

Annual Report 2020



For the year ended
30 June 2020

Netwealth Group Limited
ACN: 620 145 404

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Our purpose is

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

Appendix 4E

Report for the year ended 30 June 2020.

Netwealth Group Limited
ABN: 84 620 145 404

1. Details of the reporting period

Report for the year ended 30 June 2020 (FY2020).

Previous corresponding period year ended 30 June 2019 (FY2019).

2. Results for announcement to the market

	FY2020 \$'000	FY2019 \$'000	Increase/ (Decrease)	Var %
Revenue from ordinary activities	123,910	98,770	25,140	25.5%
Profit from ordinary activities before tax attributable to members	62,745	50,083	12,662	25.3%
Net profit for the period attributable to members	43,661	34,295	9,366	27.3%

The FY2019 net profit for the period attributable to members includes a non-recurring cost of \$0.8 million of client rectification cost.

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

	FY2020	FY2019
Net tangible assets as per ordinary security	31.9 cents	26.7 cents

4. Dividends information

	Amount per Share (cents)	Franked Amount per Share (cents)	% Franked	Tax rate for Franking Credit
Final 2019 dividend per share (paid 26 Sep 2019)	6.60	2.83	100%	30%
Interim 2020 dividend per share (paid 26 Mar 2020)	6.90	2.96	100%	30%
Final 2020 dividend per share (to be paid 24 Sep 2020)	7.80	3.34	100%	30%

Final dividend dates

Ex-dividend date	25 August 2020
Record date	26 August 2020
Payment date	24 September 2020

There is no dividend reinvestment plan.

5. Control gained/loss over entities

Netwealth Advice Group Ltd changed its name to Netwealth Fiduciary Services Pty Ltd on 3 October 2019.

Netwealth Superannuation Services Pty Ltd and Wealthtech Pty Ltd were newly incorporated on 21 October 2019 and 11 November 2019 respectively. These fully owned subsidiaries are not currently operating.

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 2020 which have been audited by Netwealth Group Limited's auditors, Deloitte Touche Tohmatsu, with the review report attached.



Michael Heine
Joint Managing Director
18 August 2020

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 (Netwealth or the Group), the FY2020 Annual Report. Revenue of \$123.9 million increased by \$25.1 million (25.5%) and our profit growth continued. Underlying NPAT increased by \$7.8 million (21.7%) to \$43.8 million for FY2020, and Underlying EPS of 17.9 cents increased by 21.2%¹. Just as importantly, we met or exceeded our strategic objectives of best in class technology and service and continue to deliver to our clients functionality and services that empower them to see and manage their wealth differently.

This year has been far from normal. All over the world COVID-19 has impacted business and communities. In the second half of the year our people transitioned the business from our office environment to remote working. We were able to achieve this in a very short period not just because of the resilience of our systems and processes but mostly because of the commitment of our staff at all levels in the organisation to provide our normal services as seamlessly as possible. The Board is very grateful to our staff for their commitment. All our staff based in Melbourne, continue to provide their skills whilst having to endure current lock down conditions. We are very aware that all have challenges in their personal lives that make this not always a pleasant experience. They are supported by, and are in regular communication with, our leadership team. The health and safety of our staff is our key priority, and we strive to ensure they continue to feel supported and safe during these difficult times. The Board would like to acknowledge the extraordinary efforts of our staff and thank them.

Our strategic focus remains in investing in technology, developing market leading functionality and features, and ensuring the infrastructure is secure, stable, flexible and scalable. We are dedicated to provide a best-in-class service to our clients. This is done in combination with our values of collaboration, agility, courage, and curiosity. We continued to strategically invest in IT infrastructure, IT security and compliance throughout the year and increased our investment in our people.

Netwealth operates in highly regulated environment and the Board takes its compliance and governance responsibilities very seriously. The Board is committed to the Netwealth's value of being genuine and to always act ethically, be transparent and accountable for our actions. These attributes are essential for the long-term performance, sustainability and success of Netwealth. The Board has been pro-active in adopting the royal commission recommendation for the appointment of a single-purpose trustee of the superannuation fund. Netwealth has incorporated a company, Netwealth Superannuation Services Pty Ltd, for that purpose and is resourcing it appropriately to take on the responsibilities of trustee. Our expectation is for this company to be licenced and operating in this financial year and we are progressing to achieve this.



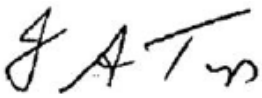
Jane Tongs
Independent
Non-Executive
Chairman

¹ Underlying EBITDA, EBITDA margin, NPAT, NPAT margin, Operating net cashflow and EPS prepared applying accounting standard AASB117 Leases and to exclude non-recurring expenses for FY2019. Accounts have been stated in accordance with the new accounting standard AASB 16 Leases adopted from 1 July 2019. A reconciliation is provided page 24-25. Underlying EPS has been calculated including all of the ordinary shares, performance shares and options on issue at the end of the period.

I would like to acknowledge my fellow directors for their commitment and thoughtful counsel during the year. I would like to also acknowledge and thank our leadership team and our staff for their commitment, innovation and client centric focus. They are the reason growth momentum continues to increase for Netwealth and why Netwealth retains its number one position for overall satisfaction among primary users and overall platform functionality, year after year².

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 'JATm', written in a cursive style.

Jane Tongs
Chairman
18 August 2020

² Investment Trends May 2020 Planner Technology Report & Investment Trends December 2019 Platform Competitive Analysis and Benchmarking Report

Joint Managing Directors' Letter

Dear Shareholders,

Although the global and economic environment and subsequent social impacts remain a significant cause of concern for us personally and as a business, we are pleased to advise that Netwealth has performed strongly during the financial year and that we are well positioned to meet the challenges presented by COVID-19 and the worldwide health threat and economic disruption that has resulted.

The Group has a strong balance sheet, no debt, a high level of recurring revenue and a growing market share driven by existing and new clients.

We have continued to invest in R&D, our new SaaS services and our core platform offering to ensure our continued industry leadership and will continue to do so in the year ahead.

Our staff have been incredibly resilient and have adapted well to remote working, whilst maintaining the high level of service and innovation our clients have come to expect.

To this end we would like to thank all the Netwealth staff for the incredible effort they have put in and the commitment they have shown.

We are grateful for the ongoing strong support we have received from our clients and financial intermediaries all of whom have also been severely challenged by this pandemic.

Key highlights for FY2020;

- Underlying NPAT³ of \$43.8 million (\$36.0 million for FY2019), an increase of \$7.8 million (21.7%) for the year,
- Underlying EPS³ of 17.9 cents (14.8 cents for FY2019), an increase of 3.1 cents (21.2%) for the year,
- High underlying EBITDA³ margin of 52.3%,
- Very high correlation between underlying EBITDA and underlying operating net cashflow pre-tax of 99.4%³, reflecting exceptional cash generation,
- Very high level of recurring and predictable revenue,
- Low capital expenditure, debt free and significant cash on hand, and
- Strategic investment across IT infrastructure, people and software to support ongoing growth and market leading position.



Michael Heine
Joint Managing
Director



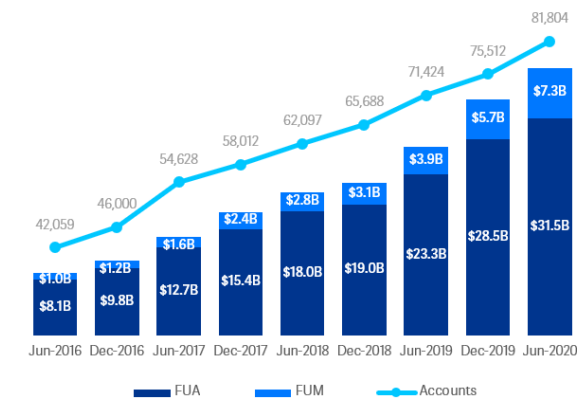
Matthew Heine
Joint Managing
Director

³ Underlying EBITDA, EBITDA margin, NPAT, NPAT margin, Operating net cashflow and EPS were prepared applying accounting standard AASB117 Leases and to exclude non-recurring expenses for FY2019. Accounts have been stated in accordance with the new accounting standard AASB 16 Leases adopted from 1 July 2019. A reconciliation is provided on pages 24-25. Underlying EPS has been calculated including all of the ordinary shares, performance shares and options on issue at the end of the period.

Consistent growth momentum in Funds Under Administration (FUA), Funds Under Management (FUM) and Account numbers is a simple but effective measure of our success to date. FUA at 30 June 2020 of \$31.5 billion, an increase of \$8.2 billion (35.0% increase) for FY2020. FUM of \$7.3 billion, an increase of \$3.3 billion (84.4% increase) for FY2020.

Netwealth achieved record FUA net inflows of \$9.1 billion for the year and a strong uptake of our Managed Account offering with record net inflows of \$3.3 billion for FY2020. Accounts increased to 81,804 at 30 June 2020, a 14.5% increase for the year.

Growth in FUA, FUM and Accounts



Source: Netwealth

Of the major platforms for the year ended March 2020, Netwealth is the fastest growing platform in absolute terms and relative to its size (excluding the IOOF/ANZ acquisition) and is now the 7th largest platform provider in the market with market share of 3.6%, up 1.1% for the year⁴ providing significant potential for further growth.

In the latest Strategic Insights platform market update for March 2020, Netwealth recorded the largest quarterly FUA net inflows of \$3.2 billion, more than double that of its nearest competitor and the highest net fund flows for the eighth consecutive quarter.

Complementing this are indicators of our growth in the affluent advice segment of the market. Average Account size increased to \$385,000 for June 2020, up from \$323,000 for June 2019 and Platform Revenue per Account increased to \$1,604 for FY2020, an increase of \$144 per account for the year. The affluent advice segment, high net-worth and private wealth groups represent a significant opportunity for the industry and for Netwealth to capitalise as we are well placed to support the unique and differentiated needs of this segment and provide a premium offering for sophisticated and high net-worth clients.

We are confident of sustaining our growth momentum into the future by benefiting from the significant changes currently reshaping the industry and our continued and increasing investment in technology, features, functionality and service.

Our strategy is to deliver best-in-class technology, best in-class service and provide insights that matter.

In FY2021 strategically increasing our investment across IT infrastructure, people and software we will further build out our “Whole of Wealth” solution. We will focus predominantly on a new digital client engagement and mobile first “Whole of Wealth” offering, as well as, enhancing reporting, transactional capabilities and client service tools and channels. For the high net-worth and private wealth groups

⁴ Strategic Insights, Master Trusts, Platforms Wraps (March 2020)

we provide our premium offering. Key initiatives will be supported by 30 additional IT resources, 40% of who will be focused on developing significant new functionality.

Guided by our strategy, our in-house platform development team focus on innovative, agile, market leading functionality that is tailored to our clients' needs.

While we see revenue margins declining, as our repricing of legacy products continues to flow through and lower returns being earned from the cash transaction administration fee, resulting from lower RBA rates, we remain very positive about our growth over the years ahead with a strong pipeline of new and existing business as well as new revenue streams.

We continue to gain industry recognition as the leading specialist platform provider. During the year we achieved the highest overall satisfaction score among primary users for the ninth year in a row, the highest rank for digital wealth applications and services among established wealth institutions and ranked number one for overall platform functionality for the fifth year in a row, according to research by Investment Trends⁵.

We would like to thank the Board for their continued oversight, expertise and guidance throughout the year.

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

Yours sincerely



Michael Heine
Joint Managing Director
18 August 2020



Matt Heine
Joint Managing Director
18 August 2020

⁵ Investment Trends May 2020 Planner Technology Report, Investment Trends January 2020 Digital Wealth Report & Investment Trends December 2019 Platform Competitive Analysis and Benchmarking Report

Corporate highlights

Netwealth has continued to experience significant growth in FY2020. Some highlights for the year were (comparative period being FY2019):



\$123.9M

Total Income
Growth \$25.1M (+25.5%)



\$64.8M¹

EBITDA
Growth \$12.9M (+24.8%)



\$43.8M¹

NPAT
Growth \$7.8M (+21.7%)



17.9 cents¹

EPS



52.3%¹

EBITDA margin



\$64.5M¹

Operating net cash flow pre tax



\$31.5B FUA

Growth \$8.2B (+35.0%)



\$9.1B

FUA net inflows
Growth of \$4.7B (+109.5%)



Dividend 14.7 cps

Interim dividend 6.9 cps
Final dividend 7.8 cps



\$7.3B FUM

Growth \$3.3B (+84.4%)



\$3.7B

FUM net inflows
Growth of \$2.8B (+312.4%)



ASX 200

Inclusion from 23 September 2019

¹ Underlying EBITDA, EBITDA margin, NPAT, Operating net cashflow and EPS are prepared applying accounting standard AASB 117 Leases and to exclude non-recurring expenses for FY2019. Accounts have been stated in accordance with the new accounting standard AASB16 Leases, adopted from 1 July 2019. A reconciliation is provided in pages 24-25. EPS has been calculated on the basis all performance shares and options currently on issue will vest in full.

EPS – Earnings per share; CPS – Cents per share

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 trustee 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 class⁶.

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 example, via the platform, financial intermediaries and clients can invest in 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, governance and our custodial services.

⁶ Investment Trends; December 2019 Platform Competitive Analysis and Benchmarking Report & Investment Trends, April 2019 Planner Technology Report

Operational performance

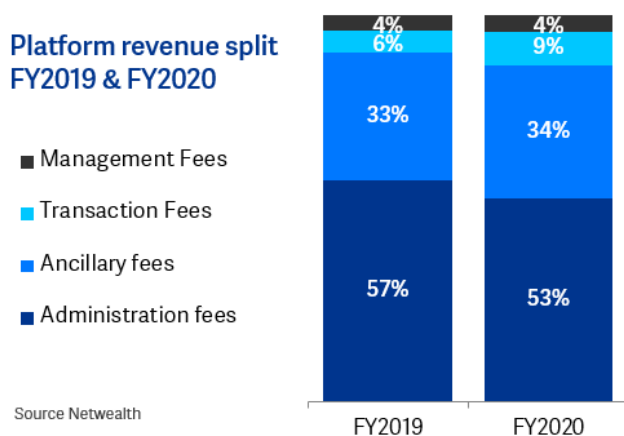
FUA of \$31.5 billion as at 30 June 2020, increased by \$8.2 billion (35.0%) from 30 June 2019.

Netwealth remains the market leader in terms of FUA net inflows and achieved yearly record FUA net inflows of \$9.1 billion in FY2020. FUA market movement was negative \$0.9 billion during the year⁷.

FUM as at 30 June 2020 of \$7.3 billion, increased by \$3.3 billion (84.4%) from 30 June 2019. The increase included \$3.7 billion FUM net inflows and negative \$0.4 billion FUM market movement.

Managed Account FUM as at 30 June 2020 of \$5.8 billion, increased by \$3.0 billion (110.0%) from 30 June 2019. The increase included \$3.3 billion Managed Account FUM net inflows and negative \$0.3 billion of Managed Account FUM market movement.

Netwealth continues to diversify its revenue composition. Transaction fee revenue increased to 9% of platform revenue for FY2020, and increased by 3% from FY2019, driven by a significant increase in trading volumes from March onwards combined with renegotiated trading costs and the addition of new revenue streams.



In FY2020, Netwealth's platform revenue over average FUA decreased to 43.7bps, from 48.1bps in FY2019. A more important measure for Netwealth is the average revenue earned per account which continued to increase to \$1,604 per account, \$144 higher than FY2019. A key driver of the changes in revenue margin and revenue per account, was the growth in the average account size by \$62,000 to \$385,000 per account at year end. Netwealth continued to attract high net-worth clients and larger accounts typically earn higher transaction and ancillary fee income as these clients desire higher functionality and trade more frequently.

Accounts as at 30 June 2020 were 81,804, an increase of 10,380 accounts (14.5%) from 30 June 2019.

⁷ Strategic Insight: Master Trusts, Platforms & Wraps (12 months flows to Mar 2020)

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 ninth year in a row, Netwealth achieved the highest overall satisfaction score among primary users in the Investment Trends Planner Technology report (May 2020).

Netwealth also ranked 1st for digital wealth applications and services among wealth institutions by Investment Trends January 2020 Digital Wealth report.

For the fifth year in a row, Netwealth continued to be ranked No.1 for overall platform functionality in the Investment Trends Platform Competitive Analysis & Benchmarking Report (Dec 2019).

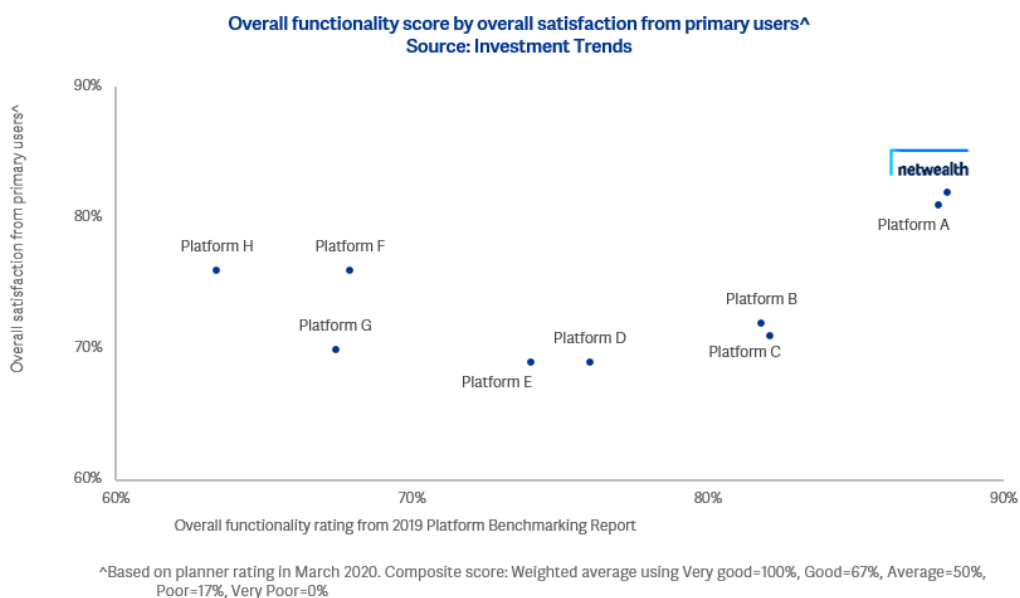


Figure 1: Source Investment Trends – December 2019 Platform Competitive Analysis and Benchmarking Report and Investment Trends – May 2020 Planner Technology Report.

Further illustrating our market-leading capabilities:

- Netwealth won the “Best Advised Product” award for the third year in a row: Chant West Super Awards (2020).
- Netwealth ranked 1st in the Adviser Ratings 2019 Financial Advice Landscape Report released in December 2019 for net promoter score, adviser experience, ongoing adviser support, overall functionality and client experience.

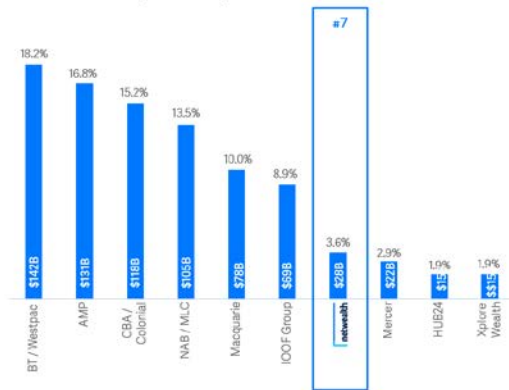
Outlook

Netwealth are well positioned to meet the challenges presented by COVID-19 and subsequent economic disruption.

Given the dynamic and evolving nature of COVID-19 and the unknown duration of this pandemic, Netwealth will continue to assess and monitor any further impacts.

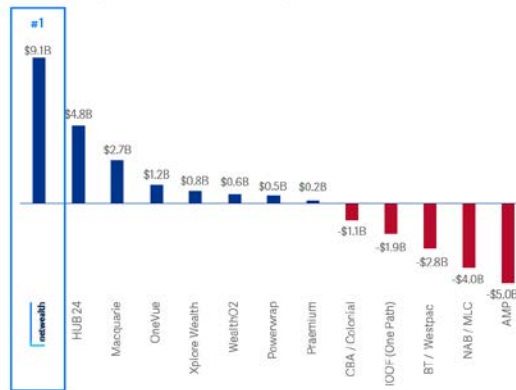
The size of the Australian Retail Platform market in which Netwealth operates is \$777 billion **Error! Bookmark not defined.** Netwealth is the largest specialist platform provider and 7th largest platform. It has increased market share to 3.6% for the year to 31 March 2020 up from 2.5% at 31 March 2019⁸.

Platform providers by FUA market share
% market share (Mar 2020)



Source: Strategic Insight: Master Trusts, Platforms & Wraps (Mar 2020)

Platform provider net funds flows
\$ Billions (12 months to Mar 2020)



Source: Strategic Insight: Master Trusts, Platforms & Wraps (Mar 2020)

Netwealth expects to continue to benefit from the significant changes currently reshaping the industry and remains positive about the future and continued market share growth.

In addition to growing market share within the affluent advice segment, high net-worth and private wealth groups represent a significant growth opportunity for the industry. Netwealth is well placed to support the unique and differentiated needs of the segment.

Having regard to this uncertain environment, and based on Netwealth's current pipeline, existing clients and the growth in new clients currently transitioning onto the platform, projected FUA net inflows for FY2021 is forecast at approximately \$8 billion.

To capitalise on the current market opportunity and to retain our market leadership across key market segments, Netwealth will continue to strategically increase its investment in IT infrastructure, people and software. Key initiatives are supported by the planned addition of 30 IT resources (20 Melbourne/10 Vietnam) in FY2021 who, will focus predominately on a new digital client engagement and mobile first "Whole of Wealth" offering, as well as, enhancing reporting, transactional capabilities and client service tools and channels.

In addition to investment in technology, Netwealth will launch in August the first of two new active funds, Magellan Global Specialist Series Infrastructure Fund and Magellan Global Specialist Series Global Fund. The funds, which will be available in our Wealth and Super Accelerator Core and Plus

⁸ Strategic Insights, Master Trusts, Platforms Wraps – March 2020

products, are the first in a series of new mandated funds which will continue to be rolled out progressively in the coming 12-18 months.

With the legislated end to all grandfathered commissions on 31 December 2020, Netwealth expects additional transition opportunities as advisers seek to provide their clients greater competitive pricing and functionality.

Fees and ancillaries in FY2021 will be impacted by the previously announced new pricing of our back book and the full year impact of a lower cash margin.

Depending on market volatility and investor behaviour, compared to Q4 2020, Netwealth may also be impacted by a reduction in the percentage of its clients FUA held in their cash transaction account and lower transaction revenues, should market volatility reduce.

Netwealth as a trusted technology provider for our clients is in a unique position to support and evolve business models, drive efficiency and deliver better client outcomes.

We have grown our sales and distribution team over recent years to win new business and to grow FUA from our existing Financial Intermediaries and clients.

Operating in a highly regulated environment Netwealth is committed to meeting or exceeding our regulatory obligations and community expectations.

Finally, and importantly, Netwealth remains in a very sound financial position:

- Highly profitable, with strong EBITDA margin,
- A very high correlation between EBITDA and operating cashflow, resulting in exceptional cash generation,
- Very high levels of recurring revenue, which results in predictable revenue, and
- Very low capital expenditure, debt free and significant cash reserves.

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 FY2020 Netwealth released a range of new platform features and products, in addition to innovations in how we service our clients.

This was recognised by achieving the highest overall satisfaction score among primary users for the ninth consecutive year in the latest Investment Trends Planner Technology Report, and for the third consecutive year were awarded Best Advised Product by Chant West.

Value for money, efficient administration, feature-rich functionality and leading customer support were some of the reasons advisers rated us highly and we remain as committed as ever to delivering on these areas and more through innovations in all elements of our business.

Over the past 12 months, Netwealth released the following noteworthy product and operational enhancements:

- Integrated AWS call-centre and Zendesk capabilities into our organisational technology stack to enhance the operations of our contact centre. With centralised customer data, optimised workflows and self-service tools, our team was able to cope with the increased demands from the COVID-19 pandemic remotely whilst maintaining our client service standards.
- Broadened the investment universe for wholesale and sophisticated clients with options that include exclusive managed funds, Australian and International bonds and foreign currencies. We also added a range of new managed account models including those from Watershed and Russell Investments.
- Enhanced the transaction functionality by incorporating digital solutions such as BPAY® allow for bill payments, and DocuSign® to support remote digital signing of documents. These enhancements demonstrate our commitment to remove friction from the advice investment process and improving the end user experience.
- Continued investing in new technologies to help advisers and investors obtain a better picture of investors' total wealth by enhancing our 3rd party data feeds into the platform. In addition to 170 banks and credit unions already available, users can now access data from other superannuation funds, broking and share trading accounts.
- Recognising that some advice businesses prefer to appoint an external responsible entity (RE) for our managed account service, we partnered with Ironbark Asset Management Limited as an alternative RE option to provide a more flexible Managed Account offering.

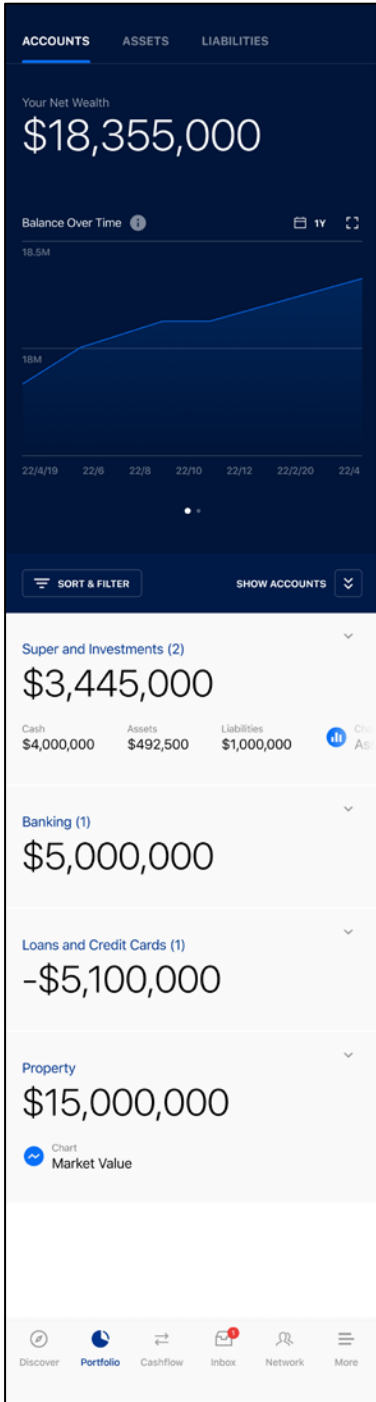
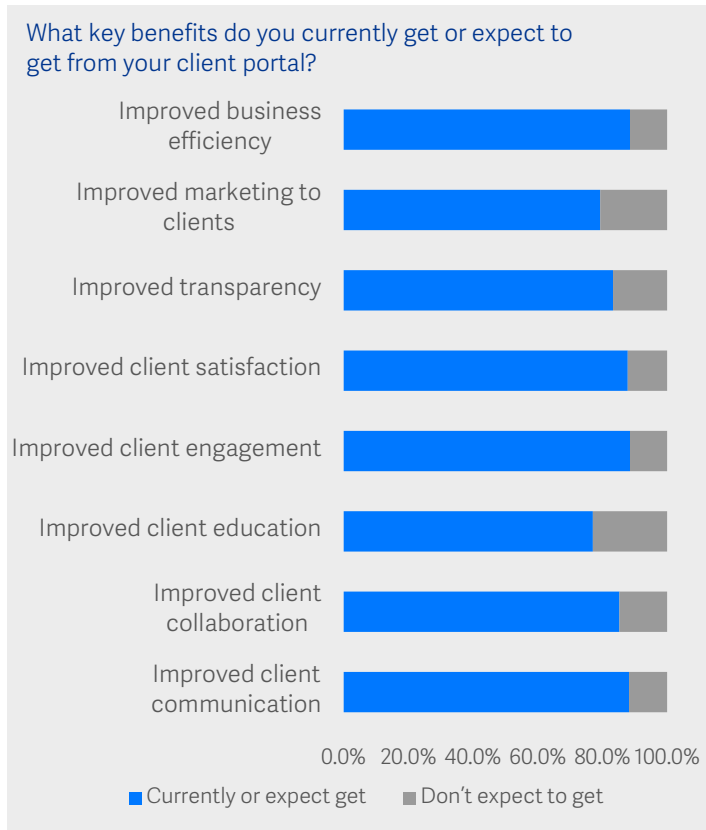


Illustration of client portal 'all of wealth' portfolio summary

- Client portals are a technology innovation demanded by the advice community to improve how they work with their clients, with 8 in 10 advice businesses expecting them to improve client satisfaction, client collaboration, client engagement, client satisfaction and transparency⁹.



Source: Netwealth 2020 Advice Tech Report

We continue to develop user interaction and interface designs for our new "mobile 1st" client engagement experience which we believe will lead the market

Other initiatives to be launched over the next 12 months include cost-effective investment options for our Super and Wealth Accelerator Core members, new reporting functionalities, enhanced transaction capabilities and continued enhancement on how we service our clients across multiple channels.

⁹ Netwealth 2020 Advice Tech Report

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 pleased with the results from the FY2020 staff engagement survey in meeting our goal to maintain a workplace that promotes an engaged and fulfilled workforce. Netwealth continues to be in the top quartile of comparable businesses that we were benchmarked against, with an overall engagement rate of 79% from 86% staff participation rate.

In the engagement survey results; risk culture, general culture, leadership, company confidence, management, work & life blend, innovation and teamwork and ownership all received over 80% employee satisfaction.

Netwealth has six key organisational values that guide the way our people approach work and each other. These values are to be Curious, Optimistic, Courageous, Collaborative, Agile and Genuine. The behaviours associated with these values model the way our people work together, communicate and live on a day-to-day basis.

Staff recognition

We regularly recognise and publicly celebrate members of our team who display role-model behaviours for our values. Usually acknowledged in our quarterly staff town hall meetings, we did things differently this year and went virtual. In the last 12 months we have witnessed many staff members going above and beyond to achieve under the extreme situation of the COVID-19 pandemic, with more than 45 nominations being received, and 18 awards presented.



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.

This year our training programs reached more broadly throughout Netwealth. We continued to invest in leadership programs for senior team members and recognised upcoming leaders by offering an “emerging leader” program. Core training courses continued that included professional scrum master workshops, “inspiring communications” sessions, our industry qualification program and our monthly

“lunch and learn” internal knowledge sharing sessions. We also launched a series of wellbeing initiatives that focused on mental and physical health and wellness.

Notwithstanding the constraints of COVID-19, Netwealth team members continued to enjoy access to a wide range of employee benefits including paid parental leave, health and wellbeing benefits, discounts to services such as transportation and financial services and access to Netwealth’s discounted income protection and private health insurance services.

Various new initiatives were introduced to staff to assist them in getting through the impacts of COVID-19 while working remotely. These initiatives include live virtual sessions of weekly mindfulness and meditation sessions, personal training sessions and performance and well-being program conducted by a highly recognised performance coach. There have also been an increase in educational resources and online training courses for managers and teams in how to work effectively and keep up connectedness, increased frequency of all-staff updates delivered virtually, implementation of tools to facilitate remote working (e.g. Microsoft Teams and Zendesk), encouragement of social interactions via informal team get-togethers and weekly online ‘iso-challenges’. The Group has implemented a working from home policy and conducts regular pulse surveys to gauge how staff are going.

Diversity, inclusion and gender equality

Netwealth strives for a multi-cultural and gender-equal workplace. With over 37 different languages spoken, we have strong representation from across the globe. Recognising inclusiveness and diversity as an asset, it has led to stronger sociability between team members and also our customers.



Netwealth embrace the principles of the Workplace Gender Equality Agency report and rewards everyone equally by paying the same regardless of gender when performing the same job and having equivalent experience. We also remain committed to working towards our targets for gender balance, which at 30 June 2020 were:

Team day out at the Corporate Triathlon held early in the year

	% of Staff that are Women	
	FY2020	FY2021 Target
Executive and Non-Executive Directors	33%	30%
Senior Executive (excluding Executive Directors) ¹⁰	33%	30%
Managers	36%	40%
All Employees (excluding Non-Executive Directors)	44%	45%

¹⁰ Refers to the executive leadership team (excluding Michael and Matt Heine) in Director’s Report on page 27 and 28.

Our clients and community

Across the Group, there are a number of initiatives where we actively support our staff in contributing to the community. Our staff supported some of their favourite charities and events through fundraises and by volunteering their time and service. Some of these activities include staff participating in the Corporate Triathlon, the bushfire appeal in early 2020 and a staff-led Market Day held in the office late last year with all funds raised donated to various charities including The Lord Smith Animal Hospital and the Make a Wish foundation.



investing in AdviceTech to support their activities.

Matt Heine, our Joint Managing Director, hosts a regular podcast where he discusses with industry professionals and thought leaders the opportunities and challenges faced by financial advisers and the wealth industry. Some of his guests this year included luminaries such as David Smorgon, Grant Hackett, Andrew Inwood and Paul Barret.

The Portfolio Construction Series is designed for investors with our investment research team extracting unique insights from wealth management professionals on areas in which they are passionate on and relevant to the current market conditions.

This year, we hosted a special COVID-19 series which explored the topic of investing during market disruption and volatility. Guests included Roger Montgomery and professional managers from Schroders, Magellan and PIMCO.

Netwealth strives to provide education and insights to our clients to help them “see wealth differently.” Every year we produce a range of business and investor resources including webinars, events, special reports, workshops and podcasts on a range of topics.

Our Business IQ series covers a range of topics from technical strategies to AdviceTech to innovation to marketing, all designed to help advice businesses grow their business, service and customer engagement capabilities.

In June, we released the 2020 Netwealth AdviceTech Report which is the fourth edition of the annual report exploring how leading businesses approach the task of planning and

Continuing to support financial literacy initiatives in schools

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.

Netwealth has continued its partnership with Banqer for the 4th year in a row. Banqer is a financial education platform with the primary aim to improve financial literacy in schools within Australia and New Zealand for school children of all ages.

Netwealth's support enables free access to Banqer's online platform for children across Australia, which provides a hands-on experience on saving, budgeting, superannuation, insurance, taxes and more. This year alone, Netwealth has helped to showcase the Banqer program to over 7,500 students in 253 classrooms across 151 schools. Throughout the partnership, Netwealth has supported over 20,000 primary school students to access Banqer's online financial learning platform.

In continuing the partnership, both Netwealth and Banqer are dedicated to fostering financial literacy in the broader community and to continue supporting families, teachers and advisers in teaching the next generation. Together, Netwealth and Banqer are on a shared mission of enabling, educating and inspiring young Australians to see wealth differently and to discover a brighter future.



As a result of the COVID-19 global pandemic, many schools now require students to learn remotely and parents now having to take on new and challenging responsibilities of being both teacher and parent. Banqer, with the support of Netwealth has offered a set of home resources for some of these children. The free program makes it simple for parents to teach their children the importance of money management at home. Over two consecutive weeks, the children will explore budgeting, financial risk, managing debt and more which on its own are fun activities but also serves to promote learning and assists them in developing their financial confidence for the future.

Underlying financial operating performance

Platform revenue increased by \$25.0 million (25.9%) to \$121.3 million for FY2020. Revenue growth resulted from strong FUA growth and increased transactional revenue and other ancillaries. Total income of \$123.9 million for FY2020 has achieved a compound annual growth rate (CAGR) of 26.5% over the past three years.

- Total expenses of \$59.1 million for FY2020, increased by \$12.3 million (26.2%) compared to FY2019¹¹.
- Employee benefits expense increased by \$9.2 million (28.5%) to \$41.6 million for FY2020¹¹. Headcount increased by 68 during FY2020. Employee benefits expense represented 70% of total expenses, Netwealth continued to increase its investment in IT to drive innovation and further growth with 32 additional headcount added during FY2020.
- Total other expenses increased by \$3.0 million to \$17.5 million for FY2020¹¹. The increase was our increased investment in technology spend on areas relating to security, collaboration & communication, server technology, storage and networking and occupancy, insurance and client rectification expenses.
- EBITDA of \$64.8 million for FY2020 increased by \$12.9 million (24.8%) versus FY2019 and underlying EBITDA margin of 52.3% decreased by 0.3% versus FY2020¹¹.
- Netwealth's NPAT of \$43.8 million for FY2020 increased by \$7.8 million or 21.7% versus FY2019 and NPAT margin of 35.3% for FY2020¹¹. EPS of 17.9 cents for FY2020, increased by 3.1 cents versus FY2019¹¹.
- Operating net cash flow pre-tax was \$64.5 million for FY2020, a 99.4% cash conversion ratio of EBITDA¹¹.

¹¹ Underlying EBITDA, EBITDA margin, NPAT, NPAT margin, Operating net cashflow and EPS were prepared applying accounting standard AASB117 Leases and to exclude non-recurring expenses for FY2019. Accounts have been stated in accordance with the new accounting standard AASB 16 Leases adopted from 1 July 2019. A reconciliation is provided pages 24 to 25. Underlying EPS has been calculated including all of the ordinary shares, performance shares and options on issue at the end of the period.

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 consolidated statement of profit or loss and other comprehensive income. The underlying adjustments relate to a one-off client rectification cost incurred in FY2019 and on the basis of pre-transition to AASB 16 Leases Standard. The Board and management monitor the underlying EBITDA pre AASB 16 and this information is provided to enable comparison with the prior corresponding period.

	Consolidated Group for Year Ended			
	30 June 2020 \$'000	30 June 2019 \$'000	Variance \$'000	Variance %
Net profit before tax	62,745	50,083	12,662	25.3%
Depreciation and amortisation	1,910	759	1,151	151.6%
Depreciation on right-of-use assets (post AASB 16)	1,377	-	1,377	100.0%
Interest on leases (post AASB 16)	121	-	121	100.0%
Rental expense (pre AASB 16)	(1,313)	-	(1,313)	(100.0%)
Client rectification costs and legal expenses	-	1,121	(1,121)	(100.0%)
Underlying EBITDA	64,840	51,963	12,877	24.8%
Underlying EBITDA margin	52.3%	52.6%	(0.3%)	-
Income tax expense	(19,084)	(14,882)	(4,202)	(28.2%)
Depreciation and amortisation	(1,910)	(759)	(1,151)	(151.6%)
Net tax impact from leases (adoption of AASB 16)	(55)	-	(55)	(100.0%)
Tax impact from client rectification costs and legal expenses	-	(336)	336	100.0%
Underlying NPAT	43,791	35,986	7,805	21.7%
Underlying NPAT margin	35.3%	36.4%	(1.1%)	-

Underlying results of profit or loss for FY2020 (pre-transition to AASB 16 Leases)

Set out in the table below is the underlying consolidated statement of profit or loss and other comprehensive income for FY2020 presented in full to reflect a one off adjustment on client rectifications costs in FY2019 and pre-transition to AASB 16 Leases.

	Consolidated Group for Year Ended			
	30 June 2020 \$'000	30 June 2019 \$'000	Variance \$'000	Variance %
Income				
Platform revenue	121,345	96,369	24,976	25.9%
Other income	2,565	2,401	164	6.8%
Total income	123,910	98,770	25,140	25.5%
Expenses				
Employee benefits expenses ¹	(41,578)	(32,344)	9,234	28.5%
Other costs and expenses ²	(17,492)	(14,463)	3,029	20.9%
Total expenses	(59,070)	(46,807)	12,263	(26.2%)
Underlying EBITDA on continuing operations	64,840	51,963	12,877	24.8%
Underlying EBITDA margin	52.3%	52.6%	(0.3%)	-
Interest on leases	-	-	-	0.0%
Depreciation and amortisation	(1,910)	(759)	1,151	151.6%
Underlying NPBT on continuing operations	62,930	51,204	11,726	22.9%
Income tax expense	(19,139)	(15,218)	3,921	25.8%
Underlying NPAT on continuing operations	43,791	35,986	7,805	21.7%
Underlying NPAT margin	35.3%	36.4%	(1.1%)	-
Underlying EPS (cents per share)³	17.9	14.8	3.1	21.2%

¹Employee benefits expense includes \$0.4 million of non-cash share-based payments

²Restated to exclude a non-recurring client rectification cost of \$0.8M in FY2019 and on the basis of pre-transition to AASB 16 Leases. Refer to table on page 24 for the adjustments.

³Underlying EPS has been calculated on the basis all performance shares and options currently on issue will vest in full.

Underlying Cash Flow Statement FY2020

The table below sets out the summary consolidated statement of underlying cash flows for FY2020 and FY2019.

	Consolidated Group for Year Ended			
	30 June 2020 \$'000	30 June 2019 \$'000	Variance \$'000	Variance %
Underlying EBITDA	64,840	51,963	12,877	24.8%
Non-cash items in EBITDA	587	214	373	174.3%
Changes in working capital	(61)	(1,645)	1,584	96.3%
Capital expenditure	(919)	(741)	(178)	(24.0%)
Net (purchases)/sale proceeds on investments	15	(291)	306	105.2%
Underlying operating net cash flows before taxation	64,462	49,500	14,962	30.2%

Key platform statistics




Set out in the below table is a summary of other key platform statistics for FY2020 and FY2019.

	Consolidated Group for Year Ended			
	30 June 2020	30 June 2019	Variance	Variance %
FUA (EOP*) (\$ million)	31,502	23,337	8,165	35.0%
FUM (EOP*) (\$ million)	7,277	3,946	3,331	84.4%
FUA net inflows (\$ million)	9,080	4,334	4,746	109.5%
FUM net inflows (\$ million)	3,706	899	2,807	312.4%
Platform revenue/average FUA (bps)	43.7 bps	48.1 bps	(4.4 bps)	(9.2%)
Platform revenue/average number of accounts (\$)	1,604	1,460	144	9.9%

* 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
 <p>Jane Tongs Independent Non-Executive Chairman</p>	<ul style="list-style-type: none"> 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 director and is currently a director of Cromwell Property Group, Warakirri Group, 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.
 <p>Michael Heine Joint Managing Director</p>	<ul style="list-style-type: none"> 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.
 <p>Matthew Heine Joint Managing Director</p>	<ul style="list-style-type: none"> 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 NIL 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 a director of Breville Group Limited, Premier Investments Limited, and a principal of Stratford Advisory.
- Timothy was previously a director of Village Roadshow Limited from November 2010 till December 2019
- 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.



Sally Freeman
Independent
Non-Executive
Director

- Sally joined Netwealth as a director in October 2019.
- Sally was a partner of KPMG for 15 years until her retirement in 2019. Prior to that, she was a partner at Ernst & Young. She has over 25 years' experience as a Risk Consulting and Corporate Governance executive and was head of KPMG's National Risk Consulting Practice, advising clients in financial risk management, actuarial insurance, forensics and compliance matters.
- Sally holds a Bachelor of Commerce, is a member of the Australian Institute of Chartered Accountants, the Australian Institute of Company Directors and Chief Executive Women.
- Sally is currently a director of Eastern Health and independent expert on the audit committee of Commonwealth Games Australia and Royal Children's Hospital.
- Sally is a member of the Group Audit Committee, Group Compliance and Risk Management Committee, Group Remuneration Committee, Group Nomination Committee and NIL Investment Committee.

Directors' Report

The directors present their report on Netwealth Group Limited "the Company" and its controlled entities for the year ended 30 June 2020 (FY2020). 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
- Sally Freeman (appointed on 10 October 2019)

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

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 achieved the highest overall satisfaction score among primary users providing wealth professionals with the technology required to efficiently manage and add value to our clients¹².

¹² Investment Trends - December 2019 Platform Competitive Analysis and Benchmarking Report & Investment Trends – May 2020 Planner technology report

Directors meetings

During the financial year, 16 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	16	15	11	11	10	10	2	2	12	12
Davyd Lewis	16	16	11	11	10	10	2	2	12	12
Timothy Antonie	16	16	11	11	10	10	2	1	12	12
Sally Freeman ²	11	11	8	7	7	6	1	1	9	8
Michael Heine	16	15	-	-	-	-	-	-	-	-
Matthew Heine	16	15	-	-	-	-	-	-	-	-

(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

² Appointed as independent non-executive director on 10 October 2019

The qualifications and experience of Directors are detailed on page 27 to 28 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
 <p>Michael Heine Joint Managing Director</p>	<ul style="list-style-type: none">• Refer to Board of Directors section
 <p>Matthew Heine Joint Managing Director</p>	<ul style="list-style-type: none">• Refer to Board of Directors section
 <p>Grant Boyle Chief Financial Officer and Joint Company Secretary</p>	<ul style="list-style-type: none">• 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.• Grant holds a Bachelor of Business (Accounting) from Latrobe University and a member of Chartered Accountants Australia & New Zealand.
 <p>Rachel Axton General Manager, Legal, Risk and Compliance and Joint Company Secretary</p>	<ul style="list-style-type: none">• 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. Rachel contributes 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 a Bachelor of Business (Economics).



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.
-

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.

Coronavirus (COVID-19) impact

Like the majority of businesses, we have been impacted in different ways by COVID-19. When the crisis first hit in early March 2020, the business transitioned to remote working and enacted our pandemic plan which evolved as the situation unfolded. Additional processes and new technologies implemented which included a contact centre capable of operating remotely using cloud based telephony meant other than the initial limited disruption, we have continued to operate effectively and productively throughout the year.

As our head office is based in Victoria, we are in stage 4 lock down and will continue to work from home for the foreseeable future. At the current time the Board and management can see no reason why the business will not continue to operate as normal. The COVID-19 pandemic has not resulted in additional net costs or impacted the value of any business assets. Economic uncertainties currently prevailing around the world make it challenging to forecast the future, but Netwealth remains positive given its strong pipeline of new and existing business and growing market share. We are aware of the emotional impact on our staff and continue to explore and adopt wellness programs to help them through this period.

Significant changes in the state of affairs

Netwealth Superannuation Services Pty Ltd and Wealthtech Pty Ltd, both fully owned subsidiaries of Netwealth Group Limited were established during the half year. Neither are operating as at 30 June 2020.

Netwealth Advice Group Pty Ltd changed its name to Netwealth Fiduciary Services Pty Ltd on 3 October 2019.

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

Dividends

During the year, the Company declared on 18 February 2020 and paid on 26 March 2020 a fully franked dividend of 6.90 cents per share, representing a total dividend of \$16,401,000. There is no Dividend Reinvestment Plan.

Shares and options

On 4 October 2019, eligible employees who had served 3 or more years were offered ordinary shares valued at \$1,000 as a gift for no consideration. As a result, 15,180 new ordinary shares were issued at \$7.5544 per share during the year.

On 4 October 2019, eligible employees nominated by the Board were granted ordinary share options as part of the Group's long-term incentive plan. This resulted in the Group issuing 1,046,377 options at an exercise price of \$7.5544 per share during the half year.

Events subsequent to the end of the reporting period

On the 18 August 2020, the Company declared a fully franked final dividend for FY2020 of 7.80 cents per share (total dividend of \$18,540,210) bringing the total fully franked dividends to 14.70 cents per share for the twelve months. The final dividend is payable on 24 September 2020.

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.

Non-audit services

During the year, Deloitte Touche Tohmatsu, the Group's auditor has performed other services in addition to its statutory duties. Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out in Note 26 to the financial statements. The Directors, in accordance with advice received from the Audit Committee, are satisfied that the provision of those non-audit services during the year did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure that they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

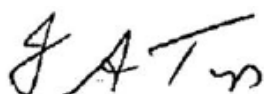
Auditor's independence declaration

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is set out on page 49.

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:



Jane Tongs

Chairman

18 August 2020

Remuneration Report (Audited)

Dear Shareholders

Letter from the Remuneration Committee Chair

On behalf of the Board, I am pleased to present Netwealth's FY2020 Remuneration Report.

The second half of FY2020 has been significantly impacted by the health, social and economic consequences of the COVID-19 pandemic. Netwealth responded to this crisis by prioritising the welfare of its staff and clients and successfully transitioned most of its staff to working remotely from home, whilst maintaining a high level of service and support for our customers. Netwealth's staff responded exceptionally well to working in this challenging environment.

Netwealth's performance in FY2020

Netwealth's strong client focus, risk management and market-leading technology have contributed to the record level of profitability in FY2020, with performance remaining resilient throughout the second half of FY2020, despite the impact of COVID-19. In FY2020 NPAT and EPS each grew by 27.3%. This was driven principally by the growth in FUA of 35.0% and FUM of 84.4%. This performance could not have been achieved without the skill, agility and resilience of our staff.

Remuneration framework

Netwealth's remuneration framework is targeted at driving excellence in customer service, values and a performance culture and the Board recognises the importance of suitably incentivising our staff. The objective for our remuneration framework is to recruit and retain talent and motivate our staff to be innovative and creative to continue growing Netwealth, but also to be accountable for all their decisions in order to maintain our high level of compliance, governance and customer satisfaction.

Short term incentives (STIs)

Netwealth's primary focus remains on long term performance and our remuneration is structured on this basis. Other than the Joint Managing Directors (JMDs) and Sales and Distribution team, Netwealth pays cash bonuses to employees on a discretionary basis where in the opinion of the Board the employee has made an exceptional contribution.

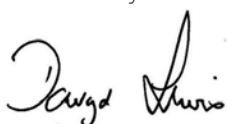
Long term incentives (LTIs)

Last year, the Board adopted a new LTI scheme designed to incentivise and retain staff and a number of offers were made under the scheme to senior and key employees in FY2020.

During the year, Netwealth was pleased to welcome the addition of Sally Freeman to the Board and as a member of the Remuneration Committee. Sally's previous experience as the head of KPMG's National Risk Consulting Practice will ensure the strong compliance and risk management culture remains a key focus and strength of Netwealth.

The Board believes this Remuneration Report will assist our shareholders and other stakeholders to understand our remuneration policy, objectives and practices. We are committed to engaging with you and welcome your feedback.

Yours faithfully



Davyd Lewis

Chairman of the Remuneration Committee
18 August 2020

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A. Introduction

This FY2020 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 Netwealth. 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 FY2020.

Name	Position
Non-executive Directors	
Jane Tongs	Independent Non-Executive Chairman
Davyd Lewis	Independent Non-Executive Director
Timothy Antonie	Independent Non-Executive Director
Sally Freeman	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

Sally Freeman joined Netwealth as an Independent Non-Executive Director on 10 October 2019. All other KMP held office for the full year. No KMP retired during the year.

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 enough 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 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 Netwealth’s four 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 the LTI scheme;
- overseeing the operation of LTI schemes and recommending whether offers are to be made under the scheme;
- 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

The Board reviews the structure and the effectiveness of Netwealth’s remuneration arrangements annually to ensure the alignment with business performance and strategy. The Board monitors changing market conditions as well as any regulatory and corporate governance developments and alters remuneration arrangements if appropriate to respond to changing conditions. The remuneration framework is structured to tie remuneration to Netwealth’s performance through cash bonuses and other STIs and LTIs.

Purpose of each remuneration component in promoting Netwealth’s performance

Fixed remuneration	Short-term incentive (at risk)	Long-term incentive (at risk)
<ul style="list-style-type: none"> • Based on the individual skills, complexity of role and experience. To be market competitive, roles are benchmarked annually with reference to peer companies within the industry. 	<ul style="list-style-type: none"> • Bonuses are paid to staff at all levels for demonstrated exceptional performance which as contributed to Netwealth’s success. • Bonuses are paid to Sales and Distribution staff for sales performance • Offers of up to \$1,000 in free shares are made to all eligible employees under Netwealth’s Employee Share Gift Plan on a periodic basis to provide an interest in the long-term success of Netwealth. 	<ul style="list-style-type: none"> • LTI securities are granted to senior and key employees with vesting conditions linked to personal and corporate performance. Corporate performance is linked to both the total shareholder return, compared to similar listed companies, and growth in earnings per share which is a key measure of the return to shareholders on their capital.

The table below summarises the elements of Netwealth’s remuneration framework in FY2020.

Fixed remuneration	
Fixed	<ul style="list-style-type: none"> Each employee’s fixed remuneration is set having regard to their individual responsibilities, skills and experience and with consideration to remuneration paid to employees of comparable companies within the industry. Remuneration reviews normally occur annually and apply from 1 July. In FY2020 the Board deferred the annual remuneration review for 6 months, except for anomalies, so as to be able to better assess the impact on COVID-19 on Netwealth and the economy generally.
Performance-based remuneration	
Discretionary cash bonuses	<ul style="list-style-type: none"> Permanent employees, including the CFO, are paid discretionary cash bonuses where, in the opinion of the Board, they have made an exceptional contribution. CFO Grant Boyle was paid a discretionary bonus of \$35,000 in FY2020 based on the Board’s assessment that he had made exceptional contribution, particularly in relation to Netwealth’s response to COVID-19. A number of other employees at all levels were also paid discretionary cash bonuses for similar reasons.
STIs for JMDs (At risk)	<ul style="list-style-type: none"> JMD Michael Heine elected not to receive an STI in FY2020, given his substantial shareholding in Netwealth. JMD Matthew Heine’s STI of up to \$250,000 was divided into 2 components: <ul style="list-style-type: none"> 75% (up to \$187,500) was based on Netwealth’s statutory FY2020 NPAT compared to budget NPAT, with the minimum STI payable at 95% of budget NPAT and the maximum STI at 105% or more of budget NPAT. The full amount of this component is payable; and 25% of the STI (up to \$62,500) was based on the Board’s assessment of how effectively Matthew Heine implemented Netwealth’s FY2020 strategic plan. The Board has determined that 75% of this component (\$46,875) is payable, making a total STI of \$234,375. The STI will be paid within 30 days after the release of this report.
STIs for Marketing and Distribution staff (At risk)	<ul style="list-style-type: none"> The STIs in the form of cash bonuses are payable to sales staff based on pre-agreed performance targets. Part of the STI is payable based on the first 6 months’ performance and the balance is payable after the end of the financial year. The performance targets are based on fee-earning FUA and FUM.
LTI (At risk)	<ul style="list-style-type: none"> Netwealth currently has 2 LTI schemes; an LTI scheme adopted prior to Netwealth being listed on the ASX (the Pre-listing LTI Scheme) which was discontinued for new offers prior to listing, and an LTI scheme adopted by the Board in FY2019 (the New LTI Scheme). <p>Pre-listing LTI Scheme (summary of key terms):</p> <ul style="list-style-type: none"> The Pre-listing LTI Scheme provided loans to eligible employees and non-executive directors to acquire ‘performance shares’ which convert to ordinary shares if vesting conditions are met (including repayment of the loans); Performance shares do not participate in dividends; Performance shares confer the right to receive notices of general meetings of the Company but not to attend or to vote at general meetings of the Company; One of the vesting conditions was that Netwealth achieve a target level of EPS in FY2020 and this condition has been met; The remaining vesting conditions relate to attainment by the employee or director of personal performance and behavioural standards and these conditions continue to apply until 31 December 2020;

-
- The personal performance vesting condition is that in each of the four financial years ending with the FY2020, the holder must achieve performance ratings of 'Achieving' or equivalent;
 - The personal behavioural vesting condition is that in each of the four financial years ending with FY2020, the holder must achieve behaviour ratings of 'Effectively displays' or equivalent;
 - The holder must be either continuously employed by or hold office continually with Netwealth until 31 December 2020;
 - Between 31 December 2020 and 31 October 2022, the performance shares can be converted to ordinary shares if the vesting conditions have been met and the loan is repaid; and
 - Performance shares that do not vest will be compulsorily divested, and the proceeds used to repay the applicable loan. The holder does not receive any part of the proceeds of divestiture.
-

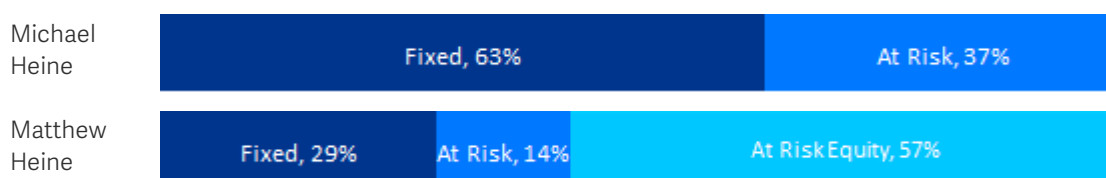
New LTI Scheme (summary of key terms):

- The New LTI Scheme is open to eligible senior and key employees selected by the Board but is not open to non-executive directors;
 - Options were offered under the New LTI Scheme to selected senior and key employees in FY2020;
 - Upon exercise, the options convert to ordinary shares on a one for one basis;
 - The options do not confer the right to attend and vote at meetings and do not confer the right to participate in dividends;
 - The exercise price is equal to volume weighted average price of ordinary shares at time of offer of the options;
 - The holder must be either continuously employed or hold office with Netwealth until 30 June 2022;
 - The options are subject to vesting conditions which are tested over a 3-year period from the date of the offer (the Vesting Period);
 - There are 2 types of vesting condition; personal behavioural and performance conditions for the employee (the personal vesting conditions) which apply over the Vesting Period, and corporate performance conditions based on Netwealth's Total Shareholder Return (TSR) (the TSR vesting condition) and earnings per share (EPS) (the EPS vesting condition);
 - 50% of each employee's options are subject to the TSR vesting condition. If Netwealth's TSR is in the 75th or higher percentile of companies in the S&P/ASX 300 Diversified Financials Index over the Vesting Period, all of that 50% of options can vest. This number decreases proportionately so that if Netwealth's TSR is lower than the 50th percentile, none of that 50% of options can vest;
 - 50% of each employee's options are subject to the EPS vesting condition. If Netwealth's EPS over the Vesting Period grows at a compound average growth rate (CAGR) of 22.5% or more, all of that 50% of options can vest. This number decreases proportionately so that if the CAGR is less than 17.5%, none of that 50% of options can vest;
 - If the employee does not meet the personal vesting conditions, all their options lapse;
 - A restriction period applies to shares issued upon exercise of options. A holder may only dispose of up to 50% of the shares that they are entitled to have issued to them for the first 12 months after the end of the Vesting Period;
 - Options must be exercised within 15 years of date of grant; and
-

- Should a liquidity event or change of control even occur, the Board has a discretion to automatically exercise all vested and unvested options.

E. Remuneration Mix of KMPs

The remuneration mix offer to the JMDs in FY2020 is shown in the diagram below. Remuneration mix refers to the proportion of total remuneration that is made up of each remuneration component. The 'Fixed' component is base salary plus superannuation. The 'At Risk' component is the amount of the maximum STI payable to the JMD. Michael Heine elected to waive his STI for FY2020. The 'At Risk Equity' component is the value of options issued to Matthew Heine under the New LTI Scheme. The value of performance shares issued to Matthew Heine under the Pre-listing LTI Scheme is not included.



As with all other employees, other than for anomalies, the Board has determined to defer Netwealth's annual remuneration review for 6 months, so the JMD's fixed remuneration has remained the same for the time being. The Board has determined that Matthew Heine's maximum STI will however be increased for FY2021 to \$500,000. 50% of the STI will be linked to Netwealth's NPAT for FY2021 and 50% will be linked to achievement of strategic and other objectives in the Board's FY2021 strategic plan. The STI is subject to personal and corporate performance gateways.

CFO Grant Boyle's remuneration comprises his fixed remuneration and the cash bonus paid to him for exceptional contribution in FY2020 (refer section D).

F. Overview of the Group Performance

The following table sets out Netwealth's NPAT, dividend payments and EPS for FY2018, FY2019 and FY2020:

Financial period ended 30 June	2020	2019	2018
NPAT (\$ million)	43,661	34,295	20,818
Dividends paid (\$ million)	32,088	38,171	8,300
EPS (cents)	18.37	14.43	8.96

As shown in the table, FY2020 has been a successful year for Netwealth, with NPAT and EPS increasing 27.3% on FY2019.

Netwealth's share price on the ASX as at the end of FY2018, FY2019 and FY2020 is shown below:

Financial period ended 30 June	2020	2019	2018
Netwealth Share Price*	8.97	8.00	8.22

*Closing price for the last trading day in the financial year

As shown in the table, Netwealth's share price increased 12.1% in FY2020

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 FY2020 and FY2019.

	Joint Managing Directors				CFO		Total	
	Michael Heine		Matthew Heine		Grant Boyle			
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Short term benefits								
Cash salary	228,311	228,311	478,997	479,469	335,000	325,000	1,042,308	1,032,780
STI ¹	-	-	234,375	180,000	35,000	25,000	269,375	205,000
Other ²	-	-	-	2,995	-	-	-	2,995
Long term benefits								
Leave ³	(33,954)	(16,391)	7,625	7,991	5,936	5,417	(20,393)	(2,983)
Post-employment benefits								
Superannuation ⁴	21,689	21,689	21,003	20,531	25,000	25,000	67,692	67,220
Share-based payments								
Pre-listing LTI scheme ⁵	-	-	14,299	14,299	2,447	2,447	16,746	16,746
New LTI scheme ⁶	-	-	64,887	-	23,561	-	88,448	-
Termination benefits								
Termination payments	-	-	-	-	-	-	-	-
Total	216,046	233,609	821,186	705,286	426,944	382,864	1,464,176	1,321,759
% Performance related	0%	0%	38%	28%	14%	7%	26%	17%

1. An STI payment for FY2020 was earned by Matthew Heine (refer section E). Michael Heine waived his STI payment for FY2019 and FY2020. Discretionary STI payments were made to Grant Boyle in FY2019 and FY2020 (refer section D).
2. Netwealth paid a short-term benefit of club membership fees on behalf of Matthew Heine in FY2019.
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 remain subject to vesting conditions.
6. Options on ordinary shares were issued under the New LTI Scheme during the financial year and are subject to vesting conditions (refer section D).

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 four Non-Executive Directors for FY2020.

Fees/benefits	Description	FY2020
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, Sally Freeman	-
	Remuneration Committee	
	Chair – Davyd Lewis	\$5,000
	Members – Jane Tongs, Timothy Antonie, Sally Freeman	-
	Compliance and Risk Management Committee	
	Chair – Davyd Lewis	\$5,000
	Members – Jane Tongs, Timothy Antonie, Sally Freeman	-
	Due Diligence Committee ¹	
	Chair – Davyd Lewis	\$5,000
	Members – No other Directors are members	-
Investment Committee ²		
Chair – Jane Tongs	\$5,000	
Member - Timothy Antonie, Sally Freeman	-	
Nomination Committee		
Chair – Jane Tongs	-	
Member – Davyd Lewis, Timothy Antonie, Sally Freeman	-	
Superannuation	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.	
Other benefits	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. Netwealth 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 Due Diligence Committee for Netwealth Investments Limited

² Relates to the Investment Committee for Netwealth Investments Limited

The table below sets out the total Non-Executive Director benefits paid for FY2020.

	Jane Tongs		Davyd Lewis		Timothy Antonie		Sally Freeman ²		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fees and allowances										
Board and Committee fees	114,155	114,155	105,023	105,023	95,890	95,890	66,503	-	381,571	315,068
Post-employment benefits										
Superannuation	10,845	10,845	9,977	9,977	9,110	9,110	6,318	-	36,250	29,932
Share-based payments										
Pre-listing LTI Scheme ¹	1,792	1,787	1,792	1,787	1,792	1,787	-	-	5,376	5,361
Total	126,792	126,787	116,792	116,787	106,792	106,787	72,821	-	423,197	350,361

¹ Performance shares held under the Pre-listing LTI Scheme remain subject to vesting conditions.

² Sally Freeman was appointed as Non-Executive Director from 10 October 2019.

The Non-Executive Directors are not eligible to participate in the New LTI Scheme.

The total remuneration paid to all Non-Executive Directors must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. This amount has been fixed by the Company at \$800,000 per annum.

I. Other information

KMP share movements

The table below sets out the holdings and changes of holdings of ordinary shares for each KMP in FY2020.

	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
FY2020	Number	Number	Number	Number	Number
Non-Executive Directors					
Jane Tongs	1,930,060	-	(76,159)	-	1,853,901
Davyd Lewis	200,333	-	(60,050)	-	140,283
Timothy Antonie	-	-	-	-	-
Sally Freeman	-	-	-	-	-
Executive Directors					
Michael Heine	125,944,990	-	(7,100,000)	-	118,844,990
Matthew Heine	3,211,405	-	-	-	3,211,405
Senior Executive					
Grant Boyle	176	1,428	-	-	1,604

KMP shareholdings under the Pre-listing LTI Scheme

The table below sets out the shareholdings of performance shares issued under the Pre-listing LTI Scheme to each KMP. The loans are interest-free and non-recourse, and must be repaid before the performance shares can convert to ordinary shares. The loans must be repaid within 10 years of grant date.

FY2020	Performance Shares				
	Balance at beginning of financial period	Granted during the year	Vested	Forfeited	Balance at end of financial period
	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
Sally Freeman	-	-	-	-	-
Executive Directors					
Michael Heine	-	-	-	-	-
Matthew Heine	1,400,000	-	-	-	1,400,000
Senior Executive					
Grant Boyle	175,000	-	-	-	175,000

KMP option holdings under the New LTI scheme

The table below sets out the holdings of options issued under the New LTI Scheme to each KMP entitled to participate.

FY2020	Performance Shares				
	Balance at beginning of financial period	Granted during the year	Vested	Forfeited	Balance at end of financial period
	Number	Number	Number	Number	Number
Non-Executive Directors					
Jane Tongs	-	-	-	-	-
Davyd Lewis	-	-	-	-	-
Timothy Antonie	-	-	-	-	-
Sally Freeman	-	-	-	-	-
Executive Directors					
Michael Heine	-	-	-	-	-
Matthew Heine	-	132,373	-	-	132,373
Senior Executive					
Grant Boyle	-	66,667	-	-	66,667

Employee Share Gift Plan

Under the Group's Employee Gift Plan, all eligible permanent and part time employees of the Group may be offered the opportunity to receive, for no consideration, up to \$1,000 in shares at market value. Employees who receive employee gift shares will be restricted from dealing in those shares until the earlier of three years from acquisition date or the date the employees ceases employment. The operation of this plan is assessed annually by the Board.

During FY2020, the Group made an offer under its Employee Gift Plan to grant all eligible permanent and part time employees that have been employed by the Group for a continuous period of 3 years as at 1 July 2019 resulting in 15,180 new ordinary shares issued at \$7.5544 during the year (FY2019: nil).

Limited recourse loans to KMP

No new limited recourse loans were made during FY2020 to KMP. The table below summarises the limited recourse loans made under the Pre-listing LTI Scheme which continued to be in place in FY2020:

	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
FY2020	\$	\$	\$	\$	\$
Non-Executive Directors					
Jane Tongs	82,500	-	-	-	82,500
Davyd Lewis	82,500	-	-	-	82,500
Timothy Antonie	82,500	-	-	-	82,500
Sally Freeman	-	-	-	-	-
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

J. Previous comments or resolutions in relation to Remuneration Report

At the 12 November 2019 annual general meeting, no comments were made in relation to the FY2019 Remuneration Report and the Remuneration Report was adopted by a vote of 99% in favour.

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Melbourne VIC 3000
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Melbourne VIC 3001 Australia

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www.deloitte.com.au

18 August 2020

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

Dear Directors

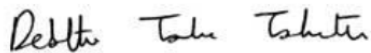
Auditor's Independence Declaration to Netwealth Group Limited

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 2020, 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



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Organisation.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020.

		Consolidated Group for Year Ended	
	Note	30 June 2020 \$'000	30 June 2019 \$'000
Continuing operations			
Income			
Revenue	4	121,345	96,369
Other income	4	2,565	2,401
Total income		123,910	98,770
Expenses			
Employee benefits expenses	5	(41,578)	(32,344)
Other operating expenses	5	(10,643)	(10,828)
Occupancy expenses		(1,157)	(1,614)
IT and communication expenses		(4,379)	(3,142)
Finance cost		(121)	-
Depreciation		(3,197)	(664)
Amortisation		(90)	(95)
Total expenses		(61,165)	(48,687)
Profit before income tax		62,745	50,083
Income tax expense	6	(19,084)	(14,882)
Profit for the period from continuing operations		43,661	35,201
Discontinued operations			
Profit/(Loss) for the period from discontinued operations		-	(906)
Profit for the period		43,661	34,295
Total comprehensive income for the period		43,661	34,295
Total comprehensive income attributable to:			
Members of the parent entity		43,661	34,295
Earnings per share			
From continuing and discontinued operations:			
Basic (cents per share)	9	18.37	14.43
Diluted (cents per share)	9	18.37	14.43
From continuing operations:			
Basic (cents per share)	9	18.37	14.81
Diluted (cents per share)	9	18.37	14.81

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2020.

		Consolidated Group as at	
	Note	30 June 2020 \$'000	30 June 2019 \$'000
Assets			
Current assets			
Cash and cash equivalents		85,516	58,459
Trade and other receivables	10	10,324	8,565
Other current assets	11	4,411	3,484
Financial assets	12	1,186	3,301
Total current assets		101,437	73,809
Non-current assets			
Property, plant and equipment	14	1,603	2,533
Intangible assets	15	297	383
Right-of-use assets	13	4,748	-
Deferred tax assets	6	3,807	4,700
Total non-current assets		10,455	7,616
Total assets		111,892	81,425
Current liabilities			
Trade and other payables	16	7,467	6,327
Provisions	17	4,277	3,206
Current tax liabilities		18,099	7,378
Lease liability	13	1,297	-
Total current liabilities		31,140	16,911
Non-current liabilities			
Lease liability	13	3,774	-
Provisions	17	949	667
Total non-current liabilities		4,723	667
Total liabilities		35,863	17,578
Net assets		76,029	63,847
Equity			
Issued capital	18	23,122	23,504
Reserves	19	1,286	844
Retained earnings		51,621	39,499
Total equity		76,029	63,847

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020.

Consolidated Group	Note	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
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
Balance at 1 July 2019		23,504	844	39,499	63,847
Shares issued and fully paid during the period		167	-	-	167
Total comprehensive income for the period		-	-	43,661	43,661
Amounts recognised on issue of employee shares		-	442	-	442
Reclassification ¹		(549)		549	-
Dividends paid or provided for	8	-	-	(32,088)	(32,088)
Balance at 30 June 2020		23,122	1,286	51,621	76,029

¹ A prior period reclassification of equity in relation to dividends recognised in 2017 on unvested shares granted to employees

[The accompanying notes form part of these financial statements.](#)

Consolidated Statement of Cash Flows

For the year ended 30 June 2020.

		Consolidated Group for Year Ended	
	Note	30 June 2020	30 June 2019
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		130,698	102,168
Payments to suppliers and employees		(64,296)	(53,636)
Dividends received		33	31
Interest received		567	846
Interest paid		(120)	-
Income tax paid		(7,470)	(8,652)
Net cash generated by operating activities	24	59,412	40,757
Cash flows from investing activities			
Purchase of property, plant and equipment		(915)	(593)
Proceeds from sale of Investments		2,757	4,799
Purchase of Investments		(621)	(1,099)
Purchase of intangibles		(4)	(148)
Sale of intangibles		-	-
Net cash generated/(used) used in investing activities		1,217	2,959
Cash flows from financing activities			
Proceeds from issue of shares		31	245
Payment of lease liabilities		(1,515)	-
Dividends paid		(32,088)	(38,171)
Net cash used in financing activities		(33,572)	(37,926)
Net increase in cash held		27,057	5,790
Cash and cash equivalents at beginning of year		58,459	52,669
Cash and cash equivalents at end of year		85,516	58,459

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 25) and its controlled entities (together referred to as 'the Group') for the year ended 30 June 2020 as required by the Corporations Act 2001 was authorised for issue in accordance with a resolution of the Directors on 18 August 2020. 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 2020:

- 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.

Coronavirus (COVID-19) impact

Like the majority of businesses, we have been impacted in different ways by COVID-19. When the crisis first hit in early March 2020, the business transitioned to remote working and enacted our pandemic plan which evolved as the situation unfolded. Additional processes and new technologies implemented which included a contact centre capable of operating remotely using cloud based telephony meant other than the initial limited disruption, we have continued to operate effectively and productively throughout the year.

As our head office is based in Victoria, we are in stage 4 lock down and will continue to work from home for the foreseeable future. At the current time the Board and management can see no reason why the business will not continue to operate as normal. The COVID-19 pandemic has not resulted in additional net costs or impacted the value of any business assets. Economic uncertainties currently prevailing around the world make it challenging to forecast the future, but Netwealth remains positive given its strong pipeline of new and existing business and growing market share. We are aware of the emotional impact on our staff and continue to explore and adopt wellness programs to help them through this period.

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

The Group has adopted AASB 16 Leases from 1 July 2019, replacing AASB 117 Leases.

Under AASB 16, all leases are accounted under a single on-balance sheet model, similar to accounting for finance leases under the old standard. Other than short-term leases of less than twelve months and leases of low-value assets, there is a recognition of right-of-use (ROU) assets and corresponding lease liabilities in the statement of financial position. Straight line operating lease expense recognition is replaced with a depreciation charge for the ROU assets (included in operating costs) and an interest expense on remaining lease liabilities (included in finance costs).

For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Transition

The Group has elected to apply the “modified retrospective approach” when transitioning to the new AASB 16 Leases standard. Under this approach, the Group has not restated comparative reporting periods.

The Group has elected to recognise the ROU asset to be equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the transition to AASB 16.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 July 2019 is 3.136%.

The following table shows the operating lease commitments disclosed applying AASB 117 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Reconciliation of operating lease commitments to lease liabilities	\$'000
Operating lease commitments at 30 June 2019	3,203
Operating lease commitments modifications	(421)
Discounted using the incremental borrowing rate at 1 July 2019	(243)
Lease liabilities recognised at 1 July 2019	2,539

Impact on Statement of Financial Position upon transition to AASB 16 on 1 July 2019 as follows:

Impact on Statement of Financial Position	\$'000
Increase in new lease liabilities	(2,539)
Increase in new right-of-use assets	2,077
Decrease of the existing lease incentive liability	462
Net impact on statement of financial position	-

The following practical expedients have been applied, as permitted by the standard:

- Application of a single incremental borrowing rate for a portfolio of leases with reasonable similar characteristics;
- Excluding direct costs from the measurement of the right-of-use asset at the date of initial application;
- Operating leases with a term of less than 12 months from the date of initial application is treated as short-term leases; and
- Application of hindsight in determining lease terms where the contract contains options to extend or terminate the lease.

At initial measurement, the Group had lease incentive liability of \$0.5 million, which has been recognised as a reduction in the ROU asset.

At transition on 1 July 2019, the Group reassessed the lease terms for each lease held and determined that the existing Melbourne office leases would be terminated on 1 September 2020.

Impact of AASB 16 adoption on earnings

Adoption of the new standard results in higher expense in the earlier years of the lease and lower in later years due to the interest expense calculated on the remaining balance of the lease liability compared to straight-lined lease expenses under AASB 117.

Adoption of the new standard did not materially change the NPBT with the impact during the financial year as follows:

Impact on Statement of Profit or Loss on Adopting AASB 16	\$'000
Decrease in operating leases expense	(1,506)
Increase in interest expense	121
Increase in depreciation expense	1,377
Decrease in net profit before tax	(8)

In 2H2020 Netwealth changed plans in relation to its leased premises, resulting in the remeasurement of the lease liability from 1 January 2020. This change has resulted in additional interest and depreciation expense being charged in the 2H2020. Refer to Note 13 regarding the remeasurement of lease liability.

AASB Interpretation 23 – Uncertainty over Income Tax Treatment (applicable to annual reporting period beginning on or after 1 January 2019)

Interpretation 23 clarified the application of the recognition and measurement criteria in AASB 112 Income Taxes in relation to uncertainty over income tax treatments. For any uncertain tax position, they must be all individually assessed for whether it is probable that the taxation authority will accept the position.

When it is not probable the taxation authority will accept the tax position, the uncertainty must be reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses and unused tax credits or tax rates. The amount would either be based on:

- The single most likely amount; or
- The sum of the probability weighted amounts in a range of possible outcomes, which ever best estimates reflects the impact of the uncertainty.

As more information about the nature of the tax treatment becomes available, the amounts are reassessed.

Interpretation 23 is effective for the Group's financial reporting period beginning on 1 July 2019. The Group's existing recognition and measurement of accounting policies along with accounting related judgements were in alignment with those required by Interpretation 23, hence no transition adjustment to retained earnings was required.

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 2020 \$'000	30 June 2019 \$'000
Revenue		
Platform revenue	121,345	96,369
Total platform revenue	121,345	96,369
Other income		
Net gain on disposal of investments	40	73
Unrealised investment (loss)/gain	(19)	1
Dividends and distributions received	52	31
Interest received	567	846
Cost of capital recovery	1,908	1,438
Other Income	17	12
Total other income	2,565	2,401
Total income	123,910	98,770

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/loss 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/decreased 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 through 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 2020 \$'000	30 June 2019 \$'000
Salaries and wages (including payroll tax)	34,741	27,626
Contributed superannuation	2,915	2,414
Share-based payment expense	446	66
Other employee benefits expenses	3,446	2,238
Total employee benefits expenses	41,548	32,344

5.2 Other operating expenses

	Consolidated Group	
	30 June 2020 \$'000	30 June 2019 \$'000
Operating expenses	10,643	9,707
Non recurring client rectification costs and legal expenses	-	1,121
Total other operating expenses	10,643	10,828

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.

Rent expense

Rent expense are recognised when rental agreements are not considered Leases under AASB16. This will include:

- rental agreement where it does not create a transfer of goods or services to the lessee; or
- rental agreement is considered short term which has a lease term less than 12 months.

Other occupancy expenses

Occupancy expenses are not capitalised as part of leases and are expensed as they are incurred.

6 Income Taxes

	Consolidated Group	
	30 June 2020 \$'000	30 June 2019 \$'000
a) The components of tax expense/(income) comprise:		
Current tax	18,203	13,055
Deferred tax	893	1,826
Under/(Over) provision from prior years	(12)	1
	19,084	14,882
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%	18,824	15,024
Other non-allowable/assessable items	260	(142)
Income tax expense attributable to entity	19,084	14,882

	Consolidated Group	
	30 June 2020 \$'000	30 June 2019 \$'000
c) The components of deferred tax assets comprise:		
Expenditure deductible over 5 years	2,053	3,538
Lease liability	1,522	-
Temporary differences	1,902	1,625
	5,477	5,163
d) The components of deferred tax liabilities comprise:		
Property, equipment and intangible assets	189	445
Right-of-use assets	1,425	-
Temporary differences	56	18
	1,670	463

Effective tax rate

	30 June 2020	30 June 2019
Consolidated Group	30.4%	39.7%

The effective tax rate for FY2019 included a capital tax loss recognised after the election to form a consolidated tax group. Excluding this, the effective tax rate 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	4,838	(1,299)	-	-	3,539
Provision	1,496	(206)	-	-	1,290
Tax losses	820	(820)	-	-	-
Property, plant & equipment and intangible assets	(623)	178	-	-	(445)
FVTPL financial assets	(203)	203	-	-	-
Other temporary difference	198	118	-	-	316
Balance at 30 June 2019	6,526	(1,826)	-	-	4,700
Expenditure deductible over 5 years	3,539	(1,485)	-	-	2,054
Provision	1,290	277	-	-	1,567
Property, plant & equipment and intangible asset	(445)	202	-	-	(243)
Leases	-	97	-	-	97
Other temporary differences	316	16	-	-	332
Balance at 30 June 2020	4,700	(893)	-	-	3,807

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 2020 \$'000	30 June 2019 \$'000
Short term employee benefits	1,694	1,556
Post-employment benefits	84	94
Share based payments	111	22
Key management personnel compensation	1,889	1,672

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 35 to 48 of the Annual Report.

8 Dividends

Dividends paid or declared by the Company in the year ended 30 June 2020 were:

	Cents Per Share	Total Amount \$'000	% Franked	Date of Payment
2020				
Interim 2020 ordinary	6.90	16,401	100%	26 Mar 2020
Total dividend	6.90	16,401		
2019				
Final 2019 ordinary	6.60	15,687	100%	26 Sep 2019
Total dividend	6.60	15,687		

During the year, the Company declared on 18 February 2020 and paid on 26 March 2020 a fully franked dividend of 6.90 cents per share representing a total dividend of \$16,401,000. There is no dividend reinvestment plan.

Franking credits

Franking credits available as at 30 June 2020 to shareholders of the Company amount to \$8,526,263 (2019: \$14,722,573) at the 30 percent corporate tax rate.

Subsequent events

Since the end of the financial year, the Company declared the following dividend on 18 August 2020. The dividend has not been provided for as at 30 June 2020 and there are no tax consequences.

	Cents Per Share	Total Amount \$'000	% Franked	Date of Payment
Final 2020 ordinary	7.80	18,540	100%	24 Sep 2020
Total dividend	7.80	18,540		

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 exercisable 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 2020 Cents per Share	30 June 2019 Cents per Share
Basic and diluted earnings per share		
From continuing operations	18.37	14.81
From discontinued operations	-	(0.38)
Basic and diluted earnings per share	18.37	14.43

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 2020 \$'000	30 June 2019 \$'000
Profit for the year from continuing operations attributable to owners of the Company	43,661	35,201
(Loss)/Profit for the year from discontinued operations attributable to owners of the Company	-	(906)
Profit for the year attributable to owners of the Company	43,661	34,295

	30 June 2020 Number	30 June 2019 Number
Weighted average number of issued ordinary shares	237,690,475	237,679,816

10 Trade and Other Receivables

	Consolidated Group	
	30 June 2020 \$'000	30 June 2019 \$'000
Products account receivables	10,191	8,336
Trade and sundry receivables	133	229
Total current receivables	10,324	8,565
Total trade and other receivables	10,324	8,565
Trade and other receivables classified as financial assets*	10,324	8,565

* Refer to Note 21 for further information about Financial Assets

11 Other Current Assets

	Consolidated Group	
	30 June 2020 \$'000	30 June 2019 \$'000
Accrued income	1,471	1,376
Prepayments	2,752	1,950
Other receivables	188	158
Total other current assets	4,411	3,484

12 Financial Assets

	Consolidated Group	
	30 June 2020 \$'000	30 June 2019 \$'000
FVTPL* financial assets	1,186	3,301
Total financial assets	1,186	3,301

	Consolidated Group	
	30 June 2020 \$'000	30 June 2019 \$'000
FVTPL* financial assets comprise at fair value:		
Netwealth managed funds	16	16
Netwealth wrap and super accounts	1,108	1,114
Other investments#	62	2,171
Total FVTPL financial assets	1,186	3,301

* Fair Value through Profit or Loss (FVTPL)

The Group has received the final deferred payment of \$2.1 million in April 2020 (minimum guaranteed amount) from the sale of its subsidiary operations in 2018.

13 Leases

	Property \$'000
Right-of-use assets	
Balance as at 30 June 2019	-
Change on initial applications of AASB 16	2,077
Balance as at 1 July 2019	2,077
Depreciation	(1,377)
Remeasurement of Head Office lease on 1 January 2020	4,048
Total right-of-use assets as at 30 June 2020	4,748

	Property \$'000
Lease liability	
Balance as at 30 June 2019	-
Change on initial applications of AASB 16	2,539
Balance as at 1 July 2019	2,539
Lease payments	(1,637)
Interest on leases	121
Remeasurement of Head Office lease on 1 January 2020	4,048
Total lease liability as at 30 June 2020	5,071
Current	1,297
Non-current	3,774
Total lease liability as at 30 June 2020	5,071

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position throughout FY2020 is 3.133%.

	Property \$'000
Undiscounted lease payments to be paid	
Year 1	1,437
Year 2	1,423
Year 3	1,477
Year 4	1,044
Year 5	-
> 5 years	-
Total	5,381

Subsequent remeasurement of Leases

The impact of COVID-19 has changed the occupancy requirements for Netwealth. Due to government restrictions and likely permanent changes to working behaviours going forward, management has deferred its plans to move to new premises and intends to instead opt to exercise its available option to extend the existing lease on Collins Street by 3 years to 31 March 2024.

As a result of the changing circumstances, Netwealth has remeasured its leases under AASB16 on the following basis:

- Exercise the extension option for the existing Melbourne lease; and

- No rental increase negotiated for FY2021 on Melbourne lease.

Impact on Statement of Financial Position upon transition to AASB 16 on 1 January 2020 as follows:

Impact on Statement of Financial Position	\$'000
Increase in new lease liabilities	(4,048)
Increase in new right-of-use assets	4,048
Net impact on statement of financial position	-

Short-term leases

Payments associated with short-term leases are directly expensed within 'Occupancy expenses' in the consolidated income statement. Short-term leases are leases with a contractual term of 12 months or less. Netwealth has no low-value assets. For the year ended 30 June 2020, \$0.2 million of short-term lease payments has been recognised in the income statement.

Key Accounting Policies

At the lease commencement date, the Group recognises the ROU assets with the equivalent lease liability measured at cost less incentives received at commencement date. The ROU depreciates in a straight line over the lease term. The lease liability is measured at the present value of the lease's future lease payments from commencement date, discounted using the Group's incremental borrowing rate.

Lease liability is subsequently remeasured when there is a change in an index, rate used, residual guarantee, lease term or termination penalties. When it is remeasured, the Group's incremental borrowing rate is also used to update the discount rate, and a corresponding adjustment is also made to the carrying amount of the ROU asset.

Lease which are less than 12 months are treated as short term leases and will be directly expensed to the profit and loss.

In determining the lease term, management considers all facts and circumstances that create and economic incentive to exercise and extension option. Such option is only included in the lease term if the lease is

14 Property and Equipment

	Consolidated Group	
	30 June 2020 \$'000	30 June 2019 \$'000
Carrying amount of:		
Leasehold improvements	309	1,643
Equipment	1,294	890
Total property and equipment	1,603	2,533

	Leasehold Improvements \$'000	Equipment \$'000	Total \$'000
Cost			
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
Additions	17	898	915
Disposals	-	(550)	(550)
Balance at 30 June 2020	3,128	3,024	6,152
Accumulated depreciation			
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)
Depreciation expense	(1,351)	(469)	(1,820)
Disposals	-	525	525
Balance at 30 June 2020	(2,819)	(1,730)	(4,549)
Net carrying amount			
At 30 June 2019	1,643	890	2,533
At 30 June 2020	309	1,294	1,603

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.

15 Intangible Assets

	Consolidated Group	
	30 June 2020 \$'000	30 June 2019 \$'000
Carrying amount of:		
Non-contractual customer relationships	180	240
Software and website developments costs	117	143
Total intangibles	297	383

	Customer relationship \$'000	Software and website \$'000	Total \$'000
Cost			
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
Additions	-	4	4
Disposals	-	(52)	(52)
Balance at 30 June 2020	300	297	597

*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 2018	-	(5,233)	(5,233)
Amortisation	(60)	(35)	(95)
Disposal*	-	5,066	5,066
Balance at 30 June 2019	(60)	(202)	(262)
Amortisation	(60)	(30)	(90)
Disposals	-	52	52
Balance at 30 June 2020	(120)	(180)	(300)

*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%

16 Trade and Other Payables

	Consolidated Group	
	30 June 2020 \$'000	30 June 2019 \$'000
Financial liabilities measured at amortised cost:		
Trade payables	6,786	5,914
GST payables / (receivables)	595	413
Other payables	86	-
Total financial liabilities measured at amortised cost	7,467	6,327
Financial liabilities at amortised costs classified as trade and other payables		
Total financial liabilities at amortised cost	7,467	6,327
Less:		
GST payable / (receivables)	595	413
Total financial liabilities as trade and other payables	6,872	5,914

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.

Cash flows are presented on a gross basis. The GST component of operating cash flows is included in receipts from customers or payments to suppliers.

17 Provisions

	Consolidated Group	
	30 June 2020 \$'000	30 June 2019 \$'000
Employee benefits	5,013	3,635
Other provisions	213	238
Total provisions	5,226	3,873
Current	4,277	3,206
Non-current	949	667
Total provisions	5,226	3,873

	Consolidated Group		
	Employee Benefits	Other Provisions	Total Provisions
	\$'000	\$'000	\$'000
Analysis of provisions consolidated Group			
Balance at 30 June 2019	3,635	238	3,873
Additional amounts raised during the year	3,410	6	3,416
Amount used or reversed during the year	(2,032)	(31)	(2,063)
Balance at 30 June 2020	5,013	213	5,226

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 2020 \$'000	30 June 2019 \$'000
Current		
Annual leave	2,531	1,692
Long service leave	1,533	1,276
Total current employee provisions	4,064	2,968
Non-current		
Long service leave	949	667
Total non-current employee provisions	949	667
Total employee provisions	5,013	3,635

16.3 Other provisions

A provision of \$0.1 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.

18 Issued Capital

Issued capital comprised:

	Consolidated Group	
	30 June 2020 \$'000	30 June 2019 \$'000
237,694,996 Fully Paid Ordinary shares (June 2019: 237,679,816)	879,530	879,415
6,177,500 Performance shares (June 2019: 6,177,500)	2,937	2,937
Total share capital	882,467	882,352
Restricted shares	(3,310)	(3,340)
Reorganisation reserve	(856,035)	(855,508)
Issued capital	23,122	23,504

The Company 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 2020 Number	30 June 2019 Number
Fully Paid Ordinary shares		
At the beginning of the reporting period	237,679,816	237,679,816
Shares issued during the year	15,180	-
At the end of the reporting period	237,694,996	237,679,816
Shares with value	235,581,149	235,531,493
Restricted shares	2,113,847	2,148,323

On 17 October 2019, 15,180 (\$114,676) Fully Paid Ordinary shares were issued as part of the Employee Gift Offer.

	Consolidated group	
	30 June 2020 Number	30 June 2019 Number
Performance shares		
At the beginning of the reporting period	6,177,500	6,457,500
Shares issued during the year	-	-
Shares cancelled during the year	-	(280,000)
At the end of the reporting period	6,177,500	6,177,500
Restricted shares	6,177,500	6,177,500

The Company has issued share capital amounting to 237,694,996 Ordinary shares (2019: 237,679,816 shares) of no par value and 6,177,500 Performance shares (2019: 6,177,500 shares) of no par value.

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 shareholders are entitled to attend meetings but 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.

19 Reserves

	Consolidated Group	
	30 June 2020 \$'000	30 June 2019 \$'000
Share reserve	1,286	844

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.

20 Controlled Entities

	Country of Incorporation	Percentage Owned	
		30 June 2020 %	30 June 2019 %
Subsidiaries of Netwealth Group Limited			
Netwealth Holdings Limited	Australia	100	100
Netwealth Superannuation Services Pty Ltd	Australia	100	-
Wealthtech Pty Ltd	Australia	100	-
Subsidiaries of Netwealth Holdings Limited			
Netwealth Investment Limited	Australia	100	100
Netwealth Group Services Pty Ltd	Australia	100	100
Netwealth Fiduciary Services Pty Ltd*	Australia	100	100

*Previously known as Netwealth Advice Group Pty Ltd

Netwealth Advice Group Pty Ltd changed its name to Netwealth Fiduciary Services Pty Ltd on 3 October 2019.

Netwealth Superannuation Services Pty Ltd and Wealthtech Pty Ltd are new subsidiaries established during the year, neither are operating as at 30 June 2020.

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 55 on the 'Principles of Consolidation'.

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 licence 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 2020, this ORFR requirement was \$29.0 million. Combined with ASIC's RG166 capital requirements for Australian Financial Services Licensees, the licensed entity was also required to maintain an additional \$10.2 million in net tangible assets as at 30 June 2020. 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 2020, 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 2020	30 June 2019
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	85,516	58,459
Trade and other receivables	10,324	8,565
Financial assets	1,186	3,301
Total financial assets	97,026	70,325
Financial liabilities		
Trade and other payables	7,467	6,327
Total financial liabilities	7,467	6,327

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 2020		
+/- 1% interest rates (interest income)	+538/-538	+377/-377
Year ended 30 June 2019		
+/- 1% interest rates (interest income)	+488/-488	+342/-342

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		
2020						
Trade and term receivables	318	2	-	24	292	-
Other receivables	10,006	-	-	-	10,006	-
Total	10,324	2	-	24	10,298	-
2019						
Trade and term receivables	229	9	10	2	208	-
Other receivables	8,336	-	-	-	8,336	-
Total	8,565	9	10	2	8,544	-

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
2020				
Trade & other payables	6,872	-	-	6,872
Total expected outflows	6,872	-	-	6,872
Cash and cash equivalents	85,516	-	-	85,516
Trade and other receivables	10,324	-	-	10,324
Financial assets	1,186	-	-	1,186
Total anticipated inflows	97,026	-	-	97,026
Net (outflow)/inflow of financial instruments	90,154	-	-	90,154
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

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	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash & cash equivalent	85,516	58,459	85,516	58,459
Trade & other receivables	10,324	8,565	10,324	8,565
FVTPL financial assets	1,186	3,301	1,186	3,301
Loans & receivables	-	-	-	-
Total financial assets	97,026	70,325	97,026	70,325
Financial liabilities				
Trade & other payables	6,872	5,914	6,872	5,914
Total financial liabilities	6,872	5,914	6,872	5,914

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
2020				
Financial assets				
FVTPL financial assets:				
Listed investments	1,003	-	-	1,003
Other	-	-	182	182
Total FVTPL financial assets	1,003	-	182	1,185
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

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 its subsidiary operations in 2018 with the reconciliation shown in the table below:

Reconciliation of Level 3 fair value measurements

	Unlisted Investments	Deferred Receivables*	Total
	\$'000	\$'000	\$'000
2020			
Opening balance	160	2,120	2,280
Total gains or losses	22	-	22
Purchases	3	-	3
Disposal	(3)	(2,120)	(2,123)
Closing balance	182	-	182
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

*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.

	2020		2019	
	Gross Exposure \$'000	ECL Allowance \$'000	Gross Exposure \$'000	ECL Allowance \$'000
Trade receivables^	10,191	4	8,505	4
Intercompany loans~	25,201	25	12,932	13
Other#	1,186	21	3,301	14
Total	36,578	50	24,738	31

^ 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 deferred payment received on sale of its subsidiary operations in 2018.

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

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 39 to 40 which applies to performance shares and has been in effect since 2013.

The Group has adopted the New LTI Scheme described on pages 40 to 41 under which the Group has offered options over ordinary shares to senior and key employees.

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

Performance shares (Pre-Listing LTI Scheme)

The Performance shares give the participant the right to convert to fully paid ordinary shares in Netwealth Group Ltd upon meeting specific performance hurdles. These Performance shares carry no dividend or voting rights until the vest and converts to fully paid ordinary shares.

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

The following vesting conditions apply to all 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';
- In each of the four financial years ending with FY2020, the holder must achieve behaviour ratings of 'Effectively displays'; and
- In FY2020, the Group must achieve an EPS equal to or more than the tiered EPS hurdle of \$0.1143 to vest 70% of holdings, capping at 100% if EPS of \$0.1571 is achieved.

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.

Ordinary share options (New LTI Scheme)

In the FY2019 annual report, it was disclosed that the Board has adopted a new LTI scheme which will apply from FY2020 onwards. Under the new 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.

During the half year, the Board offered options over ordinary shares to senior and key employees including Matthew Heine and Grant Boyle resulting in the Group issuing 1,046,377 ordinary share options to 115 employees:

Series	Grant date	Number	Plan	Expiry Date	Exercise Price	Fair Value at Grant Date
Series 14	17 October 2019	914,004	Options - LTI	30 June 2022	\$7.5544	\$2.73
Series 15	12 November 2019	132,373	Options - LTI	30 June 2022	\$7.5544	\$3.00

The following vesting conditions apply to the Options:

- The holder must be either continuously employed by or hold office continually with until 30 June 2022;
- In each of the three financial years ending with the FY2022, the holder must achieve performance ratings of 'effectively displays' and achieve all minimum KPI's as detailed in the performance plan applicable for the relevant year;
- 50% of Options are subjected to achieving a Total Shareholder Return relative to the Group's ranking in the Comparator Group (being the ASX 300 Diversified Financial Index);
- 50% of Options are subjected to the Group achieving the compound average annual growth rate EPS over the vesting period. It is tiered hurdles with a minimum 17.5%pa to vest 4.5%, capping at 50.0% once 22.5%pa is achieved.

22.2 Share options

No share options were exercised during the year (2019: nil). There are no outstanding share options at the end of the year (2019: 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 35 to 48 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 2020	30 June 2019
	\$'000	\$'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	-	-
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 2020	30 June 2019
	\$	\$
Management fees:		
Management fee revenue	6,686,765	4,334,624
Distributions:		
Distribution income	1,246	792

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 2020	30 June 2019
	\$	\$
FVTPL financial assets		
Netwealth Managed Funds	16,623	17,430
Netwealth Wrap and Super Accounts	1,268,859	1,247,970

24 Cash Flow Note

Reconciliation of cash flow from operations with profit after income tax

	Consolidated Group	
	30 June 2020 \$'000	30 June 2019 \$'000
Profit for the year	43,661	34,295
Income tax expense recognised in profit or loss	19,084	14,882
Depreciation & amortisation	3,287	759
Impairment	-	906
Share based payment expense	578	66
Unrealised (gain)/loss on investments	19	-
Adjustments on make good provision	6	(47)
Loss/(gain) on disposal of assets	25	268
Gain on disposal of investments	(40)	(73)
	66,620	51,056
Movements in working capital		
(Increase)/decrease in trade & other receivables	(1,765)	(2,159)
(Increase)/decrease in other assets	(927)	(975)
Increase/(decrease) in trade & other payables	1,607	1,641
Increase/(decrease) in provisions	1,347	(154)
Cash generated from operations	66,882	49,409
Income tax paid	(7,470)	(8,652)
Net cash provided by operating activities	59,412	40,757

Reconciliation of liabilities arising from financing activities

	30 June 2019 \$'000	Cash Flows	Non-Cash Changes		30 June 2020 \$'000
			Acquisitions	New Leases	
Lease liabilities	-	(1,515)	-	6,586	5,071
Total liabilities from financing activities	-	(1,515)	-	6,586	5,071

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 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 2020 \$'000	30 June 2019 \$'000
Assets		
Cash and cash equivalents	58	121
Current assets	20,429	11,064
Non-current assets	1,496	2,245
Investment in subsidiaries	43,546	43,576
Total assets	65,529	57,006
Liabilities		
Current liabilities	31,199	22,710
Total liabilities	31,199	22,710
Net assets	34,330	34,296
Equity		
Issued capital	879,158	879,011
Reserves	(835,033)	(834,889)
Retained earnings	(9,795)	(9,826)
Total equity	34,330	34,296
Statement of profit or loss and comprehensive income		
Total Profit/(Loss) for the year	32,121	37,238
Total Comprehensive Profit / (Loss) for the year	32,121	37,238

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 2020, the parent entity had not entered into any contractual commitments for the acquisition of property and equipment or any operating leases (2019: nil).

Contingent liabilities: At 30 June 2020, the parent entity does not have any contingent liabilities (2019: nil).

26 Auditor's Remuneration

	Consolidated Group	
	30 June 2020 \$'000	30 June 2019 \$'000
Fees payable for audit and review of financial reports		
Group	101	94
Subsidiaries	40	48
Total audit and review of financial reports	141	142
Statutory assurance services	19	18
Audit and review of the Funds	157	84
Audit on Internal Controls – GS007	84	75
Audit of IDPS and Investor Statements	24	22
Total fees paid to group auditor	425	341

27 Events Occurring after Reporting Date

On the 18 August 2020, the Company declared a fully franked final dividend for FY2020 of 7.80 cents per share (total dividend of \$18,540,210). The final dividend is payable on 24 September 2020.

In the opinion of the Board, there are no other matters or circumstances which have arisen between 30 June 2020 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.

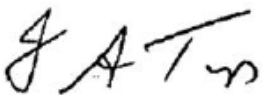
Directors' Declaration

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 'JATm', written in a cursive style.

Jane Tongs
Chairman
18 August 2020

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 2020, 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 2020 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 (including Independence Standards)* (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 Organisation.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Revenue Recognition – Platform Revenue</p> <p>As at 30 June 2020, \$121million of Platform Revenue has been recognised as disclosed in Note 4.</p> <p>Administration and Management fees within Platform Revenue are calculated on a number of factors such as daily portfolio balance, number of days in a period and any rebates granted.</p> <p>Netwealth’s accounting system uses a number of different data feeds within this highly automated system to capture and record the administration revenue. Consequently, there is a risk to the accuracy and completeness of these data feeds in the system.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - Updating our understanding of the system, procedures and controls in place for the accurate and complete recording of 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 data feeds for the Platform revenue; - Performing an analytical review of the administration revenue items based on fee rates within agreements and funds under administration, and - For a portion of the administration fees which are based on bespoke agreements; Recalculating on a sample basis, the manual fees and family fee rebates granted based on fee rates within agreements. <p>We have also assessed the appropriateness of the disclosures in Note 4 to the financial statements</p>

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 2020, 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, actions taken to eliminate threats or safeguards applied.

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

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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 35 to 48 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Netwealth Group Limited, for the year ended 30 June 2020, 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, 18 August 2020

Shareholder Information

Ordinary Shares (ASX Listed)

The shareholder information set out below was applicable at 5 August 2020.

Distribution of shareholdings

Range	Ordinary Shares	Number of shareholders
1-1,000	1,013,756	2,254
1,001-5,000	4,137,652	1,765
5,001-10,000	2,161,828	303
10,001-100,000	3,203,655	153
100,001 and over	227,178,106	34

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	118,804,990	49.98%
2	HSBC Custody Nominees (Australia) Limited	32,174,739	13.54%
3	Leslie Max Heine Pty Ltd <ATF The LMH Trust>	22,109,465	9.30%
4	J P Morgan Nominees Australia Pty Limited	15,858,500	6.67%
5	Netwealth Investments Limited <Wrap Services A/C>	13,319,341	5.60%
6	Citicorp Nominees Pty Limited	4,995,134	2.10%
7	BNP Paribas Noms Pty Ltd <DRP>	4,299,340	1.81%
8	National Nominees Limited	2,779,892	1.17%
9	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	2,524,874	1.06%
10	Netwealth Investments Limited <Super Services A/C>	1,968,034	0.83%
11	Australian Foundation Investment Company Limited	1,100,000	0.46%
12	Mirrabooka Investments Ltd	1,008,715	0.42%
13	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	953,463	0.40%
14	HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	692,522	0.29%
15	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	535,013	0.23%
16	Asset Plus Pty Limited <ATF The Headline Investments Trust>	467,642	0.20%
17	Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	338,524	0.14%
18	HSBC Custody Nominees (Australia) Limited-GSCO ECA	280,676	0.12%
19	Paul O'Connor	269,234	0.11%
20	Sandhurst Trustees Ltd <JMFG Consol A/C>	261,087	0.11%
	Total	224,741,185	94.55%
	Balance of register	12,953,812	5.45%
	Grand total	237,694,997	100.00%

Substantial holders (as at 5 August 2020)

Substantial Holder	Number of Ordinary shares in which the holder together with their associates have a relevant interest
Matthew Heine	144,165,860
Nicholas Heine	141,001,205
Michael Heine	140,954,455
Heine Brothers Pty Ltd	140,954,455
Leslie Max Heine Pty Ltd <ATF The LMH Trust>	22,109,465

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 5 August 2020, 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.

Company Information

Netwealth Group Limited

ABN 84 620 145 404

Registered Office

Level 8, 52 Collins Street
Melbourne, Victoria, 3000
Phone: 1800 888 223
Email: contact@netwealth.com.au

Shareholder Enquiries

Email: shareholder@netwealth.com.au
Website: <https://www.netwealth.com.au/web/about-netwealth/shareholders/>

Auditor

Deloitte Touche Tohmatsu
477 Collins Street
Melbourne, Victoria, 3000
Phone: +61 3 9671 7000
Fax: +61 3 9671 7001

Stock Exchange

Netwealth's shares are listed on the ASX with the code 'NWL'

Share Registry

Netwealth's register of shares is maintained by Link Market.

Link Market Services Limited

Level 13, Tower 4
727 Collins Street
Docklands VIC 3008

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