Netwealth Investments Limited

ABN 85 090 569 109

Financial Report
for the Financial Year Ended 30 June 2019

Directors' Report

Directors (Directors) present their report on Netwealth Investments Limited (the Company) for the financial year ended 30 June 2019.

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

Jane Tongs (Chairman)
Michael Heine
Matthew Heine
Davyd Lewis
Tim Antonie

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

Review of Operations
The after-tax profit of the Company for the financial year amounted to $34,611,433 which is 24% increase as compared with that of the previous year (2018: $27,813,363).

Funds under administration continued to achieve significant growth as a result of positive net inflows leading to a significant increase in revenue.

Significant Changes in the State of Affairs
No other significant changes in the Company's state of affairs occurred during the financial year.

Principal Activities
The principal activities of the Company are to provide investors and/or financial advisers with financial services including managed funds, an investor directed portfolio service, a superannuation master fund, separately managed accounts and a self-managed superannuation administration service The Company is also appointed as the responsible entity of 16 managed investment schemes, which are registered under the Corporations Act 2001, for which the Company receives fees.

No significant change in the nature of these activities occurred during the year.

Likely Developments and Expected Results of Operations
Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice.

Dividends
During the year, the Company paid dividends of $43,045,000 (2018: $23,400,000) to its sole shareholder and parent entity, Netwealth Holdings Limited.

Environmental Regulation
The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Directors' Report (continued)

Options

No options were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Events Subsequent to the End of the Reporting Period

On the 19th of August, the Company declared a final dividend for FY2019 of 35.0 cents per share (total final dividend of $10,440,000). The final dividend is payable on 19th September 2019.

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

Indemnification of Officers

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

Information on Directors:

	Name and title	Profile
	**Jane Tongs** Independent Non-Executive Chairman	• Jane has served as the independent Chairman of Netwealth Group Limited and its wholly-owned entities including the Company ("the Group") since April 2000. • Prior to 2000, Jane was a partner at PricewaterhouseCoopers, specialising in the financial services sector. She has experience with insurance, funds management and superannuation entities. • Jane has over 20 years' experience as non-executive director and superannuation fund trustee and is currently a director of Cromwell Property Group, Warakirri Group, CCI Insurance Ltd, Hollard General Insurance and Brighton Grammar School. • Jane holds a Bachelor of Business and a Master of Business Administration. Jane is a Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors. • Jane is a member of the Group Audit Committee, Group Compliance and Risk Management Committee, Group Remuneration Committee and is Chair of the Group Nomination Committee and Company Investment Committee.
	**Michael Heine** Joint Managing Director	• Michael has been a Director of the Group and its related entities including the Company since its establishment in 1999. • Michael was instrumental in the establishment of Netwealth in 1999. Michael acted as sole Managing Director from 1999 to 2014 and has acted as Joint Managing Director together with his son Matthew since January 2015. • Michael has experience in Australian and European financial markets, including commodity trading, international financing, mortgage lending and property development. Michael was instrumental in the establishment of the Heine Brothers funds management business in 1982 and was its Managing Director from 1982 to 1999 when the company was acquired by ING (then Mercantile Mutual). • Michael is a member of the Company Investment Committee.

Directors' Report (continued)

	Name and title	Profile
	**Matthew Heine** Joint Managing Director	• Matthew joined Netwealth in July 2001 and was appointed a Director of the Group and its related entities including the Company in March 2004. He was appointed Joint Managing Director in January 2015. • Matthew has been instrumental in the development of the distribution, branding and marketing of the Group and distribution of its products. Matthew's role and experience in the sales, marketing and strategy field brings a firsthand understanding of the industry and client base. • Matthew holds a Diploma of Financial Services and an Advanced Diploma of Management.
	**Davyd Lewis** Independent Non-Executive Director	• Davyd has been a Director of the Group and its related entities including the Company since July 2009. • Davyd was a partner of Mallesons Stephen Jaques for 20 years until his retirement in 2008. Davyd's role included Partner in Charge of the Melbourne Centre, Managing Partner Practice of Mergers & Acquisitions, Property and Construction, Dispute Resolution and Intellectual Property, National Practice Team Leader of the Mergers & Acquisitions Group and responsibility for supervising the relationship with 50 of the firm's biggest clients. • Davyd holds a Bachelor of Economics, a Bachelor of Laws and a Master of Laws (majoring in securities markets and takeovers). • Davyd is a member of the Group Audit Committee and Group Nomination Committee. Davyd is the Chair of the Group Compliance and Risk Management Committee, the Group Remuneration Committee and the Company Due Diligence Committee.
	**Timothy Antonie** Independent Non-Executive Director	• Timothy has been a Director of the Group and its related entities including the Company since November 2015. • Timothy commenced his career at Price Waterhouse (now PricewaterhouseCoopers). He subsequently worked at several investment banks, including UBS Investment Bank as a Managing Director, where he advised major Australian companies on large scale mergers, acquisitions, sales and restructures and equity transactions, as well as day-to-day equity market facing matters. • Timothy is currently also a director of Breville Group Limited, Premier Investments Limited, Village Roadshow Limited and a Principal of Stratford Advisory. • Timothy is a member of the Group Compliance and Risk Management Committee, Group Remuneration Committee, Group Nomination Committee and Company Investment Committee. Timothy is the Chair of the Group Audit Committee.

Directors' Report (continued)

Information on Company Secretary

Grant Boyle
Chief Financial Officer and Joint Company Secretary

- Grant joined Netwealth in May 2017.
- Grant has more than 30 years' experience in financial services and the accounting profession. Most recently the Chief Financial Officer of EMR Capital, Grant has held several Chief Financial Officer and Chief Operating Officer roles within financial services, including at BlackRock, Powerwrap and Phillip Capital. Prior to entering the funds/Platform space.
- Grant was a finance manager with ANZ Group Finance and a manager in the Corporate Recovery and Insolvency division of Ernst & Young.

Rachel Axton

General Manager, Legal, Risk and Compliance and Joint Company Secretary

- Rachel joined Netwealth in February 2016.
- Rachel has 20 years of experience in financial services working across a range of wealth management providers, specialising in superannuation and investment services. Prior to joining Netwealth, Rachel managed the Colonial First State Custom Solutions Risk and Compliance team and contributed to the company's strategic direction as part of the executive team.
- Rachel is a Fellow of the Association of Super Funds of Australia and has memberships with Governance Risk and Compliance and Risk Management Australia. Rachel holds a Graduate Diploma in Superannuation Management and is completing a Bachelor of Business (Economics).

Directors Meetings

During the financial year, the following company meetings of Directors (including committees of Directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Compliance and Risk Management Committee		Due Diligence Committee		Investment Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Directors								
Jane Tongs	17	17	11	11	-	-	8	8
Michael Heine	17	14	-	-	-	-	8	5
Matthew Heine	17	13	-	-	-	-	-	-
Davyd Lewis	17	17	11	11	8	8	-	-
Tim Antonie	17	17	11	11	-	-	8	8

Proceedings on Behalf of Company

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the Corporations Act 2001 is set out on page 7.

No officer of the Company is or has been a partner/director of any auditor of the Company.

Directors' Report (continued)

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

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

Director

Jane Tongs

Dated 19th August 2019

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Melbourne VIC 3001 Australia

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19 August 2019

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

Dear Directors

Auditor's Independence Declaration to Netwealth Investments Limited

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

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

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Contents

Notes to Financial Statements

Statement of Profit or Loss and Other Comprehensive Income for the Financial Year ended 30 June 2019

CONTINUING OPERATIONS	Note	2019 $'000s	2018 $'000s
INCOME			
Revenue	3	96,370	81,461
Other Income	3	2,338	1,636
TOTAL INCOME		**98,708**	**83,097**
EXPENSES			
Admin & Operating Expenses		(1,631)	(1,783)
Intercompany recharges - Employee benefits expenses		(30,793)	(27,259)
Intercompany recharges - Admin & operating expenses		(12,340)	(9,709)
Intercompany recharges - IT and communication expenses		(3,142)	(2,300)
Intercompany recharges - Occupancy expenses		(1,614)	(1,687)
Depreciation and amortisation		(116)	(64)
TOTAL EXPENSES		**(49,636)**	**(42,802)**
PROFIT BEFORE INCOME TAX		**49,072**	**40,295**
Income tax expense	5	(14,461)	(12,289)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**34,611**	**28,006**
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	**6**	**-**	**(193)**
PROFIT FOR THE PERIOD			
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**34,611**	**27,813**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Members of the Parent Entity		**34,611**	**27,813**

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2019

	Note	2019 $'000s	2018 $'000s
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	9	57,926	47,063
Trade and Other Receivables	10	8,565	5,959
Other Current Assets	11	1,376	1,150
Financial Assets	12	1,180	14,864
TOTAL CURRENT ASSETS		**69,047**	**69,036**
NON CURRENT ASSETS			
Property and Equipment	13	106	161
Intangible Assets	14	240	300
Deferred Tax Assets	5	1,451	2,192
TOTAL NON CURRENT ASSETS		**1,797**	**2,653**
TOTAL ASSETS		**70,844**	**71,689**
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	15	8,265	1,082
Current Tax Liabilities		-	2,858
Provisions	16	-	619
TOTAL CURRENT LIABILITIES		**8,265**	**4,559**
NON CURRENT LIABILITIES			
Deferred Tax Liabilities	5	99	338
Provisions	16	207	285
TOTAL NON CURRENT LIABILITIES		**306**	**623**
TOTAL LIABILITIES		**8,571**	**5,182**
NET ASSETS		**62,273**	**66,507**
EQUITY			
Issued Capital	17	51,346	47,146
Retained Earnings		10,927	19,361
TOTAL EQUITY		**62,273**	**66,507**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Financial Year ended 30 June 2019

	Issued Capital	Retained Earnings	Total
	$'000s	$'000s	$'000s
Balance at 30 June 2017	**26,152**	**14,086**	**40,238**
Ordinary Shares issued during the period[1]	20,994	-	20,994
Profit attributable to members of the parent entity	-	27,813	27,813
Distribution from subsidiary	-	862	862
Dividends paid or provided for	-	(23,400)	(23,400)
Balance at 30 June 2018	**47,146**	**19,361**	**66,507**
Ordinary Shares issued during the period[2]	4,200	-	4,200
Profit attributable to members of the parent entity	-	34,611	34,611
Dividends paid or provided for	-	(43,045)	(43,045)
Balance at 30 June 2019	**51,346**	**10,927**	**62,273**

The accompanying notes form part of these financial statements.

[1] $18.5M ordinary shares were issued in FY2018 with the capital received reserved for the purpose of meeting the Operational Risk Financial Requirement (ORFR) in accordance with APRA Prudential Standard SPS114.
[2] A further $4.2M ordinary shares were issued in FY2019 with the capital received reserved for the purpose of meeting the ORFR.

Statement of Cash Flows
for the Financial Year ended 30 June 2019

	Note	2019 $'000s	2018 $'000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		101,774	88,092
Payments to suppliers and employees		(56,407)	(50,637)
Dividends/Distributions received		30	29
Interest received		796	522
Income Tax paid		(16,817)	(9,191)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**18**	**29,376**	**28,815**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		808	267
Purchase of Investments		(1,099)	-
Distribution from subsidiary		-	98
Purchase of Intangible assets		-	(300)
Proceeds from related parties & intercompany loans		20,623	(6,429)
NET CASH (USED IN) / PROVIDED BY INVESTING ACTIVITIES		**20,332**	**(6,364)**
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends Paid	**7**	(43,045)	(23,400)
Proceeds from Issue of Shares		4,200	20,994
NET CASH USED IN FINANCING ACTIVITIES		**(38,845)**	**(2,406)**
NET INCREASE IN CASH HELD		**10,863**	**20,045**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**47,063**	**27,018**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**9**	**57,926**	**47,063**

The accompanying notes form part of these financial statements.

1. General information

Netwealth Investments Limited (the “Company”) is a public company limited by shares, incorporated and domiciled in Australia. The parent entity of Netwealth Investments Limited is Netwealth Holdings Limited. The addresses of its registered office and principle place of business are as follows:

Registered office of the Company:
Netwealth Investments Limited
Level 8, 52 Collins Street
MELBOURNE VIC 3000

Principle place of business:
Netwealth Investments Limited
Level 8, 52 Collins Street
MELBOURNE VIC 3000

The Company’s principal activities are to provide investors and/or their financial advisers with financial products and services including managed funds, an investor directed portfolio service, a superannuation master fund, separately managed accounts and a self-managed superannuation administration service. The Company is also appointed as the responsible entity of 16 managed investment schemes, which are registered under the Corporations Act 2001, for which the Company receives fees.

The financial statements were authorised for issue on 19 August 2019 by the Directors of the Company.

2. Basis of accounting, adoption of new accounting standards and significant accounting policies

2.1 Statement of Compliance

This financial report for the year reporting period:

- has been prepared as a going concern basis using historical costs in accordance with Australian Accounting Standards (AASBs) and Interpretations issued by the Australian Accounting Standards Board, and the Corporations Act 2001;
- complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- has accounting policies and methods of computation which are consistent for all periods presented, unless stated.

2.2 Basis of Preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. Basis of accounting, adoption of new accounting standards and significant accounting policies (continued)

2.3 Rounding of amounts

The Company financial statements are presented in Australian dollars, with all values rounded to the nearest thousand dollars, or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191.

2.4 Adoption of new and revised Australian Accounting Standards and Interpretation

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

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

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

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

Under AASB 9, the initial recognition of the financial assets is measured at amortised cost which is unchanged from AASB 139. In subsequent periods the financial asset is then measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The previous measurement of financial assets 'held-to maturity' and 'available-for-sale' under AASB 139 is no longer available as an option.

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

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

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

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

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

2. Basis of accounting, adoption of new accounting standards and significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

2. Basis of accounting, adoption of new accounting standards and significant accounting policies (continued)

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

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

Revenue stream	Revenue Recognition	$'000
Platform Services	Over time	92,711
Listing Fund/Model Services	Over time	3,659
Total Platform Revenue		96,370

Based on the assessment of the Company's adoption of AASB 15 during the year, the Directors have determined that the financial impact from the new standard was not material. Additional information of the recognition of the Company's Revenue are included in Note 2.6(a).

2.5 New and revised Australian Accounting Standards in issue but not yet effective
AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019)
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From 1 July 2019, the Company is required to adopt AASB 16: Leases, replacing AASB 117: Leases. The Company does not currently have any leases, therefore there is no impact from the introduction of this standard.

2.6 Accounting Policies

(a) Revenue recognition

As per AASB 15, revenue is measured by reviewing each revenue contract and their respective services to customers to determine its performance obligation while allocating the transaction price to each performance obligation either over time or a point in time. All revenue is stated net of the amount of goods and services tax (GST).

The performance obligations identified are:

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

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

2. Basis of accounting, adoption of new accounting standards and significant accounting policies (continued)

(b) Income Tax

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

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

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

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

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

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

Tax consolidated group
Netwealth Group Limited and its wholly-owned subsidiaries formed an income tax consolidated group (the Group) under the tax consolidation legislation since 30 June 2018. The Company is a member of the tax consolidated group with the Netwealth Group Limited as the head entity.

The tax consolidated group entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. Amounts payable or receivable under the tax-funding arrangement between the Group and the entities in the tax consolidated group are determined using the 'standalone taxpayer method' approach for allocation of the tax contributions payable or receivable by each member of the tax-consolidated group.

This approach results in the tax effect of transactions being recognised in the legal entity where the transaction occurred and does not affect transactions that do not have tax consequences to the Group.

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

(c) Property and Equipment

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

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

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

2. Basis of accounting, adoption of new accounting standards and significant accounting policies (continued)

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

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	10%

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

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

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

(d) Intangible Assets

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

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

Intangible assets with either indefinite useful lives or not yet available for use are tested for impairment at least annually.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

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

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

Class of Fixed Asset	Depreciation Rate
Non-Contractual Customer Relationship	20%
Software and websites	20%

2. Basis of accounting, adoption of new accounting standards and significant accounting policies (continued)

(e) Financial Instruments

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

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

Financial assets
As per AASB9, financial assets are required to be subsequently measured at Amortised Costs, Fair Value Through Profit and Loss (FVTPL) or Fair Value Though Other Comprehensive Income (FVTOCI).

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

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

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

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

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

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

2. Basis of accounting, adoption of new accounting standards and significant accounting policies (continued)

Expected Credit Losses (ECL)
Financial assets are required to determine the ECL to recognise the possible loss derived from the Financial Asset.

Trade and Other receivables, Intercompany Loans and Listed Investments are assessed for ECL on a collective basis. A credit loss model is applied and using historical trend management has determined the Expected Loss Probability.

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

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

(f) Provisions

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

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

(g) Cash and Cash Equivalents

Cash and cash equivalents include:
- cash on hand; and
- deposits held at-call with banks.

(h) Goods and Services Tax (GST)

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

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

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

2. Basis of accounting, adoption of new accounting standards and significant accounting policies (continued)

(i) Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(j) Critical Accounting Estimates & Judgments

In the application of the Company's accounting policies, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Revenue & Other Income

	Note	2019 $'000s	2018 $'000s
REVENUE			
Administration, management & other services		96,370	81,461
TOTAL REVENUE		**96,370**	**81,461**
OTHER INCOME			
Net gain on disposal of investments		73	171
Unrealised investment gain		-	3
Dividends and distributions		31	29
Interest		796	522
Cost of capital recovery		1,438	911
TOTAL OTHER INCOME		**2,338**	**1,636**
TOTAL INCOME		**98,708**	**83,097**

4. Expenses

	2019 $'000s	2018 $'000s
Expenses		
Depreciation of equipment	56	64
Amortisation	60	-
Disposal of fixed assets	-	45
Make good provision	(78)	(7)
Total	**38**	**102**

Staff, IT and other operating expenses are borne by a related party and recharged to the Company – refer note 19.

5. Income Tax

		2019 $'000s	2018 $'000s
a.	The components of tax expense/(income) comprise:		
	– Current Tax	14,974	13,346
	– Deferred Tax	(502)	(1042)
	– (Over) Provision from previous years	(11)	(15)
		14,461	**12,289**
b.	The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax expense as follows:		
	Prima facie tax payable on profit from ordinary activities before income tax at 30% (2018: 30%):	14,722	12,031
	Add/less tax effect of:		
	– other assessable/(non-allowable) items	(261)	258
	INCOME TAX ATTRIBUTABLE TO ENTITY	**14,461**	**12,289**
c.	The components of deferred tax assets comprise:		
	Expenditure deductible over 5 years	1,294	1,845
	Temporary differences	157	347
		1,451	**2,192**
d.	The components of deferred tax liabilities comprise:		
	Property, Equipment and Intangible Assets	80	103
	FVTPL Financial Assets	-	203
	Temporary differences	19	32
		99	**338**
	The applicable effective tax rates are as follows:	**30%**	**30%**

5. Income Tax (continued)

	Opening Balance	Charged to Income	Charged Directly to Equity	Closing Balance
	$'000s	**$'000s**	**$'000s**	**$'000s**
Deferred Tax Assets				
Expenditure deductible over 5 years	2,431	(586)	-	1,845
Provision	349	(106)	-	243
Property, Plant & Equipment and Intangible Assets	-	(103)	-	(103)
FVTPL Financial Assets	-	(203)	-	(203)
Other temporary differences	116	(44)	-	72
Balance at 30 June 2018	**2,896**	**(1042)**	**-**	**1,854**
Expenditure deductible over 5 years	1,845	(551)	-	1,294
Provision	243	(200)	-	43
Property, Plant & Equipment and Intangible Assets	(103)	23	-	(80)
FVTPL Financial Assets	(203)	203	-	-
Other temporary differences	72	23	-	95
Balance at 30 June 2019	**1,854**	**(502)**	**-**	**1,352**

6. Discontinued operations

Disposal of non-core business

The Company divested its interests held in non-core business Australian Planning Services Pty Ltd and was recognised as Discontinued Operations in FY2018.

	2019	2018
	$000s	**$000s**
Loss for the year from discontinued operations		
Profit/(loss) after tax	-	(193)

7. Dividends

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

	Cents per Share	Total Amount $'000	Date of Payment
2019			
Interim 2019 dividend	30.14	15,000	20 February 2019
Interim 2019 dividend	14.22	7,455	13 May 2019
Total dividends	**44.36**	**22,455**	
2018			
Final 2018 dividend	41.84	20,590	31 August 2018
Total dividend	**41.84**	**20,590**	

Subsequent Events
Since the end of the financial year, the Company declared on 19 August 2019 the following final dividend in respect of the financial year ended 30 June 2019 to be paid to the shareholder. The dividend has not been provided for as at 30 June 2019.

	Cents Per Share	Total Amount $'000	Date of Payment
Final 2019 dividends	19.54	10,440	19 Sep 2019

8. Key Management Personnel Compensation

	2019 $'000s	2018 $'000s
Short-term employee benefits	1,556	1,501
Post-employment benefits	94	114
Share-based payment expense	22	22
KEY MANAGEMENT PERSONNEL COMPENSATION	**1,672**	**1,637**

The amounts represent remuneration paid to key management personnel (KMP) of the Group by Netwealth Group Services Pty Ltd (NGS), a related entity of the Company. The KMP of the Group are the directors and Chief Financial Officer of the Group and the Company. The Company paid a fee to NGS as a recharge for the services rendered by these KMP. For more details on amounts paid to related parties, refer to Note 19.

9. Cash and Cash Equivalents

	Note	2019 $'000s	2018 $'000s
CASH AT BANK AND ON HAND		**57,926**	**47,063**
Reconciliation of Cash Cash and cash equivalents as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows:			
CASH AND CASH EQUIVALENTS			
As per the statement of financial position		57,926	47,063
As per the statement of cash flows	**20**	57,926	47,063

10. Trade and Other Receivables

	Note	2019 $'000s	2018 $'000s
Product Account Receivables		8,336	5,733
Trade Receivables		229	226
TOTAL TRADE AND OTHER RECEIVABLES	**20**	**8,565**	**5,959**
TRADE AND OTHER RECEIVABLES CLASSFIED AS FINANCIAL ASSETS		**8,565**	**5,959**

Credit Risk
The Company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically mentioned within Note 20. The main source of credit risk to the Company is considered to relate to the class of assets described as "trade and other receivables" and "loans".

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

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

10. Trade and Other Receivables (continued)

	Amount	Past due but not Impaired (days overdue)			Within initial trade	Past due And
		31 - 60	61 - 90	>90	Terms	Impaired
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
2019						
Trade and term receivables	229	10	10	2	207	-
Other receivables	8,336	-	-	-	8,336	-
TOTAL	**8,565**	**10**	**10**	**2**	**8,543**	**-**
2018						
Trade and term receivables	226	9	2	3	212	-
Other receivables	5,733	-	-	-	5,733	-
TOTAL	**5,959**	**9**	**2**	**3**	**5,945**	**-**

11. Other Assets

	2019	**2018**
	$'000s	**$'000s**
CURRENT		
Accrued Income	1,376	1,150
TOTAL OTHER CURRENT ASSETS	**1,376**	**1,150**

12. Financial Assets

	Note	**2019 $'000s**	**2018 $'000s**
CURRENT			
FVTPL financial assets	12a	1,180	817
Loans and receivables	12b	-	14,047
TOTAL CURRENT FINANCIAL ASSETS		**1,180**	**14,864**

12. Financial Assets (continued)

(a) FVTPL financial assets comprise at fair value:

	Note	2019 $'000s	2018 $'000s
Netwealth Managed Funds		16	16
Netwealth Wrap & Super Accounts		1,113	751
Other Investments		51	50
Total FVTPL financial assets	20,21	**1,180**	**817**

FVTPL financial assets include investments in managed funds with no fixed returns or fixed maturity dates held in Netwealth products. Held to maturity investments and loans and other receivables have fixed terms and fixed interest rates.

(b) Loan receivables comprise at amortised cost:

	Note	2019 $'000s	2018 $'000s
Related Entity Loans	19,20, 21	-	14,047
Total Loans and receivables		**-**	**14,047**

13. Property and Equipment

	Note	2019 $'000s	2018 $'000s
Leasehold Improvements			
Leasehold Improvements at Cost		513	640
Less Accumulated Depreciation		(407)	(352)
Less Disposals		-	(127)
Total Leasehold Improvements	13a	**106**	**161**

(a) **Movements in Carrying Amounts**
Movement in the carrying amounts for each class of Property and Equipment

	2019 $'000s	2018 $'000s
Leasehold Improvements		
Balance at beginning of reporting period	161	270
Disposals	-	(45)
Depreciation expense	(55)	(64)
Balance at end of reporting period	**106**	**161**

14. Intangible Assets

	Note	2019 $'000s	2018 $'000s
Software and Website			
Software Website at Cost		-	4,883
Less Accumulated Amortisation		-	(4,883)
Total Software and Website	14a	**-**	**-**
Non-Contractual Customer Relationship			
Customer Relationship at Cost		**300**	-
Add Additions			300
Less Accumulated Amortisation		**(60)**	-
Total Non-Contractual Customer Relationship	14a	**240**	**300**

a) **Movements in Carrying Amounts**
Movement in the carrying amounts for each class of Intangible Assets

	2019 $'000s	2018 $'000s
Software and Website		
Balance at beginning of reporting period	-	-
Disposals of Cost*	(4,883)	-
Disposals of Accumulated Amortisation*	4,883	-
Amortisation Expense	-	-
Balance at end of reporting period	**-**	**-**
Non-Contractual Customer Relationship		
Balance at beginning of reporting period	300	-
Additions	-	300
Amortisation Expense	(60)	-
Balance at end of reporting period	**240**	**300**

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

15. Trade and Other Payables

	Note	2019 $'000s	2018 $'000s
CURRENT			
Unsecured Liabilities:			
Trade Payables		8,262	1,082
Sundry Payables		3	-
Total Current Unsecured Liabilities	**15a, 15b**	**8,265**	**1,082**
TOTAL TRADE & OTHER PAYABLES		**8,265**	**1,082**

(a) Financial Liabilities at amortised cost classified as trade and other payables

	Note	2019 $'000s	2018 $'000s
Trade and Other Payables:			
Total Current		1,126	1,082
Total Trade and Other Payables		**1,126**	**1,082**
Less:			
GST Payable		563	397
Total Financial Liabilities as Trade and Other Payables	**20,21**	**563**	**685**

(b) Loan Payables

	Note	2019 $'000s	2018 $'000s
Related Entity Loans	**19,20**	6,576	-
Total Loans		**6,576**	**-**

16. Provisions

	2019 $'000s	2018 $'000s
CURRENT		
Provisions	-	619
NON CURRENT		
Provisions	207	285
Total Provisions	**207**	**904**

16. Provisions (continued)

	Legal and Other Associated Costs	Other Provisions	Total Provisions
	$'000s	$'000s	$'000s
Analysis of Provisions			
Opening balance at 1 July 2018	**619**	**285**	**904**
Amount provided during the year	-	-	-
Amount used or reversed during the year	(619)	(78)	(697)
Balance at 30 June 2019	**-**	**207**	**207**

17. Issued Capital

	2019	2018
	$'000s	$'000s
52,526,964 Fully Paid Ordinary Shares (2018: 48,362,064)	50,864	46,664
890,000 Foundation Shares (2018: 890,000)	255	255
Contribution resulting from Group Share Transactions	227	227
TOTAL ISSUED CAPITAL	**51,346**	**47,146**

The Company has issued share capital amounting to 52,526,964 Ordinary Shares of no par value and 890,000 Foundation Shares of no par value.

(a) Movements in Issued Capital

	2019	2018
	No.	No.
Fully Paid Ordinary Shares		
At the beginning of the reporting period	48,326,064	24,826,064
Converted from Partly Paid Ordinary shares	-	5,000,000
Shares issued during the year	4,200,000	18,500,000
At the end of the reporting period	**52,526,064**	**48,326,064**
Foundation Shares		
At the beginning of the reporting period	890,000	890,000
Shares issued during the year	-	-
At the end of the reporting period	**890,000**	**890,000**

4.2M Ordinary Shares were issued at $1 per share during the financial year with the capital received reserved for the purpose of meeting the increase in Operational Risk Financial Requirement (ORFR) in accordance with APRA Prudential Standard SPS114. At the end of the financial year, 22.7M of Ordinary Shares have been issued at $1 per share with the capital received reserved to meet ORFR.

17. Issued Capital (continued)

Ordinary Shares and Foundation Shares participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of shares held. At the shareholders' meetings each Ordinary Share is entitled to one vote when a poll is called, otherwise each ordinary shareholder has one vote on a show of hands.

(b) Capital Management

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

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

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

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

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

18. Cash Flow Information

Reconciliation of cash flow from operations with profit after income tax

	2019 $'000s	2018 $'000s
Profit for the year	**34,611**	**27,813**
Adjusted for:		
Income tax recognised in the Profit or Loss	14,461	12,289
Depreciation & amortisation	115	64
Unrealised (gains)/losses on investments	-	(3)
Adjustments to make good provisions	(78)	(7)
Loss on Disposal of Assets	-	45
Revaluation of investments	-	193
Net gain on disposal of investments	(73)	(171)
	49,036	40,223
Changes in working capital		
(Increase)/decrease in Trade & Other Receivables	(2,022)	(641)
(Increase)/decrease in Prepayments	(228)	(928)
Increase/(decrease) in Trade & Other Payables	26	(267)
Increase/(decrease) in Provisions	(619)	(381)
Cash generated from operations	46,193	38,006
Income tax paid	(16,817)	(9,191)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**29,376**	**28,815**

19. Related Party Transactions

The Company's main related parties are as follows:

(a) Entities exercising control over the Company
The ultimate parent entity of the Company, which exercises control over the Company is Netwealth Group Limited.

(b) Key management personnel
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 8: Key Management Personnel Compensation.

(c) Entities that are subject to common control outside the Company
Entities that are subject to common control outside the Company are those entities over which the Company's immediate parent or the ultimate parent entity exercise control. These entities are deemed "sister" entities (fellow subsidiaries) of the reporting entity.

(d) Controlled entities
Controlled entities are entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. Because inter-entity transactions and balances involving controlled entities are eliminated on consolidation, controlled entities are considered as related parties only in the case of the parent entity's separate financial statements.

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

Transactions with related parties
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions and outstanding balances occurred with related parties:

RELATED COMPANIES
The Company did not make a loan to any related companies during the year:

	Note	2019	2018
		$	$
Loans Receivable– Unsecured Interest Free:			
Netwealth Holdings Limited	12b	-	14,046,653

The Company borrowed from its parent company during the year (2018: Nil).

	Note	2019	2018
		$	$
Loans Payable – Unsecured Interest Free:			
Netwealth Holdings Limited	15b	6,576,282	-

19. Related Party Transactions (continue)

The Company paid fees to its related company during the year as follows:

	2019	2018
	$	$
Shared Services Management Fees:		
Netwealth Group Services Pty Ltd	2,290,019	1,975,839
Shared Services Recharges:		
Netwealth Group Services Pty Ltd	45,599,980	38,978,986

RELATED PARTIES

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

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

The Company also holds units in some of these Schemes through which distributions are paid:

	2019	2018
	$	$
Management Fees:		
Management Fee Revenue	4,334,624	3,368,364
Distributions:		
Distribution Income	792	861

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

The Company holds investments in Netwealth products as follows:

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

20. Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, local money market investments, short-term investments, accounts receivable and payable, loans to subsidiaries and leases.

The totals for each category of financial instruments, measured in accordance with AASB 9 Financial Instruments: Recognition and Measurement as detailed in the accounting policies to these financial statements, are as follows:

	Note	2019 $'000s	2018 $'000s
Financial Assets			
Cash and Cash Equivalents	9	57,926	47,063
Trade and Other Receivables	10	8,565	5,959
FVTPL financial assets	12a	1,180	817
Loans and Receivables	12b	-	14,047
Total Financial Assets		**67,671**	**67,886**
Financial Liabilities			
Trade and Other Payables	15a	563	685
Loan Payables	15b	6,576	-
Total Financial Liabilities		**7,139**	**685**

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

Senior executives meet on a regular basis to analyse financial risk exposure in the context of the most recent economic conditions and forecasts.

Specific Financial Risk Exposures and Management
The main risks the Company is exposed to through its financial instruments are credit risk, liquidity risk and market risk, relating to interest rate risk and other price risk.

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

20. Financial Risk Management (continued)

(a) Credit Risk

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

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

Credit Risk Exposures

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

The Company has no significant concentrations of credit risk with any single counterparty or group of counterparties. Loan agreements are in place for all loans between the Group and its subsidiaries. Funds are advanced and borrowed when it is considered that it is in the best interests of the Group and its subsidiaries to do so. Details with respect to credit risk of trade and other receivables are provided in Note 10.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 10.

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

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(b) Liquidity Risk

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

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

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

20. Financial Risk Management (continued)

Financial Liability and Financial Asset Maturity Analysis

		Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	Note	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
		$'000s	**$'000s**	**$'000s**	**$'000s**	**$'000s**	**$'000s**	**$'000s**	**$'000s**
Financial Liabilities due for payment									
Trade and Other Payables	15a	563	685	-	-	-	-	563	685
Total Expected Outflows		**563**	**685**	**-**	**-**	**-**	**-**	**563**	**685**
Financial Assets – Cash Flows realisable									
Cash and Cash Equivalents	9	57,926	47,063	-	-	-	-	57,926	47,063
Trade and Other Receivables	10	8,565	5,959			-	-	8,565	5,959
Financial Assets	12a	1,180	14,864	-	-	-	-	1,180	14,864
Total anticipated inflows		**67,671**	**67,886**	**-**	**-**	**-**	**-**	**67,671**	**67,886**
Net inflow on financial instruments		**67,108**	**67,201**	**-**	**-**	**-**	**-**	**67,108**	**67,201**

20. Financial Risk Management (continued)

(c) Market Risk

i. Interest Rate Risk

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

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

ii. Other Price Risk

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

Sensitivity analysis

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

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

	Profit	**Equity**
	$000	**$000**
Year ended 30 June 2019		
+/-1% in interest rates (interest income)	+473/-473	+331/-331
Year ended 30 June 2018		
+/-1% in interest rates (interest income)	+362/-362	+253/-253

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

21. Fair Value Measurements

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

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

	Note	Footnote	Net Carrying Value		Net Fair Value	
			2019 $'000s	**2018 $'000s**	**2019 $'000s**	**2018 $'000s**
Financial Assets						
Cash & Cash Equivalents	9	i	57,926	47,063	57,926	47,063
Trade & Other Receivables	10	i	8,565	5,959	8,565	5,959
FVTPL financial assets	12a	ii	1,180	817	1,180	817
Loans & Receivables	12b	iii	-	14,047	-	14,047
Total Financial Assets			**67,671**	**67,886**	**67,671**	**67,886**
Financial Liabilities						
Trade & Other Payables	15a	i	563	685	563	685
Total Financial Liabilities			**563**	**685**	**563**	**685**

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

i. Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts relating to the provision of annual leave and deferred revenue which is outside the scope of AASB 9

ii. For listed financial assets at FVTPL, closing quoted bid prices at the end of the reporting period are used.

iii. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market and approximate their fair value.

21. Fair Value Measurements (continued)

Financial Instruments Measured at Fair Value

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

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

	Level 1 $'000s	Level 2 $'000s	Level 3 $'000s	Total $'000s
2019				
Financial Assets				
FVTPL financial assets:				
Listed Investments	1,020	-	-	1,020
Unlisted Investments	-	-	160	160
Total Financial Assets	**1,020**	**-**	**160**	**1,180**
2018				
Financial Assets				
FVTPL financial assets:				
Listed Investments	661	-	-	661
Unlisted Investments	-	-	156	156
Total Financial Assets	**661**	**-**	**156**	**817**

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

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

Level 3 inputs are unobservable inputs for the asset or liability.

Expected credit losses

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

	2019*		2018	
	Gross Exposure $'000	ECL Allowance $'000	Gross Exposure $'000	ECL Allowance $'000
Trade Receivables^	8,505	4	5,959	-
Intercompany Loans~	-	-	14,047	-
Other#	1,021	12	661	-
Total	**9,526**	**16**	**20,667**	**-**

* ECL Allowance were introduced under AASB 139 effective from FY2019.

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

~ The Company does not have any Intercompany loans receivable in FY2019

Consists of investments held to collect contractual cash flows.

22. Auditors' Remuneration

Remuneration of the auditor of the Company is as follows:

	2019 $'000s	2018 $'000s
Fees payable for audit and review of financial reports		
Current auditors	21	21
Fees payable for other services		
Current auditor	18	34
Total fees paid to company Auditor	**39**	**55**

Audit and Taxation fees are borne by a related party and recharged to the company, refer to note 19.

23. Events occurring after reporting date

On 19 August 2019, the Company declared a final dividend for FY2019 of 19.54 cents per share (total dividend of $10,440,000). The final dividend is payable on 19 September 2019.

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

Directors' Declaration

The Directors declare that:

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

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

The declaration is made in accordance with a resolution of the Board.

Director

Jane Tongs

Dated 19 August 2019

Deloitte.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Netwealth Investments Limited (the "Company") which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

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

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Other Information

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

Deloitte.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Melbourne, 19 August 2019