Annual Report 2019

Fiducian Group Ltd
ABN 41 602 423 610

FIDUCIAN
INTEGRITY • TRUST • EXPERTISE

Contents

Financial Highlights

For 2019

Fund Performance

Growth	**1**/167
Ultra Growth	**3**/105
Balanced	**3**/167
Cap Stable	**4**/105

Flagship funds performance ranking for five years to 30 June 2019 against all funds in the Morningstar survey

FUA Acquisitions

$219 million
FUA* acquired in 2018-19

UNPAT

UNPAT up
15%
to $12.0m

FUMAA

FUMAA* up
$0.7 billion
(by 10%) to $7.4b

Dividends

Dividends up
11.5%
to 22.30 cents / share

Financial Planners

67
Aligned Planners & Associates

Offices

41 Offices across Australia

Diversity

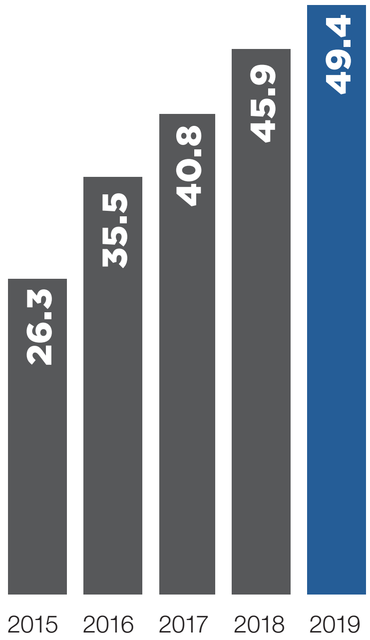
125 Staff around Australia from over **23** different countries of origin

* (FUMAA) – Funds Under Management, Advice and Administration | (FUA) – Funds Under Advice

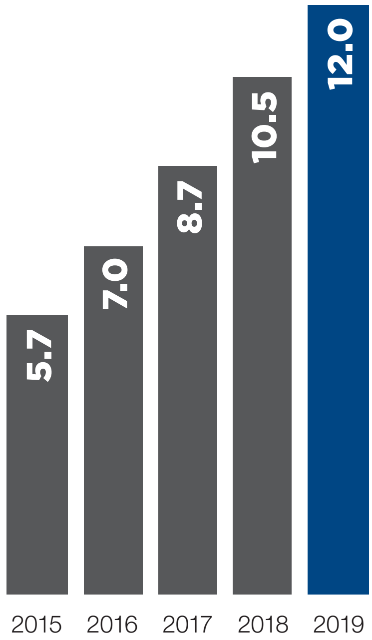
Financial Highlights (Continued)

For 2019

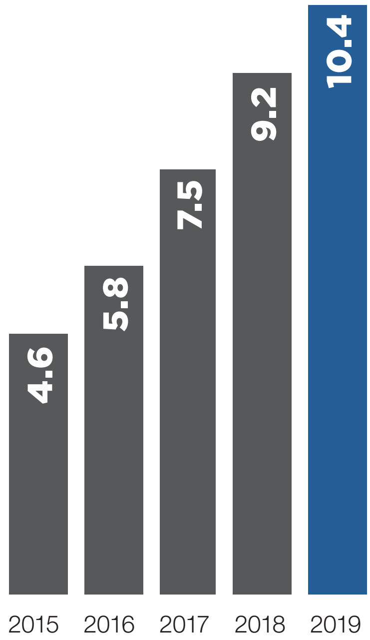
Revenue
($ million)



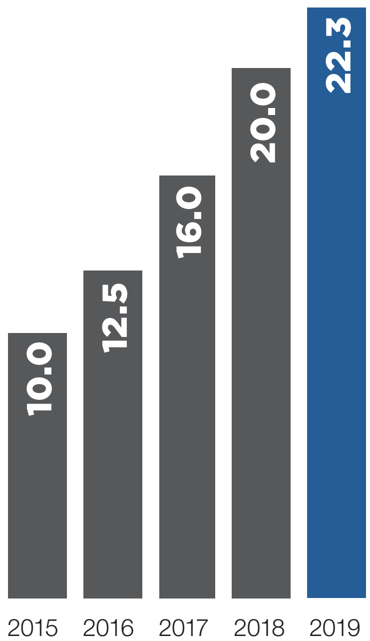
Underlying NPAT
($ million)



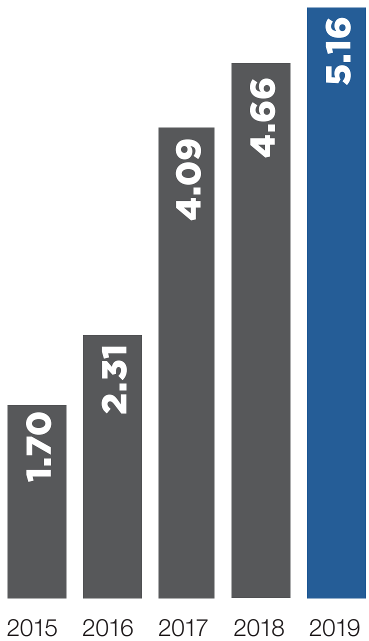
Statutory NPAT
($ million)



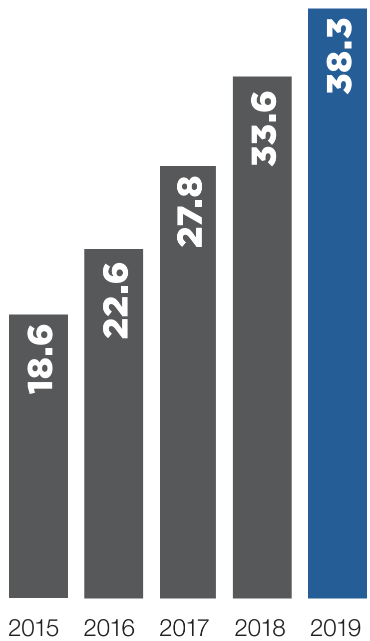
Dividends
(cents)



Share Price - 30 June Closing
($)



EPS based on UNPAT
(cents)



Five Year Financial Summary

For the years 2015 to 2019

Financial History	2019	2018	2017	2016	2015
	$'000	$'000	$'000	$'000	$'000
Financial Performance					
Gross Revenue	49,404	45,873	40,752	35,451	26,253
Underlying Net Profit After Tax (UNPAT)	12,047	10,505	8,710	7,036	5,748
Statutory Net Profit After Tax (NPAT)	10,350	9,198	7,512	5,839	4,622
Cost To Income Ratio (CTI) - ex amortisation %	56%	56%	60%	63%	62%
Financial Position					
Total Assets	45,899	40,561	36,277	33,690	28,770
Total Equity	34,826	31,131	27,620	24,127	21,191
Cash	11,792	13,885	9,548	9,691	12,374
Shareholder Information					
Number of shares outstanding (numbers)	31,442,623	31,242,623	31,264,368	31,110,855	30,883,398
Market Capitalisation (in $ million)	162	146	128	72	53
EPS based on UNPAT (in cents)	38.3	33.6	27.8	22.6	18.6
EPS based on NPAT (in cents)	33.0	29.4	24.0	18.8	15.0
Dividends (in cents)	22.3	20.0	16.0	12.5	10.0
Share Price - 30 June closing (in $)	5.16	4.66	4.09	2.31	1.70

20%
Annualised
UNPAT Growth

20%
Annualised
EPS Growth

6%
Cost to Income
% Reduction
over the Five
Year Period

Fiducian's Executive Chairman, Indy Singh addressing the audience after winning the Lifetime Achievement Award at Money Management's 2019 Fund Manager of the Year Awards ceremony.

Highlights

Funds Under Management Advice and Administration up by $0.7 billion (10%)

Underlying Net Profit After Tax up by $1.5 million (15%)

Basic underlying earnings per share up by 14%

Established position as a comprehensive financial services provider of Platform Administration, Funds Management, and Financial Planning

Potential for entry into the markets of SMA administration and Financial Planning Software sales to external dealer groups as an IT systems developer

Executive Chairman's Report

Dear Shareholder,

As Executive Chairman and on behalf of the directors, I am pleased to present this report on the consolidated operating performance of Fiducian Group Limited and its controlled operating entities for the year ended 30 June 2019.

Financial Information

Results for 2018-19

The results show a continuation of the positive momentum from previous years through application of the Board's strategies to grow the business. This has been achieved despite the share market fall experienced late in 2018 when investors feared a high interest rate driven global recession. Fortunately, calming statements by the US Federal Reserve helped reverse the market decline.

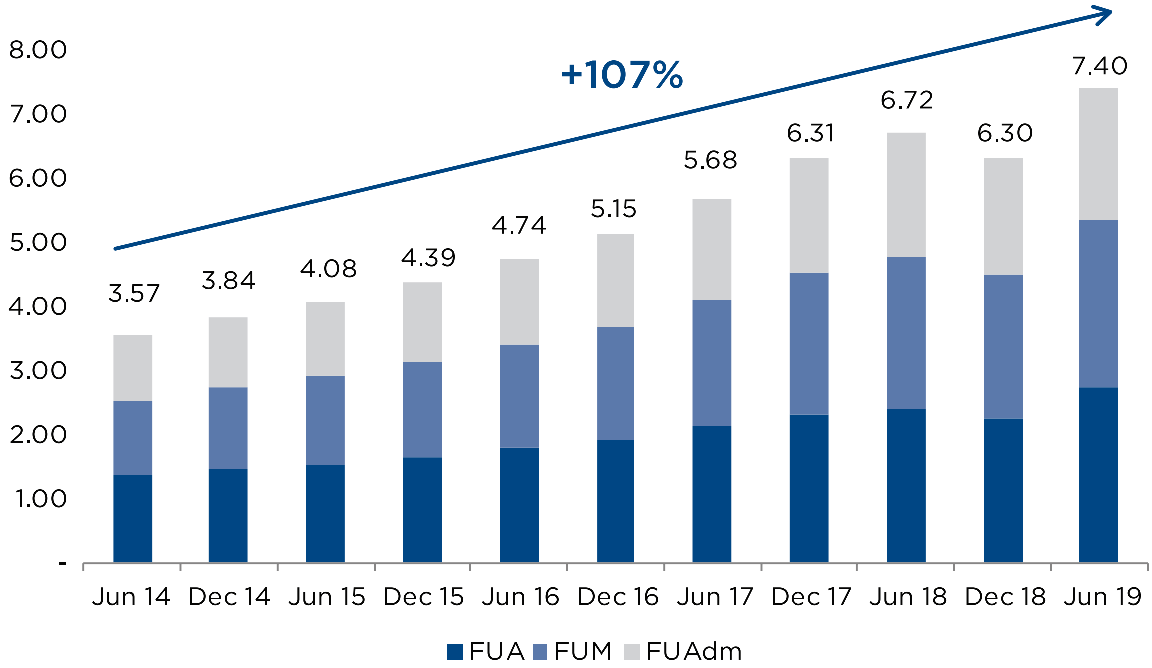
There were other events too, that made our client base defer investment decisions, such as media comments of a Trade War, the fallout from Brexit, a Royal Commission on the poor conduct of the financial services sector and the Banks and in particular, the federal election that was predicted by the polls to be a Labor Party win bringing in new taxes across the board. In addition, there were cost increases arising from the assimilation of businesses whose client bases we acquired the full revenue benefits are expected in coming years. In spite of these hurdles, the financial results have been positive, and the Underlying Net Profit after Tax, which is a reflection of the Group's cash generating ability, rose by around 15%. The financial highlights are presented below in tabular format.

The Statutory Net Profit for the consolidated entity after providing for income tax was $10.35 million (2018: $9.20 million), an increase of 13%. Underlying earnings per share of 38.3 cents is 14% higher than 2018.

The combined Funds under Management, Administration and Advice (FUMAA) have steadily grown by 107% over the past 5 years to $7.40 billion as at June 2019.

Financial highlights				
Year Ending 30 June	**2019**	**2018**	**$ Growth**	**% Change**
Funds Under Management, Advice and Administration (FUMAA)	**7.4 Billion**	**6.7 Billion**	**0.7 Billion**	**10% ↑**
	$'000	$'000		
Operating Revenue	**49,404**	**45,873**	**3.5 Million**	**8% ↑**
Fees and Charges paid	(12,721)	(12,117)		
Net Revenue	**36,682**	**33,756**	**2.9 Million**	**9% ↑**
Gross Margin	74%	74%		
Underlying EBITDA	**16,065**	**14,832**	**1.2 Million**	**8% ↑**
Depreciation	(89)	(89)		
Tax on underlying earnings	(3,929)	(4,239)		
Underlying NPAT (UNPAT)	**12,047**	**10,504**	**1.5 Million**	**15% ↑**
Amortisation	(1,697)	(1,307)		
Statutory NPAT	**10,350**	**9,198**	**1.2 Million**	**13% ↑**
Basic EPS based on UNPAT (in cents)	**38.3**	**33.6**		**14% ↑**
Basic EPS based on NPAT (in cents)	33.0	29.4		

FUMAA (in $ billion)



Capital Management

A key feature of the company is that it currently remains debt free and exhibits a positive working capital and cash flow position.

Final Dividend

The Board remains conservative, but is confident that the future of the business is positive and likely to continue to strengthen through organic growth and acquisitions of client bases that can benefit from the Fiducian process. As a result, a fully franked final dividend of 11.30 cents per share has been declared which will bring the total fully franked dividend declared for the 2019 financial year to 22.30 cents (2018: 20 cents), an increase of 11.5%. The full year dividend represents 68% of the statutory NPAT for the year. The final dividend will be paid on 11 September 2019 on issued shares held on 28 August 2019.

On Market Buy-Back

During the year, no shares were bought back on the market (2018: 21,745 shares) leaving 31.44 million shares on issue at year end (2018: 31.24 million).

At 30 June 2019, 478,255 shares remained available to be repurchased under the most recently announced buy back notice to the ASX.

Cash Flow

Net operating cash flows of $10.9 million were achieved (2018: $10.4 million). After adjusting for investing activities ($6.7 million) and financing activities ($6.3 million), net cash decreased by $2.1 million (2018: increase $4.3 million).

Cash at year end was $11.8 million (2018: $13.9 million). Business acquisitions during the year should assist our future revenue and earning capacity.

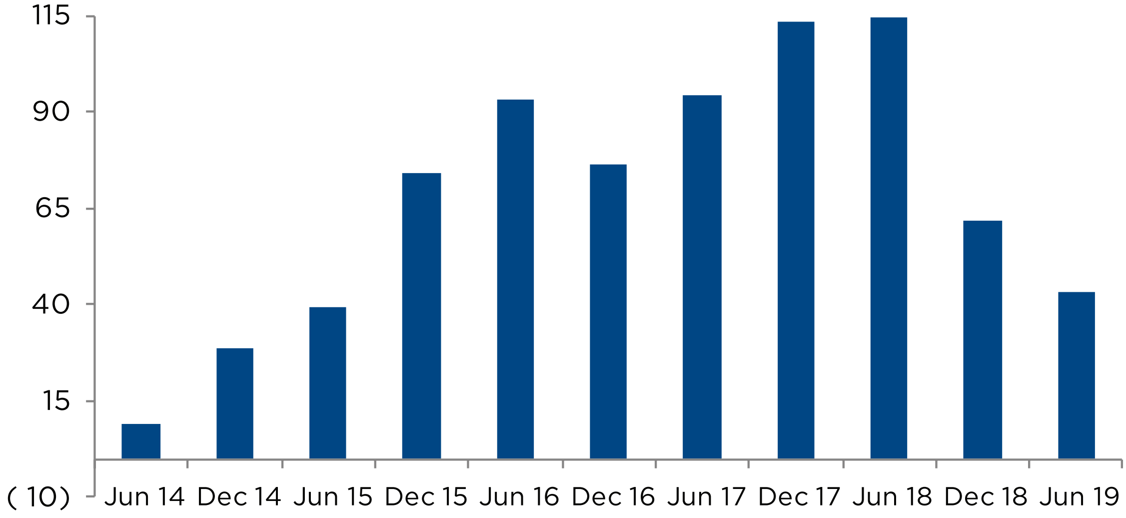
Staff and Chairman Options

In accordance with the terms and conditions of the approved Employee and Director Share Option Plan, no options (2018: 35,000) will be issued to the Executive Chairman in accordance with his contract of employment. Such options are subject to approval at the Annual General Meeting and only granted when the profit or share price increases by more than 15% over the previous year.

Financial Planning

During the year, Funds under Advice grew from $2.41 billion in June 2018 to $2.74 billion in June 2019 due to acquisitions of financial planning businesses, net inflows and rising financial markets. Fiducian expects the highest level of compliance and client service from its financial planning network. Regulatory oversight and expectation has been raised to a higher level following the Royal Commission and we have responded by increasing further compliance monitoring and supervision of our financial planners with additional recruitment. This is an expensive proposition, but one we feel is necessary, given media reports of high profile failures at the Banks and other large financial institutions. Even though the generation of higher inflows is important, our commitment is to quality. As such, our extensive internal training program that differentiates our financial planners from the marketplace and enables them to deliver superior quality advice in a compliant manner continues. As a consequence, client retention remains high.

Net Funds Inflows - Six monthly (in $ million)



Going forward, our focus will remain on generating inflows through organic and inorganic growth. During the year, the Group acquired around $219 million of Funds under Advice (2018: $83 million) for our salaried and franchised planners. Financial planners of acquired businesses are now operating under a Fiducian licence and starting to contribute to our revenue. As acquisitions continue to assimilate into our processes, we expect that following proper training, they should deliver increased revenue and demonstrate our disciplined approach to balancing growth and returns. Subsequent to the end of the financial year, the Group entered into purchase agreements to acquire two financial planning businesses in Tasmania and Victoria. In aggregate, these acquisitions will contribute $355 million in Funds under Advice and further grow the Group's presence in these states. While the Victorian acquisition is in its early stages, the transition of the staff and clients of the Tasmanian acquisition is progressing well and should start to contribute positively to the Group's revenue in the following six months.

Salaried Offices

Company owned offices with salaried financial planners are based in New South Wales, Victoria, Western Australia, Queensland and Tasmania and continue to contribute to overall results. Salaried offices now comprise over 51.3% of Funds under Advice. Financial planners of acquired client bases are assimilating well into our existing presence in Victoria and Western Australia and should add to our future results.

Franchised Offices

Franchised offices now comprise around 48.7% of our Funds under Advice. We have a total of 45 franchised financial planners nationally whom we continue to assist through practice development, marketing, financial planning software and investment products and strategies. In addition, referral arrangements continue to be initiated with accountants, some of whom are showing an interest in holistic financial planning. As a consequence, we now have 4 accounting practices in our 'Associate' franchisee program which aims to convert them to full operating franchisees when educational and training programs are completed.

Platform Administration

Platform Administration offers portfolio wrap administration for superannuation and investment services to financial planners as well as Managed Discretionary Accounts (MDA) which offer investors direct access to a small number of shares that are managed for them. We believe that our capability and systems are comparable to our competitors offerings and negotiations are underway with prospects who could use our services for administration of their client share and fund portfolios, also called Separately Managed Accounts (SMA). We have both the capability and capacity to offer this administration service to the external market in conjunction with the services we currently provide to our own platforms.

The hallmark of the Fiducian administration offering is quality in terms of daily processing, accuracy and customer service.

Funds Under Administration

Funds under Administration increased in total by 6.2% to $2.06 billion (2018: $1.94 billion).

While we continue to experience overall growth in Net Fund inflows driven by our salaried and franchisee financial planners the inflow rate slowed last year, which we believe was largely due to the negative sentiment prevailing through much of the year and described earlier. On a positive note, supporting our structural growth strategy, white label platform administration for external groups has risen to over $26 million in Funds under Administration and new staff have been employed to grow this part of our business.

Independent Financial Planners (IFAs)

Funds under Administration for IFAs are around 7.3% of total Funds under Administration. Efforts are underway to build new relationships and increase net inflows from non-aligned financial planner groups, in particular through SMA administration services.

Superannuation

The Superannuation Trustee Board established for our public offer, superannuation wrap fund in March 2015 with an equal number of independent directors operates professionally and with independence. The Board is supported by the office of Superannuation Trustee and outsources key operational process to specialist service providers.

Funds Management

Our in-house Manage-the-Manager system of investment continues to attract the majority of retail funds placed with us. Fiducian Funds have performed well over the medium to long-term in their respective categories as we diversify their assets through a range of underlying fund managers to reduce risk and volatility. There were some notable performances over the five-year return period for our flagship diversified funds. The performances of these funds to end of June 2019 are reported in the Morningstar Investment Performance Survey. The Growth and Balanced Funds were ranked 1st and 3rd out of 167 funds, the Capital Stable Fund was ranked 4th out of 105 funds and the Ultra Growth Fund was ranked 3rd out of 105 funds on the survey.

Information Technology

Fiducian Information Technology division has been busy with enhancements and delivering straight-through-processing functionality to 'FasTrack', our administration system which provides greater control, efficiency and substantial cost savings as well as, opens up new business opportunities. The improvements now in place provide integration with our on-line reporting tools and financial planning software, 'FORCe' and give greater flexibility to administer a wider range of investments. Further improvements towards electronic application and processing which allow flexibility to administer different configurations of products have been developed and continually embellished further. A key feature was the timely development and implementation of system changes required by 30 June 2019 to administer a raft of new superannuation and taxation legislation changes enacted by the Government.

Enhancements have also been made to our financial planning software 'FORCe' to include a leading edge workflow system that creates efficiency for all financial planner activities and provides the transparency required for greater compliance monitoring, a much sought after goal in the industry. Our efforts to market our financial planning software from a standing start to external users is progressing. This business unit has the potential to become a major revenue generator for the Group in years to come.

Human Resources

Management and Staff

There were a few staff changes during the year, largely at junior levels. Effective reporting processes are in place for all subsidiaries which enhance Group Board oversight of our business activities. Key performance indicators have been documented for management in each area of the business to monitor their performance.

Fiducian is an equal opportunity employer. Our diversity policy encourages persons of different race, gender, sexual preferences, religion, national or ethnic origin, age or disability and skills to participate and receive recognition, reward and management responsibility commensurate with their performance. Employees are from 23 different countries of origin, 48% are female with 27% in senior roles and 24% are over 55 years of age.

Planners Council, IT and Platform User Groups

The Planners Council is drawn from our supporting financial planners and has again made a significant contribution to the Company during the past year. It continues to fulfil its role as a sounding board for the Company's management and Boards and is a valuable resource and forum to allow financial planners to alert the company to issues that may need consideration.

The IT User Group and the Platform User Group again deserve commendation for their contributions to the developments and enhancements to our financial planning software (FORCe), on-line reporting tool (Fiducian Online) and platform administration system (FasTrack).

Board of Directors

The Board of Directors is working constructively to evaluate and support management's recommendations for the company. Mr. R Bucknell retired as Chairman after the last Annual General Meeting, having served in that role with distinction from our inception in 1996. We are fortunate to still have him on the Board as a director and benefit from his vast experience.

The Business Plan for the year ahead has identified measures to lift profits including by acquisition. Future performance can also be influenced by continuing strength in financial markets and decisive political leadership. Management remains committed to achieving the goals and objectives set down in the plan.

Community Support

Fiducian continues to raise funds for charity. Sponsorship has also been extended to community organisations and sporting teams linked to our planning network. Vision Beyond AUS, a charity supported by the Fiducian Group, has grown to assist hospitals in India, Myanmar, Nepal and Cambodia. Over 34,000 men, women and children who live in abject poverty have now had their eyesight restored. We intend to continue our charitable support to the community.

Current Economic and Market Environment

The global economy appears to have slowed marginally in recent months but overall still appears likely to grow at a solid rate over the rest of this year and through 2020, according to the International Monetary Fund (IMF), with global growth forecast to be around 3.2% in 2019 and 3.5% in 2020. However, growth in much of the developing world 'has disappointed', with growth in Eastern Europe projected to be only 1.0% this year and Latin America 0.6%, although stronger recovery is forecast for 2020.

While earnings growth is forecast to be lower this year (3% globally), it is forecast to pick up again in 2020 (10% globally, 11% in the US, 9% in Europe, 6% in Japan, 14% in China and 17% in India). Strong growth in corporate profits reduces the pressure for inflationary price growth and provides scope for further stock market appreciation.

The Australian economy has grown only slowly over the past year (1.8% to end-March), prompting the Reserve Bank to reduce interest rates twice to 1.0%. Rates could be cut further, if required, to lift consumer confidence and household income. Most major share markets recovered and performed well over the first half of 2019, with profit growth keeping average valuations reasonable.

Royal Commission

Fiducian has reviewed the recommendations and welcomed the Final Report by the Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

The Report has reiterated the norms of conduct which imply that the law is to be obeyed, that client interests must come first, that clients should not be misled and that services should be fit for purpose, delivered fairly and with reasonable care. The driving code of conduct for Fiducian and its people has always been to observe these norms and to provide products and professional services in a transparent manner for the benefit of our clients. It is refreshing to note that the way we operate is in line with the expectations detailed within the final report of the Royal Commission.

On the Royal Commission's recommendation, the Government has agreed to end grandfathered commissions from 1 January 2021. Around 4% of the Group's net revenue is from grandfathered commissions, some of it has come through from client base acquisitions made over the years. Management is working to convert commissions to fees for service before 2021. Insurance commissions and mortgage broking which have been adversely impacted are not our core business and are therefore unlikely to impact our revenue in any material way.

Fiducian sees no need to alter our business model or the way we have operated or intends to operate in the future. We shall continue to obey the law and its intent, all it stands for and serve our clients to the best of our ability. The words "Integrity Trust Expertise" is part of our logo and ethics of the Group, should stand us in good stead in the future.

Outlook

The Board expects profit growth to continue steadily in the coming year as management focuses on realizing the potential of Financial Planning, Platform Administration, Investment Management and Information Technology. The foundations of our business pillars are solid and growth strategies are in place by building scale on existing capacity and leveraging its relatively fixed cost base.

The revenue from recent business acquisitions should increasingly benefit the bottom line through the course of the coming financial year. Additionally, synergy benefits from these businesses are expected.

Expenditure controls and profits remain a priority. The Board policy requires the Group to build scale and deliver consistent double digit earnings growth in coming years.

On behalf of the Board, I would like to thank all participants for their individual contributions to the growth and success of Fiducian in what has been an eventful yet successful year.

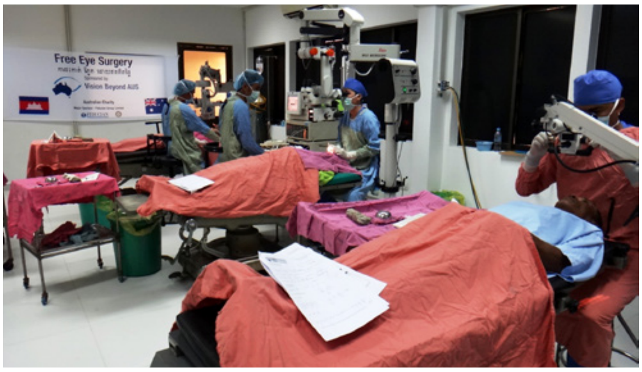
Inderjit (Indy) Singh
Executive Chairman
15 August 2019

Fiducian Supported Charity
Vision Beyond AUS (Public Benevolent Institution)

Vision Beyond Australia Ltd, a charity proudly supported by the Fiducian Group, received Public Benevolent Institution status effective from 1 January 2019.

The charity remains a registered charitable fund with tax deductible gift recipient status, but is now able to remit donations directly to its overseas projects.

The charity which is dedicated to restoring eyesight for people living in poverty, operates in Myanmar, Cambodia, Nepal and India through 7 hospitals and has restored eyesight for over 34,000 men, women and children.



Directors' Report

Your directors present their report on the Fiducian Group Limited ("the Company") and its wholly owned operating entities (referred to hereafter as the Group) for the year ended 30 June 2019.

Directors

The following persons were directors of Fiducian Group Limited during the financial year and up to the date of this report:

- I Singh (appointed Executive Chairman on 25 October 2018)
- R Bucknell
- F Khouri
- S Hallab

Principal activities

During the year the principal continuing activities of the Group consisted of:

(a) Operating an Investor Directed Portfolio Service and Managed Discretionary Accounts service, through its wholly owned subsidiary, Fiducian Investment Management Services Limited

(b) Acting as the Responsible Entity of Fiducian Funds through its wholly owned subsidiary, Fiducian Investment Management Services Limited

(c) Acting as the Trustee of Fiducian Superannuation Service through its wholly owned subsidiary, Fiducian Portfolio Services Limited

(d) Providing specialist financial planning services through its wholly owned operating subsidiary, Fiducian Financial Services Pty Limited

(e) Providing client account administration platforms, self managed superannuation services to clients and corporate services to other entities within the Group through its wholly owned subsidiary, Fiducian Services Pty Limited

(f) Providing accountancy resource services until 31 January 2019 through its wholly owned operating subsidiary, Fiducian Business Services Pty Limited. The company has been restructured and is now responsible for the distribution activities on behalf of the Group

(g) Development of IT software systems for financial planning and wrap platform administration

Dividends

Dividends paid to members during the financial year were as follows:

Dividends	2019 $'000	2018 $'000
Final ordinary fully franked dividend for the year ended 30 June 2018 of 11.00 cents (2017: Fully franked 8.90 cents) per share paid on 12 September 2018.	3,447	2,783
Interim ordinary fully franked dividend for the year ended 30 June 2019 of 11.00 cents (2018: Fully franked 9.00 cents) per share paid on 14 March 2019.	3,448	2,814
Total dividends paid during the year	**6,895**	**5,597**

Subsequent to the end of the financial year, the directors of the parent entity, Fiducian Group Limited have declared a final fully franked dividend for the year ended 30 June 2019 of 11.3 cents per ordinary share held on 28 August 2019 and payable on 11 September 2019.

Review of operations

A summary of consolidated revenues and results by significant industry segments is set out below:

	Segment Revenues		Segment Results	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Funds Management	13,850	12,740	8,574	7,595
Financial Planning	16,836	15,844	(729)	(817)
Administration, Corporate & Other	18,718	17,289	6,434	6,659
Profit from ordinary activities before income tax expenses			14,279	13,437
Income tax expenses			(3,929)	(4,239)
Net profit attributable to members of Fiducian Group Limited			10,350	9,198

Comments on operations and results

Comments on the operations, business strategies, prospects and financial position are contained in the report of the Executive Chairman.

Shareholder returns

Despite strong headwinds in a market characterised by slowing growth and a post-Haynes Commission fallout in the financial services sector, the Group has managed to a produce another year of double digit earnings growth. The Executive Chairman, in his report to the shareholders, has given an explanation of how these returns have been generated. As a result of this performance, the Board has declared a dividend distribution of 11.3 cents per share for the second half, bringing the full year dividend to 22.3 cents per share (2018: 20.0 cents).

Significant changes in the state of affairs

During the financial year, the Group acquired the client bases of three financial planning practices, one in Victoria and two in Western Australia, contributing in aggregate $219 million in Funds under Advice (FUA). The portfolio of clients was transferred to Fiducian Financial Services Pty Ltd progressively during the financial year and should start to contribute positively to the Group's revenue in the following year.

The contributed equity of the Group increased during the year following the payment and issue of 200,000 fully paid ordinary shares as a result of the exercise of previously issued share options by the Executive Chairman.

Matters subsequent to the end of the financial year

Subsequent to the end of the financial year, the Group entered into purchase agreements to acquire two financial planning businesses, one in Tasmania and the other in Victoria. In aggregate, these acquisitions are expected to add $355 million in Funds under Advice and further grow the Group's presence in these states. While the Victorian acquisition is in its early stages, the transition of the staff and clients of the Tasmanian acquisition is progressing well and both are expected to start to contribute positively to the Group's revenue in the next six months. Refer to Note 31 for further details.

Other than this, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years.

Likely developments and expected results of operations

The Executive Chairman has commented on expected results of operations in his Executive Chairman's Report. Other than this, there are no likely developments that may have significant impact on the expected results or operations of the Group.

Environmental regulation

The Group is not subject to significant environmental regulations under a Commonwealth, State or Territory law.

Employee diversity

Fiducian is proud to be an equal opportunity employer. It endorses diversity and currently has a number of employees that bring different skill-sets from their countries of origin. We recognise that diversity includes, but is not limited to gender, age, ethnicity and cultural backgrounds. Our diversity policy encourages persons of different gender, ethnic backgrounds, ages and skills to participate and receive recognition, reward and authority commensurate with their performance. Employees are comprised of staff from over 23 countries of origin, 24% over 55 years, and 48% female with 27% in senior roles.

The Group's current gender diversity report is available to be viewed on the Group website.

Key management personnel disclosures

1. Information on current Directors

I Singh BTech, MComm (Bus), ASIA, ASFA, DipFP, CFP *Executive Chairman*

Experience and expertise

Appointed Chairman on 25 October 2018. Founder and Managing Director since inception in 1996, Executive Deputy Chairman from 19 October 2017 until 25 October 2018. General Management and hands-on experience in the investment of savings and superannuation funds over the past 30 years.

Other current directorships in listed entities

None

Former directorships in the last 3 years

None

Special responsibilities

Executive Chairman of the Group with effect from 25 October 2018 and Company Secretary since inception.

Interest in shares and options

10,723,851 ordinary shares in Fiducian Group Limited.

35,000 options for ordinary shares in Fiducian Group Limited.

R Bucknell FCA *Independent non-executive director*

Experience and expertise

Chairman since inception in 1996 until he stepped down as Chairman on 25 October 2018 and remained as a director. Extensive experience in accounting and business management over the past 53 years as a Chartered Accountant.

Other current directorships in listed entities

None

Former directorships in the last 3 years

None

Special responsibilities

Chairman of the Remuneration Committee, and the Group Audit Risk and Compliance Committee.

Interest in shares and options

583,000 ordinary shares in Fiducian Group Limited.

F G Khouri BBus, FCPA, CTA *Independent non-executive director*

Experience and expertise

Appointed to the Board 6 July 2007. Public accountant, registered company auditor, financial planner and business adviser since 1976 to small and medium enterprises, currently as a partner in the firm HG Khouri & Associates.

Other current directorships in listed entities

None

Former directorships in the last 3 years

None

Special responsibilities

Director of Fiducian Portfolio Services Limited (Trustee subsidiary), member of the Audit Risk and Compliance Committees for both the Group and Super and member of the Group and Trustee Remuneration Committees.

Interest in shares and options

268,323 ordinary shares in Fiducian Group Limited.

S Hallab BEc (Accnt & Law), CA, GAICD, FAIST *Independent non-executive director*

Experience and expertise

Appointed to the Board 12 August 2016. Chartered Accountant and registered company auditor. Has over 36 years of experience in finance and superannuation.

Other current directorships in listed entities

Company Secretary of Ensurance Limited (ASX code: ENA).

Former directorships in the last 3 years

None

Special responsibilities

Director of Fiducian Portfolio Services Limited (Trustee Subsidiary), member of the Audit Risk and Compliance Committee and member of the Remuneration Committee.

Interest in shares and options

52,477 ordinary shares in Fiducian Group Limited.

2. Company secretary

Mr. I Singh has been the company secretary since inception in 1996, and is currently supported by General Counsel employed by Fiducian.

3. Meeting of directors

The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Meetings of directors		Meetings of committees			
	Board		Audit Risk & Compliance		Remuneration	
	A	B	A	B	A	B
I Singh	7	7	5	5	-	-
R Bucknell	7	7	5	5	1	1
F Khouri	7	7	5	5	1	1
S Hallab	7	7	5	5	-	1

A = Number of meetings attended.

B = Number of meetings held during the time the director held office or was a member of the committee during the year.

4. Other

Mr. I Singh as Executive Chairman of Fiducian Group Limited, has authority for and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year ended 30 June 2019. This authority and responsibility is unchanged from the previous year.

5. Remuneration report

The remuneration report is set out under the following main headings:

- **A -** Principles used to determine the nature and the amount of remuneration
- **B -** Details of remuneration
- **C -** Service agreements and induction process
- **D -** Share-based compensation
- **E -** Additional information
- **F -** Director's superannuation
- **G -** Loans to directors
- **H -** Other transactions with key management personnel

The information provided under headings A - H includes remuneration disclosures that are required under Australian Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been included in the Directors' Report and have been audited.

A - Principles used to determine the nature and the amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice for delivery of reward. The Board seeks to ensure that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management

(a) Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. Non-executive directors are not entitled to options under the Employee and Director Share Option Plan.

Directors' fees

The current base remuneration was last reviewed in June 2019. The external directors are paid a fixed fee for participation in Board and Committee meetings plus a fee based on time spent on any additional matters as approved by the Board. Directors who are financial planners, may have received remuneration from placing their financial planning business with the Group.

Non-executive directors' fees for the Company are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum pool is $450,000 per annum, was previously approved by shareholders at the Annual General Meeting on 20 October 2016.

Retirement allowance for directors

There are no retirement allowances for non-executive directors other than superannuation accumulation arising from any compulsory superannuation guarantee contributions made on their behalf.

(b) Executive Chairman

Remuneration and other terms of employment for the Executive Chairman are formalised in a service agreement. The Executive Chairman's agreement provides for the provision of performance based cash bonuses and, where eligible, participation in the Employee and Director Share Option Plan. Other major provisions of the agreement are set out below:

I Singh, Executive Chairman

- Term of agreement - until 30 June 2024
- Base salary, inclusive of superannuation and salary sacrifice benefits
- Death and TPD/Trauma cover
- Short term performance incentives
- Long term incentives through the Fiducian Group Limited Employee and Director Share Option Plan (ESOP)
- Retirement benefits, and
- The employment agreement may be terminated by either party with six-month notice

The combination of these comprises the executive's total remuneration package.

An external remuneration consultant advises the Remuneration Committee, at least every 3 years, to ensure that the Group has structured an executive remuneration package that is market competitive and complimentary to the reward strategy of the organisation. Their most recent review was in July 2018.

Base salary

Mr. I Singh receives a base pay that comprises the fixed component of pay and the potential for rewards, which reflects the market value for his role. The base salary is reviewed annually by the Remuneration Committee at the commencement of each financial year.

There are no guaranteed base pay increases fixed in the executive's contract.

Short-term incentives (STI)

The STI aims to provide an incentive to the Executive Chairman to act in the best interests of the Company, its shareholders, clients, staff and all stakeholders, such that the Company achieves and possibly exceeds its targets for the financial year. In setting or paying a STI or bonus, the Remuneration Committee ensures that a bonus does not encourage undue risk taking that would be detrimental to any part of the Company or its clients.

Board policy dictates that the Executive Chairman's performance for a financial year is reviewed and evaluated by the Remuneration Committee. The cornerstone to assessing the performance of the Executive Chairman is the fulfilment of three broad objectives namely:

a) Activities that ensure delivery of quality output to standards and timeliness which ensure compliance with statutory guidelines and as well, enhance customer and stakeholder relationships;

b) Production of results and growth outcomes that enable Business Plan objectives to be achieved; and

c) Leadership, management of staff, strengthening good corporate culture and managing risks.

Key Performance Indicators (KPIs) of the Executive Chairman are set by the Remuneration Committee. The Remuneration Committee uses both objective and subjective measures in its evaluation and on the basis of the methodology below, the Executive Chairman achieved 95% of the KPIs set for the financial year.

The business and operating areas considered are Financial Planning, Funds Management, Business Development and Distribution, and Fiducian services comprising of Platform Administration, Risk Management, Legal, Information Technology, Marketing and Finance. Each business area's Executive Leader has a number of underlying KPIs that lie within the broad objectives a), b), and c) outlined above. The underlying KPIs of each Executive Leader may differ and depend on their roles and responsibilities. The Executive Chairman sets the underlying KPIs for each Executive Leader and so each business area has a number of performance measures required to be delivered during the year.

Achievement by Executive Leaders of all the KPIs identified for them would satisfy the Board that sufficient personal exertion has been contributed towards achievement of the targets set in the Business Plan for the year, which is approved by the Board. A failure to achieve or deliver on any KPI item within the three broad objectives by any business area stated above is therefore considered a failure by the Executive Chairman to achieve all his KPIs.

The employment contract with the Executive Chairman stipulates that a maximum of 20% of that year's fixed remuneration should be paid to the Executive Chairman if all KPIs are satisfied. The Executive Chairman was therefore entitled to a STI of $106,400 but chose to receive a bonus of only $15,000.

Long-term incentives

Mr. I Singh is entitled to a discretionary performance bonus of up to 100,000 options per year determined as at 30 June each year, based on the following measures:

- the Company's pre-tax profit OR
- the Company's underlying net profit after tax OR
- the 30-day average of June market value for ordinary shares in the company

The options are issued under the Company's ESOP at the rate of 5,000 options for each 1% increase in annual profit in excess of 15% or 5,000 options for each 1% increase in the 30-day average for June market value for ordinary shares in the Company, whichever is higher, and only after approval by the shareholders of the Company. For the year ended 30 June 2019, Mr. I Singh is not entitled to any options.

Retirement and termination benefits

Retirement benefits are delivered under the Fiducian Superannuation Service. This fund provides accumulation benefits based on the SGC contributions by the specified executive, on commercial terms and conditions. Other retirement benefits may be provided directly by the Group only if approved by the shareholders.

Payment of a termination benefit on early termination by the Executive Chairman or by mutual consent is equal to 6 months of the gross annual remuneration.

B - Details of remuneration

Details of the remuneration of the key management personnel are set out in the following table:

2019	Short-Term Employee Benefits			Post-Employment Benefits		Share-Based Payment	
Name	Cash salary & fees $	Cash bonus $	Non-monetary benefits $	Super annuation $	Retirement benefits $	Options $	Total $
Executive Chairman							
I Singh [1]	539,469	15,000	-	20,531	-	11,045	586,045
Non-executive directors							
R Bucknell [2,3]	110,800	-	-	-	-	-	110,800
F Khouri [4]	86,023	-	-	8,172	-	-	94,195
S Hallab	61,770	-	-	5,868	-	-	67,638
Totals	798,062	15,000	-	34,571	-	11,045	858,678

[1] Mr I Singh is not entitled to any options in respect of the year ended 30 June 2019. The amount shown as options payment relates to the grant of 35,000 options for 2018 and represents the value of those options expensed over its term in accordance with accounting standards.

[2] Excludes GST if paid to another firm.

[3] Including amounts paid to the director's company only in respect to director's duties.

[4] This excludes fees of $205,824 for financial planning services paid to companies in which Mr F Khouri has an interest in his capacity as a financial planner.

2018	Short-Term Employee Benefits			Post-Employment Benefits		Share-Based Payment	
Name	Cash salary & fees $	Cash bonus $	Non-monetary benefits $	Super annuation $	Retirement benefits $	Options $	Total $
Non-executive directors							
R Bucknell [1,2] (Chairman)	116,200	-	-	-	-	-	116,200
F Khouri [3]	85,043	-	-	8,079	-	-	93,122
S Hallab	61,096	-	-	5,804	-	-	66,900
Executive director							
I Singh [4]	524,991	50,000	-	20,049	-	45,278	640,318
Totals	787,330	50,000	-	33,932	-	45,278	916,540

[1] Excludes GST if paid to another firm.

[2] Including amounts paid to the director's company only in respect to director's duties.

[3] This excludes fees of $207,417 for financial planning services paid to companies in which Mr F Khouri has an interest in his capacity as a financial planner.

[4] Mr I Singh was entitled to 35,000 options in respect of the year ended 30 June 2018. These were approved at the Annual General Meeting on 25 October 2018.

DIRECTORS' REPORT

C - Service agreements and induction process

The service agreement of the Executive Chairman is detailed in paragraph A(b) earlier. There are no service agreements with non-executive directors or employees.

In preparation for appointment to the Board, all non-executive directors undergo an induction program and receive an induction pack of documents necessary for them to understand Fiducian's charters, policies, procedures, culture and ethical values to enable new directors to carry out their duties in an effective and efficient manner.

D - Share-based compensation

(i) Options compensation and holdings

Options over shares in Fiducian Group Limited are granted under the Employee and Director Share Option Plan, which was approved by shareholders on 28 July 2000. The plan is described under Note 24.

The number of options for ordinary shares in the Company held directly by the Executive Chairman of Fiducian Group Limited and details of options for ordinary shares in the Company provided as remuneration to the key management personnel of the Group are set out below.

2019

Name	Balance at the start of the year	Exercised	Granted during the year as remuneration[1]	Lapsed during the year	Balance at the end of the year	Vested and exercisable
I Singh [1]	200,000	200,000	35,000	-	35,000	-

[1] Under the terms of his employment Mr I Singh is not entitled to any options relating to the current year. Options granted during the year are in respect of the entitlement relating to the year ended 30 June 2018.

2018

Name	Balance at the start of the year	Exercised	Granted during the year as remuneration[1]	Lapsed during the year	Balance at the end of the year	Vested and exercisable
I Singh [1]	100,000	-	100,000	-	200,000	100,000

[1] Under the terms of his employment Mr I Singh was entitled to 35,000 options relating to the year ended 30 June 2018. These were subject to approval at the Annual General Meeting on 25 October 2018 and were issued subsequent to 30 June 2018. Therefore, these have not been included above. Options granted during the year ended 30 June 2018 were in respect of the entitlement relating to the year ended 30 June 2017.

(ii) Share holdings

The number of shares in the Company held by current directors of Fiducian Group Limited, including their personally related and associated entities, are set out below. No shares were granted during the period as compensation.

2019				
Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at the end of the year**
I Singh	10,523,851	200,000	-	10,723,851
R Bucknell	583,000	-	-	583,000
F Khouri	268,323	-	-	268,323
S Hallab	31,000	-	21,477	52,477

2018				
Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at the end of the year**
I Singh	10,523,851	-	-	10,523,851
R Bucknell	583,000	-	-	583,000
F Khouri	268,323	-	-	268,323
S Hallab	-	-	31,000	31,000

Shares provided on exercise of options

During the year 200,000 ordinary shares were issued as a result of the exercise of remuneration options by the Executive Chairman of Fiducian Group Limited (2018: Nil). No amounts are unpaid on any shares issued on the exercise of options.

E - Additional information

Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and previous year. For the current year ended 30 June 2019 there has been a 1.9% or $10,000 increase in the base salary of the Executive Chairman. Cash bonuses granted in respect of the current financial year ended on 30 June 2019 is $15,000 (2018: $50,000) and the grant of options entitlements have been only in accordance with the incentive programs. The Executive Chairman is not entitled to any options in respect of the current year ended 30 June 2019 (2018: 35,000 options).

F - Directors' superannuation

Directors may have superannuation monies invested in the Fiducian Superannuation Service. These monies are invested subject to the normal terms and conditions applying to this superannuation fund.

G - Loans to directors

No loans were made to directors during the financial year (2018: Nil). Details of loans to related parties of the directors have been disclosed in Note 28 Related Party Transactions.

H - Other transactions with key management personnel

Mr. R Bucknell, a director of the Company, is also a director of Hunter Place Services Pty Ltd, a company which provides his services as a director to the Group.

A director, Mr. F Khouri, is an authorised representative under the Fiducian Financial Services Pty Ltd Australian Financial Services Licence and is a director and shareholder of Hawkesbury Financial Services Pty Ltd, which is a franchisee of Fiducian Financial Services Pty Ltd.

Hawkesbury Financial Services Pty Ltd places business with and receives remuneration from the company for financial planning services. All transactions are on normal commercial terms and conditions.

A director, Mr. S Hallab was paid director's fees for his personal contribution to the Board.

Aggregate amounts of each of the above types of other transactions with directors of Fiducian Group Limited:

	Consolidated	
	2019	2018
	$	$
Directors' fees and committee fees *	272,633	276,222
Financial planning fees paid or payable	205,824	207,417
	478,457	483,639

* Details of these fees have been provided in the Remuneration report included in the Directors' Report.

Shares under option

Unissued ordinary shares of Fiducian Group Limited under option at the date of this report are disclosed in Note 24 of financial report.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity until after the exercise of the option.

Shares issued on the exercise of options

The details of ordinary shares of Fiducian Group Limited issued during the year in respect of 2019 and 2018 years on the exercise of options granted under the Fiducian Group Limited Employee and Director Share Option Plan are disclosed under Note 24 to the Financial Report.

Indemnification and insurance of officers

Under the terms of its constitution, Fiducian indemnifies all past and present directors of Fiducian and its wholly-owned subsidiaries against certain liabilities and costs incurred by them in their respective capacities.

The Constitution of Fiducian Group Limited provides the following indemnification of officers:

- To indemnify officers of the Company and related bodies corporate to the maximum extent permitted by law.
- To allow the Company to pay a premium for a contract insuring directors, the secretary and executive officers of Fiducian Group Limited and its related bodies corporate. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in the capacity as officers of the company or a related body corporate.

No liability has arisen under these indemnities as at the date of this report.

During the year, Fiducian Group Limited paid a premium under a combined policy of insurance for liability of officers of the Company and related bodies corporate, professional indemnity and crime. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of the liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

Proceedings on behalf of the company

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under Section 237 of the Corporations Act 2001.

Non-audit services

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

The Board of Directors is satisfied that the provision of non-audit services by the auditor 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 risk and compliance committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants

The fees paid or payable for services provided during the year by the auditor (PricewaterhouseCoopers) of the parent entity, its related practices and non-related audit firms, are shown in Note 25 to the consolidated financial report.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 24.

Rounding of amounts

The Company is of a kind referred to in Class Order 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Corporate governance

A description of the Group's current corporate governance practices is available on the Group's website and can be viewed at https://www.fiducian.com.au/wp-content/uploads/corporate_docs/Corporate_Governance_Statement.pdf.

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

Inderjit (Indy) Singh
Executive Chairman

Sydney,
15 August 2019

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Auditor's Independence Declaration

As lead auditor for the audit of Fiducian Group Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Darren Ross
Partner
PricewaterhouseCoopers

Sydney
15 August 2019

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Financial Statements

Fiducian Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is :

Fiducian Group Limited
Level 4, 1 York Street,
Sydney, NSW 2000.

This financial statements were authorised for issue by the directors on 15 August 2019. The directors have the powers to amend and reissue the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Notes	Consolidated 2019 $'000	2018 $'000
Revenue from ordinary activities	4	48,927	45,438
Other income	5	477	435
Payments to advisers and service providers		(12,721)	(12,117)
Employee benefits expense		(13,109)	(12,428)
Amortisation, depreciation and impairment expense	6(a)	(1,786)	(1,396)
Other expenses	6(b)	(7,509)	(6,495)
Profit before income tax expense		**14,279**	**13,437**
Income tax expense	7	(3,929)	(4,239)
Profit for the year		**10,350**	**9,198**
Other comprehensive income for the full year, net of tax		**-**	**-**
Total comprehensive income for the year		**10,350**	**9,198**
Profit attributable to:			
Owners of Fiducian Group Limited		10,350	9,198
Earnings per share	**30**		
Earnings per share from profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share (in cents)		33.03	29.42
Diluted earnings per share (in cents)		32.94	29.28

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

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	**9**	11,792	13,885
Trade and other receivables	**10**	8,694	4,976
Total Current Assets		20,486	18,861
Non-current assets			
Loan receivables	**11**	5,150	5,738
Property, plant and equipment	**13**	172	186
Intangible assets	**15**	20,081	15,776
Total Non-Current Assets		25,403	21,700
Total assets		45,889	40,561
LIABILITIES			
Current liabilities			
Trade and other payables	**16**	7,939	6,081
Current tax liabilities	**17**	696	1,460
Total Current Liabilities		8,635	7,541
Non-current liabilities			
Net deferred tax liabilities	**18**	1,960	1,357
Provisions	**19**	468	532
Total Non-Current Liabilities		2,428	1,889
Total liabilities		11,063	9,430
Net assets		34,826	31,131
EQUITY			
Contributed equity	**20**	7,636	7,041
Reserves	**21**	22	130
Retained profits	**22**	27,168	23,960
Total equity		34,826	31,131

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

Consolidated Statement of Changes in Equity

As at 30 June 2019

	Notes	Contributed Equity	Reserves	Retained Profits	Total
		$'000	$'000	$'000	$'000
Balance as at 30 June 2017		7,141	120	20,359	27,620
Profit for the year		-	-	9,198	9,198
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	9,198	9,198
Transactions with equity holders in their capacity as equity holders					
Shares bought back-on market and cancelled		(100)	-	-	(100)
Dividends paid	**8**	-	-	(5,597)	(5,597)
Options expense	**21**	-	10	-	10
Total transactions with equity holders		(100)	10	(5,597)	(5,687)
Balance as at 30 June 2018		7,041	130	23,960	31,131
Change on initial application of AASB 9				(366)	(366)
Restated balance at beginning of the year		7,041	130	23,594	30,765
Profit for the year		-	-	10,350	10,350
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	10,350	10,350
Transactions with equity holders in their capacity as equity holders					
Shares issued on exercise of option		595	-	-	595
Dividends paid	**8**	-	-	(6,895)	(6,895)
Transfer to retained profits		-	(119)	-	(119)
Transfer from reserves		-	-	119	119
Options expense	**21**	-	11	-	11
Total transactions with equity holders		595	(108)	(6,776)	(6,289)
Balance as at 30 June 2019		7,636	22	27,168	34,826

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Notes	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		53,910	49,143
(Inclusive of goods and services tax)			
Payments to suppliers and employees		(38,023)	(34,756)
(Inclusive of goods and services tax)			
		15,887	14,387
Interest received		477	435
Income taxes paid		(5,425)	(4,444)
Net cash inflow from operating activities	**29**	10,939	10,378
Cash flows from investing activities			
Payments in relation to acquisitions		(6,882)	(827)
Net receipts from advisers on business development loans		225	526
Payments for property, plant and equipment		(75)	(44)
Net cash outflow from investing activities		(6,732)	(345)
Cash flows from financing activities			
Payments for shares bought back		-	(100)
Shares issued on exercise of options		595	-
Dividends paid		(6,895)	(5,597)
Net cash outflow from financing activities		(6,300)	(5,697)
Net (decrease)/increase in cash held		(2,093)	4,337
Cash and cash equivalents at the beginning of the year		13,885	9,548
Cash and cash equivalents at the end of year	**9**	11,792	13,885

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

Notes to the Financial Statements

1. Summary of significant accounting policies

The principal accounting policies adopted for the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes Fiducian Group Limited and its subsidiaries.

A. Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Fiducian Group Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The financial report of Fiducian Group Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New accounting standards adopted by the Group in the current period

The Group has applied the following standards for the first time for the annual reporting period commencing 1 July 2018.

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers

Changes to the Group's key accounting policies as a result of the application of the new standards are explained in Note 1-W.

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

Critical accounting estimates

The preparation of financial reports requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

B. Principles of consolidation

The consolidated financial report incorporates the assets and liabilities of all entities controlled by Fiducian Group Limited (Company or parent entity) as at 30 June 2019 and the results of all controlled entities for the year then ended. Fiducian Group Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Investments in subsidiaries are accounted for at cost in the parent entity's financial report.

The acquisition method of accounting is used to account for the business combinations by the Group.

Intercompany transactions and balances on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income.

C. Revenue recognition

The accounting policy for the Group's revenue from contracts have been explained in Note 1-W.

1. Summary of significant accounting policies (Continued)

D. Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for Australia adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial reports. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting or taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to use those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

Fiducian Group Limited and its wholly owned subsidiaries have implemented the tax consolidation legislation with Fiducian Group Limited as the head entity of the tax consolidated group. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. The head entity has entered into a tax sharing agreement and a tax funding agreement with the members of the tax consolidated group. Under the tax funding agreement, the members of the Group are required to contribute to the head entity for their current tax liabilities. The assets and liabilities arising under the tax funding agreements are recognised as intercompany assets and liabilities at call. Members of the tax consolidated group via the tax sharing agreement may be called to provide for the income tax liabilities between the entities should the head entity default on its tax payment obligations. No amount has been recognised in respect of this component of the agreement as the outcome is considered remote.

E. Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (Note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

With effect from 1 July 2019, the Group will apply AASB 16 Leases as discussed in Note 1-X.

F. Trustee company and Responsible Entity

The Group acts as a Trustee of Fiducian Superannuation Service through a subsidiary, Fiducian Portfolio Services Ltd, and acts as the operator of an Investor Directed Portfolio Service, Fiducian Investment Service, Managed Discretionary Accounts Service and the Responsible Entity of Fiducian Funds ("the trusts") through another subsidiary, Fiducian Investment Management Services Ltd. The accounting policies adopted by these companies in the preparation of their financial reports and that of the Group for the year ended 30 June 2019 reflect the fiduciary nature of these company's responsibilities and that of the Group for the assets and liabilities of the trusts. The financial reports do not include the trusts' assets and liabilities as future economic benefits and obligations derived from the trusts' assets and liabilities do not accrue to these companies or the Group. In accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets, the trust assets and liabilities have not been disclosed as the directors consider the probability of these companies or the Group having to meet the liabilities of the trusts as remote.

1. Summary of significant accounting policies (Continued)

G. Impairment of goodwill and intangible assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

H. Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

I. Trade receivables

Trade receivables are recognised at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement no more than 120 days from the date of recognition for trade receivables and financial planning fees, and no more than 30 days for other receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Receivables, which are known to be uncollectible, are written off. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (outside settlement terms) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

J. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The purchase consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the acquirer. The purchase consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, measured initially at their fair values at the acquisition date.

The excess of the purchase consideration and the acquisition-date fair value over the share of the net identifiable assets acquired, is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

1. Summary of significant accounting policies (Continued)

K. Investments and other financial instruments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and other financial assets. The classification depends on the purposes for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Business Development Loans

The accounting policy for the classification and accounting for business development loans has been explained in Note 1-W.

L. Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

M. Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Furniture, office equipment and computers
2 – 8 years

Leasehold improvements
term of the lease

The asset's residual values and useful lives are reviewed, and adjusted, if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount in Note 1-G.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the statement of comprehensive income.

N. Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or client portfolio at the date of acquisition. Goodwill on acquisitions is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Client portfolios

Consideration payable for the acquisition of client portfolios is deferred and amortised on a straight- line basis over a period of 10 years. Client portfolios are also tested for events or changes in circumstances that indicate that they may be impaired, and are carried at cost less accumulated amortisation and impairment losses.

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems where deemed appropriate. Costs capitalised include direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years.

Capitalised expenditure is tested for events or changes in circumstances that indicate that they may be impaired and whether they exceed their recoverable amount.

O. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group before the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

P. Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

1. Summary of significant accounting policies (Continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

Q. Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employee services up to the reporting date and are measured at the amount expected to be paid when the liabilities are settled. Personal/carers and sick leave is brought to account as incurred.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit cost method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the share option plans. Information relating to this scheme is set out in Note 24.

Subsequent options issued to employees for no consideration have the fair value of options granted under the Fiducian Employee and Director Share Option Plan recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a binomial option-pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

R. Contributed equity

Ordinary shares are classified as equity.

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

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments along with the consideration paid is deducted from equity and the shares are regarded as treasury shares until they are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly incremental costs (net of income taxes) is recognised directly in equity. Treasury shares are bought with the intention of cancellation and are not re-issued.

S. Dividends

Provision is made only for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

T. Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the net profit after income tax attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1. Summary of significant accounting policies (Continued)

U. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables or other 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 with other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flow.

V. Rounding of amounts

The Company is of a kind referred to in Class Order 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

W. New accounting standards and interpretations

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 Financial Instruments that relate to the recognition and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. The Group has adopted this standard from 1 July 2018 and has applied all the applicable provisions of the standard from that date to its trade receivables and loan receivables books.

The key changes of this standard that have impacted the accounting policies and on transition are summarized below: Classification and subsequent measurement AASB 9 has three classification categories for financial assets: Amortised cost, Fair value through Other Comprehensive Income (FVOCI) and Fair value through Profit and Loss (FVTPL). The classification is based on the business model under which the financial assets are managed and their contractual cash flows. In determining the business model, the Group exercised its judgment based on all evidence available at initial recognition of the financial asset.

The following indicators were considered in the determination:

- The objectives of the business model and how they were achieved
- The basis on which the financial assets were managed
- The basis on which the financial assets performance was evaluated and reported to Key Management Personnel ("KMP")
- The management of risks in the business model
- The basis of compensation of KMP in the business model

On application of the business model assessment to business development loans, management concluded that the business model for these loans was 'Hold and Collect' as there was no intention at the time when the assets were acquired to either trade them or sell them later. A similar assessment was conducted on the contractual cash flows of the business loans to determine if their contractual terms gave rise to cash flows that were solely payments of principal and interest (SPPI) on the principal outstanding. Based on this assessment management concluded the cash flows of business development loans were SPPI. After considering the conclusions of the assessment of the business model and the SPPI test, management concluded that the assets previously classified as Loans and Receivables under AASB 139 would be classified as Amortised Cost under AASB 9. The Group does not have any financial assets which could be classified as FVOCI or FVTPL which is consistent with the previous classification of financial assets under AAB 139 where the Group did not have any Fair Valued or Available for Sale financial assets.

Under the new classification of AASB 9, receivables, including business development loans held for collection of contractual cash flows where cash flows represent solely payment of principal and interest, are measured at amortised cost. Interest income from these financial assets are included in income using the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in the profit or loss. AASB 9 largely retains the existing requirements of AASB 139 for classification and measurement of financial liabilities and therefore there were no changes to the Group's accounting for these liabilities.

1. Summary of significant accounting policies (Continued)

Impairment

The expected credit loss model (ECL) introduced by AASB 9 as a replacement for the incurred loss model of AASB 139 requires earlier recognition of credit impairments based on all reasonable and appropriate information on past events, current conditions and forward looking information. With the ECL impairment requirements of AASB 9 only applicable to financial assets measured at amortised cost and FVOCI, the Group's assessment of ECL focused on receivables, including development loans given to financial planners, which were classified as amortised cost. AASB 9 requires measuring ECL for the development loans portfolio by applying a 3-stage approach where individual loans are categorized based on changes in the credit risk since origination. An unbiased and probability weighted ECL is then computed for the individual loan as the product of the probability of default (PD), the loss given default (LGD) probability and the exposure at the time of default (EAD). The ECL was determined with reference to the following stages:

Stage 1: Performing loans 12 month ECL

At initial recognition and for financial assets for which credit risk was low, ECL was determined based on the probability of default (PD) over the next 12 months and the losses associated with such default, adjusted for forward looking information. Interest income was determined with reference to the effective interest rate and the gross carrying amount of the asset.

Stage 2: Non-performing loans: Lifetime ECL

The Group assessed whether there had been a significant increase in credit risk (SICR) of the loans since initial recognition, based on qualitative and quantitative factors, and reasonable forward looking information, which included significant management judgement. Qualitative factors included but were not limited to payment history, requests to modify contractual payments and compliance reviews. Quantitative analysis utilised an internally developed model based on loan to value ratios and forecasted cash flows, adjusted for forward looking indicators such as the level of the ASX 200. Where the Group's modelling indicated a SICR, an ECL was determined with reference to the loan's lifetime probability of default and the lifetime loss associated with that probability of default. Interest income was determined with reference to the financial asset's effective interest rate and the gross carrying amount of the asset.

Stage 3: Credit impaired loans: Lifetime ECL

Where one or more events which have a detrimental impact on estimated future cash flows has occurred, the loans would be classified as credit impaired and included in stage 3. Management have pre-defined some events that would objectively indicate credit impairment such as loan to value ratio increasing beyond a certain percentage and bankruptcy of the adviser.

Lifetime ECL continues to be recognised but interest income is taken on a net of provision basis. The Group does not have any assets in stage 3

Transition

The carrying amount of the Group's financial assets have not been impacted by the new classification category introduced by AASB 9. However, as a result of the application of the new ECL methodology on receivables held at amortised cost, a transition adjustment on initial adoption of the standard is necessary. Management have noted that the SICR methodology is a relative credit risk approach involving significant management judgment in determining whether there has been a SICR in underlying exposures, this could result in exposures being classified as stage 2 despite these assets not being of a lower credit quality than exposures classified in stage 1. Based on AASB 9 modelling, management have determined that there has been an increase in credit risk since initial recognition for a few development loans included in receivables and therefore in accordance with the ECL methodology, these loans have transitioned from stage 1 to stage 2, requiring the provision of a Lifetime ECL. The transition adjustment to retained earnings relates to this provision. In accordance with AASB 9 the Group has not restated the comparatives in the financial statements and has recorded a transition adjustment to its opening balance sheet as at 1 July 2018. The impact of this transition adjustment has reduced the Group's shareholders' equity by $366,000 and increased the provision for impairment of business development loans by a similar amount. The Group does not have exposure to hedging instruments and therefore the hedging requirements of AASB 9 are not appropriate.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces all the previous guidance on revenue recognition from contracts with customers. It requires the identification of discrete performance obligations within a customer contract and an associated transaction price that is allocated to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services is transferred to the customer. The key judgments in applying AASB 15 include determining whether the contract is a single performance contract, whether the performance obligation is satisfied over time, as well as the timing and amount of variable consideration to be recognised.

The five steps approach to revenue recognition prescribed by AASB 15 was adopted by the Group from 1 July 2018 and despite the change in approach to revenue recognition, no material adjustment to opening retained earnings was recognised as the amendments to accounting policies did not result in significant changes to the timing or amount recognised.

1. Summary of significant accounting policies (Continued)

The primary revenue streams from contracts with customers for the Group are in the nature of management fee income earned from funds management, fees earned from offering platform services and fee income from offering advice to customers.

- Fees earned from the funds management services have been accounted for as single performance obligations to each fund satisfied over time. The fees received based on a fixed percentage on the assets under management are considered variable consideration but with the uncertainty in the variable element being resolved within the reporting period. Fund management services are held to be performed on an ongoing daily basis and therefore fees are accrued daily and paid monthly in arrears for the service provided.
- Revenue streams earned from platform administration services are identified as separate single performance obligations to individual customers with customers exercising control over the funds transitioned onto the platform. Platform administration services are held to be performed on an ongoing daily basis and therefore fees are accrued daily and paid monthly in arrears for the service provided by the platform.
- Fees earned from offering advice to customers are a combination of fees earned for ongoing service, and one off fees. Ongoing fees based on funds under advice are treated as single performance obligations satisfied over time. The fees received based on a fixed percentage on the funds under advice are considered variable consideration but with the uncertainty in the variable element being resolved within the reporting period. Advice service fees are therefore accrued daily and paid monthly in arrears for the service period, and therefore the revenue is attributed to services provided for within the period and accounted for as such. One off fees are identified as a single performance obligation with service performed at a point in time and revenue recognised in line with the service.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the current financial year that have material impact on the amounts recognised in prior periods or will affect the current or future periods.

X. New accounting standards and interpretations not mandatory in the current period

AASB 16 Leases (effective for financial years commencing after 1 Jan 2019)

The standard introduces a single lease accounting model and removes the current distinction between operating and financial leases. It requires the recognition of an asset (the right to use a leased item) and financial liability to pay rentals for the lease contract.

The Group has reviewed its operating leasing arrangements in light of the new standard. As at the reporting date, the Group has non-cancellable operating lease commitments of $1,110,000 (refer to Note 27). The Group expects to recognise right-of-use assets of approximately $1,442,240 and lease liabilities of $1,442,240 on 1 July 2019. The Group expects the net profit after tax in year 1 to decrease by $88,274 as a result of the adoption of the new standard. However, no change in overall total cash flow is anticipated resulting from the change to the accounting standard. Management notes that the lease for the head office premises is in the midst of negotiations and due to the uncertainty of the final outcome has been treated as short term and not reflected in these amounts.

Other than the above, a number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Group.

2. Critical accounting estimates and judgements

In preparing the Annual report, the Group makes estimates and assumptions which management believes are reasonable. However, outcomes may differ from management's assumptions and estimates and may require adjustments to the carrying amounts of the assets and liabilities reported. These estimates and judgements are discussed below:

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, by comparing its current amount with its recoverable amount in accordance with the accounting policy stated in Note 1-N.

(ii) Estimated impairment of client portfolios

The Group assesses at the end of each reporting period whether there is any indication that the investment or accounting portfolios may be impaired in accordance with the accounting policy stated in Note 1-N. If any such indication exists, the Group shall estimate the recoverable amount of the asset. The recoverable amounts of cash-generating units have been determined based on earnings multiples requiring the use of sustainable revenue estimates and comparable market transactions.

(iii) Estimated impairment of loans and receivables

The Group raises a provision for impairment of loans and receivables when there is objective evidence of impairment. The evaluation process involves estimates and judgements and any changes will directly impact the level of provision ascertained.

3. Segment information

A. Description of segments

Business segments

The business activities of the Group have been segregated into business segments based on legal entities and reviewed by management accordingly. The business segments are as follows:

Financial Planning

The Group continued its specialist financial planning operations through its subsidiary, Fiducian Financial Services Pty Ltd.

Funds Management

The Group continues to act as an operator of an Investor Directed Portfolio Service, Fiducian Investment Service and as Responsible Entity for managed investment schemes and managed discretionary accounts through its subsidiary, Fiducian Investment Management Services Ltd.

Administration, Corporate and Other

The administration and professional services are provided to the Group by a subsidiary, Fiducian Services Pty Ltd. Management views this as an operating segment. The operations of Fiducian Portfolio Services Ltd, which acts as a Registrable Superannuation Entity (RSE) of the public offer superannuation fund, and Fiducian Business Services Pty Ltd, which provided accountancy resources services until 31 January 2019, when the business was sold, and now provides distribution activities for the Group, have been aggregated in this segment as management have concluded that these segments do not meet the quantitative thresholds required by AASB 8 Operating Segments. The figures and segments of the previous year have been adjusted to make them comparable with the current year.

Geographical segments

The Group operates in the geographical segments of Australia and India. The Indian operations, which are in the course of winding up, are not considered material for a separate geographical segment disclosure during the financial year 2019.

3. Segment information (Continued)

B. Primary reporting - Business segments

	Funds Management	Financial Planning	Administration, Corporate & Other	Segment Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000
2019					
Revenue from external customers	17,465	17,165	14,297	-	48,927
Inter-segment sales [1]	(3,735)	(600)	4,335	-	-
Other revenue	120	271	86	-	477
Total segment revenue	**13,850**	**16,836**	**18,718**	**-**	**49,404**
Profit from ordinary activities before income tax expense	8,574	(729)	6,434	-	14,279
Income tax expense					(3,929)
Profit from ordinary activities after income tax expense					10,350
Segment assets	**8,724**	**31,316**	**17,358**	**(11,509)**	**45,889**
Segment liabilities	**2,182**	**6,939**	**4,225**	**(2,283)**	**11,063**
Acquisitions of plant and equipment, intangible and other non-current segment assets	**-**	**6,228**	**(151)**	**-**	**6,077**
Depreciation, amortisation and impairment	**-**	**1,552**	**234**	**-**	**1,786**

[1] Intersegment sales for the current period represents internal service charges from the Administration entity to other business lines.

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3. Segment information (Continued)

B. Primary reporting - Business segments (Continued)

	Funds Management	Financial Planning	Administration, Corporate & Other	Segment Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000
2018					
Revenue from external customers	15,631	15,849	13,958	-	45,438
Inter-segment sales [1]	(3,000)	(276)	3,276	-	-
Other revenue	109	271	55	-	435
Total segment revenue	**12,740**	**15,844**	**17,289**	**-**	**45,873**
Profit from ordinary activities before income tax expense	7,595	(817)	6,659	-	13,437
Income tax expense					(4,239)
Profit from ordinary activities after income tax expense					9,198
Segment assets	**9,163**	**24,697**	**17,926**	**(11,225)**	**40,561**
Segment liabilities	**5,147**	**5,114**	**1,168**	**(1,999)**	**9,430**
Acquisitions of plant and equipment, intangibles and other non-current segment assets	**-**	**1,251**	**69**	**-**	**1,320**
Depreciation, amortisation and impairment	**-**	**1,305**	**91**	**-**	**1,396**

[1] Intersegment sales for the current period represents internal service charges from the Administration entity to other business lines.

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3. Segment information (Continued)

C. Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the board is measured in a manner consistent with that in the statement of comprehensive income.

Segment revenue reconciles to total revenue from continuing operations as follows:

	Consolidated	
	2019	**2018**
	$'000	$'000
Total revenue from continuing operations (Note 4)	48,927	45,438

The Group is domiciled in Australia. The amount of its revenue from external customers in Australia is $48,927,000 (2018: $45,438,000).

(ii) Segment assets

The amounts provided to the board with respect to total assets are measured in a manner consistent with that of the financial report. These assets are allocated based on the operations of the segment and the physical location of the asset. All assets are located in Australia and in India. The Indian assets are not material.

(iii) Segment liabilities

The amounts provided to the board with respect to total liabilities are measured in a manner consistent with that of the financial report. These liabilities are allocated based on the operations of the segment.

4. Revenue from ordinary activities

	Consolidated	
	2019	**2018**
	$'000	$'000
From continuing operations		
Sales revenue		
Fees received [1]	47,929	44,605
Other	998	833
Revenue from ordinary activities	48,927	45,438

[1] Includes expense recovery fee of $3,800,000 (2018 : $3,826,000). For details refer to Note 6.

5. Other income

	Consolidated	
	2019	**2018**
	$'000	$'000
Interest received/receivable	477	435
Other income	477	435

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6. Expenses

	Consolidated	
	2019	**2018**
	$'000	$'000
Profit before income tax includes the following expenses:		
a) Amortisation, depreciation, and impairment expense		
Amortisation		
Capitalised computer software	5	9
Client portfolio acquisition costs	1,497	1,307
Total amortisation	1,502	1,316
Depreciation		
Furniture, office equipment and computers	35	26
Leasehold improvements	54	54
Total depreciation	89	80
Impairment		
Goodwill	195	-
Total impairment	195	-
Total amortisation, depreciation and impairment expense	**1,786**	**1,396**
b) Other expenses		
Professional services	440	458
Sales, marketing and travel	2,029	1,402
Rental expense relating to operating leases	1,073	1,071
Premises and equipment	633	192
Communication and computing	808	757
Printing and stationery	262	231
Auditors remuneration (Note 25)	755	562
Regulatory fees	332	352
Administration and other	1,977	2,089
Expense Recovery [1]	(800)	(619)
Total other expenses	7,509	6,495

[1] Under the administration agreement entered into by the Trustee, Fiducian Portfolio Services Limited, on behalf of Fiducian Superannuation Service (FSS) with Fiducian Services Pty Ltd ('the administrator'), the expenses of FSS are paid on the Trustee's behalf by the administrator and are reimbursed by FSS by way of an Expense Recovery Fee. Additional out of pocket expense reimbursements of $445,297 (2018: $224,059) have been included in Expense recovery in Note 6(b). For the current year the Expense Recovery Fee of $3,800,000 (2018: $3,826,000) has been included in Revenue from ordinary activities in Note 4 as part of Fees received.

7. Income tax expense

	Consolidated	
	2019	**2018**
	$'000	$'000
a) Income tax expense		
Current tax	4,728	4,620
Deferred tax	(799)	(381)
Income tax expense	3,929	4,239
Deferred income tax (revenue)/expense included in income tax expense comprises:		
(Increase)/Decrease in deferred tax assets (Note 14)	(248)	6
(Decrease) in deferred tax liabilities (Note 18)	(551)	(387)
Deferred tax	(799)	(381)
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	14,279	13,437
Tax at the Australian tax rate of 27.5% (2018: 30%)	3,927	4,031
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment	54	51
Sundry items	76	48
Income tax (over)/under provided in previous year	(128)	109
Income tax expense	3,929	4,239

c) Tax consolidation legislation

Fiducian Group Limited and its wholly owned subsidiaries have formed a tax consolidated group. As a consequence these financial statements have been prepared on a tax-consolidated basis where the head entity has assumed the tax liabilities initially recognised by the standalone taxpayers.

8. Dividends

	Consolidated	
	2019	2018
	$'000	$'000
Final ordinary fully franked dividend for the year ended 30 June 2018 of 11.00 cents (2017: Fully franked 8.90 cents) per share paid on 12 September 2018.	3,447	2,783
Interim ordinary fully franked dividend for the year ended 30 June 2019 of 11.00 cents (2018: Fully franked 9.00 cents) per share paid on 14 March 2019.	3,448	2,814
Total dividends paid during the year	6,895	5,597

Subsequent to the end of the financial year, the directors of the parent entity, Fiducian Group Limited have declared a final fully franked dividend for the year ended 30 June 2019 of 11.3 cents per ordinary share held on 28 August 2019 and payable on 11 September 2019.

Franked dividends

The franked portions of the final dividends recommended after 30 June 2019 will be franked out of existing franking credits.

	Consolidated	
	2019	2018
	$'000	$'000
Franking credits available for the subsequent financial year based on a tax rate of 27.5%	15,878	13,688

The above amounts represent the balances of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits from subsidiaries were paid as dividends.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of approximately $1,347,696 (2018: $1,303,572).

9. Current assets – Cash and cash equivalents

	Consolidated	
	2019	2018
	$'000	$'000
Cash at bank and in hand	11,792	13,885
Balance at end of the year	11,792	13,885

10. Current assets – Trade and other receivables

	Consolidated	
	2019	2018
	$'000	$'000
Amounts receivable from related entities:		
Related trusts	4,038	3,818
Business development loans *	534	410
Staff loans *	3	3
Other	835	1,067
Prepayments	385	142
Advance to acquire a business	3,399	-
	9,194	5,440
Less: provision for impairment of receivables	(500)	(464)
	8,694	4,976
* Refer to Note 11 for the non-current portion of these receivables.		
Movement in provision for impairment of receivables		
Balance at beginning of the year	(464)	(287)
Additional provision during the year	(36)	(177)
Balance at end of the year	(500)	(464)

At 30 June 2019, a provision for impairment exists for trade receivables outstanding greater than 120 days where management considers that the receivable is impaired. There is no material loss expected, other than the provisions made.

Information about the Group's exposure to interest rate risk in relation to trade and other receivables is provided in Note 32.

11. Non-current assets – Loan receivables

	Consolidated	
	2019	2018
	$'000	$'000
Business development loans *	5,699	5,916
Staff loans *	5	10
Less: provision for impairment of loans	(554)	(188)
	5,150	5,738
Movement in provision for impairment of receivables		
Balance at beginning of the year	(188)	(128)
Change on initial application of AASB 9	(366)	-
Restated balance at beginning of the year	(554)	(128)
Additional provision during the year	-	(60)
Balance at end of the year	(554)	(188)

* Refer to Note 10 for the current portion of these receivables.

A. Impaired receivables and receivables past due but not impaired

$366,000 has been provided against business development loans in the current year as an opening adjustment resulting from application of AASB 9 (Refer to Note 1-W) resulting in a total provision $554,000. (2018: $188,000).

11. Non-current assets – Loan receivables (Continued)

B. Fair values

The fair values and carrying values of non-current receivables of the Group are as follows:

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	$'000	$'000	$'000	$'000
Business development loans *	5,145	5,145	5,728	5,728
Staff loans *	5	5	10	10
	5,150	5,150	5,738	5,738

* Business development loans and staff loans are carried at amortised cost; their carrying value is a reasonable approximation of fair value.

12. Investment in Subsidiaries

The Group's principal subsidiaries as at 30 June 2019 are set out below.

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding %
Fiducian Investment Management Services Ltd (FIM) [1]	Australia	Ordinary	100
Fiducian Portfolio Services Ltd (FPS) [2]	Australia	Ordinary	100
Fiducian Services Pty Ltd (FSL) [3]	Australia	Ordinary	100
Fiducian Financial Services Pty Ltd (FFS) [4]	Australia	Ordinary	100
Fiducian Business Services Pty Ltd (FBS) [5]	Australia	Ordinary	100

[1] The company acts as the Responsible Entity for the Fiducian Funds and Managed Discretionary Accounts, and is the operator of the Fiducian Investment Service.

[2] The company acts as the Trustee for the Fiducian Superannuation Service.

[3] The company provides platform administration and self-managed superannuation services to clients and corporate services to other entities within the Group.

[4] The principal activity of the company is the development of a specialist financial planning services network.

[5] The principal activity of the company was to provide bookkeeping, accounting and tax processing services until 31 January 2019 when the business was sold. The company has been restructured and is now responsible for the distribution activities on behalf of the Group.

In addition to the above subsidiaries, Fiducian Business Services Pty Ltd has a 90% equity investment in Fiducian Resourcing Services Pvt Ltd, a company incorporated in India, providing accounting and tax processing services to the Group. The operations of this company, which are in the process of being wound up, are not considered material to the Group in 2019.

13. Non-current assets – Property, plant & equipment

	Consolidated	
	2019	2018
	$'000	$'000
Plant and Equipment		
Furniture, office equipment and computers	1,716	1,641
Less: accumulated depreciation/amortisation	(1,544)	(1,455)
Total plant and equipment	172	186

Movements

Reconciliation of the carrying amount of each class of property, plant and equipment are set out below.

	Furniture and Office Equipment	Computers	Leasehold Improvements	Total
	$'000	$'000	$'000	$'000
At 30 June 2017				
Cost	295	468	835	1,598
Accumulated depreciation/amortisation	(237)	(441)	(697)	(1,375)
Net book amount	58	27	138	223
Year ended 30 June 2018				
Opening net book amount	58	27	138	223
Additions	-	44	-	44
Depreciation/amortisation charge	(14)	(13)	(54)	(81)
Closing net book amount	44	58	84	186
At 30 June 2018				
Cost	295	512	834	1,641
Accumulated depreciation/amortisation	(251)	(454)	(750)	(1,455)
Net book amount	44	58	84	186
Year ended 30 June 2019				
Opening net book amount	44	58	84	186
Additions	5	70	-	75
Depreciation/amortisation charge	(13)	(22)	(54)	(89)
Closing net book amount	36	106	30	172
At 30 June 2019				
Cost	300	582	834	1,716
Accumulated depreciation/amortisation	(264)	(476)	(804)	(1,544)
Net book amount	36	106	30	172

14. Non-current assets – Deferred tax assets

	Consolidated	
	2019	**2018**
	$'000	$'000
The balance comprises temporary differences attributable to:		
Doubtful debts	317	196
Employee benefits	596	573
Accrued expenditure	348	215
Provision for audit and taxation services	140	130
Provision for FBT	9	11
Restructure expenses	37	74
Deferred tax assets before set off	1,447	1,199
Set off against deferred tax liabilities (Note 18)	(1,447)	(1,199)
	-	-
Movements:		
Opening balance at 1 July	1,199	1,205
Taken to the statement of comprehensive income	248	(6)
Deferred tax assets before set off	1,447	1,199
Set off against deferred tax liabilities	(1,447)	(1,199)
	-	-

15. Non-current assets – Intangible assets

	Consolidated	
	2019	**2018**
	$'000	$'000
Deferred expenditure		
Capitalised expenditure – computer software	5,029	5,029
Less: Accumulated amortisation	(5,028)	(5,023)
	1	6
Client portfolios		
Cost of acquisition of client portfolios	18,143	14,028
Less: Accumulated amortisation	(6,604)	(5,593)
	11,539	8,435
Goodwill		
Goodwill on acquisition	9,200	7,799
Less: Impairment/amortisation	(659)	(464)
	8,541	7,335
Total intangible assets	20,081	15,776

15. Non-current assets – Intangible assets (Continued)

A. Amortisation and impairment movements

Movements in each category are set out below:

	Acquisition of Client Portfolios	Goodwill on Acquisition	Capitalised Computer Software	Total
	$'000	$'000	$'000	$'000
At 30 June 2017				
Cost	12,949	7,600	5,029	25,578
Accumulated amortisation/impairment	(4,286)	(464)	(5,014)	(9,764)
Net book amount	8,663	7,136	15	15,814
Year ended 30 June 2018				
Opening net book amount	8,663	7,136	15	15,814
Additions [1]	1,079	199	-	1,278
Amortisation charge [3]	(1,307)	-	(9)	(1,316)
Closing net book amount	8,435	7,335	6	15,776
At 30 June 2018				
Cost	14,028	7,799	5,029	26,856
Accumulated amortisation/impairment	(5,593)	(464)	(5,023)	(11,080)
Net book amount	8,435	7,335	6	15,776
Year ended 30 June 2019				
Opening net book amount	8,435	7,335	6	15,776
Additions [1]	4,776	1,401	-	6,177
Sale of business [2]	(175)	-	-	(175)
Amortisation/impairment charge [3]	(1,497)	(195)	(5)	(1,697)
Closing net book amount	11,539	8,541	1	20,081
At 30 June 2019				
Cost [4]	18,143	9,200	5,029	32,372
Accumulated amortisation/impairment [4]	(6,604)	(659)	(5,028)	(12,291)
Net book amount	11,539	8,541	1	20,081

[1] Capitalised computer software costs includes an internally generated intangible asset. The assets in this category have been amortised on the basis of 5 year useful life.

[2] On 1 February 2019, the client portfolio relating to the accountancy business was sold for $163,417. At the time of sale, the book value of this portfolio was $137,280 ($175,100 at 1 July 2018), the related goodwill was $194,768 and related deferred tax liability was $27,825. The overall loss therefore from the transaction was $140,806.

[3] Amortisation/impairment of $1,697,000 (2018 : $1,316,000) is included in amortisation, depreciation and impairment expense in the statement of comprehensive income.

[4] Excludes original cost and accumulated amortisation of the accountancy business sold during the year.

B. Impairment tests for goodwill and client portfolios

Goodwill and client portfolios are allocated to the financial planning business reportable segment which has been identified as the applicable cash-generating unit (CGU). The CGU is the lowest level within the entity at which the goodwill and client portfolios are monitored for internal management purposes on an ongoing basis. The recoverable amount of the CGU is determined based on market value calculations. These calculations apply income multiples consistent with the market valuations of similar financial services businesses to recurring revenue from the CGU at the year end, less cost to sell.

15. Non-current assets – Intangible assets (Continued)

C. Impact of reasonably possible changes in key assumptions

The estimates and judgments included in the fair value calculations are based on historical experience, observed transactions in the market for similar financial services businesses and other factors, including management's and the Directors' expectations of future events that are believed to be reasonable under the current circumstances. Other than (D) below there has been no impairment recognised for the Group's CGUs in the impairment assessment performed at 30 June 2019. The key assumption made in the assessment of impairment of goodwill is the income multiple applied to recurring revenues. The income multiple assumption is compared to market each year and adjusted appropriately. In the current year, there has been considerable volatility of income multiples observed in the market, with the industry affected by the findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and potential future regulation. Based on management's current assessment, the recoverable amount of the Group's CGU exceeds the carrying amount by $3.7 million. A change in assumption of 0.5 times would be required before the carrying value of the CGU would exceed the recoverable amount.

D. Impairment charge

During the year, an impairment charge of $194,768 was recorded against goodwill relating to the sale of the accountancy resource business (2018: Nil).

E. Business Combination

During the year the Group had made the following acquisitions:

Segment	Financial Planning	Financial Planning	Financial Planning
Fiducian entity	**Fiducian Financial Services Pty Ltd**	**Fiducian Financial Services Pty Ltd**	**Fiducian Financial Services Pty Ltd**
Date	8 Dec 2018	17 Dec 2018	4 Jul 2018
Purchased	Client portfolio	Client portfolio	Client portfolio
Vendor staff employed by Group	Yes	Yes	Yes
Maximum purchase price	$1,778,195	$2,389,461	$617,567
Paid by 30 June 2019	$1,071,029	$1,556,650	$605,871
Deferred consideration at 30 June 2019	$707,166	$832,811	-
Value attributed on the Statement of Financial Position as at 30 June 2019	100%	100%	100%
Business combination or asset only	Business Combination	Business Combination	Business Combination
Provisional fair value of assets recognized as a result of acquisition are as follows:			
Intangible assets	$1,778,195	$2,389,461	$605,871
Deferred tax liabilities	($499,176)	($716,838)	($185,270)
Net identifiable assets acquired	$1,279,019	$1,672,623	$420,601
Goodwill	$499,176	$716,838	$185,270
Net assets acquired	$1,778,195	$2,389,461	$605,871

While each acquistion is considered on its own merits, a number of synergies are expected to result once the business combination has been fully implemented. This may include leverage from the existing scale Fiducian has from its infrastructure in Risk, Compliance, IT, Legal, Finance and other support functions, products and processes.

The acquired businesses did not contribute significantly to the Group's current year profits. However if the acquisitions had taken place on 1 July 2018, management estimate a maximum revenue impact of $1,577,228 from the acquisitions for the year ended 30 June 2019. It is not practicable to estimate the profit contribution given the significant change in the cost bases to the operation of the business once within the Fiducian Group.

Under the terms of the agreement for the acquistions the deferred consideration may be reduced in respect of any clients that have not transferred to the Group within the period specified in the agreements or should the recurring income be lower than contracted for.

16. Current liabilities – Trade and other payables

	Consolidated	
	2019	2018
	$'000	$'000
Trade payables	2,179	2,032
Other payables [1,2]	2,638	2,319
Client portfolio deferred settlement	1,604	198
Annual leave entitlements accrued	649	705
Long service leave entitlements accrued	869	827
Total trade and other payables	7,939	6,081

Information about the Group's exposure to credit and interest rate risk is shown in Note 32.

[1] Includes provision for fee for no service of $100,000 (2018: Nil).

[2] Other payables include retirement benefits payable to planners covered under salary agreements with Fiducian Financial Services Pty Limited. Under the terms of the agreement with certain long serving salaried financial planners, those planners are entitled to a service fee subsequent to their retirement from the Company, under conditions designed to protect the Company's client base. Eligibility to this service fee is based on service period and payment is subject to further ongoing conditions, including client retention, provision of support services to the entity to achieve this aim. The benefit is personal to the planner, is not transferable, can be stopped by or repaid to Fiducian Financial Services Pty Ltd should there be a breach of conditions, and will be reduced if the planner purchases some or all of their client base at or after retirement. This arrangement has been accounted for in accordance with AASB 119 Employee Benefits.

17. Current liabilities – Current tax liabilities

	Consolidated	
	2019	2018
	$'000	$'000
Income tax	696	1,460
Total current tax liabilities	696	1,460

18. Non-current liabilities – Deferred tax liabilities

	Consolidated	
	2019	**2018**
	$'000	$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit and loss:		
Amortisation, depreciation and impairment	3,407	2,556
Deferred tax liabilities before set off	3,407	2,556
Set off against deferred tax assets (Note 14)	(1,447)	(1,199)
Net deferred tax liabilities	1,960	1,357
Movements:		
Opening balance at 1 July	2,556	2,625
Addition during the year	1,402	318
Taken to the statement of comprehensive income	(551)	(387)
Deferred tax liabilities at 30 June before set off	3,407	2,556
Set off against deferred tax assets	(1,447)	(1,199)
Net deferred tax liabilities	1,960	1,357
Expiration of net deferred tax liabilities		
within 12 months	523	413
after 12 months	1,437	944
Total deferred tax liabilities	1,960	1,357

19. Non-current liabilities – Provisions

	Consolidated	
	2019	**2018**
	$'000	$'000
Client portfolio deferred settlement - payments	-	154
Employee benefits - long service leave	468	378
Total provisions	468	532

The provision for long service leave includes all pro-rata entitlements where employees have not yet completed the required period of service and also those where employees are entitled to pro-rata payments. The entire amount is presented as non-current as no material amounts are expected to be settled within the next 12 months.

20. Contributed equity

A. Share Capital

	Consolidated 2019 $'000	2018 $'000
Ordinary shares - fully paid	7,636	7,041
Total share capital	7,636	7,041

B. Movements in ordinary share capital

Date	Details	Number of shares	Average price	$'000
1 July 2017	Opening balance	31,264,368	-	7,141
	Shares bought back-on market and cancelled	(21,745)	$4.55	(100)
30 June 2018	Balance	31,242,623	-	7,041
	Shares issued on exercise of options	200,000	$2.98	595
30 June 2019	Balance	31,442,623	-	7,636

C. Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amount paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

D. Share buy-back

Between 1 July 2018 and 30 June 2019, the Company did not purchase and cancel any ordinary shares on-market.

At 30 June 2019, 478,255 shares remained available to be repurchased under the most recently announced buy back notice to the ASX.

E. Options

Information relating to Fiducian Group Employee and Director options issued, exercised and lapsed during the year is set out in Note 24.

20. Contributed equity (Continued)

F. Capital risk management

The Group's objectives when managing capital of the wholly owned subsidiaries within the Group are to safeguard its ability to continue as a going concern, to individually continue to meet externally imposed capital requirements of APRA and ASIC under its Registrable Superannuation Entity (RSE) License, Responsible Entity (RE) License and their Australian Financial Services (AFS) License, and to continue to provide returns to shareholders and benefits to other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders via an on-market share buy-back, or issue new shares upon exercise of outstanding options. There has been no borrowing to maintain capital adequacy.

The externally imposed requirements are:

a. Under its ASIC RE licence, the RE, Fiducian Investment Management Services Limited, must maintain $5,000,000 net tangible assets at all times during the financial year.

b. Under its AFS licence, Fiducian Portfolio Services Limited must maintain $150,000 cash at all times during the financial year.

The requirements under the AFS License and RE License are maintained by placing cash on deposit with an ADI. The requirement under the AFS License is reported to the Board at each quarterly meeting.

21. Reserves

	Consolidated	
	2019	**2018**
	$'000	$'000
Movements		
Share-based payments reserve		
Balance at 1 July	130	120
Option expense	11	10
Transfer to retained profits (on exercise of options)	(119)	-
Balance at 30 June	22	130

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

22. Retained profits

	Consolidated	
	2019	**2018**
	$'000	$'000
Movements		
Balance at 1 July	23,960	20,359
Change on initial application of AASB 9	(366)	-
Restated balance at 1 July	23,594	20,359
Net profit for the year	10,350	9,198
Dividends paid (Note 8)	(6,895)	(5,597)
Transfer from share-based payment reserve (on exercise of options)	119	-
Balance at 30 June	27,168	23,960

23. Key management personnel disclosures

A. Key management personnel

	Consolidated 2019 $	Consolidated 2018 $
Short-term employee benefits	813,062	837,330
Post-employment benefits	34,571	33,932
Share-based payment	11,045	45,278
Total payments to key management personnel	858,678	916,540

Detailed remuneration disclosures are provided in sections A-E of the Remuneration Report contained in the Directors' Report.

B. Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options, together with terms and conditions of the options, can be found in section D of the Remuneration Report.

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Fiducian Group Limited, including their personally related and associated entities, are set out below.

2019

Name	Balance at the start of the year	Exercised	Granted during the year as remuneration	Lapsed during the year	Balance at the end of the year	Vested and exercisable
I Singh [1]	200,000	200,000	35,000	-	35,000	-

[1] Under the terms of his employment Mr I Singh is not entitled to any options relating to the current year. Options granted during the year are in respect of the entitlement relating to the year ended 30 June 2018.

2018

Name	Balance at the start of the year	Exercised	Granted during the year as remuneration	Lapsed during the year	Balance at the end of the year	Vested and exercisable
I Singh [1]	100,000	-	100,000	-	200,000	100,000

[1] Under the terms of his employment Mr I Singh was entitled to 35,000 options relating to the year ended 30 June 2018. These were subject to approval at the Annual General Meeting on 25 October 2018 and were issued subsequent to 30 June 2018. Therefore, these have not been included in the table. Options granted during the year ended 30 June 2018 are in respect of the entitlement relating to the year ended 30 June 2017.

23. Key management personnel disclosures (Continued)

B. Equity instrument disclosures relating to key management personnel (Continued)

(iii) Shareholdings

The number of shares in the Company held during the financial year by each director of Fiducian Group Limited, including their personally related and associated entities, are set out below. There were no shares granted during the period as compensation.

2019				
Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at the end of the year**
I Singh	10,523,851	200,000	-	10,723,851
R Bucknell	583,000	-	-	583,000
F Khouri	268,323	-	-	268,323
S Hallab	31,000	-	21,477	52,477

2018				
Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at the end of the year**
I Singh	10,523,851	-	-	10,523,851
R Bucknell	583,000	-	-	583,000
F Khouri	268,323	-	-	268,323
S Hallab	-	-	31,000	31,000

Shares provided on exercise of options

During the year 200,000 ordinary shares were issued as a result of the exercise of remuneration options by the Executive Chairman of Fiducian Group Limited (2018: Nil). No amounts are unpaid on any shares issued on the exercise of options.

C. Loans to directors

No loans were made to directors during the financial year (2018: Nil). Details of loans to related parties of the directors have been disclosed in Note 28 Related Party Transactions.

23. Key management personnel disclosures (Continued)

D. Other transactions with key management personnel

A director, Mr. R Bucknell, is a director of Hunter Place Services Pty Ltd, a company which provides his services as a director to the Group.

A director, Mr. F Khouri, is an authorised representative under the Fiducian Financial Services Pty Ltd Australian Financial Services Licence and is a director and shareholder of Hawkesbury Financial Services Pty Ltd, which is a franchisee of Fiducian Financial Services Pty Ltd. Hawkesbury Financial Services Pty Ltd places business with and receives financial planning remuneration from the Group. All transactions are on normal commercial terms and conditions.

A director, Mr. S Hallab was paid director's fees for his personal contribution to the Board.

Aggregate amounts of each of the above types of other transactions with directors of Fiducian Group Limited:

	Consolidated	
	2019	**2018**
	$	$
Directors' fees and committee fees	272,633	276,222
Financial planning fees paid or payable	205,824	207,417
Total payments relating to other transactions with key management personnel	478,457	483,639

Details of these fees and explanations for the increase have been provided in the Remuneration report included in the Director's report.

Shares under option

Unissued ordinary shares of Fiducian Group Limited under option at the date of this report are disclosed in Note 24 of the financial report.

No option holder has any right under the options to participate in any other share issue of the company or any other entity until after the exercise of the option.

Shares issued on the exercise of options

The details of ordinary shares of Fiducian Group Limited issued during the year ended 30 June 2019 on the exercise of options granted under The Fiducian Group Limited Employee and Director Share Option Plan is disclosed under Note 24 to the financial report.

24. Share based payments

A. Employee and director share option plan (ESOP)

The establishment of the Fiducian Group Limited ESOP was approved by shareholders at the 2000 Annual General Meeting. The ESOP is designed to provide long-term incentives for senior managers and directors to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or receive any guaranteed benefits.

The parent entity has established the ESOP, which is designed to provide incentives to employees and directors. All grants of options under the ESOP are subject to compliance with the Corporations Act 2001 and ASX Listing Rules.

The directors may, from time to time, determine which employees and directors may participate in the ESOP, and the number of options that may be issued to them. The directors have an absolute discretion to determine who will participate and the number of options that may be issued. The ESOP provides for an upper limit on the number of options that may be outstanding, the exercise price, exercise period and expiry, and adjustments in the event of capital restructuring. The directors have resolved that the ESOP no longer applies to non-executive directors.

Options are granted under the plan for no consideration. Employee options are granted for a five-year period where 35% vest after one year, a further 45% vest after two years and the balance vest after three years. Director options vest after one year. Options granted under the plan carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share on payment of the exercise price.

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24. Share based payments (Continued)

The exercise price of options is based on the volume weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the month preceding the date the options are granted. During the year, 35,000 options @ $4.35 were issued (2018: 100,000 @ $3.77) to the Executive Chairman in respect of his entitlement relating to financial year ended 30 June 2018 and no employee options expired during the same period (2018: Nil).

Subject to prior approval by shareholders, the Company may issue each year a maximum of 100,000 options to the executive director for each year of service, subject to performance criteria being met in accordance with his executive agreement. The Directors have resolved not to issue any options (2018: 35,000 options) to the Executive Chairman in respect of the year ended 30 June 2019. Since no options were issued in the current year, the assessed fair value at reporting date of the share based payments during the year ended 30 June 2019 was nil per option (2018: $0.72). The fair value at reporting date has been independently calculated using the Black Scholes pricing model. The assumptions included in the valuation of these options include a risk-free-interest rate, a nil dividend yield on the ordinary shares of the Company and a volatility in the Company's share price of 30% based on historical share price.

Set out below are summaries of options granted under various option plans:

Grant Date	Expiry Date	Exercise Price	Balance at Start of the Year	Granted During the Year	Exercised During the Year	Lapsed During the Year	Balance at End of the Year	Vested & Exercisable at the End of Year
Consolidated 2019			Number	Number	Number	Number	Number	Number
ESOP-Executive Chairman								
20 Oct 16	20 Oct 21	$2.18	100,000	-	100,000	-	-	-
20 Oct 17	20 Oct 22	$3.77	100,000	-	100,000	-	-	-
25 Oct 18	25 Oct 23	$4.35	-	35,000	-	-	35,000	-
			200,000	35,000	200,000	-	35,000	-
Weighted average exercise price			$2.98	$4.35	-	-	$4.35	-

The volume of weighted average remaining contractual life of share options outstanding at the end of the period was 4.32 years (2018 : 3.81 Years).

Grant Date	Expiry Date	Exercise Price	Balance at Start of the Year	Granted During the Year	Exercised During the Year	Lapsed During the Year	Balance at End of the Year	Vested & Exercisable at the End of Year
Consolidated 2018			Number	Number	Number	Number	Number	Number
ESOP-Executive Deputy Chairman								
20 Oct 16	20 Oct 21	$2.18	100,000	-	-	-	100,000	100,000
20 Oct 17	20 Oct 22	$3.77	-	100,000	-	-	100,000	-
			100,000	100,000	-	-	200,000	100,000
Weighted average exercise price			$2.18	$3.77	-	-	$2.98	-

The volume weighted average remaining contractual life of share options outstanding at the end of the period was 3.81 years (2017: 4.31 Years).

B. Expenses arising from share-based payment transactions

Expenses of $11,045 (2018: $45,278) arising from share-based payment transactions were recognised during the period as part of employee benefit expense. This expense is in respect of option entitlements relating to the year ended 30 June 2018 expensed over the term in accordance with the accounting standards.

25. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices:

	Consolidated 2019 $	2018 $
Audit services		
PricewaterhouseCoopers Australian firm:		
(i) Audit and other assurance services		
Audit and review of financial statements	199,105	142,447
Other assurance services	418,779	419,498
	617,884	561,945
(ii) Taxation services		
Tax compliance services and agreed upon procedures	137,200	-
	137,200	-
Total remuneration	755,084	561,945

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to its statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important, on the proviso that the auditor's independence is not affected.

26. Contingent liabilities

The parent entity and Group had contingent liabilities at 30 June 2019 in respect of bank guarantees for property leases of parent and group entities amounting to $602,547 (2018: $590,357).

Royal Commission

In February 2019, the Royal Commission into Misconduct in Banking, Superannuation and Financial Services Industry delivered its final report. Some themes included obeying the law and delivering services that are fit for purpose. Specifically, a major point of discussion was the charging of fees without the provision of advice. Our compliance and legal teams have conducted extensive reviews into this matter, with no systemic issues being identified.

We credit this to compliance with the following processes:

- We have a strict compliance framework and code of conduct expected from our financial planners, who also participate in training programs for professional development
- We carry out frequent reviews of compliance with the law and appropriateness of financial planning strategies. These are conducted randomly and as well through face-to-face meetings by our compliance team and practice development managers
- We have mandated since inception that all financial planners must provide regular reviews to their clients' portfolios which is part of our operating culture

Additionally, we have carried out an enterprise wide investigation over six months to ensure that fees have only been charged when a service has been provided. While management is confident in its procedures and controls, a provision of $100,000 has nevertheless been provided for in these financial statements and has been disclosed in Note 16.

27. Commitments for expenditure

A. Capital expenditure

	Consolidated	
	2019	2018
	$'000	$'000
Commitment payable within one year	-	-

B. Operating leases

The Group leases various offices under non-cancellable operating leases expiring within 12 months to four years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of leases are renegotiated.

	Consolidated	
	2019	2018
	$'000	$'000
Payable within one year	813	1,021
Payable later than one year but not later than 5 years	297	565
Total operating lease commitments	1,110	1,586

28. Related-party transactions

A. Parent entity

The parent entity within the Group is Fiducian Group Limited at year end.

B. Subsidiaries

Interests in subsidiaries are set out in Note 12.

The consolidated financial report incorporates the assets, liabilities and results of the subsidiaries set out in Note 12 in accordance with the accounting policy described in Note 1-B.

C. Key management personnel

Disclosures relating to key management personnel are set out in Note 23.

D. Transactions with related parties

(i) Transactions between the Group and other related entities

a. Operator fee income received from related trusts

b. Trustee fee income received from related trusts

c. Recovery of group costs from related trusts

d. Collection of fees by Responsible entities from the related funds and Managed Discretionary Accounts

The above transactions were on normal commercial terms and conditions and at market rates. All transactions between Group entities are eliminated on consolidation.

(ii) Transactions with related parties of directors

a. Financial planning fees paid by Fiducian Financial Services Pty Limited to entities associated with the directors

b. Financial planning fees paid by Fiducian Financial Services Pty Limited to entities associated with relatives of the directors

c. Loans to related parties of directors

The above transactions were on normal commercial terms and conditions and at market rates.

28. Related-party transactions (Continued)

D. Transactions with related parties (Continued)

The following transactions occurred with related parties:

	Consolidated		
	Ownership Interest [1]	2019 $	2018 $
Related trusts			
Fiducian Investment Service	Nil		
Operator fees income		6,279,584	5,699,653
Expense recovery		283,624	322,266
Fiducian Superannuation Service	Nil		
Operator fees income		16,833,620	15,806,889
Expense recovery		4,245,297	3,946,610
Fiducian Funds	Nil		
Operator fees income		17,465,219	15,630,767
Expense recovery		270,000	270,000
Entities associated with directors or their relatives			
Hawkesbury Financial Services Pty Ltd [2]			
Financial planning fees paid		205,824	207,417
Fiducian Financial Services Bondi Junction Pty Ltd [3]			
Financial planning fees paid		123,669	134,343

[1] "Ownership Interest" means the percentage of capital of the Company held directly and/or indirectly through another entity by Fiducian Group Limited.

[2] Payments to Franchisee associated with director, F Khouri in the normal course of business in arm's length transactions.

[3] Payments to Franchisee associated with a relative of R Bucknell, in the normal course of business in arm's length transactions.

Loans to Related Parties of Directors	Balance at 1 July 2018	Interest Paid/ Payable for the Year	Repaid During the Year	Balance at 30 June 2019	Number of KMP in This Aggregation
	$	$	$	$	
Aggregate details of staff loans made to key management personnel of the Group, including their close family members and entities related to them.	12,773	498	(5,390)	7,881	1

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28. Related-party transactions (Continued)

E. Outstanding balances arising from sales / purchases of services provided

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2019	2018
	$	$
Current receivables (income from related trusts)	3,645,417	3,492,186
Total current receivables	3,645,417	3,492,186

No provisions for doubtful receivables have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad and doubtful receivables due from related parties.

29. Reconciliation of profit or loss after income tax to net cash inflow from operating activities

	Consolidated	
	2019	2018
	$'000	$'000
Profit for the year	10,350	9,198
Non-cash employee benefit	76	117
Amortisation, depreciation, and impairment	1,786	1,396
Changes in operating assets and liabilities:		
Change in accounts receivable	83	(762)
Change in income tax payable	(763)	180
Change in trade creditors	(96)	372
Change in other creditors	236	262
Change in deferred income tax liability	(733)	(385)
Net cash inflow from operating activities	10,939	10,378

30. Earnings per share

	Consolidated 2019	Consolidated 2018
Earnings per share using weighted average number of ordinary shares outstanding during the period:		
A. Basic earnings per share (in cents)		
Profit from continuing operations attributable to the ordinary equity and potential ordinary equity of the company	33.03	29.42
B. Diluted earnings per share (in cents)		
Profit from continuing operations attributable to the ordinary equity of the company	32.94	29.28

	Consolidated 2019 Number	Consolidated 2018 Number
C. Weighted average number of shares used as denominator		
Weighted average number of ordinary shares used as denominator in calculating basic earnings per share	31,331,664	31,263,238
Adjustments for calculation of diluted earnings per share options	91,996	152,269
Weighted average number of ordinary shares and potential ordinary shares used as denominator in calculating diluted earnings per share	31,423,660	31,415,506

	Consolidated 2019 $'000	Consolidated 2018 $'000
D. Reconciliation of earnings used in calculating basic and diluted earnings per share		
Net profit and earnings used to calculate basic and diluted earnings per share	10,350	9,198

E. Information concerning the classification of securities

Options granted to employees under the Fiducian Group Limited Employee Share Option Plan (ESOP) are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 24.

31. Events occurring after balance date / reporting date

Subsequent to the end of the financial year, the Group entered into purchase agreements to acquire two financial planning businesses. Details are as follows:

Segment	Financial Planning	Financial Planning
Fiducian entity	**Fiducian Financial Services Pty Ltd**	**Fiducian Financial Services Pty Ltd**
Date	16 Jul 2019	1 Jul 2019
Purchased	Client portfolio	Client portfolio
Location	Victoria	Tasmania
Funds under advice	$15,000,000	$340,000,000
Vendor staff employed by Group	No	Yes
Maximum purchase price	$361,942	$3,491,332
Settled by 30 June 2019	-	$3,491,332
Deferred consideration at 30 June 2019	-	-
Value attributed on the Statement of Financial Position as at 30 June 2019	Nil	Nil
Business combination or asset only	Business Combination	Business Combination
Provisional fair value of assets recognized as a result of acquisition are as follows:		
Intangible assets	$361,942	$3,491,332
Deferred tax liabilities	($108,582)	($1,047,400)
Net identifiable assets acquired	$253,360	$2,443,932
Goodwill	$108,582	$1,047,400
Net assets acquired	$361,942	$3,491,332

Other than this, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely in the opinion of the directors of the Group, to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Group in subsequent years.

32. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group holds the following financial instruments:

	Consolidated	
	2019	**2018**
	$'000	$'000
Financial assets		
Cash and cash equivalents	11,792	13,885
Trade and other receivables	4,758	4,703
Loan receivables	5,687	6,151
Advance to acquire a business	3,399	-
Total financial assets	25,636	24,739
Financial liabilities		
Trade and other payables	8,407	6,613

A. Market risk

(i) Foreign exchange risk

The Group has limited operations outside Australia and is not exposed to any material foreign exchange risk.

(ii) Interest rate risk

The Group's main interest rate risk arises from deposits in Australian dollars and loans to staff and planners. The Group has no borrowings.

	30 June 2019		30 June 2018	
	Weighted Average Interest Rate	**Balance**	**Weighted Average Interest Rate**	**Balance**
	%	$'000	%	$'000
Cash at bank and on deposit	1.32%	11,792	1.58%	13,885
Business development and staff loans	3.45%	5,687	4.26%	6,151
		17,479		20,036

Bank deposits are at call and staff and planner loans have terms extending between 1 and 10 years, and may be repayable sooner in certain circumstances. Interest rates are reviewed and adjusted at least quarterly.

The Group's main interest rate risk arises from cash and cash equivalents and loans with variable interest rates. At 30 June 2019 if interest rates change by +/- 100 basis points (2018: +/- 100 basis points) from the year end rates with all other variables held constant, post-tax profit would have been $126,886 higher or lower (2018: $ 141,570).

B. Credit risk

Credit risk for the Group arises from trade receivables, cash at bank and on deposits, business development and staff loans.

Risk Management

The Group has low credit risk from trade receivables, as management fee and financial planning income is received within one month of it falling due. Financial planning fees are only paid following the receipt of the related income, thereby mitigating credit risk.

32. Financial risk management (Continued)

B. Credit risk (Continued)

For cash at bank and on deposits, the credit quality assessed against external credit ratings and only parties with minimum rating as detailed below in the table are accepted. For business development and staff loans which are unrated management assesses the credit quality of the franchisee based on credit rating scorecard taking into account financial position, collateral to provide security for the loan and cultural alignment to the business. The compliance with credit limits are monitored regularly by line management.

The credit quality of other financial assets can be assessed against external credit ratings as follows:

	Consolidated	
	2019	2018
	$'000	$'000
Cash at bank and on deposit		
AA-	11,792	13,885
Business development and staff loans		
Unrated	5,687	6,151

Business development and staff loans have been categorised in line with the Group's internal credit classification as follows:

	Consolidated	
	2019	2018
	$'000	$'000
Performing	4,261	4,840
Under performing	1,980	1,499
Non performing	-	-
Loans written off	-	-
Total gross loan receivables	6,241	6,339
Less: Loan loss allowance	(554)	(188)
Less: Write off	-	-
Loan receivables net of expected credit losses	5,687	6,151

Security

Under the terms of the agreement for business development loans, the Group has a security deed over all the assets of the franchisee's business which is registered on the Personal Property Security Register. This security may be called upon if the franchisee defaults under the terms of agreement.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised on this page.

32. Financial risk management (Continued)

C. Liquidity risk

The Group maintains sufficient liquid reserves to meet all foreseeable working capital, investment and regulatory licensing requirements. The Group has a $4 million undrawn overdraft facility (2018: $4 million) available with their bank.

	Consolidated	
	2019	**2018**
	$'000	$'000
Financial Liabilities		
Due in less than 1 year	7,939	6,081
Due between 1 and 2 years	468	532
Total financial liabilities	8,407	6,613

D. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurements or for disclosure purposes.

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) 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

(c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Group did not have any assets or liabilities recognised at fair value as at 30 June 2019.

E. Assets and liabilities not carried at fair value but for which fair value is disclosed

Cash and cash equivalents include deposits held with bank and other short-term investments in an active market.

Trade receivables include the contractual amount for settlement of the trade debts due to the Group. The carrying amount of the trade receivables is assumed to approximate their fair values due to their short-term nature.

Business development and staff loans represent contractual payments by advisers and staff over the period of the loan. Loans classified as current have not been discounted as the carrying values are a reasonable approximation of fair value due to the short-term nature. Non-current loans have been valued at the present value of estimated future cash flows discounted at the market interest rates for these types of loan.

Trade and other payables include amounts due to creditors and accruals and represent the contractual amounts and obligations due by the Company for expenses. The carrying amount of the trade and other payables are assumed to approximate the fair value due to their short-term nature.

33. Parent entity financial information

The stand-alone summarised financial statements of the Company is as follows:

	Parent Entity	
	2019	**2018**
	$'000	$'000
A. Balance sheet		
Current Assets	23,899	19,011
Non-Current Assets	9,349	9,349
Total Assets	33,248	28,360
Current Liabilities	-	-
Non-Current Liabilities	-	-
Total Liabilities	-	-
Net Assets	33,248	28,360
Equity		
Share capital	7,636	7,041
Reserves	22	130
Retained Earnings	25,590	21,189
Equity	33,248	28,360
B. Total comprehensive income		
Dividend from subsidiary and other income	11,100	8,300

34. Deed of Cross – Guarantee

The Company has in place a deed of cross-guarantee, substantially in the form of ASIC Pro Forma 24 covering each wholly owned member of the Fiducian Group, with the exception of Fiducian Portfolio Services Ltd. This entity has been excluded from the Group deed of cross-guarantee following the release of an ASIC class order disallowing APRA regulated entities from being part of a closed group covered by a deed of cross-guarantee. Since the financial statements of this excluded entity are not material to the consolidated financial statements, management do not consider it necessary to disclose additional consolidation information related to the closed group excluding this entity.

The effect of the deed of cross-guarantee is that each participating member has entered into the deed, guarantees to each creditor of any participating member of the Fiducian Group that has entered into the deed, payment in full of any debt owed to that creditor in the event of winding up of that relevant member of the Fiducian Group.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 26 to 68 are in accordance with the Corporations Act 2001, including

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements and

(ii) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2019 and of their performance for the financial year ended on that date and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the wholly owned group identified in Note 12 will be able to meet any obligations or liabilities to which they are, or may become subject by virtue of the deed of cross guarantee described in Note 34.

Note 1-A confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Executive Chairman and Chief Financial Officer required by Section 295A of the Corporations Act 2001.

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

Inderjit (Indy) Singh
Executive Chairman

Sydney,
15 August 2019

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Independent auditor's report

To the members of Fiducian Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Fiducian Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if

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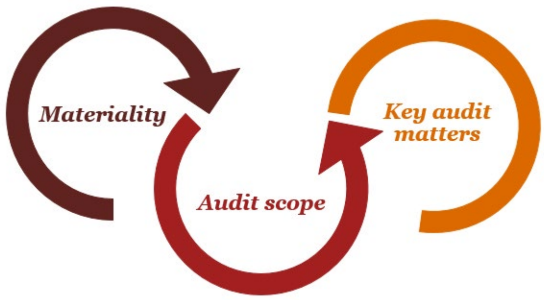
individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of $713,900, which represents approximately 5% of the Group's profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Our audit procedures covered the Group's most significant operations being "Financial planning", "Funds management" and "Corporate, administration & other".

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. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

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Key audit matter	*How our audit addressed the key audit matter*
Revenue *Refer to note 4 - $49.4m* Revenue from ordinary activities of the Group includes income from 'financial planning', 'funds management' and 'corporate administration & other'. Revenue was a key audit matter because it is the most significant account balance in the consolidated statement of comprehensive income. On 1 July 2018, the Group implemented it's transition to AASB 15 *Revenue from Contracts with Customers*.	Our procedures included: ▪ evaluating the design and testing the operating effectiveness of certain controls related to recognition and calculation of revenue ▪ for revenue streams based on fee rates stipulated in contracts, including administration fees, portfolio review fees, and funds management fees, manually re-performing the fee calculations for a sample of transactions with reference to Product Disclosure Statements (PDS), member application forms or other forms of documentation of terms ▪ for revenue streams earned through provision of advice, understanding management's controls to monitor the provision of advice and agreeing a sample of transactions to the relevant Statement of Advice (SoA) or Record of Advice (RoA) ▪ for revenue streams earned from a non Fiducian product, agreeing a sample of transactions to relevant external supplier statements ▪ for revenue streams where amounts are at the discretion of the Group's financial planners, agreeing a sample of transactions to correspondence between the planner and the relevant client ▪ assessing whether the revenue recognition was consistent with the requirements of AASB15
Recoverability of loans to financial planners *Refer to note 10 and 11 - $6.2m* From time to time, the Group enters into lending arrangements with some financial planning franchisees. Outstanding loans totalled $6.2m gross of provisions at the reporting date. The recoverability of the loans was a key audit matter due to the judgement involved in assessing the ability of each financial planner to repay their loan as and when they fall due.	Our procedures included: ▪ obtaining an understanding of and evaluating the Group's year-end assessment of the Expected Credit Losses (ECL) model used to assess the recoverability of loans to financial planners and adequacy of any provisions ▪ making inquiries of management about any changes in each borrower's circumstances and evaluating a sample of the Group's assessment of the financial health and performance of each borrower by comparing the key inputs and assumptions to supporting

Key audit matter	*How our audit addressed the key audit matter*
On 1 July 2018, the Group implemented it's transition to AASB 9 *Financial Instrument*.	documentation ▪ obtaining confirmations from all financial planners ▪ agreeing details of collateral/security arrangements to loan contracts and Personal Property Security Registers for a sample of the loans ▪ evaluating the Group's assessment and opening adjustment on adoption of AASB 9

Assessment of intangible assets' carrying values
Refer to note 15 - $20m
 	
The Consolidated statement of financial position includes intangible assets relating to portfolios of financial advice clients and goodwill arising from acquisitions made by the financial planning business of the Group.
 	
At each year end, the Group considers whether there are any indicators that the carrying value of client portfolios might be impaired. It also performs an annual impairment test for goodwill.
 	
This was a key audit matter due to the size of the intangible assets balance, the volatility in observed multiples in the Financial Planning industry and therefore the judgement involved in determining the multiples used for the Group's impairment assessment.
 	
Given the observed volatility in multiples in the Financial Planning industry, Group has also assessed an alternative valuation model as a method of stress testing.
	Our procedures included:
	▪ updating our understanding of prevailing market conditions and factors that could materially affect the fair value and usage of the relevant assets, and considering whether these could represent indicators of impairment
	▪ evaluating key assumptions used by the Group in the calculation of the recoverable amount of acquired client portfolios and goodwill, such as the multiple applied to associated revenues when estimating fair value, and comparing market multiples to independent sources and stress testing multiples applied
	▪ our work on an alternative impairment model included:
	
	  ▪ testing the mathematical accuracy of the calculations in the discounted cash flow models used in the impairment assessment (the models)
	  ▪ evaluating the cash flow forecasts used in the models, the process by which they were developed, including back testing the forecasts against historical results and ensuring appropriate challenge through Management review and approval
	  ▪ comparing the key assumptions, including discount rates where our valuation experts were consulted, with market information and stress testing these assumptions

Other information

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

Our opinion on the financial report does not cover the other information and accordingly 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 on the other information that we obtained prior to the date of this auditor's report, 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 have 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf.

This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 16 to 22 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Fiducian Group Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

Darren Ross
Partner

Sydney
15 August 2019

Shareholder Information

A. Distribution of equity security holders by size of holding

Analysis of number of equity security holders by size of holding, as at 31 July 2019:

Distribution	Option holders	Ordinary Share Holder
1 - 1,000	-	297
1,001 - 5,000	-	544
5,001 - 10,000	-	177
10,001 - 100,000	-	202
100,001 - and over	1	22
Total holders	1	1,242

There were 20 holders of a less than marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the 20 largest registered shareholders of quoted equity securities as at 31 July 2019, are listed below:

	Name	Number Held	Percentage of Issued Shares
1	INDYSHRI SINGH PTY LIMITED	8,795,933	27.97
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,423,613	7.71
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,100,696	6.68
4	LONDON CITY EQUITIES LIMITED	2,012,214	6.40
5	SHRIND INVESTMENTS PTY LTD (INDYSHRI SUPER FUND A/C)	1,927,918	6.13
6	MR VICTOR JOHN PLUMMER	850,000	2.70
7	CITICORP NOMINEES PTY LIMITED	700,060	2.23
8	HUNTER PLACE SERVICES PTY LTD	583,000	1.85
9	MR IVAN TANNER + MRS FELICITY TANNER (THE SUPERNATURAL S/F A/C)	524,400	1.67
10	D R SMITH HOLDINGS PTY LTD	500,000	1.59
11	BNP PARIBAS NOMINEES PTY LTD (DRP)	421,650	1.34
12	GARRETT SMYTHE LTD	339,000	1.08
13	NORCAD INVESTMENTS PTY LTD	320,000	1.02
14	BNP PARIBAS NOMS (NZ) LTD (DRP)	220,900	0.70
15	HFR PTY LTD (THE F & M KHOURI S/FUND A/C)	216,137	0.69
16	MR IAN HAROLD HOLLAND	165,000	0.52
17	GREENWICH STUD PTY LTD	157,400	0.50
18	BOND STREET CUSTODIANS LIMITED (SALTER - D64848 A/C)	154,694	0.49
19	SORTIE PTY LIMITED (SORTIE SUPER FUND A/C)	142,198	0.45
20	MRS JENNIFER MARGARET LEESON	138,847	0.44
		22,693,660	72.16

Shareholder Information (Continued)

Unquoted equity securities

As at 31 July 2019

Type of Security	Number on Issue	Number of Holders
Options - Executive Chairman	35,000	1

C. Substantial shareholders

Substantial shareholders and associates as at 31 July 2019 (more than 5% of a class of shares) in the company are set out below:

Name	Number Held	Percentage
INDYSHRI SINGH PTY LIMITED AND ASSOCIATES	10,723,851	34.10
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,423,613	7.71
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,100,696	6.68
LONDON CITY EQUITIES LIMITED	2,012,214	6.40

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares

On a show of hands each holder of ordinary shares has one vote and upon a poll one vote for each share held

Options

No voting rights

Corporate Directory

Directors

I Singh BTech, MComm (Bus), ASIA, ASFA, DipFP, CFP
Executive Chairman

R Bucknell FCA
F Khouri B Bus, FCPA, CTA
S Hallab B Ec (Accnt & Law), CA, GAICD, FAIST

Principal registered office in Australia

Level 4
1 York Street
Sydney NSW 2000
(02) 8298 4600

Auditor

PricewaterhouseCoopers
Chartered Accountants
One International Towers
Watermans Quay, Barangaroo
Sydney NSW 2000

Company secretary

I Singh BTech, MComm (Bus), ASIA, ASFA, DipFP, CFP

Wholly owned operating entities

Fiducian Business Services Pty Limited

Fiducian Financial Services Pty Limited

Fiducian Investment Management Services Limited

Fiducian Portfolio Services Limited

Fiducian Services Pty Limited

Bankers

ANZ Banking Group
388 Collins Street
Melbourne VIC 3000

National Australia Bank Limited
500 Bourke Street
Melbourne VIC 3000

Notice of Annual General Meeting

The Annual General Meeting of Fiducian Group Limited

Will be held at Level 4, 1 York Street, Sydney.

Time: 10:00 am

Date: Thursday 17 October 2019

Share registrar

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Australian Securities Exchange Listing

Fiducian Group Limited (ASX:FID)

Website address

www.fiducian.com.au

Financial Planner Office Locations

Australian Capital Territory

Canberra

New South Wales

Bathurst	Macarthur	Tamworth
Bondi	Maitland	Taren Point
Bondi Junction	Newcastle	Windsor
Caves Beach	Nowra	Wollongong
Coffs Coast	Randwick	Wynyard
Gosford	Southern Highlands	
Hunter	Sydney CBD	

Queensland

Bayside	Noosa Hinterland
Buderim	Sunshine Coast
Caboolture	Toowoomba
Caloundra	

Tasmania

Devonport
Hobart
Launceston

Victoria

Colac	Sale
Geelong	St Kilda
Ivanhoe	Sunbury
Mt Waverley	Surrey Hills
Ringwood	

Western Australia

Kelmscott	South Perth

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FIDUCIAN

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