

Netwealth Group Limited
ACN: 620 145 404



Netwealth Group Limited and controlled entities Half Year Report 1H 2018

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Appendix 4D

Report for the half year ended 31 December 2017 (1H 18)

Netwealth Group Limited
ABN: 84 620 145 404

1. Details of the reporting period

Report for the half year ended 31 December 2017 (1H 18)

(Previous corresponding period half year ended 31 December 2016 (1H 17))

2. Results for announcement to the market

	1H 18 \$'000	Increase/ (Decrease)	VAR%
Revenue from ordinary activities	40,495	11,499	39.7%
Profit from ordinary activities before tax attributable to members	8,063	(4,700)	(36.8%)
Net profit for the period attributable to members	4,818	(3,844)	(44.3%)

Brief explanation of the figures reported

The decrease in profit from ordinary activities before tax and net profit for the period attributable to members was due to a one off \$12.1M (pre-tax) cost of listing on the Australian Stock Exchange (ASX).

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

3. Net tangible assets per ordinary security

	1H 18	1H 17
Net tangible assets as per ordinary security	16.8 cents	96.7 cents

Brief explanation of the figures reported

As part of the capital reorganisation, each share on issue was split into seven shares. This has been reflected in the net tangible assets per ordinary security in 1H 18. For 1H 17, this would have been equivalent to 13.8 cents had the shares been split on the same basis.

4. Dividends information

	Amount per share (cents)	Franked amount per share (cents)
Interim dividend per share	26.39	11.31

During the half year, Netwealth Group Limited declared and paid total dividends of \$8.3M. There is no Dividend Reinvestment Plan (DRP).

5. Control gained/loss over entities

A 100% owned subsidiary, Australian Planning Services Pty Ltd was divested on 20 October 2017.

6. Details of associates and joint venture entities

Not applicable.

7. Compliance statement

This report is based on the consolidated financial statements for the half year ended 31 December 2017 which were subject to a review by the Group's auditors, Deloitte Touche Tohmatsu with the review report attached.



Michael Heine
Joint Managing Director
26 February 2018

Corporate highlights

Netwealth has continued to experience strong and consistent growth in the half year to December 2017, some highlights for the half year were (comparative period being half year to December 2016):



EBITDA \$20.5M⁽¹⁾

Growth \$7.4M (+57%)



NPAT \$14.1M⁽¹⁾

Growth \$5.2M (+59%)



FUA \$15.4B

Growth \$5.7B (+58%)



FUM \$2.4B

Growth \$1.3B (+109%)



+\$18.9M⁽²⁾

Operating Cash flow
pre tax



NWL

Successful listing on the ASX
20 Nov 2017

¹ Pro forma EBITDA and NPAT has been prepared consistently with the IPO Prospectus, adjusted for the impact of the IPO transactions fees and the Group's discontinued operations.

² Operating cash flow pre tax adjusted for impact of the IPO transaction fees, the Group's discontinued operations, capital expenditure and investments consistent with the IPO prospectus.

Directors' report

The directors present their report on Netwealth Group Limited (the "company" or "Netwealth") and its controlled entities for the half year ended 31 December 2017 (1H 18). The consolidated entity is referred to as "the Group". In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

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

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

Company overview

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

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

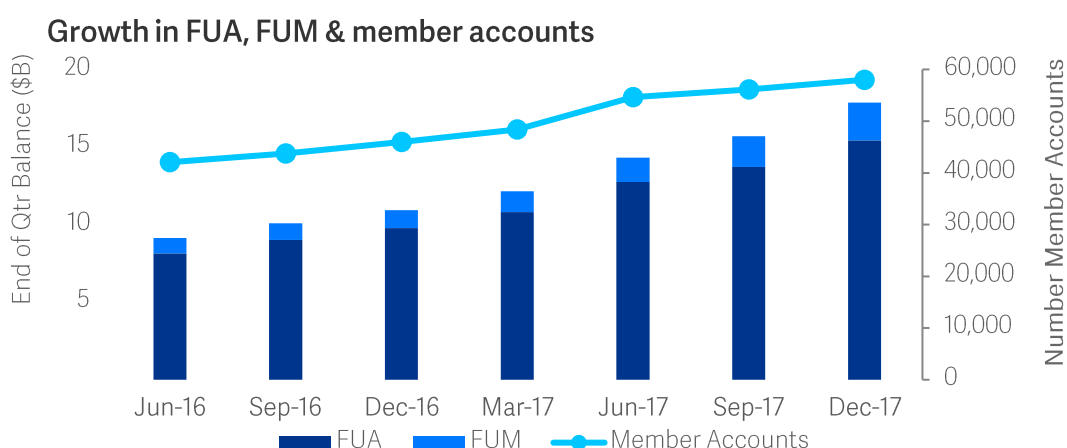
Netwealth offers a range of innovative portfolio administration, superannuation, retirement, investment and managed account solutions to investors and non-institutional intermediaries including financial advisers, private client and high net worth firms.

Netwealth's award-winning platform is currently rated Australia's Number 1 Platform for overall functionality² and overall satisfaction providing wealth professionals with the technology required to efficiently manage and add value to their clients.

² Investment Trends May 2017 Planner Technology and Investment Trends December 2017 Platform Benchmarking Report

Review of operations

As at 31 December 2017 Netwealth had \$15.4B Funds Under Administration (FUA) and \$2.4B of Funds Under Management (FUM) across 58,012 accounts.



Netwealth continued to deliver strong and consistent FUA growth of 21% (\$2.7B) for 1H 18 and 58% (\$5.7B) for calendar year ended 31 December 2017. The Net Inflows were \$1.8B for 1H 18 and \$4.5B for calendar year ended 31 December 2017.

Managed accounts achieved strong growth for 1H 18, with \$1.4B under management as at 31 December 2017. For 1H 18 managed accounts grew by \$0.7B, an increase of 107%.

Netwealth is a leader in its industry for technology functionality and customer satisfaction³, attracting new members and financial intermediaries onto the platform. Netwealth has been recently confirmed as the winner for 'Best platform overall' in 2017 by Investment Trends for the third year in a row.

In 1H 18, Netwealth increased its member accounts by 6% and for calendar year ended 31 December 2017, Netwealth added 12,012 new member accounts.

Financial intermediaries using the platform also continued to grow with 2,190 on our platform as at 31 December 2017, up 4% in 1H 18.

³ Ranked No.1 in 2017 for best platform overall by Investment Trends & joint No.1 in 2017 for overall satisfaction by Investment Trends

Review of financial results

Netwealth recorded platform revenue of \$39.8M and total revenue of \$40.5M for 1H 18. Platform revenue increased by 38.9% compared to 1H 17.

Total expenses for 1H 18 included \$12.1M of costs incurred by the company in listing on the ASX. Excluding these one-off expenses, operating expenses increased 25.7% to \$20.0M for 1H 18.

Employee benefits expenses were \$13.6M for 1H 18, which was an increase of 25.3% compared to 1H 17. This was significantly less than the increase in platform revenue of 38.9%, over the corresponding period. The company's policy is that all employee expenditure is expensed in the period it is incurred and not capitalised. This includes IT and product development departments. This expenditure on product development enabled platform functionality and service levels to remain at a high level and for continued growth to remain sustainable.

Financial metrics

	Consolidated Group for half year ended		
	31 December 2017 \$'000	31 December 2016 \$'000	Variance %
Income			
Platform revenue	39,822	28,660	38.9%
Other income	673	336	100.3%
Total income	40,495	28,996	39.7%
Expenses			
Employee benefits expenses	13,630	10,880	25.3%
Other costs and expenses	18,472	5,050	265.8%
Total expenses	32,102	15,930	101.5%
EBITDA on continuing operations	8,393	13,066	(35.8%)
EBITDA margin	20.7%	45.1%	-
NPBT on continuing operations	8,063	12,763	(36.8%)
NPAT on continuing operations	5,612	8,826	(36.4%)
NPAT margin	13.9%	30.4%	-

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

	Consolidated Group for half year ended		
	31 December 2017 \$'000	31 December 2016 \$'000	Variance %
Statutory EBITDA on continuing operations	8,393	13,066	(35.8%)
Add back: IPO transaction costs	12,075	-	(100.0%)
Pro forma EBITDA on continuing operations	20,468	13,066	56.7%
Pro forma EBITDA margin	50.5%	45.1%	-
Pro forma NPBT on continuing operations	20,138	12,763	57.7%
Pro forma NPAT on continuing operations	14,064	8,826	59.3%
Pro forma NPAT margin	34.7%	30.4%	-

Key platform statistics

	Consolidated Group for half year ended		
	31 December 2017	31 December 2016	Variance %
FUA (EOP) (\$ million)	15,436	9,772	58.0%
FUM (EOP) (\$ million)	2,426	1,158	109.5%
Net FUA flows (\$ million)	1,847	1,210	52.6%
Net FUM flows (\$ million)	692	171	304.7%
Annualised platform revenue/average FUA (bps)	56.5 bps	63.6 bps	(11.2%)
Annualised platform revenue/average number of accounts (\$)	1,406	1,308	7.5%

Significant changes in the state of affairs

Netwealth Group Limited, a newly incorporated company on 30 June 2017, was superimposed as the holding company of Netwealth Holdings Limited (previously Netwealth Group Limited) on 24 November 2017, becoming the ultimate holding company of the Group. Netwealth was listed on the ASX on 20 November 2017.

On 20 October 2017, the Group divested Australian Planning Services Pty Ltd to Heine Brothers Pty Ltd, a related party, for a total consideration of \$1, which represented its carrying value being the fair value of the entity.

There were no other significant changes in the state of affairs for Netwealth Group Limited during the half year.

Dividends

During the half year, the Group declared on 12 October 2017 and paid on 16 October 2017 a fully franked pre-completion dividend of 26.39 cents per share, representing a total dividend of \$8,300,000. There is no DRP.

Options and shares

40,000 options were exercised at \$1 per share during the interim period. There are no remaining options.

During the interim period, eligible employees were issued shares valued at \$1,000 per employee as a gift for no consideration. As a result, 63,990 new ordinary shares were issued at \$3.70 per share during the listing.

Events subsequent to the end of the reporting period

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

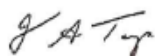
Auditor's independence declaration

A copy of the auditor's independence declaration as required under s 307C of the Corporations Act 2001 is set out on page 11.

Rounding of amounts

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

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



Director

Jane A Tongs

Chairman

Dated 26 February 2018

Auditor's independence declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

26 February 2018

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

Dear Directors,


Auditors independence declaration to Netwealth Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Netwealth Group Limited, regarding the half-year consolidated financial report for Netwealth Group Limited.

As lead audit partner for the review of the financial statements of Netwealth Group Limited for the half-year ended 31 December 2017, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2017.

	Note	Consolidated group for half year ended	
		31 December 2017 \$'000	31 December 2016 \$'000
Continuing operations			
Income			
Revenue		39,822	28,660
Other income		673	336
Total income		40,495	28,996
Expenses			
Employee benefits expenses		13,630	10,880
Other operating expenses	4	16,374	3,535
Occupancy expenses		810	735
IT and communication expenses		1,288	780
Depreciation		295	264
Amortisation		35	39
Total expenses		32,432	16,233
Profit before income tax		8,063	12,763
Income tax expense		(2,451)	(3,937)
Profit for the period from continuing operations		5,612	8,826
Discontinued operations			
Loss for the period from discontinued operations	7	(794)	(164)
Profit for the period		4,818	8,662
Total comprehensive income for the period		4,818	8,662
Total comprehensive income attributable to:			
Members of the parent entity		4,818	8,662
Earnings per share			
From continuing and discontinued operations:			
Basic (cents per share)		6.19	27.73
Diluted (cents per share)		6.19	27.57
From continuing operations:			
Basic (cents per share)		7.21	28.25
Diluted (cents per share)		7.21	28.09

The accompanying notes form part of these financial statements

Consolidated statement of financial position

As at 31 December 2017.

	Note	Consolidated Group as at	
		31 December 2017 \$'000	30 June 2017 \$'000
Assets			
Current assets			
Cash and cash equivalents		31,187	34,340
Trade and other receivables		6,563	5,398
Other current assets		2,235	1,242
Financial assets		1,154	912
Assets classified as held for sale		12,566	14,757
Total current assets		53,705	56,649
Non-current assets			
Property, plant and equipment		2,940	2,613
Intangible assets		73	107
Deferred tax assets		5,952	4,168
Total non-current assets		8,965	6,888
Total assets		62,670	63,537
Current liabilities			
Trade and other payables		6,008	5,225
Provisions		3,259	3,494
Current tax liabilities		190	710
Liabilities directly associated with assets classified as held for sale		1,683	2,242
Total current liabilities		11,140	11,671
Non-current liabilities			
Provisions		536	429
Deferred tax liability		57	42
Total non-current liabilities		593	471
Total liabilities		11,733	12,142
Net assets		50,937	51,395
Equity			
Issued capital	6	23,194	20,205
Reserves		747	712
Retained earnings		26,996	30,478
Total equity		50,937	51,395

The accompanying notes form part of these financial statements

Consolidated statement of changes in equity

For the half year ended 31 December 2017.

Consolidated Group	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2016	21,086	571	21,479	43,136
Shares issued during the period	(881)	-	-	(881)
Total comprehensive income for the period	-	-	8,662	8,662
Amounts recognised on issue of employee shares	-	50	-	50
Dividend paid or provided for	-	-	(4,555)	(4,555)
Balance at 31 December 2016	20,205	621	25,586	46,412
Balance at 1 July 2017	20,205	712	30,478	51,395
Share fully paid during the period	2,752	-	-	2,752
Total comprehensive income for the period	-	-	4,818	4,818
Amounts recognised on issue of employee shares	237	35	-	272
Dividend paid or provided for	-	-	(8,300)	(8,300)
Balance at 31 December 2017	23,194	747	26,996	50,937

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the half year ended 31 December 2017.

	Consolidated Group for half year ended		
	Note	31 December 2017	31 December 2016
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		47,072	39,836
Payments to suppliers and employees		(40,025)	(26,249)
Dividends received		16	17
Interest received		279	215
Income tax paid		(4,739)	(4,383)
Net cash generated by operating activities		2,603	9,436
Cash flows from investing activities			
Purchase of property, plant and equipment		(622)	(421)
Proceeds from sale of Investments		216	75
Purchase of Investments		(417)	-
Net cash used in investing activities		(823)	(346)
Cash flows from financing activities			
Proceeds from issue of shares		2,756	-
Dividends paid		(8,082)	(4,479)
Net cash used in financing activities		(5,326)	(4,479)
Net increase in cash held		(3,546)	4,611
Cash and cash equivalents at beginning of period		34,989	27,652
Cash and cash equivalents at end of period		31,443	32,263

The accompanying notes form part of these financial statements.

Notes to the financial statements

1. Significant accounting policies

Basis of preparation

This consolidated interim financial report for the half year reporting period:

- is for the consolidated entity consisting of Netwealth Group Limited and its controlled entities (trading on the ASX under the symbol 'NWL');
- is presented in Australian dollars, with all values rounded to the nearest thousand dollars, or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investment Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001;
- does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Netwealth Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001; and
- accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Netwealth Group Limited's 2017 annual financial report for the financial year ended 30 June 2017, except for the impact of the Changes in Accounting Policies described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Where applicable, comparative periods have been adjusted to disclose them on the same basis as the current period figures.

Adoption of new and revised accounting standards

The Group has adopted all of 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)

AASB 9 applies to annual periods beginning on or after 1 January 2018. The directors of the Group anticipate that the application of AASB 9 in the future will have a minimal impact on amounts reported in respect of the Group's financial assets and financial liabilities. The Group will implement the expected loss model in future periods but does not expect this to be material.

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

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.

The Group recognises the following two major sources of revenue on the platform to be assessed:

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

As part of AASB 15 assessment, the Group will apply 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.

The Group is still in the process of assessing the impact on the financial position and/or financial performance of the Group and expects a more extensive disclosure will be made in the annual report.

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

As at 31 December 2017, the Group had non-cancellable lease commitments of \$5.4M and is not required to recognize the lease liability of future payments or measure the right of use of an asset, as it continues to account for its leases under AASB 117.

A preliminary assessment of the transition to AASB 16 indicates that the current operating leases will meet the definition of a 'lease' under AASB 16, and the Group will recognise the lease liability and right of use of an asset for these leases.

The Group is currently assessing the potential impact to the Group's Consolidated Financial Statements and it is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

2. Segment information

The consolidated entity is organised into one reportable operating segment.

The reportable operating segment is based on the internal reports that are reviewed and used by the Board of Directors and the executive management team, identified as the Chief Operating Decision Makers (CODM), in assessing performance and in determining the allocation of resources. The CODM

reviews segment profits (Segment EBITDA) on a monthly basis. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

All the Group's operations are based in Australia.

3. Listing, restructure and capital reorganisation

Netwealth Group Limited, the ultimate holding company of the Group was listed on the ASX on 20 November 2017.

Prior to the listing, there was a restructure (The Restructure) and capital reorganisation (the Capital Reorganisation). Netwealth Holdings Limited (NHL) (previously known as Netwealth Group Limited) was previously the parent company of the Group. On 30 June 2017, Netwealth Group Limited (NGL) was newly incorporated. On 24 November 2017, the Restructure superimposed NGL as the holding company of NHL and NGL became ultimate holding company of the Group when the Restructure and Capital Reorganisation were completed.

The Capital Reorganisation comprised:

- a pre-completion dividend of \$8.3M paid to holders of shares in NHL on 16 October 2017;
- conversion of Foundation Shares and A Class shares to ordinary shares in NHL;
- exercise of certain options held in respect of ordinary shares and issue of ordinary shares in NHL;
- payment for amounts outstanding on partly paid ordinary shares in NHL making them fully paid ordinary shares; and
- splitting each share in NHL into seven corresponding shares in NHL.

The comparative financial information presented in the financial statements was that of Netwealth Holdings Limited (previously known as Netwealth Group Limited). Refer to Note 6 for further information on the Issued Capital Movement because of the Restructure.

4. Expenses from continuing operations

Other operating expenses

	Consolidated Group	
	31 December 2017	31 December 2016
	\$'000	\$'000
Operating expenses	4,299	3,535
Costs associated with the Group's Initial Public Offering	12,075	-
Total other operating expenses	16,374	3,535

5. Dividends

During the half year, the Group declared on 12 October 2017 and paid on 16 October 2017 a fully franked pre-completion dividend of 26.39 cents per share representing a total dividend of \$8,300,000. There is no DRP.

6. Issued capital

Issued capital comprised:

	Consolidated Group	
	31 December 2017 \$'000	30 June 2017 \$'000
237,679,816 Fully Paid Ordinary Shares (June 2017: 29,662,249)	879,415	19,824
Nil Partly Paid Ordinary Shares (June 2017: 3,000,000)	-	506
Nil Class 'A' Shares (June 2017: 352,869)	-	550
Nil Foundation Shares (June 2017: 890,000)	-	255
6,457,500 Performance Shares (June 2017: 937,500)	3,095	3,095
Total share capital	882,510	24,230
Restricted shares	(3,808)	(4,025)
Reorganisation reserve	(855,508)	-
Issued capital	23,194	20,205

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

	Consolidated group	
	31 December 2017 Number	30 June 2017 Number
Fully Paid Ordinary Shares		
At the beginning of the reporting period	29,662,249	29,623,787
Shares issued during the year	-	38,462
Converted from Partly Paid Ordinary Shares	3,000,000	-
Converted from Class 'A' Shares	352,869	-
Converted from Foundation Shares	890,000	-
Exercised option to convert	40,000	-
At the end of the reporting period prior to IPO	33,945,118	29,662,249
Splitting of shares (seven shares for every one share)	203,670,708	-
Employee share gift issued at IPO	63,990	-
At the end of the reporting period post IPO	237,679,816	29,662,249
Shares with value	233,930,359	29,155,794
Restricted shares	3,749,457	506,455
Performance shares		
At the beginning of the reporting period	937,500	-
Shares issued during the half year	-	937,500
Shares cancelled during the half year	(15,000)	-
At the end of the reporting period prior to IPO	922,500	937,500
Splitting of shares (seven shares for every one share)	5,535,000	-
At the end of the reporting period post IPO	6,457,500	937,500
Restricted shares	6,457,500	937,500

The company has issued share capital amounting to 237,679,816 Ordinary shares (2017: 29,662,249 shares) of no par value and 6,457,500 Performance shares (2017: 937,500 shares) of no par value. As part of the capital reorganisation, each share on issue was split into seven shares. An additional new 63,990 (\$236,763) Fully Paid Ordinary shares were issued as part of the Employee Gift Offer.

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. Performance shares are not entitled to vote and do not participate in dividends. Restricted Shares have no value until the employee loan associated with the Share Based Payment arrangement has been fully repaid.

During the half year, all remaining Partly Paid Ordinary Shares were paid up and converted into Fully Paid Ordinary Shares. Class 'A' Shares and Foundation Shares were also converted into Fully Paid Ordinary on a 1:1 basis.

	Consolidated Group	
	31 December 2017 \$'000	30 June 2017 \$'000
Partly Paid Ordinary Shares		
At the beginning of the reporting period	3,000,000	3,000,000
Converted to Fully Paid Ordinary Shares	(3,000,000)	-
At the end of the reporting period	-	3,000,000
Class 'A' Shares		
At the beginning of the reporting period	352,869	352,869
Converted to Fully Paid Ordinary Shares	(352,869)	-
At the end of the reporting period	-	352,869
Restricted shares	-	352,869
Foundation Shares		
At the beginning of the reporting period	890,000	890,000
Converted to Fully Paid Ordinary Shares	(890,000)	-
At the end of the reporting period	-	890,000

7. Divestments and discontinued operations

7.1 Plan to dispose of non-core businesses

In addition to the Restructure, the Group intends to divest its interests held in non-core businesses Bridgeport Financial Services Pty Ltd (Bridgeport) and Pathway Licensee Services Pty Ltd (Pathway). During the half year period to 31 December 2017, the Group divested its shares in Australian Planning Services Pty Ltd (APS). Collectively, they were recognised as the Group's Discontinued Operations as at 30 June 2017. The Group recognised an additional impairment loss of \$0.9M in respect of the Pathway business which represents the reduction in the expected sale proceeds. Completion of these

sales, will enable the Group to dedicate its entire resources to the operation of its core platform business, rather than a range of businesses which are not material to its overall profitability.

7.2 Analysis of divestment of APS

On 19 September 2017, a binding, non-conditional agreement was entered into disposing of all of the issued share capital in APS to an entity associated with Michael Heine, the Joint Managing Director. The consideration was \$1, which represented APS's carrying value, being the fair value of the entity. Completion occurred on 20 October 2017. As part of the sale, the Group has agreed to indemnify APS in respect of claims, up to an amount of \$1.0M. A provision of \$1.0M made to cover probable outflows in relation to these claims in the previous financial year had been disclosed in the 2017 annual financial report. No further indemnities or warranties in relation to the liabilities of APS or litigation against APS were provided to the purchaser.

The profit/(loss) for the half year from the discontinued operation is analysed as follows:

	Half year ended 31 December 2017	Half year ended 31 December 2016
	\$'000	\$'000
Profit/ (Loss) from dealer services operations	(193)	145

The following were the results of the dealer services operations for the half year:

	Half year ended 31 December 2017	Half year ended 31 December 2016
	\$'000	\$'000
Profit for the year from discontinued operations		
Revenue	45	90
Other income	159	421
Total income	204	511
Total expenses	(98)	(303)
Profit/(loss) before tax	106	208
Attributable income tax expense	(299)	(63)
Profit/(Loss) after tax	(193)	145

7.3 Analysis of profit for the year from discontinued operations

	Consolidated Group for half year ended	
	31 December 2017	31 December 2016
	\$'000	\$'000
Profit for the year from discontinued operations		
Revenue	4,417	4,894
Other income	171	252
Total income	4,588	5,146
Impairment	(900)	-
Other expenses	(4,055)	(5,514)
Profit/(loss) before tax	(367)	(368)
Attributable income tax expense	(427)	204
Profit/(Loss) after tax	(794)	(164)
Loss for the year from discontinued operations (attributable to owners of the Company)	(794)	(164)

8. Events occurring after reporting date

In the opinion of the directors, there are no other matters or circumstances which have arisen between 31 December 2017 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

9. Contingent liabilities and commitments

The directors are currently not aware of any contingent liabilities or commitments that the Group may be exposed to.

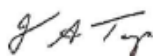
Directors' declaration

The directors declare that:

1. the attached financial statements and notes in accordance with the Corporations Act 2001, comply with Accounting Standards AASB 134 Interim Financial Reporting, 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 consolidated entity; and
3. in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Director

Jane A Tongs
Chairman

Dated 26 February 2018

Independent Auditor's Review Report



Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

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

We have reviewed the accompanying half-year financial report of Netwealth Group Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of condensed significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the end of the half year or from the time to time during the half year.

Responsibility of the Directors for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. 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 review report.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Deloitte

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the company is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

Melbourne, 26 February 2018

Level 8, 52 Collins Street
Melbourne, VIC 3000

PO Box 336
South Melbourne, VIC 3205

Freecall 1800 888 223
Phone +61 3 9655 1300
Fax +61 3 9655 1333
Email contact@netwealth.com.au
Web netwealth.com.au

ABN 85 090 569 109
AFSL 230975

