



Netwealth Group Limited and Controlled Entities Half Year Report 1H 2021

ACN: 620 145 404

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Appendix 4D

Report for the half year ended 31 December 2020 (1H 2021).

Netwealth Group Limited
ABN: 84 620 145 404

1. Details of the reporting period

Report for the half year ended 31 December 2020 (1H 2021).

Previous corresponding period half year ended 31 December 2019 (1H 2020).

2. Results for announcement to the market

	1H 2021 \$'000	1H 2020 \$'000	Increase/ (Decrease)	Var %
Revenue from ordinary activities	72,373	58,653	13,720	23.4%
Profit from ordinary activities before tax attributable to members	39,262	29,521	9,741	33.0%
Net profit after tax for the period attributable to members	27,615	20,531	7,084	34.5%

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 2021	1H 2020
Net tangible assets per ordinary security	35.9 cents	28.9 cents

4. Dividends information

	Amount per Share (cents)	Franked Amount per Share (cents)	% Franked	Tax rate for Franking Credit
Final dividend for FY 2020 (paid 24 Sep 2020)	7.80	3.34	100%	30%
Interim dividend for FY 2021 (to be paid 26 Mar 2021)	9.06	3.88	100%	30%

Interim Dividend Dates

Ex-dividend date	22 February 2021
Record date	23 February 2021
Payment date	26 March 2021

There is no dividend reinvestment plan.

5. Control gained/loss over entities

Not applicable.

6. Details of associates and joint venture entities

On 5 November 2020, Netwealth acquired 25% of the equity of Xeppo Pty Ltd (Xeppo), a specialist fintech data solution provider.

Xeppo specialises in connecting, matching and reconciling data from a wide range of sources to support the wealth management, accounting and mortgage industries.

7. Compliance statement

This report is based on the consolidated financial statements for the half year ended 31 December 2020 which were subject to a review by Netwealth Group Limited's auditors, Deloitte Touche Tohmatsu with the review report attached.



Michael Heine
Joint Managing Director
17 February 2021

Corporate highlights

Netwealth has continued to experience significant growth in the half year to December 2020. Some highlights¹ for the half year were (comparative period being half year to 31 December 2019):



\$72.4M

Total Income
Growth \$13.7M (+23.4%)



\$40.5M

EBITDA
Growth \$9.4M (+30.1%)



\$27.6M

NPAT
Growth \$7.1M (+34.5%)



11.3 cents¹

EPS



56.0%

EBITDA margin



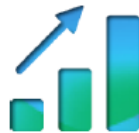
\$40.5M²

Operating net cash flow pre tax



\$38.8B FUA

Growth \$10.3B (+36.1%)



\$4.5B

FUA net inflows



Dividend 9.06 cps

Interim dividend 9.06 cps



\$9.3B FUM

Growth \$3.6B (+62.0%)



\$1.5B

FUM net inflows



Investment

Invested 25% into Xeppo on 5 November 2020

¹ EPS has been calculated on the basis all performance shares and options currently on issue will vest and converted to ordinary shares as at 31 December 2020.

² Operating net cash flow is calculated in line with prior periods excluding strategic investment in Xeppo and initial seed capital invested in Magellan GSS funds.

EPS – Earnings per share; cps – Cents per share

Directors' Report

The directors present their report on Netwealth Group Limited "the Company" and its controlled entities for the half year ended 31 December 2020 (1H 2021). The consolidated entity is referred to as "the Group" or "Netwealth". In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

- Jane Tongs (Chairman) (Retired on 17 February 2021)
- Michael Heine
- Matthew Heine
- Davyd Lewis
- Timothy Antonie (Appointed as Chairman on 17 February 2021)
- Sally Freeman
- Kate Temby (Appointed on 1 February 2021)

Directors (unless specified above) have been in office since the start of the financial year to the date of this report.

Company overview

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

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

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

We are rated No.1 by our clients for providing exceptional service².

Corporate governance

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

² Investment Trends, May 2020 Planner Technology Report

Diversity strategy

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

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

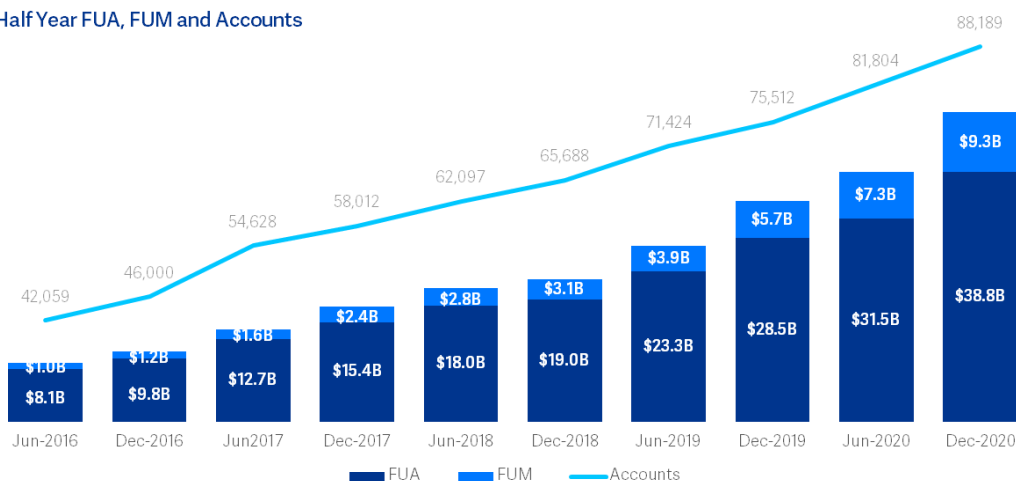
Review of operations

Netwealth Funds Under Administration (FUA) of \$38.8 billion at 31 December 2020.

A record 1H 2021 increase in FUA of \$7.3 billion (23.2% increase), delivered by strong FUA net inflows of \$4.5 billion and market movement of \$2.8 billion for the half year.

Growth in FUA of \$10.3 billion (36.1% increase) for the 12 months to 31 December 2020 included \$9.2 billion FUA net inflows and \$1.1 billion positive market movement.

Half Year FUA, FUM and Accounts



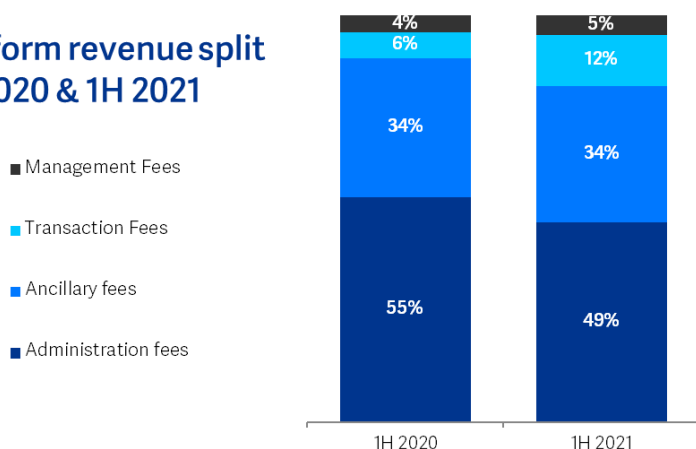
Source: Netwealth

Funds Under Management (FUM) at 31 December 2020 of \$9.3 billion, an increase of \$3.6 billion (62.0% increase) for the 12 months to 31 December 2020.

The Managed Account FUM of \$7.6 billion at 31 December 2020, increased by \$3.2 billion (74.2% increase) for the year to 31 December 2020. Managed Account net inflows of \$1.4 billion for 1H 2021 and \$3.2 billion for the 2020 calendar year.

Netwealth further diversified revenue composition for 1H2021, as transaction fee revenue increased to 12% of platform revenue for the period. Management fee income increased to 5%, due to increase in FUM and investment products offered, including Managed Accounts on the platform.

Platform revenue split 1H 2020 & 1H 2021



Source: Netwealth

For 1H 2021, the average annualised platform revenue earned per member account increased to \$1,666, up \$102 (6.5% increase) compared to prior corresponding period (PCP).

Average member account size increased to \$440,000 at 31 December 2020 up from \$385,000 at 30 June 2020. As average account size grows and investment options offered to clients expand, overall platform revenue and revenue per account will increase.

As average account size increased and clients transitioned onto our new admin fee pricing structure, the annualised platform revenue over average FUA decreased. At 40.5 bps for 1H 2021, it decreased by 4.1 bps (9.2% decrease) compared to prior comparative period (PCP) and decreased by 2.4 bps (5.7% decrease) compared to 2H 2020.

Client accounts increased by 12,677 accounts (16.8% increase) to 88,189 accounts for the 12 months to 31 December 2020.

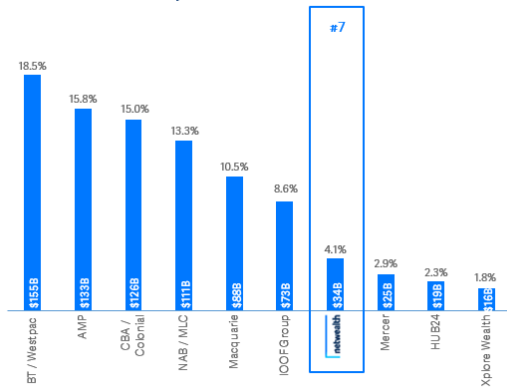
Financial Intermediaries using the platform also increased to 2,982 at 31 December 2020, an increase of 10.0% for the 12 months to 31 December 2020.

In the latest Plan for Life quarterly platform market update, Netwealth was the fastest growing platform operator in the industry by net inflows over the 12 months to 30 September 2020, with 38% growth, in both absolute terms and relative to the size of our FUA.

Netwealth recorded the largest FUA net inflows of \$9.5 billion for the 12 month rolling period to 30 September 2020, the largest in the industry for the tenth consecutive quarter.

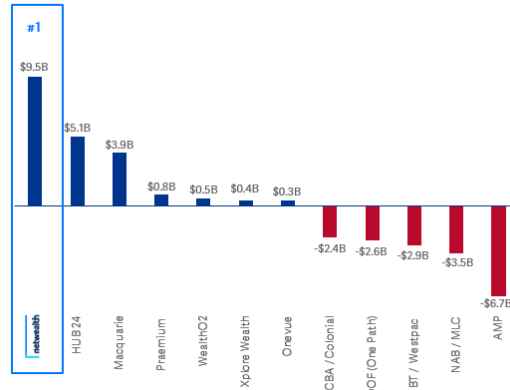
Netwealth is the 7th largest platform provider and increased its market share by 1.2% for the year to 4.1% at 30 September 2020.

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



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 2020
Total industry retail FUA of \$840.1B (as at Sep 2020)

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



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds 12 months to Sep 2020. Total net flows of \$1.1B (Not included above: Others of -\$1.3B)

Netwealth expects to benefit from ongoing industry consolidation and change. For FY2021 the pipeline of new business and transitions remains strong which is expected to lead to further growth in market share.

Netwealth made a strategic investment in Xepko Pty Ltd (Xepko) in September 2020. Xepko is specialist fintech data solutions provider will enable and accelerate a number of key initiatives Netwealth has previously announced including our “whole of wealth” and client portal strategy.

During 1H 2021 Netwealth was awarded Top 200 company (out of 18,000 companies) in the 2020 Forbes Asia “Best under a Billion” Awards, which recognises 200 Asia pacific companies with less than US\$1 billion in revenue that demonstrate consistent top and bottom line growth, low debt and robust governance.

Review of financial results

Total income of \$72.4 million for 1H 2021 increased by \$13.7 million (23.4% increase) compared to 1H 2020.

Platform revenue of \$71.2 million for 1H 2021 increased by \$13.8 million (24.1% increase) compared to 1H 2020. Growth in platform revenue was due to FUA Growth, higher average cash balances and increased revenue diversification from expanding the client portal product and investment options and increased transactions volumes.

Employee benefits expense of \$23.7 million for 1H 2021, increased by \$3.9 million (19.5% increase) compared to 1H 2020 as headcount increased by 43 from June 2020. Netwealth continued to increase its investment in IT by adding an additional 19 headcount during the period to further drive innovation.

EBITDA of \$40.5 million increased by \$9.4 million (30.1% increase) compared to PCP and EBITDA margin of 56.0% up by 2.9% compared to PCP.

NPAT of \$27.6 million increased by \$7.1 million (34.5% increase) compared to PCP and NPAT margin of 38.2%, increased by 3.2% compared to PCP.

Statement of profit or loss for 1H 2021

Set out in the table below is the consolidated statement of profit or loss and other comprehensive income for 1H 2021 presented in full.

	Consolidated Group for Half Year Ended			
	31 Dec 2020 \$'000	31 Dec 2019 \$'000	Variance \$'000	Variance %
Income				
Platform revenue	71,152	57,346	13,806	24.1%
Other income	1,221	1,307	(86)	(6.5%)
Total income	72,373	58,653	13,720	23.4%
Expenses				
Employee benefits expenses ¹	(23,719)	(19,852)	3,867	19.5%
Other costs and expenses	(8,140)	(7,664)	476	6.2%
Total expenses	(31,859)	(27,516)	4,343	15.8%
EBITDA	40,514	31,137	9,377	30.1%
EBITDA margin	56.0%	53.1%	2.9%	-
Interest on Leases	(50)	(36)	14	38.9%
Depreciation and Amortisation	(1,202)	(1,580)	(378)	(23.9%)
NPBT	39,262	29,521	9,741	33.0%
Income tax expense	(11,647)	(8,990)	2,657	29.6%
NPAT	27,615	20,531	7,084	34.5%
Underlying NPAT margin	38.2%	35.0%	3.2%	-
EPS (cents per share) ²	11.3	8.4	2.9	34.5%

¹Employee benefits expense includes \$0.2 million of non-cash share-based payments.

²EPS has been calculated on the basis all performance shares and options currently on issue will vest in full.

Key platform statistics

Set out in the below table is a summary of Netwealth's key operating and financial metrics for 1H 2021 and 1H 2020.

	Consolidated Group for Half Year Ended			
	31 Dec 2020	30 Dec 2019	Variance	Variance %
FUA (EOP*) (\$ million)	38,799	28,511	10,288	36.1%
FUM (EOP*) (\$ million)	9,315	5,749	3,566	62.0%
FUA net inflows (\$ million)	4,468	4,355	113	2.6%
FUM net inflows (\$ million)	1,530	1,706	(176)	(10.3%)
Annualised platform revenue/average FUA (bps)	40.5 bps	44.6 bps	(4.1 bps)	(9.2%)
Annualised platform revenue/average number of accounts (\$)	1,666	1,564	102	6.5%

* EOP=End of Period

Coronavirus (COVID-19) Update

The Group's operations have largely returned to normal as processes and technologies have been put in place to cope with remote working. With the recent easing on COVID-19 restrictions, the Group have commenced transitioning staff back to the office on voluntary basis whilst maintaining social distancing as required by regulations. The Group continues to keep up to date, adhere with government recommendations and working from home practices in all local jurisdictions.

Despite the challenges that persist with COVID-19, the Group remains positive given its strong pipeline from new and existing business and its growing market share. The Group is optimistic that the rollout of vaccinations due to commence in Australia over the coming months will offer hope of an improved economy in 2021.

Significant changes in the state of affairs

On 5 November 2020, Netwealth finalised a 25% equity stake in a strategic investment and partnership with Xeppo Pty Ltd (Xeppo), a specialist fintech data solution provider.

Xeppo specialises in connecting, matching and reconciling data from a wide range of sources to support the wealth management, accounting and mortgage industries.

Netwealth has an option to increase its investment in Xeppo to 50% in future years once certain criteria are met.

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

Dividends

During the half year, the Company declared on 18 August 2020 and paid on 24 September 2020 a fully franked dividend of 7.80 cents per share, representing a total dividend of \$16,401,000. There is no Dividend Reinvestment Plan (DRP).

Options and shares

No new options or shares were issued.

Events subsequent to the end of the reporting period

On 1 February 2021, Netwealth appointed Kate Temby as an independent Non-Executive Director to the Board.

On 10 February 2021, the Performance Shares listed in Note 8 Issued Capital vested in full and on 15 February 2021, all 6,107,661 Performance shares were converted to 6,107,661 Ordinary shares. The Ordinary Shares have been issued on the ASX with full voting rights and are entitled to dividends.

The increase in outstanding Ordinary Shares has been considered for dividends in the cents per shares declared for 1H FY2021.

After the end of the reporting period, the Group signed a new lease arrangement for a new Melbourne office. The lease for the new Melbourne office has not been recognised as at 31 December 2020. The expected financial impact for the new Melbourne office lease has been included in Note 5 Leases.

On 17 February 2021, the Company declared a fully franked interim dividend for 1H 2021 of 9.06 cents per share (total dividend of \$22,088,521). The interim dividend is payable on 26 March 2021.

On 17 February 2021, there are two changes to Netwealth's Directors in office:

- The retirement of Jane Tongs as Chairman and Director of the Group; and
- The appointment of Tim Antonie as the new Chairman of the Group.

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

Environmental regulation

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

Proceedings on behalf of the Group

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

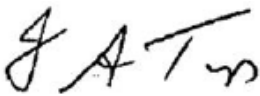
Auditor's independence declaration

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is set out on page 15.

Rounding of amounts

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

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



Jane Tongs
Chairman
17 February 2021

Auditor's independence declaration

Deloitte.

Deloitte Touche Tohmatsu
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17 February 2021

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

Dear Directors

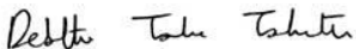
Auditors independence declaration to Netwealth Group Limited

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 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the 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 Asia Pacific Limited and the Deloitte organisation.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2020.

		Consolidated Group for Half Year Ended	
	Note	31 December 2020 \$'000	31 December 2019 \$'000
Income			
Revenue		71,152	57,346
Other income		1,221	1,307
Total income	3	72,373	58,653
Expenses			
Employee benefits expenses		(23,719)	(19,852)
Other operating expenses		(5,267)	(5,358)
Occupancy expenses		109	(206)
IT and communication expenses		(2,942)	(2,100)
Finance cost	5	(50)	(36)
Share of Associate's NPAT	6	(41)	-
Depreciation		(1,144)	(1,535)
Amortisation		(57)	(45)
Total expenses		(33,111)	(29,132)
Profit before income tax		39,262	29,521
Income tax expense	7	(11,647)	(8,990)
Profit for the period		27,615	20,531
Total comprehensive income for the period		27,615	20,531
Total comprehensive income attributable to:			
Members of the parent entity		27,615	20,531
Earnings per share			
Basic (cents per share)		11.6	8.64
Diluted (cents per share)		11.6	8.64

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 31 December 2020.

		Consolidated Group as at	
	Note	31 December 2020	30 June 2020
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		79,814	85,516
Trade and other receivables		12,321	10,324
Other current assets		4,651	4,411
Financial assets		2,673	1,186
Total current assets		99,459	101,437
Non-current assets			
Property, plant and equipment		1,398	1,603
Intangible assets		326	297
Right-of-use assets	5	994	4,748
Investment in Associates	6	2,521	-
Deferred tax assets	7	4,033	3,807
Total non-current assets		9,272	10,455
Total assets		108,731	111,892
Current liabilities			
Trade and other payables		9,211	7,467
Provisions		4,682	4,277
Current tax liabilities		6,829	18,099
Lease liability	5	794	1,297
Total current liabilities		21,516	31,140
Non-current liabilities			
Lease liability	5	436	3,774
Provisions		1,087	949
Total non-current liabilities		1,523	4,723
Total liabilities		23,039	35,863
Net assets		85,692	76,029
Equity			
Issued capital	8	23,490	23,122
Reserves		1,506	1,286
Retained earnings		60,696	51,621
Total equity		85,692	76,029

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2020.

Consolidated Group	Note	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2019		23,504	844	39,499	63,847
Shares fully paid during the period		163	-	-	163
Total comprehensive income for the period		-	-	20,531	20,531
Amounts recognised on issue of employee shares		-	222	-	222
Reclassification ¹		(549)	-	549	-
Dividends paid or provided for	4	-	-	(15,687)	(15,687)
Balance at 31 December 2019		23,118	1,066	44,892	69,076
Balance at 1 July 2020	8	23,122	1,286	51,621	76,029
Shares fully paid during the period		368	-	-	368
Total comprehensive income for the period		-	-	27,615	27,615
Amounts recognised on issue of employee shares		-	220	-	220
Dividends paid or provided for	4	-	-	(18,540)	(18,540)
Balance at 31 December 2020	8	23,490	1,506	60,696	85,692

The accompanying notes form part of these financial statements.

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2020.

	Note	Consolidated Group for Half Year Ended	
		31 December 2020 \$'000	31 December 2019 \$'000
Cash flows from operating activities			
Receipts from customers		75,270	60,408
Payments to suppliers and employees		(34,428)	(29,101)
Dividends received		1	32
Interest received		276	322
Interest paid		(50)	(35)
Income tax paid ¹		(23,145)	-
Net cash generated by operating activities		17,924	31,626
Cash flows from investing activities			
Purchase of property, plant and equipment		(351)	(353)
Proceeds from sale of property, plant and equipment		21	-
Purchase of investments		(2,897)	(604)
Proceeds from sale of investments		1,157	620
Purchase of intangibles		(87)	-
Purchase of investments in Associates		(2,521)	-
Net cash generated/(used) used in investing activities		(4,678)	(337)
Cash flows from financing activities			
Proceeds from issue of shares		277	27
Payment of lease liabilities		(685)	(809)
Dividends paid	4	(18,540)	(15,687)
Net cash used in financing activities		(18,948)	(16,469)
Net increase in cash held		(5,702)	14,820
Cash and cash equivalents at beginning of period		85,516	58,459
Cash and cash equivalents at end of period		79,814	73,279

The accompanying notes form part of these financial statements.

¹ No tax was paid in 1H FY20 which was a result of the Group forming an income tax consolidated group on 30 June 2018 and a nil income tax payable position for the Company in FY2018. The FY2019 tax was paid in May 2020 with the Group's quarterly PAYG income tax instalment resuming from July 2020.

Notes to the Financial Statements

1 Significant Accounting Policies

Basis of preparation

This consolidated financial report for the half year ended 31 December 2020:

- is for the consolidated entity consisting of Netwealth Group Limited and its controlled entities (trading on the ASX under the symbol 'NWL');
- is presented in Australian dollars, with all values rounded to the nearest thousand dollars, or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investment Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- has been prepared 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 2020 and any public announcements made by Netwealth Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporation Act 2001;
- complies with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
- has accounting policies and methods of computation which are consistent with the most recently published full year accounts, unless otherwise stated in this interim financial report.

Principles of consolidation

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

Leases

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

Lease liability is subsequently remeasured when there is a change in future lease payments arising from a change in an index, rate used, residual guarantee, lease term or termination penalties. When it is remeasuring, a corresponding adjustment is also made to the carrying amount of the ROU asset.

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

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Such options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if an event of significant change in circumstances occurs which affects this assessment that is within control of the Group.

Investment in Associates

Associates are entities over which the Group has significant influence but does not have control or joint control.

Equity accounting is applied from the date the Group obtains significant influence and ceases when the Group no longer has significant influence over the associate. Significant influence is determined based on terms contained in the contractual agreements, voting rights and board representation in the associate.

The Group initially recognises the investment in associates at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associates' net assets.

Under the equity method, the Group's share of the associate's profit or loss is recognised in its profit and loss statement.

Investment in associates is assessed for impairment at the end of each financial year.

Critical accounting estimates and key sources of estimation uncertainty

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

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

Coronavirus (COVID-19) Update

The Group's operations have largely returned to normal as processes and technologies have been put in place to cope with remote working. With the recent easing on COVID-19 restrictions, the Group have commenced transitioning staff back to the office on voluntary basis whilst maintaining social distancing as required by regulations. The Group continues to keep up to date, adhere with government recommendations and working from home practices in all local jurisdictions.

Despite the challenges that persist with COVID-19, the Group remains positive given its strong pipeline from new and existing business and its growing market share. The Group is optimistic that the rollout of vaccinations due to commence in Australia over the coming months will offer hope of an improved economy in 2021.

2 Segment Information

Following the investment in Xeppo, the Group has been reorganised into two operating segments. The Group has organised its existing operations prior to its investment in Xeppo as the 'Platform segment' and its investment in Xeppo as the 'Data and Advice Tech Solutions segment'.

The Data and Advice Tech Solutions segment is not a reportable segment on its own as the operating segment does not yet meet any of the quantitative thresholds prescribed by the Accounting Standard AASB 8 Operating Segments. This results in the Group continuing to report in one reportable segment.

The operating segments have been determined based on the separate internal financial reports that are reviewed and used regularly by the Board of Directors and the executive management team, identified as the Chief Operating Decision Makers (CODM), to assess performance and in determining the allocation of resources to the operating segments. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The Group's operations are solely based in Australia.

3 Revenue

Revenue and other income

	Consolidated Group	
	31 December 2020 \$'000	31 December 2019 \$'000
Revenue		
Platform revenue	71,152	57,346
Total platform revenue	71,152	57,346
Other income		
Net gain/(loss) on disposal of investments	(111)	25
Unrealised investments gains/(loss)	(104)	4
Dividends and distributions received	17	35
Interest received	277	322
Cost of capital recovery	1,136	914
Other Income	6	7
Total other income	1,221	1,307
Total income	72,373	58,653

4 Dividends

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

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

During the half year, the Company declared on 18 August 2020 and paid on 24 September 2020 a fully franked dividend of 7.80 cents per share representing a total dividend of \$18,540,000. There is no dividend reinvestment plan.

Franking credits

Franking credits available to shareholders of the Company amount to \$31,684,696 (Jun 2020: \$8,526,263) at the 30 percent (2020: 30 percent) corporate tax rate.

Subsequent event

Since the end of the half year, the Company declared the following dividend on 17 February 2021. The dividend has not been provided for as at 31 December 2020 and there are no tax consequences.

	Cents Per Share	Total Amount \$'000	% Franked	Date of Payment
Interim 2021 ordinary	9.06	22,089	100%	26 Mar 2021
Total dividend	9.06	22,089		

5 Leases

	Property \$'000
Right-of-use assets	
Balance as at 31 December 2019	1,432
Depreciation	(732)
Remeasurement of Head Office lease on 1 January 2020	4,048
Balance as at 30 June 2020	4,748
Depreciation	(597)
Remeasurement of Head Office lease on 1 October 2020	(3,157)
Balance as at 31 December 2020	994

	Property \$'000
Lease Liability	
Balance as at 31 December 2019	1,729
Lease payments	(620)
Interest on leases	(86)
Remeasurement of Head Office lease on 1 January 2020	4,048
Balance as at 30 June 2020	5,071
Lease payments	(635)
Interest on leases	(50)
Remeasurement of Head Office lease on 1 October 2020	(3,156)
Total lease liability as at 31 December 2020	1,230
Current	794
Non-current	436
Total lease liability as at 31 December 2020	1,230

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position throughout 1H FY2021 is 3.136%.

	Property \$'000
Undiscounted lease payments to be paid	
Year 1	817
Year 2	237
Year 3	202
Year 4	12
Year 5	-
> 5 years	-
Total	1,268

Subsequent remeasurement of Leases

Due to uncertainty from COVID-19, management had deferred its plans to move to a new Melbourne office as at 30 June 2020. During the interim reporting period, negotiations on the new Melbourne office resumed with the landlord. After the end of the reporting period, the Group has concluded its negotiations and entered into a new lease arrangement for the new Melbourne office.

As a result of this, the Group has remeasured its leases under AASB16 on the following assumption:

- The Group will terminate its existing Melbourne Office lease on 30 June 2021;
- The Group will move to its new Melbourne Office from 1 July 2021.

Impact on Statement of Financial Position upon remeasurement of leases under AASB 16 on 1 October 2020 are as follows:

Impact on Statement of Financial Position	\$'000
Increase in new lease liabilities	(3,156)
Increase in new right-of-use assets	3,156
Net impact on statement of financial position	-

The lease for the new Melbourne office has not been recognised in the above restatement as access to the new office to commence its fit-out is expected from March 2021.

Short-term leases

Payments associated with short-term leases are directly expensed within 'Occupancy expenses' in the consolidated income statement. Short-term leases are leases with a contractual term of 12 months or less. Netwealth has no low-value assets. For the period ended 31 December 2020, \$0.1 million of short-term lease payments has been recognised in the income statement.

Impact of new lease

The Group is finalising a new Melbourne office lease of approximately 2,702 square metres to replace its existing head office and accommodate employee growth in Melbourne. The lease will be for a period of 10 years commencing from 1 July 2021 with year 1 rent and outgoings estimated to be \$1.7 million. Annual increases will start at 2.00% per annum and eventually increasing to 3.00% per annum from the 6th year of the lease.

Expected financial impact of the lease commencing from 1 July 2021:

Expected Impact on Statement of Financial Position	\$'000
Recognition of new lease liabilities	(15,861)
Recognition of new right-of-use assets	15,861
Net impact on statement of financial position	-

Expected Impact on Statement of Profit or Loss (12 months to 30 June 2022)	\$'000
Increase in interest expense	484
Increase in depreciation expense	1,586
Decrease in net profit before tax	2,070

6 Investment in Associates

	Consolidated Group	
	31 December 2020 \$'000	30 June 2020 \$'000
Equity investments with no provisions for impairment	2,562	-
Share of Associate's NPAT	(41)	-
Total investment in associates	2,521	-

The Group's associates at the balance date are:

Associates	Ownership Interest	Nature of activities	Financial Reporting Date	Carrying Value 31 December 2020 \$'000
Xeppo Pty Limited	25%	Fintech Data Solutions Provider	30 June	2,521

Xeppo Pty Ltd

On 5 November 2020, the Group acquired a 25% interest in an unlisted entity, Xeppo Pty Limited (Xeppo), an Australian specialist fintech data solutions provider for \$2.5 million in cash.

The Group classified this investment as an investment in associates as the Group has board representation, voting rights and retains significant influence on the financial and operating policy decisions but not control or joint control of those policies.

The carrying value of the investment in associate represents the cost of the shares of the associate at the date of investment, adjusted for the Group's share of the associate's profit or loss since the date of acquisition.

Netwealth retains an option to increase its investment in Xeppo to 50% of total available shares on issue.

7 Income Taxes

	Consolidated Group	
	31 December 2020 \$'000	31 December 2019 \$'000
a) The components of tax expense/(income) comprise:		
Current tax	11,442	8,918
Deferred tax	227	83
Under/(Over) provision from prior years	(22)	(11)
	11,647	8,990
b) The prima facie tax on profit before income tax is reconciled to income tax as follows: Prima facie tax before income tax at 30% (2020:30%):		
	11,779	8,857
Other non-allowable/assessable items	(132)	133
Income tax expense attributable to entity	11,647	8,990

	Consolidated Group	
	31 December 2020 \$'000	30 June 2020 \$'000
c) The components of deferred tax assets comprise:		
Expenditure deductible over 5 years	1,449	2,053
Lease liability	369	1,522
Tax losses	272	-
Temporary differences	2,610	1,902
	4,700	5,477
d) The components of deferred tax liabilities comprise:		
Property, equipment and intangible assets	210	189
Right-of-use assets	298	1,425
Temporary differences	159	56
	667	1,670

	Opening Balance 31 Dec 2019	Charged to Income	Charged Directly to Equity	Transferred to Assets Held for Sale	Closing Balance 30 Jun 2020
	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets/liabilities					
Expenditure deductible over 5 years	2,796	(742)	-	-	2,054
Provision	1,305	262	-	-	1,567
Property, plant & equipment and intangible assets	(326)	83	-	-	(243)
Leases	89	8	-	-	97
Other temporary difference	919	(587)	-	-	332
	4,783	(976)	-	-	3,807

	Opening Balance 30 Jun 2020	Charged to Income	Charged Directly to Equity	Transferred to Assets Held for Sale	Closing Balance 31 Dec 2020
	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets/liabilities					
Expenditure deductible over 5 years	2,054	(604)	-	-	1,450
Provision	1,567	165	-	-	1,732
Property, plant & equipment and intangible assets	(243)	(12)	-	-	(255)
Leases	97	(27)	-	-	70
Tax losses	-	272	-	-	272
Other temporary differences	332	432	-	-	764
	3,807	226	-	-	4,033

Offsetting within tax consolidated group

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

8 Issued Capital

Issued capital comprised:

	Consolidated Group	
	31 December 2020 \$'000	30 June 2020 \$'000
237,694,996 Fully Paid Ordinary shares (June 2020: 237,694,996)	879,530	879,530
6,107,661 Performance shares (June 2020: 6,177,500)	2,903	2,937
Total share capital	882,433	882,467
Restricted shares	(2,908)	(3,310)
Reorganisation reserve	(856,035)	(856,035)
Issued capital	23,490	23,122

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

	Consolidated Group	
	31 December 2020 Number	30 June 2020 Number
Fully Paid Ordinary shares		
At the beginning of the reporting period	237,694,996	237,679,816
Ordinary shares issued during the half year	-	15,180
At the end of the reporting period	237,694,996	237,694,996
Shares with value	237,659,996	235,581,149
Restricted shares	35,000	2,113,847

	Consolidated Group	
	31 December 2020 Number	30 June 2020 Number
Performance shares		
At the beginning of the reporting period	6,177,500	6,177,500
Shares cancelled during the half year*	(69,839)	-
At the end of the reporting period	6,107,661	6,177,500
Restricted shares	6,107,661	6,177,500

*A proportion of the performance shares granted to two shareholders were cancelled as a result for not meeting their vesting conditions in full.

The Company has issued share capital amounting to 237,694,996 Ordinary shares (June 2020: 237,694,996 shares) of no par value and 6,107,661 Performance shares (June 2020: 6,177,500 shares) of no par value.

At shareholders' meetings each Ordinary share is entitled to one vote when a poll is called, otherwise each Ordinary shareholder has one vote on a show of hands. Performance 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.

9 Share Based Payments

As at 31 December, the Group had the following share-based payment arrangements:

Performance shares (Pre-Listing LTI Scheme)

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

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

Series	Grant date	Number	Plan	Expiry Date	Exercise Price	Fair Value at Grant Date
Series 10	11 August 2016	5,932,661	Performance shares	8 November 2026	\$0.47	\$0.04
Series 13	19 May 2017	175,000	Performance shares	8 November 2026	\$0.61	\$0.05

The following vesting conditions apply to all the Performance shares:

- The holder must be either continuously employed by or hold office continuously until 31 December 2020;
- In the four financial years, FY2017 to FY2020, the holder must achieve performance ratings of 'Achieving';

- In the four financial years, FY2017 to FY2020, the holder must achieve behaviour ratings of 'Effectively displays';
- In FY2020, the Group must achieve an EPS equal to or more than the tiered EPS hurdle of \$0.1143 to vest 70% of holdings, capping at 100% if EPS of \$0.1571 is achieved; and
- The loans associated with the Performance Shares must be repaid in full before 31 October 2022.

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

The remaining vesting condition not met as at 31 December 2020 is the repayment of the loan associated with the Performance Shares.

Ordinary share options (New LTI Scheme)

Under the New LTI Scheme, the Board at its discretion may make offers of "incentive securities" in the form of rights, options, restricted shares or a combination of these to eligible employees. The new LTI scheme will not apply to non-executive Directors.

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

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

The following vesting conditions apply to the Options:

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

10 Controlled Entities

	Country of Incorporation	Percentage Owned	
		31 December 2020 %	30 June 2020 %
Subsidiaries of Netwealth Group Limited			
Netwealth Holdings Limited	Australia	100	100
Netwealth Superannuation Services Pty Ltd	Australia	100	100
Wealthtech Pty Ltd	Australia	100	100
Subsidiaries of Netwealth Holdings Limited			
Netwealth Investments Limited	Australia	100	100
Netwealth Group Services Pty Ltd	Australia	100	100
Netwealth Fiduciary Services Pty Ltd*	Australia	100	100

Netwealth Superannuation Services Pty Ltd and Wealthtech Pty Ltd are subsidiaries which were established in FY2020, neither are operating as at 31 December 2020.

11 Events Occurring after Reporting Date

On 1 February 2021, Netwealth appointed Kate Temby as an independent Non-Executive Director to the Board.

On 10 February 2021, the Performance Shares in Note 8 Issued Capital vested in full and on 15 February 2021, all 6,107,661 Performance shares were converted to 6,107,661 Ordinary shares. The Ordinary Shares have been issued on ASX with full voting rights and are entitled to dividends.

The increase in outstanding Ordinary Shares has been considered for dividends in the cents per shares declared for 1H FY2021.

After the end of the reporting period, the Group signed a new lease arrangement for its new Melbourne office. The lease for the new Melbourne office has not been recognised as at 31 December 2020. The expected financial impact for the new Melbourne office lease has been included in Note 5 Leases.

On 17 February 2021, the Company declared a fully franked interim dividend for 1H 2021 of 9.06 cents per share (total dividend of \$22,088,521). The interim dividend is payable on 26 March 2021.

On 17 February 2021, there are two changes to Netwealth's Directors in office:

- The retirement of Jane Tongs as Chairman and Director of the Group; and
- The appointment of Tim Antonie as the new Chairman of the Group.

In the opinion of the Board, there are no other matters or circumstances which have arisen between 30 June 2020 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs for the Group in subsequent financial periods.


Directors' Declaration

The Directors declare that:

- a) the attached financial statements and notes in accordance with the Corporations Act 2001, comply with Accounting Standards AASB 134 Interim Financial Reporting, Corporation Regulations 2001 and other mandatory professional reporting requirements;
- b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the consolidated entity; and
- c) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Jane Tongs

Chairman

Dated 17 February 2021

Independent Auditor's Review Report



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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Netwealth Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2020, 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 significant accounting policies and other explanatory information, and the directors' declaration.

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 Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual 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 review report.

Directors' Responsibilities 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 Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2020 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*.

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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.



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

Melbourne, 17 February 2021

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