-executive directors. The Committee's responsibilities include:

- reviewing and making recommendations to the Board on the Remuneration Policy;
- annually reviewing the performance of the JMDs;
- determining whether the JMDs have met the conditions for payment of STIs and LTIs under the terms of their contracts and/or under the terms of relevant STI and LTI schemes;
- annually reviewing and recommending remuneration arrangements for the JMDs, the JMD's direct reports, other persons determined by APRA to be 'responsible persons' and the non-executive directors;
- approving remuneration packages over a threshold amount;
- approving major changes in remuneration-related policies;
- reviewing and recommending changes and developments in relation to LTI schemes;

- overseeing the operation of LTI schemes and recommending whether offers are to be made under the schemes;
- recommending bonuses;
- reviewing and making recommendations on remuneration by gender and addressing any pay gap;
- reviewing and recommending changes to board remuneration;
- reviewing and recommending the Remuneration Report;
- ensuring remuneration for non-executive directors must not create a conflict with their obligations; and
- where applicable, approving the appointment of remuneration advisers for the purposes of the Corporations Act.

D. Remuneration Framework

Fixed remuneration

Netwealth's employees' fixed remuneration is determined on an annual basis in accordance with the its remuneration objectives. The JMDs and the CFO remuneration were set having regard to their individual roles and responsibilities, their skills and experience and a comparison with remuneration paid to officers and employees of comparable companies. Consideration was given to the financial performance of Netwealth during the period of their tenure. The Board has conducted a similar review for FY2020.

Short term incentives (STIs)

Generally, other than for sales and distribution team and the JMDs, Netwealth pays STIs in the form of cash bonuses where, in the opinion of the Board, an employee has made an exceptional contribution.

The total remuneration packages under the contracts of employment with each of the JMDs were set to include a cash bonus in respect of FY2019 if, in addition to meeting personal performance and behavioural requirements, certain Netwealth's performance hurdles were met, which they were in part. Details of these STIs are set out below.

JMD	STI structure	Maximum STI
Michael Heine	Cash bonus based on the Group statutory NPAT achieved compared to a specified target NPAT with the minimum bonus payable at 95% of target NPAT and the maximum at 105% or more of target NPAT	\$150,000
Matthew Heine		\$250,000

The personal performance requirements for the JMDs were based on a range of financial and non-financial KPIs based on 4 key result areas: risk, customer, efficiency and innovation and business. The Board assessed that each of the JMDs had met these KPI standards as well as meeting required behavioural standards. Based on the Group's statutory NPAT, each JMD was entitled to 72% of the maximum STI. Michael Heine, consistent with 2018, has informed the Board that given his substantial

holdings in the Group with a majority shareholding, he has voluntarily forgone the STI earned for FY2019. Matthew Heine will be paid the STI earned within 30 days after the release of this report.

The CFO, Grant Boyle was paid a discretionary bonus of \$25,000 based on the Board's assessment that he had made an exceptional contribution in FY2019.

Long term incentive schemes

Prior to listing on the Australian Stock Exchange, Netwealth established an LTI scheme ("the Pre-listing LTI Scheme") under which senior employees and directors could be issued performance shares, financed by a limited-recourse loan from Netwealth. Participating employees and directors were issued performance shares in previous years and all of the outstanding performance shares are still subject to restriction under the Pre-listing LTI Scheme. In each case, if certain personal and Netwealth's performance milestones are satisfied and the loan is repaid, the performance shares will be converted to ordinary shares between 31 December 2020 and 31 October 2022 and will cease to be subject to restriction under the Pre-listing LTI Scheme. The personal milestones require each individual to meet performance and behavioural standards and Netwealth's performance conditions are based on the EPS of the Company in FY2020.

If the personal milestones are not reached, the performance shares will be forfeited. Some or all of the performance shares will be forfeited if the EPS milestone is not achieved. Details of the Pre-listing LTI Scheme and the shares issued under it were set out in the Company's listing prospectus. Further details of the Pre-listing LTI scheme and the performance share holdings by KMP are set out below.

The Board adopted a new LTI scheme ("the New LTI Scheme") in FY2019 which will apply from FY2020 onwards. Under the New LTI Scheme, the Board at its discretion may make offers of 'incentive securities' in the form of rights, options, restricted shares or a combination of these to eligible employees. The New LTI Scheme will not apply to non-executive Directors. The Board has determined that offers of 'incentive securities' will be made under the New LTI Scheme to a number of senior and key employees in FY2020. These employees will include Matthew Heine (subject to shareholder approval at the FY2019 Annual General Meeting) and Grant Boyle. The 'incentive securities' offered will be options over ordinary shares in the Company with key terms including:

- exercise price equal to an average market price at the time of the offer;
- personal behavioural and performance gateways, all of which must be met for the options to 'vest';
- vesting conditions tested over a 3-year vesting period;
- trading restriction on half of the shares allotted on exercise for 12 months after the end of the vesting period, with claw back provisions in that period;
- vesting condition applicable to half of each employee's entitlement based on comparison of Netwealth's total shareholder return (TSR) with constituents of the S&P/ASX 300 Diversified Financials Index over vesting period and a positive TSR;
- vesting condition applicable to half of each employee's entitlement based on CAGR of the Netwealth's EPS over vesting period;
- options have no dividend or voting rights and do not participate in rights or bonus issues;
- subject to Board discretion, options generally lapse on cessation of employment due to termination or resignation; and
- Board may determine that options vest on change of control event occurring.

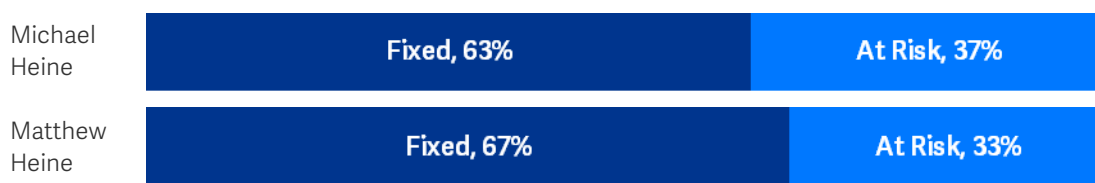
Remuneration framework and Netwealth's performance

Netwealth's Remuneration Framework is structured to tie remuneration to Netwealth's performance through cash bonuses and other STIs and LTIs. The JMD's FY2019 STI entitlements were based on statutory NPAT, the CFO's cash bonus was based on exceptional contribution in a year of excellent Netwealth's performance and the Pre-listing LTI scheme is based on achievement of EPS performance. The vesting of entitlements under the New LTI Scheme will also be tied to the Group's performance over the vesting periods.

E. Remuneration Mix

Remuneration mix refers to the proportion of total remuneration that is made up of each remuneration component. The JMDs are the KMP who received STIs in FY2019 (other than Grant Boyle who received a discretionary cash bonus). The following diagrams set out the remuneration mix for the JMDs in FY2019:

- Fixed remuneration including base salary, superannuation and other benefit; and
- Cash Short-Term Incentive (At Risk component).



These diagrams do not include performance shares issued under the Pre-listing LTI Scheme.

The Board has determined that for FY2020 the fixed remuneration of each JMD will remain the same and the cash short term incentive at-risk component will be up to a maximum of the fixed component. The at-risk component will be subject to personal and corporate performance gateways and will be tied to Netwealth's performance. In addition, Matthew Heine will participate in the new LTI scheme.

F. Overview of the Group Performance

The following table sets out information about the Group's key financial performance for FY2018 and FY2019:

Financial Period Ended 30 June	2019	2018	2017
NPAT (\$ million)	34,295	20,818	13,554
Dividends paid (\$ million)	38,171	8,300	4,555
NPAT earnings per share (cents)	14.43	8.96	6.20

It has therefore been a successful year for the Group, with NPAT increasing 64.7% on prior comparative period.

G. Executive Remuneration

The table below sets out details of the remuneration of the JMDs and the CFO (the three KMP who are employee executives) for FY2019 and FY2018.

	Joint Managing Directors				CFO			
	Michael Heine		Matthew Heine		Grant Boyle		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
Short term benefits								
Cash salary	228,311	228,311	479,469	479,952	325,000	325,000	1,032,780	1,033,263
STI ¹	-	-	180,000	150,000	25,000	-	205,000	150,000
Other ²	-	-	2,995	2,855	-	-	2,995	2,855
Long term benefits								
Leave ³	(16,391)	3,805	7,991	7,999	5,417	5,417	(2,983)	17,221
Post-employment benefits								
Superannuation ⁴	21,689	21,689	20,531	20,048	25,000	25,000	67,220	66,738
Share-based payments								
Pre-listing LTI scheme ⁵	-	-	14,299	14,299	2,447	2,447	16,746	16,746
New LTI scheme ⁶	-	-	-	-	-	-	-	-
Termination benefits								
Termination payments	-	-	-	-	-	-	-	-
Total	233,609	253,806	705,286	675,154	382,864	357,864	1,321,759	1,286,824
% Performance related	0%	0%	28%	24%	7%	1%	17%	13%

1. An STI payment for FY2019 was earned by Matthew Heine as described in section D above. Michael Heine opted to waive his STI payment earned for FY2018 and FY2019. A discretionary STI payment for FY2019 was awarded to Grant Boyle as described in section D above.
2. The Group paid a short-term benefit of club membership fees on behalf of Matthew Heine.
3. Long term benefits related to long service leave entitlements accrued for the year, net of leave taken.
4. Superannuation payments are made in accordance with the relevant statutory requirements.
5. Performance shares held under the Pre-listing LTI Scheme did not convert to ordinary shares during FY2019 as they remain subject to vesting conditions.
6. No rights, options or shares have been issued under the New LTI Scheme during the financial year.

Service agreements

The remuneration and other terms of employment for the KMP are formalised in employment contracts, which are reviewed annually. The JMDs and CFO are entitled to receive pay in lieu of notice of resignation, in addition to any leave entitlements upon cessation of employment. All services agreements are for unlimited duration but may be terminated immediately in the event of serious misconduct, in which case the executive is not entitled to any payment in lieu of notice. The following table outlines the key contractual arrangement for the JMDs and senior executive KMP.

Position	Contractual Term	Employer Notice Period	Employee Notice Period	Post-Employment Restraints
JMDs	Ongoing	Six months	Six months	Six-month non-competition period
CFO	Ongoing	Six months	Six months	Six-month non-competition period

H. Non-Executive Directors Remuneration

The table below sets out details of the remuneration of the three Non-Executive Directors for FY2019.

Fees/benefits	Description	FY2019
Board fees	Board	
	Chair – Jane Tongs	\$120,000
	Members – other Non-Executive Directors	\$100,000
Committee fees	Audit Committee	
	Chair – Timothy Antonie	\$5,000
	Members – Jane Tongs, Davyd Lewis	-
	Remuneration Committee	
	Chair – Davyd Lewis	\$5,000
	Members – Jane Tongs, Timothy Antonie	-
	Compliance and Risk Management Committee	
	Chair – Davyd Lewis	\$5,000
	Members – Jane Tongs, Timothy Antonie	-
	Due Diligence Committee	
	Chair – Davyd Lewis	\$5,000
	Members – No other Directors are members	-
Superannuation	Investment Committee ¹	
	Chair – Jane Tongs	\$5,000
	Member - Timothy Antonie	-
Other benefits	The fees set out above include superannuation payment in accordance with the relevant statutory requirements. Superannuation is paid up to the relevant concessional contributions cap, with the remainder paid in cash.	
	Non-Executive Directors are entitled to reimbursements for business-related expenses, including travel expenses and all receive the benefit of coverage under a Director and Officers insurance policy. The Group has paid premiums to insure each director and officer under a Directors and Officers Insurance policy. Further disclosure of information relating to this policy is not permitted under the contract of insurance.	

¹ Relates to the Investment Committee for Netwealth Investments Limited

The table below sets out the total non-executive director fees paid for FY2019.

	Jane Tongs		Davyd Lewis		Timothy Antonie		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
Fees and allowances								
Board and Committee fees	114,155	114,155	105,023	105,023	95,890	95,890	315,068	315,068
Post-employment benefits								
Superannuation	10,845	10,845	9,977	9,977	9,110	9,110	29,932	29,932
Share-based payments								
Pre-listing LTI scheme ¹	1,787	1,787	1,787	1,787	1,787	1,787	5,361	5,361
Total	126,787	126,787	116,787	116,787	106,787	106,787	350,361	350,361

¹ Performance shares held under the Pre-listing LTI Scheme did not convert to ordinary shares during FY2019 as they remain subject to vesting conditions.

The total amount paid to all Non-Executive Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Netwealth in general meeting. This amount was fixed by the Board at \$800,000 per annum.

I. Other information

KMP share movements

The table below sets out the shareholdings of ordinary shares of each KMP for FY2019.

	Ordinary shares				
	Balance at beginning of financial period	Purchases of shares	Sale of shares	Other changes during the year	Balance at end of financial period
FY2019	Number	Number	Number	Number	Number
Non-Executive Directors					
Jane Tongs	1,930,060	-	-	-	1,930,060
Davyd Lewis	200,333	-	-	-	200,333
Timothy Antonie	-	-	-	-	-
Executive Directors					
Michael Heine	125,904,990	40,000	-	-	125,944,990
Matthew Heine ²	3,211,405	829,230	(829,230)	-	3,211,405
Senior Executive					
Grant Boyle ¹	20,269	-	(20,093)	-	176

¹ Shares held by Grant Boyle through an allocation made to him during the IPO were sold in FY2019 with the associated loan fully repaid during the financial year.

² The shares purchased and sold by Matthew Heine were the result of transferring his holdings that were previously issuer sponsored into his account held within the Netwealth Wrap Service.

KMP shareholdings under the Pre-listing LTI scheme

The table below set out the shareholdings of performance shares issued under the Pre-listing LTI scheme to each KMP. The employee loans are interest-free non-recourse loans that must be repaid if the vesting conditions are met for the performance shares to convert to ordinary shares. The loans must be repaid within 10 years of grant date.

	Performance Shares				
	Balance at beginning of financial period	Granted during the year	Vested	Forfeited	Balance at end of financial period
FY2019	Number	Number	Number	Number	Number
Non-Executive Directors					
Jane Tongs	175,000	-	-	-	175,000
Davyd Lewis	175,000	-	-	-	175,000
Timothy Antonie	175,000	-	-	-	175,000
Executive Directors					
Michael Heine	-	-	-	-	-
Matthew Heine	1,400,000	-	-	-	1,400,000
Senior Executive					
Grant Boyle	175,000	-	-	-	175,000

Performance shares were originally issued to the KMP in FY2016 and FY2017 and were funded by interest-free non-recourse loans. At the time of the IPO, the Pre-listing LTI Scheme was revised to provide performance shares on the same terms as those previously held but in the new parent company of the Group. The performance shares do not confer the right to attend and vote at meetings and do not confer the right to participate in dividends. The performance shares remain subject to 'vesting' conditions.

Under the Pre-listing LTI Scheme, the proportion of shares vesting on expiry of the three-year performance period (ending FY2020) will be as set out in the table below.

Earnings Per Share (EPS)	Proportion of Performance Shares that vest
\$0.1571 or more	100%
\$0.1414 or more but less than \$0.1571	90%
\$0.1271 or more but less than \$0.1414	80%
\$0.1143 or more but less than \$0.1271	70%
less than \$0.1143	Nil

The following vesting conditions apply to the performance shares:

- The holder must be either continuously employed by or hold office continually with until 31 December 2020;
- In each of the four financial years ending with the FY2020, the holder must achieve performance ratings of 'Achieving'; and
- In each of the four financial years ending with FY2020, the holder must achieve behaviour ratings of 'Effectively displays'.

Performance shares that do not vest will be compulsorily divested at a price of \$0.6143 per performance share as at 31 December 2020. A holder does not receive any part of the proceeds of divestiture. Participants are entitled to keep their vested shares after leaving the Group – subject to the basis of termination.

Limited recourse loans to KMP

There were limited recourse loans made during the year or remaining unsettled at 30 June 2019 between the Group and its KMP. The table below summarises the movement in limited recourse loans during the year:

	Limited recourse loans				
	Balance at beginning of financial period	Increase in Loan	Repayment of Loan	Other changes during the year	Balance at end of financial period
FY2019	\$	\$	\$	\$	\$
Non-Executive Directors					
Jane Tongs	82,500	-	-	-	82,500
Davyd Lewis	82,500	-	-	-	82,500
Timothy Antonie	82,500	-	-	-	82,500
Executive Directors					
Michael Heine	-	-	-	-	-
Matthew Heine	862,394	-	-	-	862,394
Senior Executive					
Grant Boyle	107,500	-	-	-	107,500

Limited recourse loans were previously offered to employees where the loan value is tied to the value of the associated shares issued. Repayments are triggered when the associated ordinary shares are sold which requires the loan amount to be repaid. In the event total value of the shares sold cannot cover the associated loan, there is no further recourse on the loan

Full recourse loans to KMP

All full recourse loans have been repaid as at 30 June 2019 between the Group and its KMP. The table below summarises the movement in full recourse loans during the year:

Full Recourse Loans					
	Balance at Beginning of Financial Period	Increase in Loan	Repayment of Loan	Other changes during the year	Balance at end of financial period
FY2019	\$	\$	\$	\$	\$
Non-Executive Directors					
Jane Tongs	-	-	-	-	-
Davyd Lewis	-	-	-	-	-
Timothy Antonie	-	-	-	-	-
Executive Directors					
Michael Heine	-	-	-	-	-
Matthew Heine	-	-	-	-	-
Senior Executive					
Grant Boyle	50,000	-	(50,000)	-	-

J. Previous comments or resolutions in relation to Remuneration Report

At the 14 November 2018 annual general meeting, no comments were made in relation to the FY2018 Remuneration Report and the Remuneration Report was adopted by a vote of 99% in favour.

Auditor's Independence Declaration



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19 August 2019

The Board
Netwealth Group Limited
Level 8, 52 Collins Street
Melbourne VIC 3000

Dear Directors

Auditor's Independence Declaration to Netwealth Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Netwealth Group Limited

As lead audit partner for the audit of the financial statements of Netwealth Group Limited for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

A handwritten signature in black ink, appearing to read "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Neil Brown".

Neil Brown
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019.

Consolidated Group for Year Ended			
	Note	30 June 2019 \$'000	30 June 2018 \$'000
Continuing operations			
Income			
Revenue	4	96,369	81,460
Other income	4	2,401	1,800
Total income		98,770	83,260
Expenses			
Employee benefits expenses	5	(32,344)	(28,739)
Other operating expenses	5	(10,828)	(20,637)
Occupancy expenses	5	(1,614)	(1,687)
IT and communication expenses		(3,142)	(2,330)
Depreciation		(664)	(614)
Amortisation		(95)	(64)
Total expenses		(48,687)	(54,071)
Profit before income tax		50,083	29,189
Income tax expense	6	(14,882)	(9,572)
Profit for the period from continuing operations		35,201	19,617
Discontinued operations			
Profit/(Loss) for the period from discontinued operations	20	(906)	1,201
Profit for the period		34,295	20,818
Total comprehensive income for the period		34,295	20,818
Total comprehensive income attributable to:			
Members of the parent entity		34,295	20,818
Earnings per share			
From continuing and discontinued operations:			
Basic (cents per share)	9	14.43	8.96
Diluted (cents per share)	9	14.43	8.96
From continuing operations:			
Basic (cents per share)	9	14.81	8.44
Diluted (cents per share)	9	14.81	8.44

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2019.

		Consolidated Group as at	
	Note	30 June 2019 \$'000	30 June 2018 \$'000
Assets			
Current assets			
Cash and cash equivalents		58,459	52,669
Trade and other receivables	10	8,565	5,959
Other current assets	11	3,484	2,510
Financial assets	12	3,301	5,606
Assets classified as held for sale	20	-	52
Total current assets		73,809	66,796
Non-current assets			
Property, plant and equipment	13	2,533	2,859
Intangible assets	14	383	343
Financial assets	12	-	2,227
Deferred tax assets	6	4,700	6,526
Total non-current assets		7,616	11,955
Total assets		81,425	78,751
Current liabilities			
Trade and other payables	15	6,327	4,290
Provisions	16	3,206	3,490
Current tax liabilities		7,378	2,916
Liabilities directly associated with assets classified as held for sale	20	-	60
Total current liabilities		16,911	10,756
Non-current liabilities			
Provisions	16	667	583
Total non-current liabilities		667	583
Total liabilities		17,578	11,339
Net assets		63,847	67,412
Equity			
Issued capital	17	23,504	23,259
Reserves	18	844	778
Retained earnings		39,499	43,375
Total equity		63,847	67,412

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019.

Consolidated Group	Note	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2017		20,205	712	30,478	51,395
Shares issued during the period		2,817	-	-	2,817
Total comprehensive income for the period		-	-	20,818	20,818
Amounts recognised on issue of employee shares		237	66	-	303
Return of Capital		-	-	379	379
Dividends paid or provided for		-	-	(8,300)	(8,300)
Balance at 30 June 2018		23,259	778	43,375	67,412
Balance at 1 July 2018		23,259	778	43,375	67,412
Shares fully paid during the period		245	-	-	245
Total comprehensive income for the period		-	-	34,295	34,295
Amounts recognised on issue of employee shares		-	66	-	66
Dividends paid or provided for	8	-	-	(38,171)	(38,171)
Balance at 30 June 2019		23,504	844	39,499	63,847

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2019.

Consolidated Group for Year Ended			
	Note	30 June 2019 \$'000	30 June 2018 \$'000
Cash flows from operating activities			
Receipts from customers		102,168	95,908
Payments to suppliers and employees		(53,636)	(68,124)
Dividends received		31	29
Interest received		846	624
Income tax paid		(8,652)	(10,382)
Net cash generated by operating activities	24	40,757	18,055
Cash flows from investing activities			
Purchase of property, plant and equipment		(593)	(911)
Proceeds from sale of Investments		4,799	1,939
Purchase of Investments		(1,099)	(1,672)
Purchase of intangibles		(148)	(300)
Sale of intangibles		-	5,813
Net cash generated/(used) used in investing activities		2,959	4,869
Cash flows from financing activities			
Proceeds from issue of shares		245	3,056
Dividends paid		(38,171)	(8,300)
Net cash used in financing activities		(37,926)	(5,244)
Net increase in cash held		5,790	17,680
Cash and cash equivalents at beginning of year		52,669	34,989
Cash and cash equivalents at end of year		58,459	52,669

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1 General Information

The Financial Report of Netwealth Group Limited which covers 'the Company' as an individual entity (disclosed in Note 26) and its controlled entities (together referred to as 'the Group') for the year ended 30 June 2019 as required by the Corporations Act 2001 was authorised for issue in accordance with a resolution of the Directors on 19 August 2019. The Company is limited by shares and incorporated and domiciled in Australia.

The addresses of its registered office and principle place of business are as follows:

Registered office of the company:

Netwealth Group Limited
Level 8, 52 Collins Street
MELBOURNE VIC 3000

Principle place of business:

Netwealth Group Limited
Level 8, 52 Collins Street
MELBOURNE VIC 3000

The principal activities of the Group are to provide Financial Intermediaries and investors with financial services including managed funds, investor directed portfolio services, a superannuation master fund, separately managed accounts and self-managed superannuation administration services.

2 Significant Accounting Policies

Basis of preparation

This consolidated financial report for the year ended 30 June 2019:

- is for the consolidated entity consisting of Netwealth Group Limited and its controlled entities (trading on the ASX under the symbol 'NWL');
- is presented in Australian dollars, with all values rounded to the nearest thousand dollars, or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investment Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- has been prepared on a going concern basis using historical costs in accordance with Australian Accounting Standards (AASBs) and Interpretations issued by the Australian Accounting Standards Board, and the Corporations Act 2001;
- complies with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
- has accounting policies and methods of computation which are consistent to all periods presented, unless stated.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

The financial statements of all the entities are prepared for the same reporting period as the parent entity with consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between the fair value of the consideration received and the previous carrying amount of the assets (including goodwill), liabilities of the subsidiary and any non-controlling interests.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Critical accounting estimates and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors 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.

Adoption of new and revised Australian Accounting Standards and Interpretation

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) which are mandatorily applicable to the current interim period. Disclosures required by these standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

AASB 9 - Financial Instruments (applicable to annual reporting periods beginning on or after 1 January 2018)

From 1 July 2018, AASB 9 replaced AASB 139 *Financial Instruments: Recognition and Measurement*. The new standard includes three areas of change:

- Classification and measurement of financial instruments;
- A forward-looking view at impairment with an Expected Credit Loss Model; and
- A new approach to hedge accounting.

Under AASB9, the initial recognition of the financial assets is measured at amortised cost which is unchanged from AASB 139. In subsequent periods the financial asset is then measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The previous measurement of financial assets 'held-to maturity' and 'available-for-sale' under AASB 139 is no longer available as an option.

The Group has adopted the retrospective approach to AASB 9 *Financial Instruments* and did not restate prior period comparatives. The application of AASB 9 introduces an expected credit loss model to assess impairment of financial instruments and a new Business Model test to combine with Solely Payments of Principal and Interest (SPPI) test in classifying financial instruments.

For Netwealth, this involve assessing the following financial instruments;

- Trade Debtors;
- Intercompany Loans; and
- Listed Redeemable Notes.

As part of implementing the new credit loss model, management has applied the following probabilities for bad debts by assessing historical trends of bad debts across the group:

Aging Category	Bad Debt Probability
Current	0.10%
1 – 30 Days overdue	0.50%
31 – 60 Days overdue	0.75%
61 – 90 Days overdue	1.00%
Over 90 Days overdue	3.00%

Based on the assessment of the Group's financial instruments under AASB 9, the Directors determined that adoption of the new standard has no material changes in classification and measurement of its financial assets and the financial impact to the Group is immaterial. Additional information on the classification and measurement of the Group's financial instrument and the recognition of the Expected Credit Loss are included in Note 21.

AASB 15 – Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018)

From 1 July 2018, AASB 15 replaced *AASB 118 Revenue*. Under AASB 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

As part of AASB 15 assessment, the Group has applied the following 5-step approach to revenue recognition:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract(s);
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation in the contract(s); and
5. Recognise revenue when (or as) the performance obligations are satisfied.

From 1 July 2018, the Group has adopted the full retrospective approach to *AASB 15 Revenue from Contracts with Customers*. From the initial application of the standards, the cumulative impact to the opening balance of retained earnings is nil, as the timing of revenue recognition from contracts that were in progress at 1 July 2018 has not changed.

The Group has conducted a detailed review of its revenue contract and their respective services delivered to customers. As a result, the Group has recognised the following separate performance obligations on the platform as:

- Services provided to investors which include administration and management of their investments; and
- Services provided to fund managers which include listing financial products issued by fund managers on the platform.

Under AASB 15, revenue recognition for each of the revenue streams is as follows:

Revenue Stream	Performance Obligation	Timing of recognition
Services provided to investors which include administration, transacting and management of their investments	Platform Services on Netwealth's Platform	Over time as the customer simultaneously receives and consumes the benefits of accessing the platform and the services utilised. Revenue is calculated based on the daily Funds Under Administration (FUA) and the services utilised by the investor.
Services provided to fund managers which include listing financial products issued by fund managers on the platform.	Listing Fund/Model Services on Netwealth's Platform	Over time as services are provided. Revenue is calculated based on the number of funds/models listed, proportion to the duration the service has been rendered.

Revenue from providing Platform Administration Services is recognised in the accounting period in which the services are rendered.

For fixed-price Listing Fund/Model Services, revenue is recognised based on the actual service provided to the end of the reporting period over the duration of the agreed contractual period.

The Group's Platform Administration services also includes rebates under certain circumstances (family linked accounts). This is where clients can receive a partial rebate on the Platform Administration services for bringing family linked accounts onto the Platform. This was recognised under the 'expected value' methodology, which is based on a probability methodology.

During the FY2019, revenue of the contracts is summarised below:

Revenue stream	Revenue Recognition	\$'000
Platform Services	Over time	92,711
Listing Fund/Model Services	Over time	3,658
Total Platform Revenue		96,369

Based on the assessment of the Group's adoption of AASB 15 during the year, the Directors have determined that the financial impact from the new standard was not material. Additional information of the recognition of the Group's Revenue are included in Note 4.

New and revised Australian Accounting Standards and Interpretation on issue but not yet effective

New and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) which are not mandatory for the 30 June 2019 reporting period have not yet been applied in these financial statements. The Group's assessment of the impact of these new Standards and Interpretations are as below:

AASB 16 – Leases (applicable to annual reporting period beginning on or after 1 January 2019)

From 1 July 2019, the Group is required to adopt AASB 16 *Leases*, replacing AASB 117 *Leases*. The Group has elected to apply the modified retrospective approach. The Group has identified that Netwealth's only type of lease commitment is the Group's leases for office premises.

Under AASB 16, Netwealth's leases will be deemed financial leases and recognised on the Consolidated Statement of Financial Position over the period of the lease. From Netwealth's perspective, it will result in the recognition of a right-of-use (ROU) asset (less any incentive) and an associated lease liability, being the present value of future lease payments.

An interest expense will be recognised on the lease liabilities, together with depreciation of the ROU asset until the expiry of the lease, extended lease expiry (based on the likelihood on whether the extended lease period will be taken up) or early termination of the lease.

The change in the accounting standards will result in more of the recognition of expense to be brought forward in the earlier stages of the lease, as the lease liability is treated like a loan was taken out to acquire the premises.

Transition

The Group has elected to apply the modified retrospective approach as permitted by AASB 16. The cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance (if any) of retained earnings at 1 July 2019 with no restatement of comparative information.

The Group has chosen to measure the existing operating leases at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

Based on the elected transition method, the Group has assessed the estimated impact of AASB 16 on the Consolidated Statement of Financial Position on 1 July 2019 as follows:

Expected impact on Statement of Financial Position	\$'000
Increase in new lease liabilities	(2,535)
Increase in new right-of-use assets	2,073
Decrease from the existing lease incentive liability	462
Net impact on statement of financial position	-

At transition, the Group has lease incentive liability of \$0.5 million, which will be recognised as a reduction in the ROU assets.

NPAT is not expected to materially change, however, EBITDA will be positively impacted as the operating lease expense associated with these leases will be recognised as interest and depreciation, which is below EBITDA. These expenses will not be available for income tax deductions. The expected impact for FY2020 are:

Expected Impact on Statement of Profit or Loss	\$'000
Decrease in operating leases expense	(1,366)
Increase in interest expense	59
Increase in depreciation expense	1,327
Decrease in net profit before tax	(20)

3 Segment Information

The Group is organised into one reportable operating segment.

The reportable operating segment is based on the internal reports that are reviewed and used by the Board of Directors and the executive management team, identified as the Chief Operating Decision Makers (CODM), in assessing performance and in determining the allocation of resources. The CODM reviews segment profits (Segment EBITDA) on a monthly basis. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

All the Group's operations are based in Australia.

4 Revenue

Revenue and other income

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Revenue		
Platform revenue	96,369	81,460
Total platform revenue	96,369	81,460
Other income		
Net gain on disposal of investments	73	171
Unrealised investments gains	1	3
Dividends and distributions received	31	29
Interest received	846	617
Cost of capital recovery	1,438	911
Other Income	12	69
Total other income	2,401	1,800
Total income	98,770	83,260

Key Accounting Policies

Revenue is measured by reviewing each revenue contract and its respective services to customers to determine its performance obligation while allocating the transaction price to each performance obligation either over time or at a point in time. The performance obligations identified are:

Platform revenue

- Platform Services is recognised over time as the customer receives and consumes the benefits of accessing the platform and the services utilised
- Listing Fund/Model Services is recognised over time as the actual service are provided to the end of the reporting period over the duration of the agreed contractual period

Other income

- Gain from disposal of investments is recognised when the asset has been disposed
- Unrealised gains from investments is recognised when the fair value of the underlying asset has increased but not been disposed
- Dividend revenue is recognised when the right to receive a dividend has been established
- Cost of capital recovery is recognised when the right to recover the cost of subscribed Operational Risk Financial Requirement (ORFR) capital has been established
- Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that discounts the estimated future cash receipt thorough the expected life of the financial asset to that asset's net carrying amount on initial recognition

5 Expenses

5.1 Employee benefits expense

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Salaries and wages (including payroll tax)	27,626	24,804
Contributed superannuation	2,414	2,020
Share-based payment expense	66	66
Other employee benefits expenses	2,238	1,849
Total employee benefits expenses	32,344	28,739

5.2 Other operating expenses

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Operating expenses	9,707	8,214
Costs associated with the Group's Initial Public Offering	-	12,423
Non recurring client rectification costs and legal expenses	1,121	-
Total other operating expenses	10,828	20,637

5.3 Occupancy expenses

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Operating lease expense	1,327	1,394
Other occupancy expenses	287	293
Occupancy expenses	1,614	1,687

Key Accounting Policies

Short-term employee benefits

Current liabilities for wages and salaries (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period for the employees' services rendered. They are measured at the amounts expected to be paid when the obligation is settled.

Other long-term employee benefits

Long service leave are long-term employee benefits, where they are not expected to be settled wholly within 12 months after the end of the annual reporting period for the employees' services rendered. It is measured at the present value of the probability on expected future payments to be made to employees and are discounted at rates determined by reference to Group of 100 (G100) discount rate.

They are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Retirement benefit obligations

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution to the employee's superannuation fund of choice.

Operating lease

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

6 Income Taxes

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
a) The components of tax expense/(income) comprise:		
Current tax	16,707	7,188
Deferred tax	(1,826)	2,400
Under/(Over) provision from prior years	1	(16)
	14,882	9,572
b) The prima facie tax on profit before income tax is reconciled to income tax as follows: Prima facie tax before income tax at 30% (2018:30%):	15,024	8,756
Impact from tax consolidation	-	736
Other non-allowable/assessable items	(142)	80
Non-deductible impairment	-	-
Income tax expense attributable to entity	14,882	9,572
	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
c) The components of deferred tax assets comprise:		
Tax losses	-	820
Expenditure deductible over 5 years	3,538	4,838
Temporary differences	1,625	1,727
	5,163	7,385
d) The components of deferred tax liabilities comprise:		
Property, equipment and intangible assets	445	623
Investments	-	203
Temporary differences	18	33
	463	859

Effective tax rate

	30 June 2019	30 June 2018
Consolidated Group	29.7%	32.8%

The effective tax rate for FY2019 includes a capital tax loss recognised after the election to form a consolidated tax group. The effective tax rate excluding this for the year ended 30 June 2019 is 30.2%.

	Opening Balance	Charged to Income	Charged Directly to Equity	Transferred to Assets Held for Sale	Closing Balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets/liabilities					
Expenditure deductible over 5 years	2,431	2,407	-	-	4,838
Provision	1,508	(12)	-	-	1,496
Tax losses	-	820	-	-	820
Property, plant & equipment and intangible assets	-	(623)	-	-	(623)
FVTPL financial assets	-	(203)	-	-	(203)
Other temporary difference	187	11	-	-	198
Balance at 30 June 2018	4,126	2,400	-	-	6,526
Expenditure deductible over 5 years	4,838	(1,299)	-	-	3,539
Provision	1,496	(206)	-	-	1,290
Tax losses	820	(820)	-	-	-
Property, plant & equipment and intangible asset	(623)	178	-	-	(445)
FVTPL financial assets	(203)	203	-	-	-
Other temporary differences	198	118	-	-	316
Balance at 30 June 2019	6,526	(1,826)	-	-	4,700

Key Accounting Policies

The income tax expense/(income) for the year comprises current income tax payable/receivable and deferred tax expense/(income).

Current tax

The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Offsetting within tax consolidated group

Netwealth and its wholly owned subsidiaries have applied the tax consolidation legislation which result in these entities being taxed as a single entity. The deferred tax assets and deferred tax liabilities of these entities have been offset in the consolidated financial statements.

Key Accounting Policies

Netwealth Group Limited and its wholly-owned Australian subsidiaries formed an income tax consolidated group under the tax consolidation legislation with effect from 30 June 2018. Netwealth Group Limited is the head entity of the Group.

The tax consolidated group has entered a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The amounts payable or receivable under the tax-funding arrangement between the company head entity and the entities in the tax consolidated group are determined using the 'standalone taxpayer method' approach for allocation of the tax contributions payable or receivable by each member of the tax-consolidated group. This approach results in the tax effect of transactions being recognised in the legal entity where the transaction occurred and does not affect transactions that do not have tax consequences to the group.

Each entity in the Group recognises its own current and deferred tax assets and liabilities. Current tax liabilities/(assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity as under Australian taxation law, the head entity has the legal obligation (or right) to these amounts.

7 Key Management Personnel Compensation

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Short term employee benefits	1,556	1,501
Post-employment benefits	94	114
Share based payments	22	22
Key management personnel compensation	1,672	1,637

The remuneration paid to KMP of the Group during the year, was paid by Netwealth Group Services Pty Ltd, a subsidiary of the company. The remuneration disclosures are provided in the 'Remuneration Report' on pages 37 to 49 of the Annual Report.

8 Dividends

Dividends paid or declared by the Company in the year ended 30 June 2019 were:

	Cents Per Share	Total Amount \$'000	% Franked	Date of Payment
2019				
Interim 2019 ordinary	5.50	13,072	100%	28 Mar 2019
Total dividend	5.50	13,072		
2018				
Final 2018 ordinary	5.38	12,799	100%	27 Sep 2018
Special 2018 ordinary	5.18	12,300	100%	27 Sep 2018
Total dividend	10.56	25,099		

During the year, the Company declared on 18 February 2019 and paid on 28 March 2019 a fully franked dividend of 5.50 cents per share representing a total dividend of \$13,072,000. There is no dividend reinvestment plan.

Franking credits

Franking credits available to shareholders of the Company amount to \$14,722,573 (2018: \$17,804,548) at the 30 percent (2018: 30 percent) corporate tax rate.

Subsequent events

Since the end of the financial year, the Company declared the following dividend on 19 August 2019. The dividend has not been provided for as at 30 June 2019 and there are no tax consequences.

	Cents Per Share	Total Amount \$'000	% Franked	Date of Payment
Final 2019 ordinary	6.60	15,686	100%	26 Sep 2019
Total dividend	6.60	15,686		

9 Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares on issue during the year.

Diluted EPS is determined by adjusting the profit/(loss) attributable to owners of the Company and the weighted average number of ordinary shares on issue for the effects of all dilutive ordinary shares. As there were no options at the start of the financial year or granted during the year, the basic and diluted EPS are identical and summarised below. Note that the performance shares are not considered dilutive as the shares are yet to vest.

	Consolidated Group	
	30 June 2019 Cents per Share	30 June 2018 Cents per Share
Basic and diluted earnings per share		
From continuing operations	14.81	8.44
From discontinued operations	(0.38)	0.52
Basic and diluted earnings per share	14.43	8.96

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Profit for the year from continuing operations attributable to owners of the Company	35,201	19,617
(Loss)/Profit for the year from discontinued operations attributable to owners of the Company	(906)	1,201
Profit for the year attributable to owners of the Company	34,295	20,818

	30 June 2019 Number	30 June 2018 Number
Weighted average number of issued ordinary shares	237,679,816	232,282,857

10 Trade and Other Receivables

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Product account receivables	8,336	5,733
Trade and sundry receivables	229	226
Total current receivables	8,565	5,959
Total trade and other receivables	8,565	5,959
Trade and other receivables classified as financial assets*	8,565	5,959

* Refer to Note 21 for further information about Financial Assets

11 Other Current Assets

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Accrued income	1,376	1,148
Prepayments	1,950	1,270
Other receivables	158	92
Total other current assets	3,484	2,510

12 Financial Assets

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
FVTPL* financial assets	3,301	7,833
Total financial assets	3,301	7,833
Current	3,301	5,606
Non-current	-	2,227
Total financial assets	3,301	7,833

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
FVTPL* financial assets comprise at fair value:		
Netwealth managed funds	16	16
Netwealth wrap and super accounts	1,114	750
Other investments#	2,171	7,067
Total FVTPL financial assets	3,301	7,833

* Fair Value through Profit or Loss (FVTPL)

The Group expects to receive the final deferred payment of \$2.1 million in April 2020 (minimum guaranteed amount) from sale of BFS operations. Refer to Note 20 and 21 for more information.

13 Property and Equipment

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Carrying amount of:		
Leasehold improvements	1,643	2,077
Equipment	890	782
Total property and equipment	2,533	2,859

	Leasehold Improvements \$'000	Equipment \$'000	Total \$'000
Cost			
Balance at 30 June 2017	3,075	1,963	5,038
Additions	436	475	911
Disposals	(138)	(101)	(239)
Balance at 30 June 2018	3,373	2,337	5,710
Additions	101	491	592
Disposals	(363)	(152)	(515)
Balance at 30 June 2019	3,111	2,676	5,787
Accumulated Depreciation			
Balance at 30 June 2017	(1,087)	(1,338)	(2,425)
Depreciation expense	(298)	(316)	(614)
Disposals	89	99	188
Balance at 30 June 2018	(1,296)	(1,555)	(2,851)
Depreciation expense	(281)	(383)	(664)
Disposals	109	152	261
Balance at 30 June 2019	(1,468)	(1,786)	(3,254)
	Leasehold Improvements \$'000	Equipment \$'000	Total \$'000
Net carrying amount			
At 30 June 2018	2,077	782	2,859
At 30 June 2019	1,643	890	2,533

Key Accounting Policies

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

Leasehold improvements

Leasehold improvements are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses.

Repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Depreciation is recognised in profit or loss.

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

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	10%
Office equipment	20%
Computer equipment	25% to 33%
Laptop computers and software	33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains or losses on disposal

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss in the period in which they arise.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

14 Intangible Assets

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Carrying amount of:		
Non-contractual customer relationships	240	300
Software and website developments costs	143	43
Total intangibles	383	343

	Customer relationship \$'000	Software and website \$'000	Total \$'000
Cost			
Balance at 30 June 2017	-	5,276	5,276
Additions	300	-	300
Disposals	-	-	-
Balance at 30 June 2018	300	5,276	5,576
Additions	-	149	149
Disposals*	-	(5,080)	(5,080)
Balance at 30 June 2019	300	345	645

*This relates to the write-off on redundant external software and website development costs capitalised between 2002 and 2011 and which were fully amortised by FY2016.

	Customer relationship \$'000	Software and website \$'000	Total \$'000
Accumulated amortisation and impairment			
Balance at 30 June 2017	-	(5,169)	(5,169)
Amortisation	-	(64)	(64)
Disposal	-	-	-
Balance at 30 June 2018	-	(5,233)	(5,233)
Amortisation	(60)	(35)	(95)
Disposals*	-	5,066	5,066
Balance at 30 June 2019	(60)	(202)	(262)

*This relates to the write-off on redundant external software and website development costs capitalised between 2002 and 2011 and which were fully amortised by FY2016.

Key Accounting Policies

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. Gains or losses arising are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Intangible assets with either indefinite useful lives or not yet available for use are tested for impairment at least annually. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Amortisation

The amortisation amount of all intangibles is amortised on a straight-line basis over the intangible's useful life to the Group commencing from the time the asset is held ready for use. Amortisation is recognised in profit or loss.

The amortisation rates used for each class of amortisable assets are:

Class of Intangibles	Amortisation Rate
Customer relationships	20%
Software and website	20%

15 Trade and Other Payables

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Financial liabilities measured at amortised cost:		
Trade payables	5,914	4,444
GST payables / (receivables)	413	(161)
Other payables	-	7
Total financial liabilities measured at amortised cost	6,327	4,290
Financial liabilities at amortised costs classified as trade and other payables		
Total financial liabilities at amortised cost	6,327	4,290
Less:		
GST payable / (receivables)	413	(161)
Total financial liabilities as trade and other payables	5,914	4,451

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included as part of trade and other payables in the statement of financial position.

16 Provisions

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Employee benefits	3,635	3,169
Legal and other associated costs	-	619
Other provisions	238	285
Total provisions	3,873	4,073
Current	3,206	3,490
Non-current	667	583
Total provisions	3,873	4,073

	Employee Benefits	Legal and Other Associated Costs	Other Provisions	Total Provisions
	\$'000	\$'000	\$'000	\$'000
Analysis of Provisions Consolidated Group				
Balance at 30 June 2018	3,169	619	285	4,073
Additional amounts raised during the year	2,628	-	31	2,659
Amount used or reversed during the year	(2,162)	(619)	(78)	(2,859)
Balance at 30 June 2019	3,635	-	238	3,873

16.1 Provision for employee benefits

Provision for employee benefits represents an amount accrued for annual leave and long service leave. The current portion for this provision includes the total amount accrued for annual leave entitlements and the amount accrued for long service leave is a pro-rata amount accrued based on the current years of service, adjusted for an assumed rate of salary increase and discounted to allow for when the leave is expected to be taken. Based on experience the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months.

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Current		
Annual leave	1,692	1,548
Long service leave	1,276	1,038
Total current employee provisions	2,968	2,586
Non-current		
Long service leave	667	583
Total non-current employee provisions	667	583
Total employee provisions	3,635	3,169

16.2 Provisions for legal and other associated costs

As part of the sale of Australian Planning Services Pty Ltd (APS), the Group has agreed to indemnify APS in respect of claims, up to an amount of \$1.0 million. During FY2019, the remaining \$619,008 was utilised to cover outflows in relation to claims in the previous financial year, which had been disclosed in the 2017 and 2018 annual financial report. No further indemnities or warranties in relation to the liabilities of APS or litigation against APS were provided to the purchaser.

16.3 Other provisions

A provision of \$0.2 million has been recognised for the cost to make good premises that the Group has an obligation under existing lease commitments.

Key Accounting Policies

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of the time value of money is material, provision is discounted using the current pre-tax rate that reflects the risks specific to the liability.

17 Issued Capital

Issued capital comprised:

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
237,679,816 Fully Paid Ordinary shares (June 2018: 237,679,816)	879,415	879,415
6,177,500 Performance shares (June 2018: 6,457,500)	2,937	3,095
Total share capital	882,352	882,510
Restricted shares	(3,340)	(3,743)
Reorganisation reserve	(855,508)	(855,508)
Issued capital	23,504	23,259

The Company has recognised in FY2018 a Reorganisation Reserve of \$856 million to reflect the market value of \$3.70 per Fully Paid Ordinary share from the restructure of equity at listing.

	Consolidated group	
	30 June 2019 Number	30 June 2018 Number
Fully Paid Ordinary shares		
At the beginning of the reporting period	237,679,816	29,662,249
Shares issued during the year	-	-
Converted from Partly Paid Ordinary shares	-	3,000,000
Converted from Class 'A' shares	-	352,869
Converted from Foundation shares	-	890,000
Exercised option to convert	-	40,000
Splitting of shares at IPO (seven shares for every one share)	-	203,670,708
Employee share gift issued at IPO	-	63,990
At the end of the reporting period	237,679,816	237,679,816
Shares with value	235,531,493	233,930,359
Restricted shares	2,148,323	3,749,457

	Consolidated group	
	30 June 2019 Number	30 June 2018 Number
Performance shares		
At the beginning of the reporting period	6,457,500	937,500
Shares issued during the year	-	-
Shares cancelled during the year	(280,000)	(15,000)
Splitting of shares at IPO (seven shares for every one share)	-	5,535,000
At the end of the reporting period	6,177,500	6,457,500
Restricted shares	6,177,500	6,457,500

The Company has issued share capital amounting to 237,679,816 Ordinary shares (2018: 237,679,816 shares) of no par value and 6,177,500 Performance shares (2018: 6,457,500 shares) of no par value. As part of the capital reorganisation in FY2018, each share on issue was split into seven shares.

At shareholders' meetings each Ordinary share is entitled to one vote when a poll is called, otherwise each Ordinary shareholder has one vote on a show of hands. Performance shares are not entitled to vote and do not participate in dividends. Restricted shares have no value until the employee loan associated with the Share Based Payment arrangement has been fully repaid.

18 Reserves

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Share reserve	844	778

The Share reserve records the fair value of shares granted via Share-based payment transactions.

Key Accounting Policies

Ordinary shares are classified as equity. The incremental costs directly attributable to the issue of new equity instruments are expensed, net of GST, in the consolidated statement of profit or loss and other comprehensive income.

19 Controlled Entities

	Country of Incorporation	Percentage Owned	
		30 June 2019 %	30 June 2018 %
Subsidiaries of Netwealth Group Limited			
Netwealth Holdings Limited	Australia	100	100
Subsidiaries of Netwealth Holdings Limited			
Netwealth Investment Limited	Australia	100	100
Netwealth Group Services Pty Ltd	Australia	100	100
Bridgeport Financial Service Pty Ltd	Australia	-	100
Netwealth Advice Group Pty Ltd	Australia	100	100
Subsidiaries of Netwealth Advice Group Limited			
Pathway Licensee Services Pty Ltd	Australia	-	100

On 17 July 2019, Bridgeport Financial Services Pty Ltd and Pathway Licensee Services Pty Ltd (PLS) were deregistered as these were non-operating businesses.

Subsidiary financial statements prepared for Netwealth Investment Limited as at the same reporting date were used in the preparation of these consolidated financial statements. Refer to page 56 on the 'Principles of Consolidation'.

20 Divestments and discontinued operations

20.1 Disposal of non-core businesses

The Group has divested its interests held in non-core businesses of BFS, PLS and APS in prior financial years. Collectively, they were recognised as the Group's Discontinued Operations in FY2018 and FY2017.

20.2 Adjustment in current period to amounts previously presented in discontinued operations

In April 2019, the Group received the first deferred payments of \$4.0 million from the sale of the business of BFS that occurred on 1 March 2018. The recurring revenues for the preceding 12 months to March 2019 which were used to calculate the deferred payments were lower than previous estimates, resulting in the impairment of \$0.8 million. Following further estimates of recurring revenues for the following 12 months to March 2020, the Group has further impaired the remaining receivables by \$0.1 million. No further impairment is expected as the sale agreement guarantee a minimum payment, which is now recognised as the fair value. As this is an adjustment to an amount previously presented in discontinued operations, the Group has continued to classify this impairment in discontinued operations.

20.3 Analysis of profit for the year from discontinued operations

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Profit/(loss) before tax	(906)	1,557
Attributable income tax expense	-	(356)
Profit/(Loss) after tax	(906)	1,201
Profit/(Loss) for the year from discontinued operations (attributable to owners of the Company)	(906)	1,201

20.4 Analysis of asset and liabilities associated with discontinued operations operation held for sale

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Net liabilities of businesses classified as held for sale	-	(8)

Key Accounting Policies

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

21 Financial Instruments

21.1 Capital management

The Board controls the capital of the Group to ensure that the Group can fund its operations and continue as a going concern while maintaining an appropriate debt to equity ratio.

The Group's capital and debt includes share capital, retained earnings, and financial liabilities, supported by financial assets. The Group's financial liabilities are Trade and Other Payables and Borrowings.

The Board manages the Group's capital by assessing the Group's financial risks and commitments and adjusting its capital structure in response to these risks and the market.

There have been no changes in the strategy adopted to control the capital of the Group during the financial year.

Under the RSE license granted by APRA, the licensed entity is required to maintain sufficient level of capital known as Operational Risk Financial Requirements (ORFR) to cover operational risk. At 30 June 2019, this ORFR requirement was \$24.5 million. Combined with ASIC's RG166 capital requirements for Australian Financial Services Licensees, the licensed entity was also required to maintain an additional \$10.0 million in net tangible assets as at 30 June 2019. The licensed entity satisfied both of these requirements at all times during the year.

21.2 Categories of financial instruments

The Group's financial instruments consist mainly of deposits with banks, local money markets investments, short term investments, accounts receivable and payable. For the year ended 30 June 2019, the Group did not utilise derivatives, was debt free and has not traded in financial instruments including derivatives other than listed and unlisted securities. The carrying amount for each category of financial instruments, measured in accordance with *AASB 9 Financial Instruments*, as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Financial assets		
Cash and Cash Equivalents	58,459	52,669
Trade and Other Receivables	8,565	5,959
Financial Assets	3,301	7,833
Total financial assets	70,325	66,461
Financial liabilities		
Trade and Other Payables	6,327	4,290
Total financial liabilities	6,327	4,290

21.3 Financial risk management objectives

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board on a regular basis. These include the credit risk policies and future cash flow requirements.

Senior executives meet on a regular basis to analyse financial risk exposure in the context of the most recent economic conditions and forecasts. The overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk, relating to interest rate risk and other price risk.

There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board of Director's objectives, policies and processes for managing or measuring the risks from the previous period.

21.4 Market risk

i. Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The Group also manages interest rate risk by ensuring that, whenever possible, payables are paid within pre-agreed credit terms.

ii. Other Price Risk

Other price risks relate to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes on market prices largely due to demand and supply factors (other than those arising from interest rate risk) for securities. The Group's exposure to securities price risk arises mainly from FVTPL financial assets.

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a variable is independent of other variables.

	Consolidated Group	
	Profit (Before Tax) \$'000	Equity \$'000
Year ended 30 June 2019		
+/- 1% interest rates (interest income)	+488/-488	+342/-342
Year ended 30 June 2018		
+/- 1% interest rates (interest income)	+465/-465	+325/-325

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.

21.5 Credit risk management

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. The Group's objective in managing credit risk is to minimise the credit losses incurred, mainly on trade and other receivables and loans. There is no significant credit risk exposure on fair value through profit and loss (FVTPL) financial assets and held to maturity investments.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets as presented in the statement of financial position.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically mentioned within Note 10. The main source of credit risk to the Group is considered to relate to the class of assets described as "trade and other receivables" and "loans".

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are of high credit quality.

	Amount	Past Due but Not Impaired (Days Overdue)			Within Initial Trade Terms	Past Due and Impaired
		31 - 60	61 - 90	>90		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019						
Trade and term receivables	229	9	10	2	208	-
Other Receivables	8,336	-	-	-	8,336	-
Total	8,565	9	10	2	8,544	-
2018						
Trade and term receivables	226	9	2	3	212	-
Other Receivables	5,733	-	-	-	5,733	-
Total	5,959	9	2	3	5,945	-

Cash and cash equivalents are held with large reputable financial institutions within Australia where the credit risk is considered very low or in the cash account within the Netwealth Wrap service. The cash holdings within the Netwealth Wrap service are also held with a large reputable financial institution within Australia where the credit risk is considered low.

21.6 Liquidity risk management

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000
2019				
Trade & Other Payables	5,914	-	-	5,914
Total Expected Outflows	5,914	-	-	5,914
Cash and Cash Equivalents	58,459	-	-	58,459
Trade and Other Receivables	8,565	-	-	8,565
Financial Assets	3,301	-	-	3,301
Total anticipated inflows	70,325	-	-	70,325
Net (outflow)/inflow of financial instruments	64,411	-	-	64,411
2018				
Trade & Other Payables	4,451	-	-	4,451
Total Expected Outflows	4,451	-	-	4,451
Cash and Cash Equivalents	52,669	-	-	52,669
Trade and Other Receivables	5,959	-	-	5,959
Financial Assets	5,606	2,227	-	7,833
Total anticipated inflows	64,234	2,227	-	66,461
Net (outflow)/inflow of financial instruments	59,783	2,227	-	62,010

21.7 Fair value of financial instruments

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair value for listed securities is obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques used by market participants.

	Net Carrying Value		Net Fair Value	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash & Cash Equivalent	58,459	52,669	58,459	52,669
Trade & Other Receivables	8,565	5,959	8,565	5,959
FVTPL Financial Assets	3,301	7,833	3,301	7,833
Loans & Receivables	-	-	-	-
Total financial assets	70,325	66,461	70,325	66,461
Financial liabilities				
Trade & Other Payables	5,914	4,451	5,914	4,451
Total financial liabilities	5,914	4,451	5,914	4,451

The fair values disclosed in the above table have been determined based on the following methodologies:

- i. Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts relating to the provision of annual leave and deferred revenue which is outside the scope of AASB 9.
- ii. For listed FVTPL, closing quoted bid prices at the end of the reporting period are used.
- iii. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market and approximate their fair value.

Financial instruments measured at fair value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
2019				
Financial assets				
FVTPL financial assets:				
Listed Investments	1,021	-	-	1,021
Other	-	-	2,280	2,280
Total FVTPL financial assets	1,021	-	2,280	3,301
2018				
Financial assets				
FVTPL financial assets:				
Listed Investments	661	-	-	661
Other	-	-	7,172	7,172
Total FVTPL financial assets	661	-	7,172	7,833

The listed investments are valued by reference to the quoted prices in active markets for identical securities and are deemed to be Level 1 securities in accordance with AASB 13 fair value hierarchy of measurement. In this regard, there is no subjectivity in relation to their value as listed investments.

In valuing investments that maybe included in Level 2 of the hierarchy, valuation techniques, such as comparison to similar investments for which market observable prices are available, are adopted to determine the fair value of these investments.

Level 3 inputs are unobservable inputs for the asset or liability. Majority relate to deferred payments receivable from the sale of BFS with the reconciliation shown in the table below:

Reconciliation of Level 3 fair value measurements

	Unlisted Investments	Deferred Receivables*	Total
	\$'000	\$'000	\$'000
2019			
Opening balance	156	7,016	7,172
Total gains or losses	5	-	5
Purchases	1	-	1
Disposal	(2)	(3,990)	(3,992)
Impairment	-	(906)	(906)
Closing balance	160	2,120	2,280
2018			
Opening balance	249	-	249
Total gains or losses	2	-	2
Purchases	85	7,016	7,101
Disposal	(180)	-	(180)
Closing balance	156	7,016	7,172

*relates to deferred payments receivable from sale of Bridgeport Financial Services Pty Ltd

Expected credit losses

The table below presents the gross exposure and related expected credit losses allowance for assets, subject to impairment requirements of AASB 9.

	2019*		2018	
	Gross Exposure \$'000	ECL Allowance \$'000	Gross Exposure \$'000	ECL Allowance \$'000
Trade Receivables^	8,505	4	5,959	-
Intercompany Loans~	12,932	13	19,678	-
Other#	3,301	14	7,833	-
Total	24,738	31	33,470	-

* ECL Allowance were introduced under AASB 9 effective from FY2019.

^ Intercompany debtors excluded from ECL Allowance calculations as generally collected within 14 days.

~ Intercompany loans were assessed on a stand-alone company basis

FY2019 includes \$2.1 million BFS deferred payments receivables due in April 2020.

Key Accounting Policies

Initial recognition and measurement

Financial Instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations in the specified in the contract expire, discharge or cancelled.

Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments are adjusted against the fair value of the financial assets or financial liabilities, on initial recognition.

Financial assets

Financial assets are required to be subsequently measured at Amortised Costs, Fair Value Through Profit and Loss ("FVTPL") or Fair Value Through Other Comprehensive Income ("FVTOCI").

Debt instruments

For debt instruments to be subsequently measured at amortised cost, the financial asset must be held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest.

For debt instruments to be subsequently measured at FVTOCI, the financial assets must be held within a business model whose objectives are to collect contractual cash flows that are solely payments of principal and interest and selling financial assets.

Trade and other receivables, cash and cash equivalents and trade, other payables and Unlisted Investments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, resulting in being subsequently measured at FVTPL.

All other debts and equity investments are subsequently measured at FVTPL.

Listed Investments are comprised of Redeemable Notes which are quoted on an active market, resulting in being subsequently measured at FVTPL.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are required to assess the financial asset against an Expected Credit Losses (ECL) model to recognise the possible loss that could be derived. On top of applying the ECL model, when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected, the recognition of the ECL is adjusted to reflect it.

Expected credit losses (ECL)

Financial assets are required to determine the ECL to recognise the possible loss derived from the Financial Asset.

Key Accounting Policies continued...

Trade and Other receivables are assessed for ECL on a collective basis. Any intergroup receivables are excluded from the ECL assessment as they are typically paid within 14 days. A credit loss model is applied and using historical trend, management has determined the Expected Loss Probability as:

Category	Expected Loss Probability
Current	0.10%
1 – 30 Days	0.50%
31 – 60 Days	0.75%
61 – 90 Days	1.00%
Over 90 Days	3.00%

These Expected Loss Probability is applied to each aging category to calculate the ECL.

Intercompany Loans are required to calculate it's ECL on a stand-alone basis despite being fully eliminate across the Group at consolidation. Management has assessed the risk of an intercompany loan being unable to repay the intercompany loan to be low as control of the intercompany loan remains within the Group. The lowest Expected Loss Probability has been applied against the intercompany loan to determine the ECL.

For Listed Investments that are measured at FVTPL, the amount of the ECL is measured by applying the 3-month average 1-year price return discounted rate to ascertain the probable risk the value of the Listed Investment drops below FVTPL. The difference between the probable impact on present value and the cost is the ECL.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

22 Share Based Payments

22.1 Details of the employee share plans of the Group

Netwealth employee share loan plan

The Group has an existing share loan plan, the Pre-Listing LTI Scheme described on pages 47 to 48 which applies to performance shares and has been in effect since 2013.

The Group has adopted the New LTI Scheme described on page 41 under which the Group will, from time to time, grant performance securities to certain employees at the discretion of the Board.

It is at the discretion of the directors which employees will be issued invitations to apply for shares pursuant to the Scheme and the number of shares subject to the invitation.

Performance shares

Performance shares issued under the Pre-Listing LTI Scheme are subject to vesting conditions set by the Board at the time of grant in respect of tenure, individual performance and behaviour ratings and the Group's EPS performance and are issued at an exercise price which the Board of Director's determined to be their value as at the date of grant. Under the rules of the Pre-Listing LTI Scheme and the terms of grant, the number of shares vesting on expiry of the employment period (ending December 2020) shall be determined by reference to the following EPS target for FY2020.

Earnings Per Share for FY2020	Proportion of Performance Shares That Vest
\$0.1571 or more	100%
\$0.1414 or more but less than \$0.1571	90%
\$0.1271 or more but less than \$0.1414	80%
\$0.1143 or more but less than \$0.1271	70%
less than \$0.1143	Nil

The following vesting conditions apply to the Performance shares:

- The holder must be either continuously employed by or hold office continually with until 31 December 2020;
- In each of the four financial years ending with the FY2020, the holder must achieve performance ratings of 'Achieving'; and
- In each of the four financial years ending with FY2020, the holder must achieve behaviour ratings of 'Effectively displays'.

Performance shares that do not vest will be compulsorily divested at a price of \$0.6143 per Performance Share as at 31 December 2020. A holder does not receive any part of the proceeds of divestiture. Employees are entitled to keep their shares after termination of employment – subject to the basis of termination.

The following shares were granted during the previous financial years and are included in share-based payment:

Series	Grant date	Number	Plan	Expiry Date	Exercise Price	Fair Value at Grant Date
Series 10	11 August 2016	6,002,500	Performance shares	8 November 2026	\$0.47	\$0.04
Series 13	19 May 2017	175,000	Performance shares	8 November 2026	\$0.61	\$0.05

22.2 Share options

No share options were exercised during the year (2018: \$40,000). There are no outstanding share options at the end of the year (2018: nil).

Key Accounting Policies

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

23 Related Party Transactions

The Group's main related parties are as follows:

23.1 Entities exercising control over the Group

The parent entity, which exercises control over the Group is Netwealth Group Limited.

23.2 Key management personnel

For details of disclosures relating to key management personnel, refer to the Remuneration Report on pages 37 to 49 and Note 7.

23.3 Other related parties

Other related parties include immediate family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidations and are not disclosed in this note.

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Director related entities		
Netwealth Group Services has generated revenue by providing administration services to director related entities during the year are as follows:		
Other entities:		
Australian Planning Services Pty Ltd	-	56,647
Heine Brothers Pty Ltd	12,000	12,000

Related parties

Netwealth Investments Limited is the Responsible Entity and receives management fees for managing the operations of managed investment schemes. The 16 managed investment schemes that Netwealth Investments Limited is the Responsible Entity for are:

- Netwealth Index Opportunities Conservative Fund
- Netwealth Index Opportunities Balanced Fund
- Netwealth Index Opportunities Growth Fund
- Netwealth Active Conservative Fund
- Netwealth Active Balanced Fund
- Netwealth Active Growth Fund
- Netwealth Active High Growth Fund
- Netwealth Australian Bond Index Fund
- Netwealth Australian Property Index Fund
- Netwealth Australian Equities Index Fund
- Netwealth Unhedged International Equities Index Fund
- Netwealth Global Bond Index Fund
- Netwealth Hedged International Equities Index Fund
- Netwealth Managed Account
- Netwealth Managed Account Service
- Netcash

Netwealth Investments Limited also holds units in some of these Schemes through which distributions are paid from the above Schemes.

	Consolidated Group	
	30 June 2019	30 June 2018
	\$	\$
Management fees:		
Management fee revenue	4,334,624	3,368,364
Distributions:		
Distribution income	792	861

Netwealth Investments Ltd holds units in the Netwealth Managed Investment Schemes in its capacity as custodian of the Netwealth Wrap Service and trustee of the Netwealth Superannuation Master Fund. It does not exercise control over these Managed Investment Schemes and therefore they are not considered subsidiaries of the Group.

Netwealth Investments Limited holds investments in Netwealth products as follows:

	Consolidated Group	
	30 June 2019	30 June 2018
	\$	\$
FVTPL financial assets		
Netwealth Managed Funds	17,430	16,280
Netwealth Wrap and Super Accounts	1,247,970	864,988

24 Cash Flow Note

Reconciliation of cash flow from operations with profit after income tax

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Profit for the year	34,295	20,818
Income tax expense recognised in profit or loss	14,882	9,628
Depreciation & amortisation	759	741
Impairment	906	627
Share based payment expense	66	66
Unrealised (gain)/loss on investments	-	(3)
Adjustments on make good provision	(47)	(7)
Loss/(gain) on disposal of assets	268	(171)
Gain on disposal of investments	(73)	(1,249)
	51,056	30,450
Movements in working capital		
(Increase)/decrease in trade & other receivables	(2,159)	71
(Increase)/decrease in other assets	(975)	(945)
Increase/(decrease) in trade & other payables	1,641	(996)
Increase/(decrease) in provisions	(154)	(143)
Cash generated from operations	49,409	28,437
Income tax paid	(8,652)	(10,382)
Net cash provided by operating activities	40,757	18,055

Reconciliation of liabilities arising from financing activities

	30 June 2018 \$'000	Cash Flows	Non-Cash Changes		30 June 2019 \$'000
			Acquisitions	New Leases	
Lease liabilities ¹	-	-	-	-	-
Total liabilities from financing activities	-	-	-	-	-

¹ The Group does not have any leases arising from financing activities.

Key Accounting Policies

Cash and cash equivalents includes:

- cash on hand
- deposits held at-call with banks; and
- other short-term highly liquid investments with original maturities of three months or less, (including products managed via the netwealth platform).

25 Capital and Leasing Commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Payables – minimum lease payments:		
Not later than 12 months	1,499	1,635
Between 12 months and 5 years	1,704	2,639
Total operating lease payables	3,203	4,274

The consolidated property leases are non-cancellable leases with terms of up to five years. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by either the Consumer Price Index (CPI) or defined per annum. Options exist over various leases to renew the lease at the end of the five-year term for an additional term of five years. Various leases also allow for subletting of lease areas. The operating lease payments for FY2019 is \$1,567,539 (FY2018: \$1,291,099).

Capital commitments

The Group had no capital commitments as at 30 June 2019.

26 Parent Entity Disclosures

The accounting policies of 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 2 for a summary of the significant accounting policies relating to the Group.

Statement of Financial Position	Parent Entity	
	30 June 2019 \$'000	30 June 2018 \$'000
Assets		
Cash and cash equivalents	121	-
Current assets	11,064	4,789
Non-current assets	2,245	6,039
Investment in subsidiaries	43,576	43,576
Total assets	57,006	54,404
Liabilities		
Current liabilities	22,710	19,420
Total liabilities	22,710	19,420
Net assets	34,296	34,984
Equity		
Issued Capital	879,011	878,767
Reserves	(834,889)	(834,889)
Retained Earnings	(9,826)	(8,894)
Total equity	34,296	34,984
Statement of profit or loss and comprehensive income		
Total Profit/(Loss) for the year	37,238	(8,894)
Total Comprehensive Profit / (Loss) for the year	37,238	(8,894)

Guarantees: During the financial year, the parent entity has entered into a deed of cross guarantee with its subsidiaries; Netwealth Holdings Limited, Netwealth Group Services Pty Ltd and Netwealth Advice Group Pty Ltd in order for them to be relieved from financial reporting obligations under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

Contractual commitments: At 30 June 2019, the parent entity had not entered into any contractual commitments for the acquisition of property and equipment or any operating leases (2018: nil).

Contingent liabilities: At 30 June 2019, the parent entity does not have any contingent liabilities (2018: nil).

27 Auditor's Remuneration

	Consolidated Group	
	30 June 2019 \$'000	30 June 2018 \$'000
Fees payable for audit and review of financial reports		
Current auditors	132	124
Fees payable for other services		
Taxation		
Current auditor	-	-
Other		
Current auditor	268	540
Total fees paid to group auditor	400	664

28 Events Occurring after Reporting Date

On the 19th of August the Company declared a fully franked final dividend for FY2019 of 6.60 cents per share (total dividend of \$15,686,868). The final dividend is payable on 26 September 2019.

In the opinion of the Board, there are no other matters or circumstances which have arisen between 30 June 2019 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs for the Group in subsequent financial periods.

Directors' Declaration

The Directors declare that:

- a. the attached financial statements and notes in accordance with the Corporations Act 2001, comply with Accounting Standards, Corporation Regulations 2001 and other mandatory professional reporting requirements;
- b. the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the consolidated entity; and
- c. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'J A Tongs', written in a cursive style.

Jane Tongs

Chairman

Dated 19 August 2019

Independent Auditor's Review Report



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Independent Auditor's Report to the Members of Netwealth Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Netwealth Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, 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 2019 of and of its financial performance for the year then ended; 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for 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.

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Member of Deloitte Asia Pacific Limited and the Deloitte Network.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Revenue Recognition – Platform Revenue As at 30 June 2019, \$96million of Platform Revenue has been recognised as disclosed in Note 5. Administration and Management fees within Platform Revenue are calculated on a number of different factors such as daily portfolio balance, number of days in a period and any rebates granted. This revenue is calculated in a highly automated system. Given the number of data feeds which are required we note a risk to the accuracy of revenue recorded should these not be captured and/or recorded in Netwealth's accounting system correctly.	Our procedures included, but were not limited to: - Updating our understanding of the system, procedures and controls in place for the Platform Revenue; - Assessing that the controls over Platform Revenue are operating effectively, including the setup of a sample of agreements in the system; - Performing general IT controls testing over the systems that support the Platform revenue; and - Performing an analytical review of revenue items based on fee rates within agreements and funds under administration, and - Recalculating on a sample basis, of manual fees and family fee rebates granted based on fee rates within agreements. We have also assessed the appropriateness of the disclosures in Note 5 to the financial statements

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 37 to 49 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Netwealth Group Limited, for the year ended 30 June 2019, 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.

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants
Melbourne, 19 August 2019

Shareholder Information

Ordinary Shares (ASX Listed)

The shareholder information set out below was applicable at 1 August 2019.

Distribution of shareholdings

Range	Ordinary Shares	Number of shareholders
1-1,000	801,201	1,730
1,001-5,000	3,903,411	1,574
5,001-10,000	2,527,880	348
10,001-100,000	3,517,982	158
100,001 and over	226,929,343	30

There were no holder of less than a marketable parcel of ordinary shares.

Top 20 Holders

Rank	Name	Ordinary shares	% of Issued Capital
1	Heine Brothers Pty Ltd	125,904,990	52.97%
2	HSBC Custody Nominees (Australia) Limited	30,574,111	12.86%
3	Leslie Max Heine Pty Ltd <ATF The LMH Trust>	22,109,465	9.30%
4	J P Morgan Nominees Australia Limited	14,585,038	6.14%
5	Netwealth Investments Limited <Wrap Services A/C>	13,366,806	5.62%
6	BNP Paribas Noms Pty Ltd <DRP>	4,289,083	1.80%
7	Citicorp Nominees Pty Limited	2,581,555	1.09%
8	Netwealth Investments Limited <Super Services A/C>	2,554,649	1.07%
9	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,981,617	0.83%
10	National Nominees Limited	1,974,149	0.83%
11	Citicorp Nominees Pty Ltd <Colonial First State Inv A/C>	947,627	0.40%
12	Matthew Alexander Max Heine	829,231	0.35%
13	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	751,969	0.32%
14	Buttonwood Nominees Pty Ltd	710,421	0.30%
15	Asset Plus Pty Ltd <ATF The Headline Investments Trust>	467,642	0.20%
16	Sandhurst Trustees Ltd <JMFG Consol A/C>	388,334	0.16%
17	Mirrabooka Investments Ltd	338,440	0.14%
18	John Hanrahan	308,468	0.13%
19	Primecare Pty Ltd <The Borg Macaulay Family A/C>	270,116	0.11%
20	Paul O'Connor	269,234	0.11%
Total		225,202,945	94.73%
Balance of register		12,476,872	5.27%
Grand total		237,679,817	100.00%

Substantial holdings (as at 1 August 2019)

Substantial Holder	Number of Ordinary shares in which the holder (or their associates) have a relevant interest
Heine Brothers Pty Ltd	125,904,990
HSBC Custody Nominees (Australia) Limited	30,725,414
Leslie Max Heine Pty Ltd <ATF The LMH Trust>	22,109,465
Netwealth Investments Limited <Wrap Services A/C>	13,366,806

Ordinary shares voting rights

At a general meeting of the Company, every shareholder present in person or by proxy has one vote on a show of hands. Upon a poll, each share has one vote.

On-market buy-back

Currently the Company does not have an on-market buy back scheme in operation.

Unlisted Performance Shares

As at 1 August 2019, there were a total of 6,177,500 unlisted performance shares on issue.

Distribution of shareholdings

Range	Ordinary Shares	Number of shareholders
1-1,000	-	-
1,001-5,000	-	-
5,001-10,000	-	-
10,001-100,000	437,500	6
100,001 and over	5,740,000	25

Performance shares voting rights

Performance shareholders have no voting rights.

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