

Annual Report 2021



For the year ended
30 June 2021

Netwealth Group Limited
ACN: 620 145 404

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Our purpose is

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

Appendix 4E

Report for the year ended 30 June 2021.

Netwealth Group Limited
ABN: 84 620 145 404

1. Details of the reporting period

Report for the year ended 30 June 2021 (FY2021).

Previous corresponding period year ended 30 June 2020 (FY2020).

2. Results for announcement to the market

	FY2021 \$'000	FY2020 \$'000	Increase/ (Decrease)	Var %
Revenue from ordinary activities	144,880	123,910	20,970	16.9%
Profit from ordinary activities before tax attributable to members	77,231	62,745	14,486	23.1%
Net profit for the period attributable to members	54,103	43,661	10,442	23.9%

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

3. Net tangible assets per ordinary security

	FY2021	FY2020
Net tangible assets as per ordinary security	37.9 cents	31.9 cents

4. Dividends information

	Amount per Share (cents)	Franked Amount per Share (cents)	% Franked	Tax rate for Franking Credit
Final 2020 dividend per share (paid 24 Sep 2020)	7.80	3.34	100%	30%
Interim 2021 dividend per share (paid 26 Mar 2021)	9.06	3.88	100%	30%
Final 2021 dividend per share (to be paid 24 Sep 2021)	9.50	4.07	100%	30%

Final dividend dates

Ex-dividend date	26 August 2021
Record date	27 August 2021
Payment date	24 September 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 year ended 30 June 2021 which have been audited by Netwealth Group Limited's auditors, Deloitte Touche Tohmatsu, with the review report attached.



Michael Heine
Joint Managing Director
18 August 2021

Chairman's Letter

Dear Shareholder,

On behalf of the Board of Directors (the Board) of Netwealth Group Limited (Netwealth or the Group) I am delighted to present the FY2021 Annual Report, my first as Chairman of Netwealth.

I would first like to again thank Jane Tongs for her substantial contribution to Netwealth. Jane was the Chair of Netwealth since its inception in 1999 and oversaw Netwealth's transformation to an ASX200 listed company.

While COVID-19 continues to cause significant economic challenges and uncertainty in Australia and abroad, I am pleased to report an excellent financial result by Netwealth in FY2021, highlighted by NPAT growing 23.9% to \$54.1 million. The strong growth in earnings was primarily driven by a 17.0% increase in platform revenue to \$142.0 million on the back of a significant increase in funds under administration to \$47.1 billion at 30 June 2021.

The Australian wealth management platform market was estimated to be \$915.4 billion at March 2021 and Netwealth was again recognised as the fastest growing platform, growing its market share 1% to 4.6%¹. The platform industry remains in the early stages of substantial change and transition at both the platform and adviser levels, providing Netwealth the opportunity to capture meaningful additional market share over the medium term. Our pipeline of new business going into FY2022 is strong.

It is fundamental to our continued success that we continue to inspire our current and future clients by providing best-in-class technology and services in an agile and collaborative manner. We continued in FY2021 to strategically invest in people and technology infrastructure to enhance both our platform's stability, security and capability and our service levels. I am pleased to report that Netwealth again retained its number one position for overall satisfaction among primary users.²

The Board would like to acknowledge the extraordinary commitment of our leadership team and all our staff members to maintain such high levels of energy, innovation and service despite the adversities of COVID-19 on their personal lives. We would like to thank the leadership team for prioritising the health and safety of each staff member. We will continue to strive to ensure our staff members feel well supported and safe during these uncertain times. Netwealth's greatest asset is its people. COVID-19 has accelerated our understanding of providing our staff members enhanced flexible working arrangements while still maintaining best in class capability. This understanding is important as COVID-19 restrictions ease and we settle into our new Melbourne head office.

Netwealth operates in a highly and increasingly regulated environment and the Board's focus on compliance and governance is fundamental to Netwealth's sustainability. To further enhance our governance structures, Netwealth Superannuation Services Pty Ltd (a 100% subsidiary of Netwealth with a separate board of directors) commenced operations in July 2021 as Trustee with the single purpose of administering our superannuation activities.



Timothy Antonie
Independent
Non-Executive
Chairman

¹ Strategic Insights, Master Trusts, Platforms Wraps (March 2021)

² Investment Trends May 2021 Planner Technology Report

To ensure the sustainable success of Netwealth, the Board and the leadership team are committed to being genuine and accountable, to always act ethically and transparently, foster a diverse and inclusive workplace that is conducive to the health and wellbeing for all our staff and take actions that have a positive impact on our environment and community.

I would like to welcome Kate Temby to the Board and thank Kate for her immediate contribution. FY2021 has been a very busy year and I take this opportunity to acknowledge my fellow directors for their time commitment, wise governance and strategic input.

Finally, on behalf of the Board I would like to thank our shareholders and clients for their continued contribution to our success and we look forward to sharing our journey with you for many years ahead.

Yours sincerely

A handwritten signature in black ink, appearing to read 'T. Antonie', with a stylized flourish at the end.

Timothy Antonie
Chairman
18 August 2021

Joint Managing Directors' Letter

Dear Shareholders,

We are pleased to report again that Netwealth has performed strongly this financial year during a period of persistent challenges from the COVID-19 global pandemic and the associated economic and social impact it continues to have.

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

These strong financials, together with the strong management team and outstanding staff, place Netwealth in an enviable position to weather the economic consequences of COVID-19, but also to meet the challenges and benefit from the rapidly changing and evolving industry landscape, which we are confident will support our ongoing growth of market share and profitability.

Importantly, the number of advisers that are no longer aligned to our major competitors but are free to choose the platform that is best suited to their clients is at an all time high and continues to grow, providing us with the opportunity to grow significantly the number of advisers using Netwealth as their primary platform.

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

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

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

Key highlights for FY2021;

- NPAT of \$54.1 million (\$43.7 million), \$10.4 million increase or 23.9% increase for the year,
- EPS³ of 22.1 cents (17.8 cents for FY2020), an increase of 4.3 cents (24.1%) for the year,
- High EBITDA margin of 54.8%,
- Very high correlation between EBITDA and operating net cashflow pre-tax of 98.1%⁴, reflecting exceptional cash generation,
- Very high level of recurring and predictable revenue,
- Low capital expenditure, debt free and significant cash on hand, and
- Strategic investment across IT infrastructure, people and software to support ongoing growth and market leading position.
- Highly engaged staff with an overall engagement score of 79% from 83% staff participation rate and low staff turnover with the 3 year staff retention rate in excess of 50% at the end of FY2021.



Michael Heine
Joint Managing
Director



Matthew Heine
Joint Managing
Director

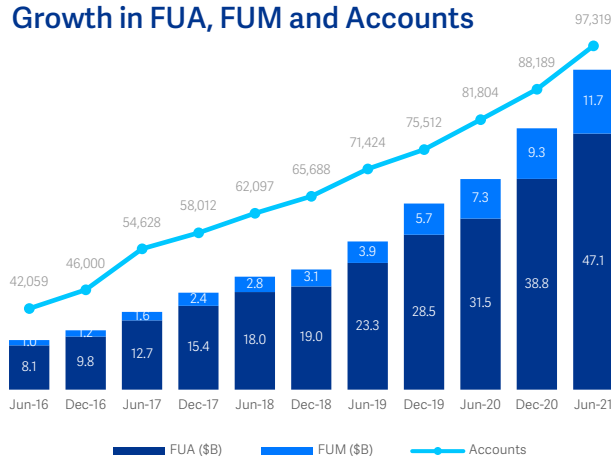
³ EPS has been calculated including all of the ordinary shares and options on issue at the end of the period.

⁴ Adjusted to exclude non-recurring cashflow transactions.

Consistent growth momentum in Funds Under Administration (FUA), Funds Under Management (FUM) and Account numbers is a simple but effective measure of our success to date. FUA at 30 June 2021 of \$47.1 billion, an increase of \$15.6 billion (49.6% increase) for FY2021. FUM of \$11.7 billion, an increase of \$4.5 billion (61.4% increase) for FY2021.

Netwealth achieved record FUA net inflows of \$9.8 billion for the year and a strong uptake of our Managed Account offering with net inflows of \$3.0 billion for FY2021. Platform accounts increased to 97,319 at 30 June 2021, a 19.0% increase for the year.

Growth in FUA, FUM and Accounts



Source: Netwealth

Of the major platforms for the year ended March 2021, Netwealth is the fastest growing platform in absolute and relative terms and is now the 6th largest platform provider in the market with market share of 4.6%, up 1.0% for the year⁵ providing significant potential for continued further growth.

In the latest *Plan for Life* platform market update for March 2021, Netwealth recorded the largest quarterly FUA net inflows of \$2.3 billion, the highest net industry fund flows for the ninth consecutive quarter.

Complementing this are indicators of our growth in the affluent advice segment of the market. Average Wrap Account size grew to \$1,082,000 while across Wrap and Super the average increased to \$481,000 for June 2021, up from \$385,000 for June 2020. Platform Revenue per Account was stable at \$1,607 for FY2021 as we completed the portfolio migration to new competitive pricing.

The affluent advice segment, high net-worth and private wealth groups represent a significant opportunity for the industry and for Netwealth to capitalise on, as we are well placed to support the unique and differentiated needs of this segment and provide a premium offering for sophisticated and high net-worth clients.

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

Our strategy is to deliver best-in-class technology, best in-class service and provide insights that matter. Guided by our strategy, our in-house platform development team focus on innovative, agile, market leading functionality that is tailored to our clients' needs.

⁵ Strategic Insights, Master Trusts, Platforms Wraps (March 2021)

Platform revenue reduced marginally in the second half of FY2021 due to the completion of our repricing of legacy products and offset by growth of FUA. This places Netwealth in a strong position to compete in a dynamic advice market, and we remain very positive about our growth over the years ahead with a strong pipeline of new and existing business as well as new revenue streams.

We continue to gain industry recognition as the leading specialist platform provider. During the year we achieved the highest overall satisfaction score among primary users for the tenth year in a row according to research by Investment Trends⁶.

Importantly, the platform landscape is rapidly consolidating and evolving, and we are committed to ensuring that we continue to invest to maintain our leading market position for the future.

As stated earlier, our staff have risen to the challenges presented by the COVID-19 pandemic in an extraordinary manner, always placing the needs of our clients at the forefront of everything they do. We do recognise and acknowledge the stress and anxiety that the uncertainty and challenges of lock-down after lock-down and working remotely has had on our team and thank them sincerely for their ongoing commitment to the company and our clients.

We also thank our Board for their continued oversight, expertise and guidance throughout the year. We particularly acknowledge and thank Jane Tongs on her retirement during the year for the contribution, support and wise counsel she has provided over the past 21 years as Netwealth's inaugural Chairman. Jane has overseen the growth of Netwealth from a start-up, to the successful company it is today and will be missed.

We welcome Kate Temby as a new Director appointed during the year who has brought complementary skills and experience to the company.

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

Yours sincerely



Michael Heine
Joint Managing Director
18 August 2021



Matt Heine
Joint Managing Director
18 August 2021

⁶ Investment Trends May 2021 Planner Technology Report, Trends December 2020 Platform Competitive Analysis and Benchmarking Report

Corporate highlights

Netwealth has continued to experience significant growth in FY2021. Some highlights for the year were (comparative period being FY2020):



\$144.9M

Total Income
Growth \$21.0M (+16.9%)



\$79.4M

EBITDA
Growth \$13.2M (+19.9%)



\$54.1M

NPAT
Growth \$10.4M (+23.9%)



22.1 cents¹

EPS



54.8%

EBITDA margin



\$77.9M²

Operating net cash flow pre tax



\$47.1B FUA

Growth \$15.6B (+49.6%)



\$9.8B

FUA net inflows



Dividend 18.56 cps

Interim dividend 9.06 cps
Final dividend 9.50 cps



\$11.7B FUM

Growth \$4.5B (+61.4%)



\$3.2B

FUM net inflows



97,319 Clients

Growth 15,515 (+19.0%)

¹ EPS has been calculated on the basis all options currently on issue will vest in full.

² Excludes non-recurring transactions.

EPS – Earnings per share; CPS – Cents per share

Review of Operations

About Netwealth

Netwealth was created with an entrepreneurial spirit to challenge the conventions of Australia's financial services.

We are a technology company, a superannuation fund trustee and an administration business. Above all we exist to inspire people to see wealth differently and discover a brighter future.

Founded in 1999, Netwealth is one of the fastest growing wealth management businesses in Australia.

We are rated No.1 by our clients for providing exceptional service⁷.

Our financial products are:

- Superannuation including accumulation and retirement income products;
- Investor directed portfolio services for self-managed super and non-super investments;
- Managed Accounts; and
- Managed Funds.

Netwealth's digital platform supports how our financial products are delivered to market. For example, via the platform, financial intermediaries and clients can invest in and manage a wide array of domestic and international products.

The platform is built, developed and maintained by Netwealth's technology team. It is continuously enhanced using feedback from financial intermediaries, clients and other users and receives wide industry recognition as having market-leading functionality.

Supporting our financial products and technology platform is a significant investment in our people and resources to administer support, risk, governance and our custodial services.

⁷ Investment Trends; December 2020 Platform Competitive Analysis and Benchmarking Report & Investment Trends, May 2021 Planner Technology Report

Operational performance

FUA of \$47.1 billion as at 30 June 2021, increased by \$15.6 billion (49.6%) from 30 June 2020.

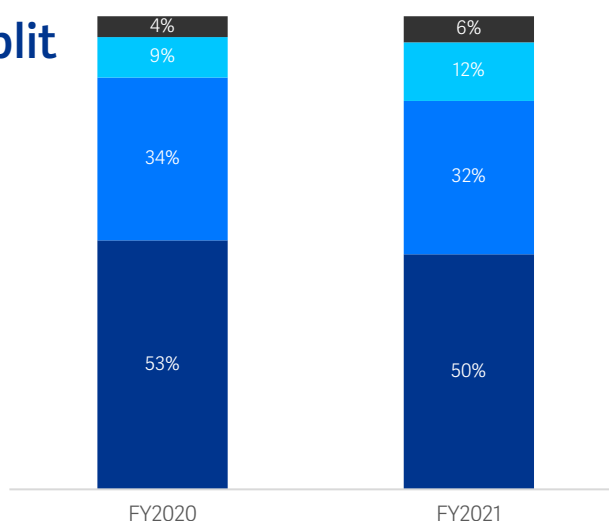
Netwealth remains the market leader in terms of FUA net inflows and achieved yearly record FUA net inflows of \$9.8 billion in FY2021. FUA market movement was positive \$5.8 billion during the year⁸.

FUM as at 30 June 2021 of \$11.7 billion, increased by \$4.5 billion (61.4%) from 30 June 2020. The increase included \$3.2 billion FUM net inflows and positive \$1.2 billion FUM market movement.

Managed Account FUM as at 30 June 2021 of \$9.8 billion, increased by \$4.0 billion (69.7%) from 30 June 2020. The increase included \$3.0 billion Managed Account FUM net inflows and positive \$1.0 billion of Managed Account FUM market movement.

Platform revenue split FY2020 & FY2021

- Management fees
- Transaction fees
- Ancillary fees
- Administration fees



Source Netwealth

Netwealth continues to diversify its revenue composition. Transaction fee revenue increased to 12% of platform revenue for FY2021, an increase from 9% in FY2020, driven by higher trading volumes, additional revenue streams and improvements in our trading margins driven by our larger scale.

At 30 June 2020 the cash transaction account as a percentage of FUA was 6.9%, lower than the FY2021 average of 7.9%. Revenue earned from cash transaction account was \$2.3 million lower in 2H2021 than 1H2021 due to lower average cash balances and lower margin after absorbing RBA rate reductions.

Platform Revenue over average FUA was 36.8 bps for FY2021, down 6.9 bps for the year. All accounts were transferred to new pricing no later than 1 January 2021. Average Account size increased to \$481,000 (Wrap \$1,082,000, Super \$240,000) for June 2021, up from \$385,000 for June 2020.

⁸ Strategic Insight: Master Trusts, Platforms & Wraps (12 months flows to Mar 2021)

Platform Revenue per Account increased slightly to \$1,607 (FY2020 \$1,604), reflecting the increase in average account size, higher Transaction and Ancillary revenues, offset by the transition of clients to new pricing and lower cash margins in 2HFY2021.

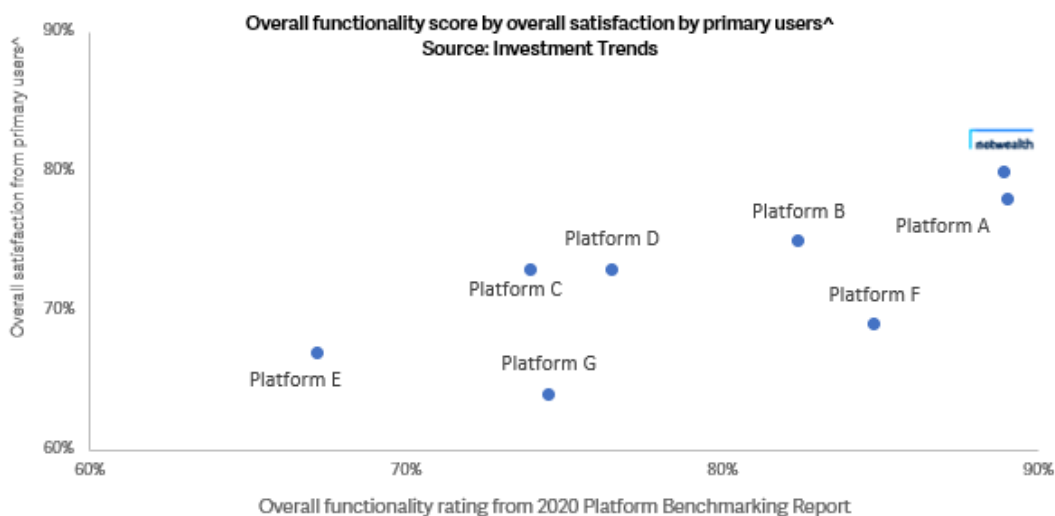
Number of Accounts increased by 15,515 (19.0% increase) to 97,319. Financial Intermediaries using the platform at 30 June 2021 totalled 3,130, up 10.1% for FY2021.

Employee Benefit expenses increase by 21.5% to \$50.5 million for FY2021, predominately reflecting investment in the technology team over FY2020 and FY2021 (42 headcount), to enable innovation, product enhancements and ongoing infrastructure upgrades to provide an ongoing stable and scalable platform that accommodates our rapid growth.

Total other expenses decreased by \$1.1 million to \$15.0 million for FY2021. Reductions in expenses predominately related to discontinuation of volume bonus rebates (offset by client fee reductions), and COVID-19 related reductions in spending on occupancy, travel and marketing.

Industry recognition and performance

Netwealth continues to be recognised as the leading specialist platform in the market. For the 10th year in a row, Netwealth achieved the highest overall satisfaction score among primary users in the Investment Trends Planner Technology report (May 2021).



^Based on planner ratings in March 2021. Composite Score: Weighted average using Very Good - 100%, Good - 67%, Average - 50%, Poor - 17%, Very Poor - 0%

Figure 1: Source Investment Trends – December 2020 Platform Competitive Analysis and Benchmarking Report and Investment Trends – May 2021 Planner Technology Report.

Further illustrating our market-leading capabilities:

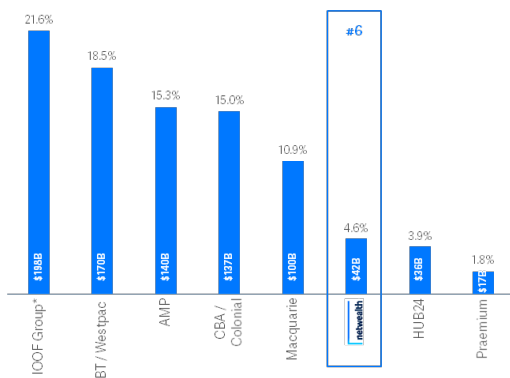
- Netwealth won the “Best Advised Product” award for the fourth year in a row: Chant West Super Awards (2021).
- Netwealth received the highest net promoter score, for the second year in a row, as rated by advisers in the *Adviser Ratings 2020 Financial Advice Landscape Benchmarking Study*.

Outlook

The size of the Australian Retail Platform market in which Netwealth operates is \$915 billion⁹. Netwealth is the largest specialist platform provider and 6th largest platform. It has increased market share to 4.6% for the year to 31 March 2021 up from 3.6% at 31 March 2020⁹.

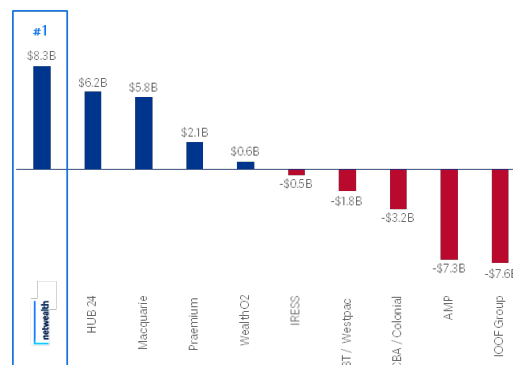
Netwealth has remained the fastest growing platform in the industry in both percentage and absolute terms for the year ended March 2021. Continued market share growth is expected in the years ahead.

Platform providers by FUA market share
% market share (Mar 2021)



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Mar 2021
Total industry retail FUA of \$915.4B (as at Mar 2021)
*IOOF Group includes acquisition of MLC, HUB 24 Includes acquisition of Xplore Wealth

Platform provider net funds flows
\$Billions (12 months to Mar 2021)



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Mar 2021
Total net flows of +\$1.6B (Not included above: Others -\$1.0B)
*IOOF Group includes acquisition of MLC, HUB 24 Includes acquisition of Xplore Wealth

- The major banks are exiting or have exited financial advice and the largest platforms have experienced prolonged and significant outflows. Many of the platforms are facing an increasingly large service, technology and functionality gaps and are either currently changing or are expected to, change ownership or be part of a M&A transaction.
- The changing advice landscape is leading to the establishment of new independent advice groups while other formerly aligned advisers move to existing independent advice groups. Importantly this provides Netwealth with significant new and substantial opportunities.
- With the Platform Industry and Advisers in a state of flux and transition, Netwealth is well positioned to support advisers and their clients through these difficult conditions by offering the highest quality platform to independent financial advisers and institutional wealth management firms.

⁹ Strategic Insights, Master Trusts, Platforms Wraps – March 2021

- In the *Investment Trends, May 2021 Planner Technology Report* it was reported that non-aligned advisers now represent nearly 80% of all advisers, which has increased from 43% in 2012. This results in a substantial increase to Netwealth's addressable adviser market.
- The pipeline for new business remains very strong across both independent and dealer aligned advice practises. Netwealth is a market leader in the high-net-worth advice market and has a proven capability for executing on large scale client transitions with the recent transition of our very large Institutional Private client business, almost complete.
- Netwealth's non-custodial SaaS solution XWrap continues to attract strong levels of interest from key clients (currently \$1.9 Billion of non-custodial assets) and, in order to meet client needs and capitalise on the significant market opportunity, Netwealth will be launching a new product to provide a non-custodial administration service tightly integrated into the custodial offering in the second half of FY2022.
- The new product will be an extension of our existing products and services, generate additional revenue through administration fees, provide greater efficiency for advisers in and support our ongoing Whole of Wealth strategy.
- In early July, Netwealth launched the new Netwealth mobile app which will further underpin our Whole of Wealth strategy. The new mobile app, and the Netwealth client and adviser web portal, will be progressively enhanced to support a range of new data integrations including connectivity with Xepho, additional Bank feeds and Property information.
- The Board has adopted the royal commission recommendation for the appointment of a single-purpose trustee of the superannuation fund. Netwealth has incorporated a company, Netwealth Superannuation Services Pty Ltd, for that purpose and is resourcing it appropriately to take on the responsibilities of trustee. Netwealth Superannuation Services Pty Ltd commenced operations in July 2021.
- To support our growth Netwealth will continue to invest in our infrastructure including upgrading our Business Process Management platform and accelerating our cloud migration program. These and other key initiatives will ensure our systems remain scalable, and enable us to continue to operate efficiently, while maintaining our high standards of client service.
- To expand our leadership in technology and service we will continue our ongoing investment in our technology team with an additional 35 staff planned in FY2022 (29 Australia, 6 Vietnam), which will increase our total technology team to 187 by the end of FY2022.
- Netwealth moved into a new head office on 1 July 2021. The head office has been designed to enhance collaborating, creativity and efficiency. The abnormally low premises cost in FY2021 and the additional cost of new office, will result in the after tax premises expenses (including amortisation and interest) being approximately \$1.5 million higher in FY2022.
- In FY2022 we are strategically stepping up our investment in people and technology to ensure we maintain our market leadership, drive new revenue streams and can scale our infrastructure to support our expected growth in the medium term. Following this strategic expense increase in FY2022, we expect the growth in expenses to normalise in FY2023 and beyond.

- As announced on the 25 March 2021, the agreement between ANZ and Netwealth relating to the interest payable on the total pooled cash transaction banking account is to end on the 24 March 2022. Netwealth is exploring a range of options for its pooled transaction cash accounts. This review is expected to be completed prior to expiry of the ANZ facility. Netwealth has absorbed 40 bps of margin over FY2020 and FY2021 resulting from the fall of RBA cash rate to 10bps. This reduction of 40bps will be progressively recovered as the RBA official interest rate increases to 50 bps in the future.
- Netwealth successfully completed the migration to new pricing of all legacy customer accounts by January 2021. This was a pro-active initiative to ensure all Netwealth's customers are treated fairly and benefit from the growing economies of scale and efficiencies gained from investments in technology. Netwealth is well positioned compared to most of our key competitors, with no customers receiving legacy products or pricing.
- Based on current mix of inflows we are not expecting any material change to our administration fee margin in FY2022 from 2H2021.
- Netwealth remains in a strong financial position:
 - Highly profitable, with strong EBITDA margin;
 - A very high correlation between EBITDA and operating cashflow, resulting in exceptional cash generation;
 - Very high levels of recurring revenue, which results in predictable revenue; and
 - Very low capital expenditure, debt free and significant cash reserves.

Strategic Initiatives

During FY2021 Netwealth introduced a number of new service channels in addition to releasing a range of new platform features and products to drive efficiency for advisers and to provide greater access to investments and information for clients.

As a result of our ongoing focus on service and innovation Netwealth was again recognised, for the 10th year, as having the highest overall satisfaction score among primary users in the latest Investment Trends Planner Technology Report as well as being awarded the “Best Advised Product” by Chant West for the 4th consecutive year.

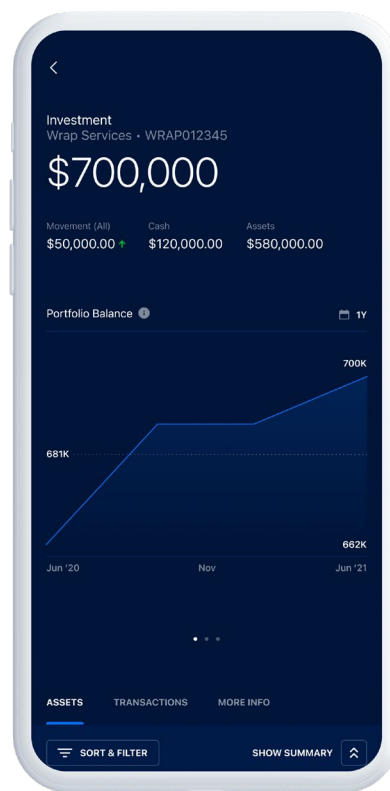
Value for money, efficient administration, feature-rich functionality and leading client support were some of the reasons cited by advisers throughout the above research and we remain as committed as ever to delivering in these areas and more.

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

- Introduced new service channels including an integrated live chat facility and new self-service knowledge centre and library which have been adopted broadly with high ongoing usage rates.
- Completed work to implement and support new fee consent processes and legislative requirements.
- Replaced our ASX trading backend technology to provide clients and advisers with improved execution efficiency and trade options. ASX trade screens are now integrated into a centralised order pad allowing advisers and clients to efficiently buy and sell a variety of assets in a single transaction.
- New reporting options and enhancements were introduced for platform, managed account and non-custodial investments.
- Continued development of XWrap non-custodial service to support additional investment options and transaction types as well as the ability to load and report against historic data.



- Introduced 3rd Party access for professionals like accountants and client's advice team to better service their Netwealth clients.
- Broadened the investment universe for wholesale and sophisticated clients with options that include wholesale managed funds, Australian and International bonds and foreign currencies, small parcel bonds through NAB access and a wide range of additional managed account models.
- Launched our first mandate investment solutions with Magellan Financial Group which are available on both Wealth Accelerator and Super Accelerator Core and Plus menus. These funds are the first in a new series which are designed to extend the available options to investors in a cost effective way.
- Continued investment in new technologies to help advisers and investors obtain a better picture of investors' total wealth by enhancing our 3rd party data feeds into the platform. In addition to 170 banks and credit unions already available, clients can now access data from other superannuation funds, broking and share trading accounts.

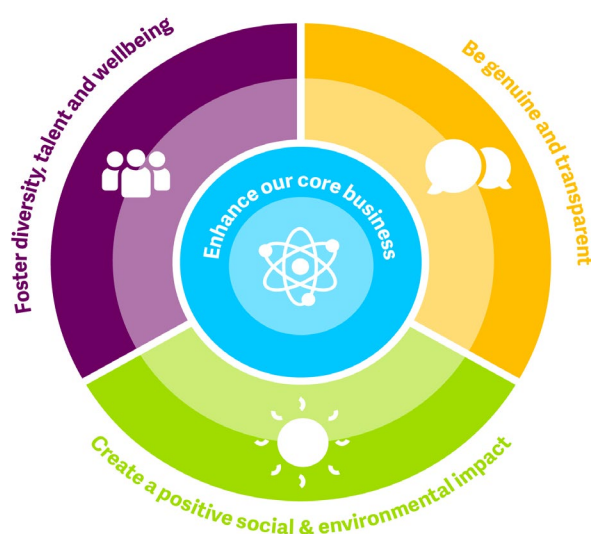


Corporate Sustainability

In past years, Netwealth has reported on its social, environment and community contribution in this Annual Report.

In FY2021 we have enhanced our approach and have worked with stakeholders to understand what our Corporate Sustainability Framework should encompass and how Netwealth can play a part for our stakeholders to discover a brighter future. Netwealth's employees, shareholders, wealth professional users and clients provided feedback through surveys and working groups. This feedback from over 434 responses have helped us to define Netwealth's framework and to articulate our vision.

From these sessions, we know our stakeholders want us to focus on enhancing our core business first and foremost and then to leverage this strong internal foundation by being genuine and transparent, fostering diversity, talent and wellbeing and ultimately creating a positive social and environmental impact in our community.



The four cores of our Corporate Sustainability Framework

Netwealth's inaugural Corporate Sustainability Report sets out what we have achieved in FY2021 and outlines our goals for FY2022 and beyond. This year we have focused on understanding our current activities across the organisation and where these activities fit within our longer-term sustainability framework. This has helped define Netwealth's direction.

Reflecting on FY2021, these are some of the highlights in each of our sustainability focus areas.

- **Enhance our core business** – We have focused on enhancing system scalability for future growth by continuing to invest in our core systems, infrastructure and moving our reporting and analytics features to the cloud. We have expanded product capabilities in our XWrap non-custodial service and increased investment options for our clients. We introduced live chat facility and 3rd party access, enhanced our 3rd party data feeds, recently released our new mobile application to help wealth professionals and their clients obtain an informed picture of total wealth and continued to explore new technologies. Netwealth also delivered thought leadership in the form of our 4th edition of Netwealth's AdviceTech survey and our first research report on the Advisable Australian, which have been very popular with wealth professionals.

- **Be genuine and transparent** – We have strong governance practices which we expanded on and we have published our first Modern Slavery Statement and Tax Transparency Report. We have invested in developing our Corporate Sustainability Framework and made it and our initial performance indicators available to our stakeholders. During the year we have removed conflicted remuneration and closed our legacy products moving all clients into our new products, which resulted in cost savings for clients across the board.
- **New Trustee Structure** - From 1 July 2021, Netwealth gave effect to the new licence requirement that a superannuation trustee have no other duty than to act as a trustee of a superannuation fund, by transferring trusteeship of the Netwealth Superannuation Master Fund to the new trustee, Netwealth Superannuation Services Pty Ltd (NSS), a fully owned subsidiary of the Group. NSS commenced operation from 1 July 2021 with five directors including two new independent directors, one of whom is the non-executive Chair. A separate management team reporting to the NSS Board has also been established.
- **Foster diversity, talent, and wellbeing** – COVID-19 made FY2021 challenging, particularly in Melbourne where the majority of our team reside. We increased our focus on maintaining a workplace culture that supports mental health and wellbeing and introduced a number of initiatives during the year. We transformed our workplace strategy in anticipation for a move to our new 'greener' office which presents an opportunity for hybrid working, recognising that we come together to collaborate and celebrate, but also respecting our employees who work flexibly and / or remotely. We continue to invest in our people by providing training and development opportunities to all staff and during the year, rolled out a new human resource management system which houses all employee related information and facilitates staff development plans and learning modules. We also continue to monitor gender balance at all levels of the organisation to ensure there are no gaps in pay resulting from gender.
- **Create a positive social and environmental impact** – A passionate team of employee volunteers across Netwealth has established the Netwealth Impact Group, with its mission to raise funds for donation to not-for-profit organisations, to enable staff to participate and volunteer their time and to provide educational opportunities in our community. The Group has created the Netwealth Impact Fund through the Australian Communities Foundation to learn from their expertise and enables existing and future staff to seamlessly opt into Workplace Giving. In addition, the Group are working to energise employees in FY2022 with volunteering. For the 5th year in a row, we continued to support the Banquer financial literacy program which engaged 8,586 students across 179 schools in calendar year 2020. By fostering financial literacy in the wider community, together, Netwealth and Banquer are on a shared mission of enabling, educating and inspiring young Australians to see wealth differently and to discover a brighter future.

Netwealth's Corporate Sustainability Report is now available on our Corporate Shareholder website and is designed to be read alongside this Annual Report for FY2021. The above initiatives touch on what Netwealth has done this year, but we encourage stakeholders that are interested in what we are doing in FY2022 and the future to download the Report. We feel that this Report is just the beginning and over the years we hope to share with our stakeholders how we grow and develop our initiatives and performance indicators.

Please share your feedback with us through CSR@netwealth.com.au

Our people

Netwealth is a fast-growing financial services company focused on attracting, keeping, motivating and developing talented, innovative, diverse, creative and team-orientated people.

We achieved pleasing results from the FY2021 staff engagement survey, meeting our goal to maintain a workplace that promotes an engaged and fulfilled workforce. With an overall engagement score of 79% from 83% staff participation rate, Netwealth received over 80% employee satisfaction in key areas and continues to be among the top quartile of comparable businesses.

Recognition

During FY2021 we have enhanced the way we publicly celebrate the members of our team who display role-model behaviours for our values. Despite the impacts from COVID-19 pandemic, we have witnessed many staff members going above and beyond while performing their duties which often exceeded expectations. To recognise this, we have asked staff to call out exceptional performance. More than 66 nominations were received with 22 awards presented at our regular virtual staff town hall meetings.



Training, employee benefits and community involvement

We recognised in order to attract and motivate our workforce, it is important to have a well-rounded training and development program and have an employee benefits program.

Our development program supports individual staff member's growth through a variety of activities. This year our programs were aimed more broadly throughout Netwealth. We continued to invest in initiatives to develop our managers by organising monthly manager forums and recognising upcoming leaders by offering secondment opportunities to extend their capabilities. Core training courses that were well received which included professional scrum master workshops, "emerging leaders" sessions and our industry qualification program continued to be held. We increased our wellbeing initiatives that focused on mental and physical health and wellness.

Netwealth staff continued to enjoy access to a wide range of employee benefits which includes the launch of Work Perks that serves as a hub for benefits, rewards and wellbeing. This has been very successful with 87% activation and engagement. We continued to foster team spirit by encouraging staff to participate and be involved in social and community activities organised by Netwealth's very own Social Committee.

Netwealth introduced additional initiatives in order to alleviate the impacts of COVID-19, in hopes of keeping spirits up and in order to respond to individual needs. These initiatives included access to an additional two weeks of leave when employees did not have sufficient personal leave, mental health days to recharge, organised a series of mental and health wellbeing sessions to help strengthen resolve particularly during lockdowns and increased restrictions, virtual personal training for staff to remain active and sweat it out, a company-wide virtual trivia night to maintain social connection, sent a care package of goodies to all staff and additional support from managers to check in on staff, particularly those in vulnerable positions.

Diversity, inclusion and gender equality

We strive for a multi-cultural and gender-equal workplace. With over 37 different languages spoken, we have strong representation from across the globe. Recognising inclusiveness and diversity as an asset, it has led to stronger sociability between our staff and clients. Our move to a new office from July 2021 will further unite Netwealth as one team, whilst appreciating and welcoming diversity in gender, age, background and thought. Netwealth embraced hybrid work practices throughout FY2021 and continues to support flexible working arrangements as a characteristic of our commitment to inclusion and diversity.

Netwealth embraces the principles of the Workplace Gender Equality Agency report and rewards everyone equally by paying the same regardless of gender when performing the same job and having equivalent experience. We also remain committed to working towards our targets for gender balance, which at 30 June 2021 were:

	% that are Women	
	FY2021 Actual	FY2021 Target
Directors	33%	30%
Senior Executive (excluding Executive Directors) ¹⁰	33%	30%
Managers	37%	40%
All Employees (excluding Non-Executive Directors)	44%	45%

¹⁰ Refers to the executive leadership team (excluding Michael and Matt Heine) in Director's Report on page 33 and 34.

New Melbourne Head Office

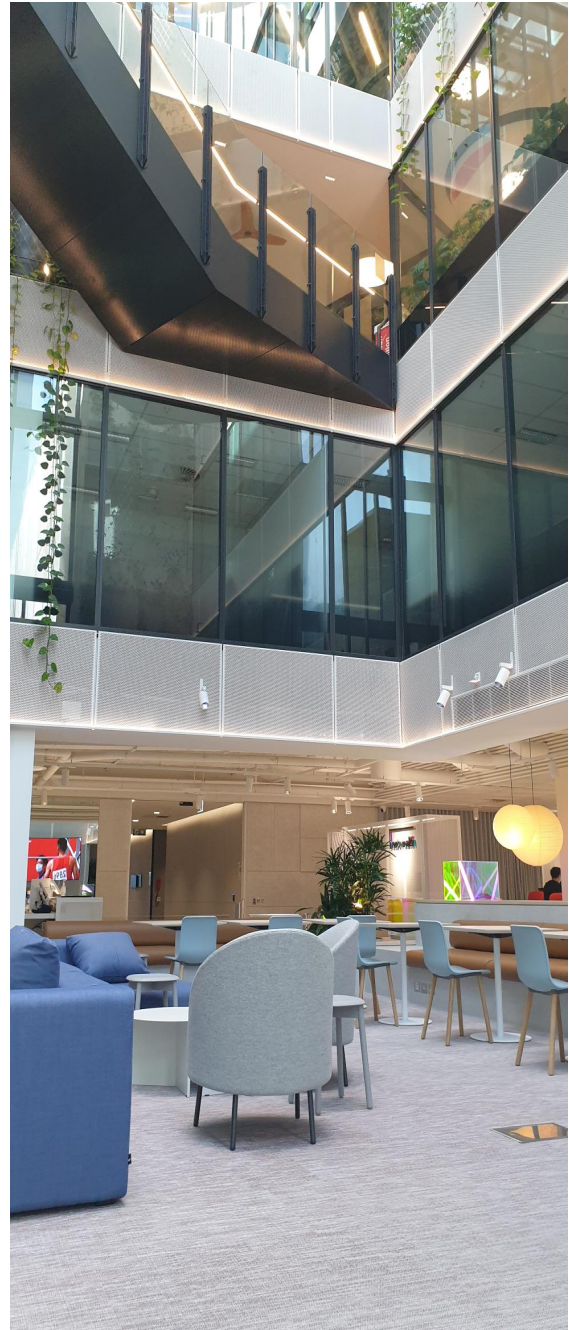
Since Netwealth's successful listing on the ASX in November 2017, we have continued to see significant increase in our staff numbers which has necessitated a new space that could accommodate future growth.

When looking for a new location, we wanted to find something that was uniquely Netwealth, that reflected where we came from and where we are going. We wanted a low carbon footprint with a high NABERS¹¹ rating.

From the countless staff discussions and research we conducted, we all wanted to re-imagine how we work and use our environment to enhance our existing capabilities and strengths. We wanted to create a space that inspires everyone to collaborate even more to support our agile approach. We wanted one floor to breakdown physical silos, more flexible workspaces and meeting rooms and casual areas with natural lighting and plants to catch up socially and to unwind.

After more than two years of planning including disruption from the global pandemic, we are pleased with our new head office in Melbourne located on Flinders Street is now officially open.

We are proud of our new workspace and confident that in addition to enhancing our flexible working arrangements, it has achieved one of our key initiatives to transform our workplace by providing a work-space that encourages collaboration and provides emphasis on staff mental health and wellbeing.



¹¹ NABERS (National Australian Built Environment Rating System) star rating provides a comparable sustainability measurement on the environmental performance of buildings.

Financial operating performance

Platform revenue increased by \$20.6 million (17.0%) to \$142.0 million for FY2021. Revenue growth resulted from strong FUA growth and increased transactional revenue and other ancillaries. Total income of \$144.9 million for FY2021 has achieved a compound annual growth rate (CAGR) of 20.3% over the past three years.

- Total expenses of \$65.5 million for FY2021, increased by \$7.8 million (13.5%) compared to FY2020.
- Employee benefits expense increased by \$8.9 million (21.5%) to \$50.5 million for FY2021. Total headcount increased by 63 to 402 during FY2021. Netwealth continued to increase its investment in IT to drive innovation and further growth with an additional 43 headcount in FY2021. Employee benefits expense represented 77% of total FY2021 expenses.
- Total other expenses decreased by \$1.1 million to \$15.0 million for FY2021. The end of grandfathered volume bonus rebates from 1 January 2021 saw a reduction of \$1.1 million expenses with the savings having been passed on to clients through reduced administration fees. The ongoing COVID-19 travel restrictions and snap lockdowns in Melbourne that continued throughout FY2021 have resulting in reduced spending on occupancy, travel and marketing expenses compared to prior year as a number of the initiatives have been postponed to FY2022. Part of these decreases has been offset by continued investment in technology on areas relating to product enhancements, cyber security, client communication support software, AI and data analytics and cloud-based storage and networking systems.
- EBITDA of \$79.4 million for FY2021 increased by \$13.2 million (19.9%) versus FY2020 and EBITDA margin of 54.8% increased by 1.4% versus FY2020.
- Netwealth's NPAT of \$54.1 million for FY2021 increased by \$10.4 million or 23.9% versus FY2020 and NPAT margin of 37.3% for FY2021. EPS of 22.1 cents for FY2021, increased by 4.3 cents versus FY2020¹².
- Operating net cash flow pre-tax was \$67.9 million for FY2021, a 85.6% cash conversion ratio of EBITDA. Excluding non-recurring transactions, the cash conversion ratio of EBITDA for FY2021 is 98.1%.

¹² EPS has been calculated including all of the ordinary shares and options on issue at the end of the period.

Results of profit or loss for FY2021

Set out in the table below is the consolidated statement of profit or loss and other comprehensive income for FY2021 presented in full to reflect other financial metrics.

	Consolidated Group for Year Ended			
	30 June 2021 \$'000	30 June 2020 \$'000	Variance \$'000/%	Variance %
Income				
Platform revenue	141,982	121,345	20,637	17.0%
Other income	2,898	2,565	333	13.0%
Total income	144,880	123,910	20,970	16.9%
Expenses				
Employee benefits expenses*	(50,499)	(41,578)	8,921	21.5%
Other costs and expenses	(15,032)	(16,179)	(1,147)	(7.1%)
Total expenses	(65,531)	(57,757)	7,774	13.5%
EBITDA	79,349	66,153	13,196	19.9%
EBITDA margin	54.8%	53.4%	1.4%	-
Interest on leases	(64)	(121)	(57)	(47.1%)
Depreciation and amortisation	(2,054)	(3,287)	(1,233)	(37.5%)
NPBT	77,231	62,745	14,486	23.1%
Income tax expense	(23,128)	(19,084)	4,044	21.2%
NPAT	54,103	43,661	10,442	23.9%
NPAT margin	37.3%	35.2%	2.1%	-
EPS (cents per share)#	22.1	17.8	4.3	24.1%

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

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

Cash Flow Statement FY2021

The table below sets out the summary consolidated statement of cash flows for FY2021 and FY2020.

	Consolidated Group for Year Ended			
	30 June 2021 \$'000	30 June 2020 \$'000	Variance \$'000	Variance %
EBITDA	79,349	66,153	13,196	19.9%
Non-cash items in EBITDA	671	587	84	14.3%
Changes in working capital	(8,865)	261	(9,126)	3496.6%
Capital expenditure	(1,088)	(919)	(169)	(18.4%)
Net (purchases)/sale proceeds on investments	(2,133)	2,135	(4,268)	199.9%
Operating net cash flows before taxation	67,934	68,218	(284)	(0.4%)

Key platform statistics




Set out in the below table is a summary of other key platform statistics for FY2021 and FY2020.

	Consolidated Group for Year Ended			
	30 June 2021	30 June 2020	Variance	Variance %
FUA (EOP*) (\$ million)	47,138	31,502	15,637	49.6%
FUM (EOP*) (\$ million)	11,746	7,277	4,469	61.4%
FUA net inflows (\$ million)	9,811	9,080	732	8.1%
FUM net inflows (\$ million)	3,247	3,706	(459)	(12.4%)
Platform revenue/average FUA (bps)	36.8 bps	43.7 bps	(6.9 bps)	(15.8%)
Platform revenue/average number of accounts (\$)	1,607	1,604	3	0.2%

* EOP=End of Period

Board of Directors

The Directors bring to the Board a breadth of expertise and skills, including industry and business knowledge, financial management skills and corporate governance experience.

Name and title	Profile
 Timothy Antonie Independent Non-Executive Director Chairman	<ul style="list-style-type: none">• Timothy has been a Director of Netwealth since November 2015 and was appointed as the independent Chairman of Netwealth (and its related entities) from 17 February 2021.• Timothy commenced his career at Price Waterhouse (now Pricewaterhouse Coopers) and subsequently worked at several investment banks, including UBS Investment Bank as a Managing Director, where he advised major Australian companies in large scale mergers, acquisitions, sales and restructures and equity transactions, as well as day-to-day equity market facing matters. Timothy is now a principal of Stratford Advisory Group providing independent financial advice to Australian and international corporations.• Timothy is currently a director of Breville Group Limited and Premier Investments Limited. Timothy was previously a director of Village Roadshow Limited from November 2010 until December 2019.• Timothy holds a Bachelor of Economics (majoring in Accounting) from Monash University and is a qualified chartered accountant.• Timothy is a member of the Group Remuneration and Culture Committee, the Group Nomination Committee and the Netwealth Investments Limited (NIL) Investment Committee.
 Michael Heine Joint Managing Director	<ul style="list-style-type: none">• Michael has been a Director of Netwealth since its establishment in 1999.• Michael was instrumental in the establishment of Netwealth in 1999. Michael acted as sole Managing Director from 1999 to 2014 and has acted as Joint Managing Director together with his son Matthew since January 2015.• Michael has experience in Australian and European financial markets, including commodity trading, international financing, mortgage lending and property development. Michael was instrumental in the establishment of the Heine Brothers funds management business in 1982 and was its Managing Director from 1982 to 1999 when the company was acquired by ING (then Mercantile Mutual).• Michael is a member of NIL Investment Committee.
 Matthew Heine Joint Managing Director	<ul style="list-style-type: none">• Matthew joined Netwealth in July 2001 and was appointed a Director in March 2004. He was appointed Joint Managing Director in January 2015.• Matthew has been instrumental in the development of the Netwealth platform and products as well as the distribution, branding and marketing of the Group. Matthew's role and experience in the sales, marketing and strategy field brings a firsthand understanding of the industry and client base. In his executive capacity, Matthew has the Product, Technical, Sales and Marketing teams reporting to him.• Matthew holds a Diploma of Financial Services and an Advanced Diploma of Management.

Name and title

Profile



Davyd Lewis
Independent
Non-Executive
Director

- Davyd has been a Director of Netwealth since July 2009.
- Davyd was a partner of Mallesons Stephen Jaques for 20 years until his retirement in 2008. Davyd's role included Partner in Charge of the Melbourne Centre, Managing Partner Practice of Mergers & Acquisitions, Property and Construction, Dispute Resolution and Intellectual Property, National Practice Team Leader of the Mergers & Acquisitions Group and responsibility for supervising the relationship with 50 of the firm's biggest clients.
- Davyd holds a Bachelor of Economics, a Bachelor of Laws and a Master of Laws (majoring in securities markets and takeovers).
- Davyd is a member of the Group Audit Committee and Group Nomination Committee. Davyd is the Chair of the Group Compliance and Risk Management Committee, the Group Remuneration and Culture Committee, the NSS Audit Risk and Compliance Committee and the NIL Due Diligence Committee.



Sally Freeman
Independent
Non-Executive
Director

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



Kate Temby
Independent
Non-Executive
Director

- Kate joined Netwealth as a director on 1 February 2021
- Previously, Kate has worked in global roles as a Managing Director at Goldman Sachs Asset Management and a Consultant at PwC.
- Kate is currently a partner with Affirmative Investment Management, member of Investment Committees for Conscious Investment Management and Melbourne Grammar School.
- Kate is a member of the Group Audit Committee, Group Compliance and Risk Management Committee, Group Remuneration and Culture Committee and the Group Nomination Committee. Kate is the Chair of the NIL Investment Committee.

Name and title

Profile



Jane Tongs

Independent
Non-Executive
Chairman

(Retired 17 February
2021)

- Jane served as the independent Chairman of Netwealth (and its related entities) from April 2000 and retired in February 2021.
- Prior to 2000, Jane was a partner at PricewaterhouseCoopers, specialising in the financial services sector. She has experience with insurance, funds management and superannuation entities.
- Jane has over 20 years' experience as non-executive director and superannuation fund trustee director and is currently Chairman of Columbus Capital Pty Ltd, director of Cromwell Funds Management, Warakirri Group, Hollard General Insurance and Brighton Grammar School.
- Jane holds a Bachelor of Business and a Master of Business Administration. Jane is a Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors.
- Jane was a member of the Group Audit Committee, Group Compliance and Risk Management Committee, Group Remuneration Committee and was Chair of the Group Nomination Committee and NIL Investment Committee prior to her retirement.

Directors' Report

The directors present their report on Netwealth Group Limited "the Company" and its controlled entities for the year ended 30 June 2021 (FY2021). 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:

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

Directors (unless stated otherwise) 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 which listed on the ASX on 20 November 2017 (ASX: NWL).

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

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

Netwealth's award-winning platform achieved the highest overall satisfaction score among primary users providing wealth professionals with the technology required to efficiently manage and add value to our clients¹³.

¹³ Investment Trends - May 2021 Planner technology report

Directors meetings

During the financial year, 24 Group meetings of Directors (including committees of directors) were held. Attendances by each Director during the year were as follows:

	Board of Directors' meetings		Audit Committee		Remuneration and Culture Committee		Nomination Committee*		Compliance & Risk Committee	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Directors										
Timothy Antonie	24	24	7	7	11	11	1	1	6	6
Jane Tongs	16	15	7	7	8	7	-	-	6	6
Davyd Lewis	24	24	11	11	11	11	1	1	10	10
Sally Freeman	24	24	11	11	11	11	1	1	10	10
Michael Heine	24	23	-	-	-	-	-	-	-	-
Matthew Heine	24	24	-	-	-	-	-	-	-	-
Kate Temby	8	8	5	5	4	4	-	-	5	5

(A) Number of meetings held during the time the director held office and was eligible to attend as a member

(B) Number of meetings attended

* Meetings called on an as needed basis

The qualifications and experience of Directors are detailed on page 28 to 30 of the Annual Report.

Corporate governance

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





Diversity strategy

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

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

Executive leadership team

Profiles of Netwealth's senior management team are set out below.

Name and title	Profile
 <p>Michael Heine Joint Managing Director</p>	<ul style="list-style-type: none">• Refer to Board of Directors section
 <p>Matthew Heine Joint Managing Director</p>	<ul style="list-style-type: none">• Refer to Board of Directors section
 <p>Grant Boyle Chief Financial Officer and Joint Company Secretary</p>	<ul style="list-style-type: none">• Grant joined Netwealth in May 2017.• Grant has more than 30 years' experience in financial services and the accounting profession. Most recently the Chief Financial Officer of EMR Capital, Grant has held several Chief Financial Officer and Chief Operating Officer roles within financial services, including at BlackRock, Powerwrap and Phillip Capital.• Prior to entering the funds/Platform space. Grant was a finance manager with ANZ Group Finance and a manager in the Corporate Recovery and Insolvency division of Ernst & Young.• Grant holds a Bachelor of Business (Accounting) from Latrobe University and a member of Chartered Accountants Australia & New Zealand.
 <p>Rachel Axton General Manager, Legal, Risk and Compliance and Joint Company Secretary</p>	<ul style="list-style-type: none">• Rachel joined Netwealth in February 2016.• Rachel has over 20 years of experience in financial services working across a range of wealth management providers, specialising in superannuation and investment services. Prior to joining Netwealth, Rachel managed the Colonial First State Custom Solutions Risk and Compliance team. Rachel contributes to Netwealth's strategic direction as part of the executive team.• Rachel is a Fellow of the Association of Super Funds of Australia. Rachel holds a Graduate Diploma in Superannuation Management and a Bachelor of Business (Economics).



Philip Coldwell
General Manager,
Product

- Philip joined Netwealth in November 2011.
- Philip has over 30 years' experience in the financial services industry including positions in the management of financial planning operations, technical services, product development and marketing. From 2000 to 2011 Philip was an owner and director of Integrity Financial Planners Pty Ltd.
- Philip holds a Bachelor of Business from Swinburne and a Diploma of Financial Planning.



Alistair Densley
General Manager,
Operations

- Alistair joined Netwealth in May 2002.
- Having previously held a leadership role within Netwealth's IT Development Team, he has been Netwealth's General Manager, Operations, since September 2010.
- Alistair has over 15 years' experience in the financial services industry and has played an important role in establishing and achieving scalability for many administrative processes across Netwealth's Platform.
- Alistair holds a Bachelor of Commerce.



John Hanrahan
Chief Information
Officer

- John joined Netwealth in May 2012.
- John has responsibility for application development, technology infrastructure, business analysis, project management and technology vendor management. John has more than 20 years of experience in financial services technology. Prior to joining Netwealth, John led the Australian technology team for BlackRock.
- John holds a Bachelor of Business (Banking and Finance) from Monash University.



Amanda Atkinson
Head of Investor
Services

- Amanda joined Netwealth in February 2004.
- Amanda is Head of Investor Services. Her other responsibilities include designing and improving the scalability of the administrative processes and procedures across the Netwealth platform.
- Amanda has over 15 years' experience in the financial services industry.

Indemnification of Directors and Officers

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

Review of operations

Information on the operating and financial performance of the Group, its strategic initiatives and outlook are set out in the Review of Operations on pages 12 to 24 and Financial Operating Performance on pages 25 to 27 of this annual report.

COVID-19 impact

As we enter the second year after COVID-19 was first declared a pandemic by the World Health Organisation, global economies continue to be disrupted from quarantine measures and trade restrictions put in place by governments in their efforts to manage the pandemic.

Despite this, COVID-19 has had no material adverse impact on the business operations of the Group as remote working practices established in the previous year ensured that business operations have continued to run effectively and in full capacity throughout the year whilst maintaining exemplar client service levels. The Group posted record revenues for the financial year with no adverse impact from COVID-19 on the value of business assets.

At the current time the Board and management are of the opinion that the business will continue to operate as normal. Whilst economic uncertainty prevailing around the world makes it challenging to forecast the future, Netwealth remains positive with its strong pipeline of new and existing business and growing market share.

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, 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.

Dividends

During the year, the Company declared on 18 February 2021 and paid on 26 March 2021 a fully franked dividend of 9.06 cents per share, representing a total dividend of \$22,089,000. There is no Dividend Reinvestment Plan.

Shares and options

On 10 February 2021, 6,107,661 Performance Shares referred to in Note 19 Issued Capital, vested and on 15 February 2021, were converted to 6,107,661 Ordinary shares. The Ordinary Shares were quoted on the ASX on 15 February 2021.

Events subsequent to the end of the reporting period

On the 18 August 2021, the Company declared a fully franked final dividend for FY2021 of 9.50 cents per share (total dividend of \$23,161,252 bringing the total fully franked dividends to 18.56 cents per share for the twelve months. The final dividend is payable on 24 September 2021.

On 1 July 2021, NSS (ASFL 528032) (RSE Licence L0003483) replaced NIL as the trustee for Netwealth Superannuation Master Fund (NSMF). NIL remains as custodian and platform operator for NSMF.

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.

Corporate Sustainability

Information on the social and environmental impact of the Group set out in the Corporate Sustainability section on pages 20 to 21 and our full Corporate Sustainability Report (CSR) can be found on our Company's website at <https://www.netwealth.com.au/web/about-netwealth/shareholders/>

Proceedings on behalf of the Group

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

Non-audit services

During the year, Deloitte Touche Tohmatsu, the Group's auditor has performed GS007 assurance services in addition to its statutory duties. Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out in Note 27 to the financial statements. The Directors, in accordance with advice received from the Audit Committee, are satisfied that the provision of those non-audit services during the year did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is set out on page 51.

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:



Timothy Antonie

Chairman
18 August 2021

Remuneration Report (Audited)

Dear Shareholders

Letter from the Remuneration and Culture Committee Chair

On behalf of the Board, I am pleased to present Netwealth's FY2021 Remuneration Report.

Like almost all businesses, during COVID-19, Netwealth has faced the challenge of maintaining a safe working environment for our employees without compromising the service we provide to our business partners and clients. Our success in doing this has been a tribute to the skill of our staff and the willingness of all our people to adapt to a flexible working model, working remotely where necessary and returning to the office where possible and practical. Despite the repeated lockdowns in FY2021, our staff have again responded exceptionally well in this challenging environment, showing resilience, and adapting quickly to repeated changes in working conditions.

Netwealth's performance in FY2021

Netwealth's strong client focus, risk management and market-leading technology have contributed to record level of profitability in FY2021. In FY2021 NPAT grew by 23.9% while EPS grew by 22.8%. This was driven principally by the growth in FUA of 49.6% and FUM of 61.4%. This performance could not have been achieved without the skill, agility and resilience of our staff.

Remuneration framework

Netwealth's remuneration framework is targeted at driving excellence in client service, values and a performance-based culture and the Board recognises the importance of suitably incentivising our staff. The objective for our remuneration framework is not only to recruit and retain talent and motivate our staff to be innovative and creative to continue growing Netwealth, but also to be accountable for all their decisions in order to maintain our high level of compliance, governance and client satisfaction.

Short term incentives (STIs)

Senior executives are eligible for STIs under our remuneration framework. The STIs are based on a combination of corporate and personal performance metrics described in the Remuneration Report. The sales and distribution team are entitled to cash bonuses based on achieving growth of fee-paying FUA and FUM benchmarks and cash bonuses are paid to other employees on a discretionary basis where, in the opinion of the Board, the employee has made an exceptional contribution.

Long term incentives (LTIs)

LTIs issued prior to Netwealth's IPO in 2017 fully vested in FY2021. No new LTIs were issued in FY2021 but LTIs issued in FY2020 remain in their 3-year vesting period which finishes at the end of FY2022. The Board proposes to make further issue of LTIs to senior executives and other employees in FY2022.

Change in Directors

During FY2021 Kate Temby joined the Board and became a member of the Remuneration and Nomination Committee and Jane Tongs retired from the Board and the Committee.

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

Yours faithfully



Davyd Lewis

Chairman of the Remuneration and Culture Committee

18 August 2021

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A. Introduction

This FY2021 Remuneration Report for Netwealth is prepared in accordance with the requirements of the Corporations Act 2001 and its regulations. The report outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of Netwealth. KMP are the individuals who have authority and responsibility for planning, directing and controlling the activities of Netwealth, as defined under *AASB 124 Related Party Disclosure*. The following table lists Netwealth's KMP for FY2021.

Name	Position
Non-executive Directors	
Timothy Antonie	Independent Non-Executive Chairman
Davyd Lewis	Independent Non-Executive Director
Sally Freeman	Independent Non-Executive Director
Kate Temby*	Independent Non-Executive Director
Jane Tongs*	Independent Non-Executive Chairman
Executive Directors	
Michael Heine	Joint Managing Director
Matthew Heine	Joint Managing Director
Senior executive	
Grant Boyle	Chief Financial Officer (CFO) & Joint Company Secretary

*Kate Temby joined Netwealth as an Independent Non-Executive Director on 1 February 2021. Jane Tongs retired as Independent Non-Executive Chairman on 17 February 2021. Timothy Antonie was appointed Chairman from 17 February 2021. All other KMP held office for the full year.

B. Remuneration Objectives

The Board is committed to a remuneration framework targeted on driving excellent client service, integrity and a performance culture. Netwealth's objectives for remuneration of all employees include:

- to promote achievement of the Netwealth's strategic objective of building short, medium and long-term shareholder and enterprise value;
- while remuneration arrangements are designed to promote and reward performance, they must also promote conduct consistent with the Board's risk appetite and protection of the interests of Netwealth's stakeholders;
- the structure for remuneration must be consistent with and promote adherence to Netwealth's ethics, values, policies and procedures;
- employees are to be fairly remunerated for work undertaken, having regard to the remuneration of employees in comparable positions in comparable organisations;
- remuneration levels should attract and retain high-quality employees;
- there is no gender bias in remuneration; and
- when setting the levels of remuneration, Netwealth's long term financial soundness and its prospective financial position and performance are to be considered.

Netwealth's objectives for remuneration of non-executive directors are:

- remuneration must be enough to attract and retain high quality non-executive directors;
- remuneration for non-executive directors must not create a conflict with their obligation to bring an independent judgement to matters before the Board;
- remuneration for each non-executive director should be appropriate based on their role and responsibilities, including the time commitment involved; and
- there must be no gender bias in determining remuneration.

C. Remuneration Governance

The Board is responsible for establishing Netwealth's remuneration policy (the Remuneration Policy) and determining non-executive director remuneration, senior executive remuneration and Netwealth's incentive structures. The Board is assisted by the Remuneration and Culture Committee (the Committee). The Committee is comprised of Netwealth's four independent non-executive directors. The Committee's responsibilities include:

- reviewing and making recommendations to the Board on the Remuneration Policy;
- annually reviewing the performance of the JMDs;
- determining whether the JMDs have met the conditions for payment of STIs and LTIs under the terms of their contracts and/or under the terms of relevant STI and LTI schemes;
- annually reviewing and recommending remuneration arrangements for the JMDs, the JMD's direct reports, other persons determined by APRA to be 'responsible persons' and the non-executive directors;
- approving remuneration packages over a threshold amount;
- approving major changes in remuneration-related policies;
- reviewing and recommending changes and developments in relation to the LTI scheme;
- overseeing the operation of LTI schemes and recommending whether offers are to be made under the scheme;
- recommending bonuses, including discretionary bonuses, bonuses for sales and distributions staff and STIs for senior executives;
- reviewing and making recommendations on remuneration by gender and addressing any pay gap;

- reviewing and recommending changes to board remuneration;
- reviewing and recommending the Remuneration Report;
- ensuring remuneration for non-executive directors must not create a conflict with their obligations; and
- where applicable, approving the appointment of remuneration advisers for the purposes of the Corporations Act.

D. Remuneration Framework

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

Purpose of each remuneration component in promoting Netwealth’s performance

Fixed remuneration	Short-term incentive (at risk)	Long-term incentive (at risk)
<ul style="list-style-type: none"> • Attract and retain high-quality employees, who will enable Netwealth to achieve its strategic objectives, by providing market competitive base remuneration commensurate with the employee’s individual skills, complexity of role and experience. 	<ul style="list-style-type: none"> • Reward senior executives for their role in the achievement of Netwealth’s strategic objectives consistently with promotion of Netwealth’s ethics, values and controls. • Reward sales and distribution staff for sales performance. • Reward staff at all levels for demonstrated exceptional performance which has contributed to Netwealth’s success. 	<ul style="list-style-type: none"> • Motivate senior and key employees to achieve Netwealth’s strategic objective of building long-term shareholder and enterprise value consistently with the Board’s risk appetite, the protection of the interests of all of Netwealth’s stakeholders and the promotion of Netwealth’s ethics, values and controls.

The table below summarises the elements of Netwealth’s remuneration framework in FY2021.

Fixed remuneration	
Fixed	<ul style="list-style-type: none"> Each employee’s fixed remuneration is set having regard to their individual responsibilities, skills and experience and with consideration to remuneration paid to employees of comparable companies within the industry. To be market competitive, roles are benchmarked annually with reference to peer companies within the industry. Remuneration reviews normally occur annually and apply from 1 July.
Performance-based remuneration	
STIs	
STIs for JMDs (At risk)	<ul style="list-style-type: none"> JMD Michael Heine elected not to receive an STI, given his substantial shareholding in Netwealth. JMD Matthew Heine’s STI of up to \$500,000 was divided into 2 components: <ul style="list-style-type: none"> 50% (up to \$250,000) was based on Netwealth’s statutory FY2021 NPAT exceeding budget NPAT. The full amount of this component is payable; and 50% (up to \$250,000) was based on the Board’s assessment of how effectively Matthew Heine implemented Netwealth’s FY2021 strategic plan. The Board has determined that 75% of this component (\$187,500) is payable, making a total STI of \$437,500. <p>The STI will be paid within 30 days after the release of this report.</p>
STIs for Members of the executive leadership team who report to the JMDs (Executive) (At risk)	<ul style="list-style-type: none"> Members of the Executive STIs were generally based on 3 evenly weighted metrics. These metrics included individual values ratings and on how effectively the individual contributed to delivery of Netwealth’s strategic initiatives. For members of the Executive except for the GM of Legal Risk and Compliance, the third metric was based on FY2021 NPAT. The STIs will be paid in 2 parts: the first within 30 days after the release of the FY2021 annual report and the second following release of the FY2022 annual report. CFO Grant Boyle, a member of the Executive earned an STI bonus of \$82,500 based on the Board’s assessment that he had made an exceptional contribution, particularly in relation to Netwealth’s response to COVID-19 and his contribution to strategic initiatives.
STIs for Sales and Distribution staff (At risk)	<ul style="list-style-type: none"> The STIs in the form of cash bonuses are payable to sales and distribution staff based on pre-agreed performance targets. Part of the STI is payable based on the first 6 months’ performance and the balance is payable after the end of the financial year. The performance targets are based on fee-earning FUA and FUM.
Discretionary cash bonuses	<ul style="list-style-type: none"> Discretionary cash bonuses were paid to employees at a number of levels where, in the opinion of the Board, they had made an exceptional personal contribution in FY2021.
LTIs	
Pre-listing LTI scheme (At risk)	<ul style="list-style-type: none"> The LTI scheme put in place prior to Netwealth’s IPO and listing on the ASX in 2017 (the Pre-listing LTI Scheme) had a number of vesting conditions, all of which were met in FY2021. As a result of this, all the shares (Performance Shares) on issue under the Pre-listing LTI Scheme were either cancelled or converted to ordinary shares on 15 February 2021 and the Pre-listing LTI Scheme has now ceased.

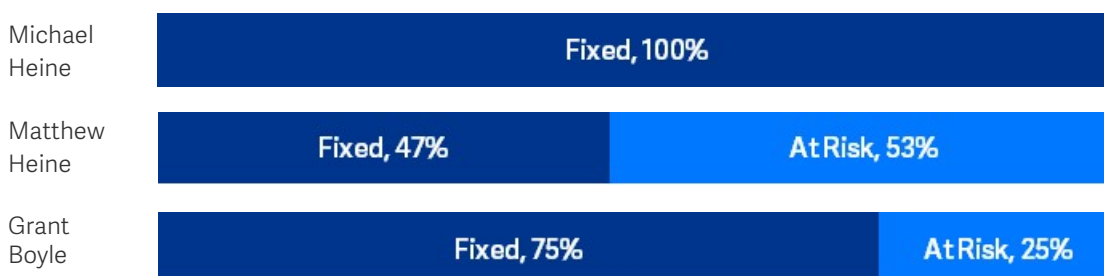
**New LTI scheme
(At Risk)**

- The Netwealth Equity Incentive Plan (NEIP) provides for the offer of incentive securities to Netwealth employees.
 - An offer of options was made under the NEIP to select senior and key employees in FY2020 (New LTI Scheme);
 - Upon exercise, the options convert to ordinary shares on a one for one basis;
 - The options do not confer the right to attend and vote at meetings and do not confer the right to participate in dividends;
 - The exercise price is \$7.5544;
 - The holder must be either continuously employed or hold office with Netwealth until 30 June 2022;
 - The options are subject to vesting conditions which are tested over a 3-year period from the date of the offer (the Vesting Period);
 - There are 2 types of vesting condition: personal behavioural and performance conditions for the employee (the personal vesting conditions) which apply over the Vesting Period, and corporate performance conditions based on Netwealth's Total Shareholder Return (TSR) (the TSR vesting condition) and earnings per share (EPS) (the EPS vesting condition);
 - 50% of each employee's options are subject to the TSR vesting condition. If Netwealth's TSR is in the 75th or higher percentile of companies in the S&P/ASX 300 Diversified Financials Index over the Vesting Period, all of that 50% of options can vest. This number decreases proportionately so that if Netwealth's TSR is lower than the 50th percentile, none of that 50% of options can vest;
 - 50% of each employee's options are subject to the EPS vesting condition. If Netwealth's EPS over the Vesting Period grows at a compound average growth rate (CAGR) of 22.5% or more, all of that 50% of options can vest. This number decreases proportionately so that if the CAGR is less than 17.5%, none of that 50% of options can vest;
 - If the employee does not meet the personal vesting conditions, all their options lapse;
 - A restriction period applies to shares issued upon exercise of options. A holder may only dispose of up to 50% of the shares that they are entitled to have issued to them for the first 12 months after the end of the Vesting Period;
 - Options must be exercised within 15 years of date of grant; and
 - Should a liquidity event or change of control event occur, the Board has a discretion to automatically exercise all vested and unvested options.
-

E. Remuneration Mix of KMPs

Remuneration mix refers to the proportion of total KMP remuneration that is made up of each remuneration component.

The 'Fixed' component is base salary plus superannuation. The 'At Risk' component is the amount of the maximum STI payable to the KMP and the value of options issued to the KMP under the New LTI Scheme expensed for the year.



The remuneration mix for Michael Heine is 100% as he waived his entitlement to an STI in FY2021 and did not participate in the New LTI Scheme. No new LTIs were issued in FY2021, but options issued under the New LTI Scheme in FY2020 remain in their 3-year vesting period which ends at the end of FY2022. The Board proposes to make further issue of LTIs in FY2022.

F. Overview of the Group Performance

The following table sets out Netwealth's NPAT, dividend payments and EPS for FY2018, FY2019, FY2020 and FY2021:

Financial period ended 30 June	2021	2020	2019	2018
NPAT (\$ million)	54,103	43,661	34,295	20,818
Dividends paid (\$ million)	40,629	32,088	38,171	8,300
EPS (cents)	22.55	18.37	14.43	8.96

As shown in the table, FY2021 has been a successful year for Netwealth, with NPAT and EPS increasing 23.9% and 22.8% respectively on FY2020.

Netwealth's share price on the ASX as at the end of FY2018, FY2019, FY2020 and FY2021 is shown below:

Financial period ended 30 June	2021	2020	2019	2018
Netwealth Share Price*	\$17.15	\$8.97	\$8.00	\$8.22

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

As shown in the table, Netwealth's share price increased 91.2% in FY2021.

G. Executive Remuneration

The table below sets out details of the remuneration of the JMDs and the CFO (the three KMP who are employee executives) for FY2021 and FY2020.

	Joint Managing Directors				CFO		Total	
	Michael Heine		Matthew Heine		Grant Boyle			
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Short term benefits								
Cash salary	228,311	228,311	478,306	478,997	335,000	335,000	1,041,617	1,042,308
STI ¹	-	-	437,500	234,375	82,500	35,000	520,000	269,375
Other	-	-	-	-	-	-	-	-
Long term benefits								
Leave ²	(15,585)	(33,954)	8,599	7,625	5,884	5,936	(1,102)	(20,393)
Post-employment benefits								
Superannuation ³	21,689	21,689	21,694	21,003	25,000	25,000	68,383	67,692
Share-based payments								
Pre-listing LTI scheme ⁴	-	-	7,209	14,299	1,234	2,447	8,443	16,746
New LTI scheme ⁵	-	-	64,887	64,887	23,561	23,561	88,448	88,448
Termination benefits								
Termination payments	-	-	-	-	-	-	-	-
Total	234,415	216,046	1,018,195	821,186	473,179	426,944	1,725,789	1,464,176
% Performance related	0%	0%	50%	38%	23%	14%	36%	26%

1. An STI payment for FY2021 was earned by Matthew Heine (refer section E). Michael Heine waived his STI payment for FY2020 and FY2021. Discretionary STI payments were made to Grant Boyle in FY2020 and an STI payment for FY2021 was earned (refer section D).
2. Long term benefits related to long service leave entitlements accrued for the year, net of leave taken.
3. Superannuation payments are made in accordance with the relevant statutory requirements.
4. Performance Shares held under the Pre-listing LTI Scheme ceased to be subject to vesting conditions in FY2021.
5. Options on ordinary shares were issued under the New LTI Scheme during FY2020 and are subject to vesting conditions (refer section D).

Service agreements

The remuneration and other terms of employment for the KMP are formalised in employment contracts, which are reviewed annually. The JMDs and CFO are entitled to receive pay in lieu of notice of resignation, in addition to any leave entitlements upon cessation of employment. All services agreements are for unlimited duration but may be terminated immediately in the event of serious misconduct, in which case the executive is not entitled to any payment in lieu of notice. The following table outlines the key contractual arrangement for the JMDs and senior executive KMP.

Position	Contractual term	Employer Notice period	Employee Notice period	Post-employment restraints
JMDs	Ongoing	Six months	Six months	Six-month non-competition period
CFO	Ongoing	Six months	Six months	Six-month non-competition period

H. Non-Executive Directors Remuneration

The table below sets out details of the annual fees and the remuneration of the Non-Executive Directors for FY2021.

	Pre Change ¹	Post Change ¹
NWL Board - Chair	\$120,000	\$250,000
- Members	\$100,000	\$125,000
Netwealth Superannuation Services (NSS) Board - Members	\$20,000	\$20,000
Audit Committee - Chair	\$5,000	\$20,000
Remuneration and Culture Committee - Chair	\$5,000	\$15,000
Compliance and Risk Management Committee - Chair	\$5,000	\$20,000
NIL Due Diligence Committee - Chair	\$5,000	\$20,000
NIL Investment Committee - Chair	\$5,000	\$15,000
Nomination Committee - Chair	-	-

Superannuation The fees set out above include superannuation payment in accordance with the relevant statutory requirements. Superannuation is paid up to the relevant concessional contributions cap, with the remainder paid in cash.

Other benefits Non-Executive Directors are entitled to reimbursements for business-related expenses, including travel expenses and all receive the benefit of coverage under a Director and Officers insurance policy. Netwealth has paid premiums to insure each director and officer under a Directors and Officers Insurance policy. Further disclosure of information relating to this policy is not permitted under the contract of insurance.

¹ All Board and committee fees were increased effective 1 January 2021 except for Chairman of NWL Board and Chair of NIL Investment Committee, they were increased effective 17 February 2021.

The table below sets out the total Non-Executive Director benefits paid for FY2021 and FY2020.

		Fees and allowances	Post-employment benefits	Share-based payments	
		Board and Committee fees	Superannuation	Pre-listing LTI Scheme ¹	Total
		\$	\$	\$	\$
Timothy Antonie	2021	146,880	13,954	901	161,735
	2020	95,890	9,110	1,792	106,792
Davyd Lewis	2021	132,500	25,000	901	158,401
	2020	105,023	9,977	1,792	116,792
Sally Freeman²	2021	118,569	11,264	-	129,833
	2020	66,503	6,318	-	72,821
Kate Temby³	2021	52,588	4,996	-	57,584
	2020	-	-	-	-
Jane Tongs⁴	2021	72,298	6,868	901	80,067
	2020	114,155	10,845	1,787	126,787

¹ Performance shares held under the Pre-listing LTI Scheme vested and were converted to Ordinary Shares on 15 February 2021.

² Sally Freeman was appointed as an independent non-executive director from 10 October 2019.

³ Kate Temby was appointed as an independent non-executive director from 1 February 2021.

⁴ Jane Tongs retired as chairman from 17 February 2021 with Timothy Antonie appointed as the new chairman from 17 February 2021.

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

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

I. Other information

KMP share movements

The table below sets out the holdings and changes of holdings of ordinary shares for each KMP in FY2021.

FY2021	Ordinary shares				
	Balance at beginning of financial period	Purchase of shares	Sale of shares	Other changes during the year ¹	Balance at end of financial period
	Number	Number	Number	Number	Number
Non-Executive Directors					
Timothy Antonie	-	5,000	(75,000)	175,000	105,000
Davyd Lewis	140,283	-	(123,390)	175,000	191,893
Sally Freeman	-	9,500	-	-	9,500
Kate Temby ²	-	-	-	-	-
Jane Tongs ³	1,853,901	-	(110,000)	175,000	1,918,901
Executive Directors					
Michael Heine	118,844,990	-	(3,500,000)	-	115,344,990
Matthew Heine	3,211,405	-	(875,000)	1,400,000	3,736,405
Senior Executive					
Grant Boyle	1,604	-	(81,604)	175,000	95,000

¹ All Performance Shares vested and were converted to ordinary shares on 15 February 2021.

² Kate Temby was appointed as an independent non-executive director from 1 February 2021.

³ Jane Tongs retired as chairman from 17 February 2021 and the balance represents her shareholdings at retirement.

KMP shareholdings under the Pre-listing LTI Scheme

The table below sets out the shareholdings of Performance Shares issued under the Pre-listing LTI Scheme to each KMP. The loans were interest-free and non-recourse, and had to be repaid before the Performance Shares converted to ordinary shares.

	Performance Shares				
	Balance at beginning of financial period	Granted during the year	Vested	Forfeited	Balance at end of financial period
FY2021	Number	Number	Number	Number	Number
Non-Executive Directors					
Timothy Antonie	175,000	-	(175,000)	-	-
Davyd Lewis	175,000	-	(175,000)	-	-
Sally Freeman	-	-	-	-	-
Kate Temby ¹	-	-	-	-	-
Jane Tongs ²	175,000	-	(175,000)	-	-
Executive Directors					
Michael Heine	-	-	-	-	-
Matthew Heine	1,400,000	-	(1,400,000)	-	-
Senior Executive					
Grant Boyle	175,000	-	(175,000)	-	-

¹ Kate Temby was appointed as an independent non-executive director from 1 February 2021.

² Jane Tongs retired as chairman from 17 February 2021 and the balance represents her balance at retirement.

On 10 February 2021, all the vesting conditions attached to the Performance Shares held by KMPs were fulfilled and the shares vested in full. On 15 February 2021, all Performance Shares held by KMPs were converted to ordinary shares.

KMP option holdings under the New LTI scheme

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

FY2021	Options				
	Balance at beginning of financial period	Granted during the year	Vested	Forfeited	Balance at end of financial period
	Number	Number	Number	Number	Number
Non-Executive Directors					
Timothy Antonie	-	-	-	-	-
Davyd Lewis	-	-	-	-	-
Sally Freeman	-	-	-	-	-
Kate Temby ¹	-	-	-	-	-
Jane Tongs ²	-	-	-	-	-
Executive Directors					
Michael Heine	-	-	-	-	-
Matthew Heine	132,373	-	-	-	132,373
Senior Executive					
Grant Boyle	66,667	-	-	-	66,667

¹ Kate Temby was appointed as an independent non-executive director from 1 February 2021.

² Jane Tongs retired as chairman from 17 February 2021 and the balance represents her balance at retirement.

Employee Share Gift Plan

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

During FY2021, the Group made no new offer under its Employee Gift Plan (FY2020: 15,180 new ordinary shares issued at \$7.5544).

Limited recourse loans to KMP

No new limited recourse loans were made during FY2021 to KMP. The table below summarises the limited recourse loans made under the Pre-listing LTI Scheme:

	Limited recourse loans				
	Balance at 30/06/2020	Increase in Loan	Repayment of Loan	Other changes during the year	Balance at 30/06/2021
FY2021	\$	\$	\$	\$	\$
Non-Executive Directors					
Timothy Antonie	82,500	-	(82,500)	-	-
Davyd Lewis	82,500	-	(82,500)	-	-
Sally Freeman	-	-	-	-	-
Kate Temby ¹	-	-	-	-	-
Jane Tongs ²	82,500	-	(82,500)	-	-
Executive Directors					
Michael Heine	-	-	-	-	-
Matthew Heine	862,394	-	(862,394)	-	-
Senior Executive					
Grant Boyle	107,500	-	(107,500)	-	-

¹ Kate Temby was appointed as an independent non-executive director from 1 February 2021.

² Jane Tongs retired as chairman from 17 February 2021 and the balance represents her balance at retirement.

Limited recourse loans were previously offered to directors and employees under the Pre-Listing LTI Scheme where the loan value was tied to the value of the associated Performance Shares issued. Repayment of the loans was a condition for the Performance Shares vesting. Prior to the vesting of the Performance Shares on 10 February 2021, all Directors and employees who had limited recourse loans repaid in full their outstanding loans.

J. Previous comments or resolutions in relation to Remuneration Report

At the 28 October 2020 annual general meeting, no comments were made in relation to the FY2020 Remuneration Report and the Remuneration Report was adopted by a vote of 99% in favour.

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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18 August 2021

The Board
Netwealth Group Limited
Level 6, 180 Flinders Street
MELBOURNE VIC 3000

Dear Directors

Auditor's Independence Declaration to Netwealth Group Limited

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

As lead audit partner for the audit of the financial statements of Netwealth Group Limited for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021.

	Consolidated Group for Year Ended		
	Note	30 June 2021 \$'000	30 June 2020 \$'000
Income			
Revenue	4	141,982	121,345
Other income	4	2,898	2,565
Total income		144,880	123,910
Expenses			
Employee benefits expenses	5	(50,499)	(41,578)
Other operating expenses	5	(9,070)	(11,800)
IT and communication expenses		(5,779)	(4,379)
Finance cost	13	(64)	(121)
Share of Associate's NPAT	14	(183)	-
Depreciation		(1,937)	(3,197)
Amortisation		(117)	(90)
Total expenses		(67,649)	(61,165)
Profit before income tax		77,231	62,745
Income tax expense	6	(23,128)	(19,084)
Profit for the period		54,103	43,661
Total comprehensive income for the period		54,103	43,661
Total comprehensive income attributable to:			
Members of the parent entity		54,103	43,661
Earnings per share			
Basic (cents per share)	9	22.55	18.37
Diluted (cents per share)	9	22.55	18.37

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2021.

	Note	Consolidated Group as at	
		30 June 2021 \$'000	30 June 2020 \$'000
Assets			
Current assets			
Cash and cash equivalents		81,421	85,516
Trade and other receivables	10	14,303	10,324
Other current assets	11	11,197	4,411
Financial assets	12	535	1,186
Total current assets		107,456	101,437
Non-current assets			
Property, plant and equipment	15	1,238	1,603
Intangible assets	16	725	297
Right-of-use assets	13	16,382	4,748
Investment in Associate	14	2,384	-
Deferred tax assets	6	2,932	3,807
Total non-current assets		23,661	10,455
Total assets		131,117	111,892
Current liabilities			
Trade and other payables	17	7,915	7,467
Provisions	18	5,386	4,277
Current tax liabilities		7,071	18,099
Lease liability	13	1,398	1,297
Total current liabilities		21,770	31,140
Non-current liabilities			
Lease liability	13	15,028	3,774
Provisions	18	1,138	949
Total non-current liabilities		16,166	4,723
Total liabilities		37,936	35,863
Net assets		93,181	76,029
Equity			
Issued capital	19	26,398	23,122
Reserves	20	1,688	1,286
Retained earnings		65,095	51,621
Total equity		93,181	76,029

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021.

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		167	-	-	167
Total comprehensive income for the period		-	-	43,661	43,661
Amounts recognised on issue of employee shares		-	442	-	442
Reclassification ¹		(549)	-	549	-
Dividends paid or provided for	8	-	-	(32,088)	(32,088)
Balance at 30 June 2020		23,122	1,286	51,621	76,029
Balance at 1 July 2020		23,122	1,286	51,621	76,029
Shares issued and fully paid during the period		3,276	-	-	3,276
Total comprehensive income for the period		-	-	54,103	54,103
Amounts recognised on issue of employee shares		-	402	-	402
Dividends paid or provided for	8	-	-	(40,629)	(40,629)
Balance at 30 June 2021		26,398	1,688	65,095	93,181

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

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2021.

	Consolidated Group for Year Ended		
	Note	30 June 2021 \$'000	30 June 2020 \$'000
Cash flows from operating activities			
Receipts from customers		151,210	130,698
Payments to suppliers and employees		(80,559)	(64,296)
Dividends received		4	33
Interest received		500	567
Interest paid		(64)	(120)
Income tax paid		(33,282)	(7,470)
Net cash generated by operating activities	25	37,809	59,412
Cash flows from investing activities			
Purchase of property, plant and equipment		(586)	(915)
Proceeds from sale of property, plant and equipment		42	-
Proceeds from sale of Investments		3,290	2,757
Purchase of Investments		(2,857)	(621)
Purchase of intangibles		(545)	(4)
Purchase of investment in Associate		(2,567)	-
Net cash generated/(used) used in investing activities		(3,223)	1,217
Cash flows from financing activities			
Proceeds from issue of shares		3,276	31
Payment of lease liabilities		(1,328)	(1,515)
Dividends paid		(40,629)	(32,088)
Net cash used in financing activities		(38,681)	(33,572)
Net increase in cash held		(4,095)	27,057
Cash and cash equivalents at beginning of year		85,516	58,459
Cash and cash equivalents at end of year		81,421	85,516

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1 General Information

The Financial Report of Netwealth Group Limited which covers 'the Company' as an individual entity (disclosed in Note 25) and its controlled entities (together referred to as 'the Group') for the year ended 30 June 2021 as required by the Corporations Act 2001 was authorised for issue in accordance with a resolution of the Directors on 18 August 2021. The Company is limited by shares and incorporated and domiciled in Australia.

The addresses of its registered office and principal place of business are as follows:

Registered office of the company:

Netwealth Group Limited
Level 6, 180 Flinders Street
MELBOURNE VIC 3000

Principal place of business:

Netwealth Group Limited
Level 6, 180 Flinders Street
MELBOURNE VIC 3000

The principal activities of the Group are to provide Financial Intermediaries and investors with financial services including managed funds, investor directed portfolio services, a superannuation master fund, separately managed accounts and self-managed superannuation administration services.

2 Significant Accounting Policies

Basis of preparation

This consolidated financial report for the year ended 30 June 2021:

- is for the consolidated entity consisting of Netwealth Group Limited and its controlled entities (trading on the ASX under the symbol 'NWL');
- is presented in Australian dollars, with all values rounded to the nearest thousand dollars, or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investment Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- has been prepared on a going concern basis using historical costs in accordance with Australian Accounting Standards (AASBs) and Interpretations issued by the Australian Accounting Standards Board, and the Corporations Act 2001;
- complies with International Financial Reporting Standards as issued by the International Accounting Standards Board; and

- has accounting policies and methods of computation which are consistent to all periods presented, unless stated.

Principles of consolidation

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

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

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

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

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

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

Changes in Accounting Policy

Software as a Service (SaaS) arrangement is where the Company has contracted the right to access the cloud provider's application software over a contract period. Typically costs incurred to setup and customise, and the ongoing fees to have continuing access to the cloud provider's application software, are recognised as operating expenses when the services are received.

In March 2019 and March 2021, IFRS Interpretations Committee (IFRIC) has issued two agenda decisions in relation the SaaS. What was concluded was that SaaS are only giving the customer the right to access the cloud provider's application software, rather than a license over the IP. The only time SaaS related cost can be capitalised are where the costs incurred are for the development of software code that enhances, modifies or creates additional capability on top of the existing SaaS, while meeting the definition of recognition criteria for an intangible asset.

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

Critical accounting estimates and key sources of estimation uncertainty

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

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

Part of the customisation and configuration activities undertaken in implementing SaaS arrangements may entail the development of software code that enhances or modifies, or creates additional capability to the existing on-premise software to enable it to connect with the cloud-based software applications (referred to as bridging modules or APIs). Judgement was applied in determining whether the additional code meets the definition of and recognition criteria for an intangible asset in AASB 138 Intangible Assets. During the year, the Company recognised \$0.5M as intangible assets (work in progress) in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

COVID-19 Impact

As we enter the second year after COVID-19 was first declared a pandemic by the World Health Organisation, global economies continue to be disrupted from quarantine measures and trade restrictions put in place by governments in their efforts to manage the pandemic.

Despite this, COVID-19 has had no material adverse impact on the business operations of the Group as remote working practices established in the previous year ensured that business operations have continued to run effectively and in full capacity throughout the year whilst maintaining exemplar client service levels. The Group posted record revenues for the financial year with no adverse impact from COVID-19 on the value of business assets.

At the current time the Board and management are of the opinion that the business will continue to operate as normal. Whilst economic uncertainty prevailing around the world makes it challenging to forecast the future, Netwealth remains positive with its strong pipeline of new and existing business and growing market share.

3 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.

Key Accounting Policies

An Operating segment is a component of an entity which engages in multiple business activities from which it may earn revenue and incur expenses and its operating results are regularly reviewed by the entity's decision makers.

Reportable segments

A entity shall report separately information about each operating segment that:

- Has been identified as a distinct segments; and
- Exceeds the quantitative thresholds.

Quantitative Thresholds

An entity is reported as an individual operating segment if any of their qualitative thresholds are met:

- The reported revenue is 10 per cent or more of the combined revenue; or
- The absolute amount of the segment reported profit or loss is 10 per cent or more of the combined reported profit of all segments; or
- Its assets are 10 per cent or more of the combined assets of all operating segments.

4 Revenue

Revenue and other income

	Consolidated Group	
	30 June 2021 \$'000	30 June 2020 \$'000
Revenue		
Platform revenue	141,982	121,345
Total platform revenue	141,982	121,345
Other income		
Net loss on disposal of investments	(292)	40
Unrealised investment (loss)/gain	73	(19)
Dividends and distributions received	28	52
Interest received	500	567
Cost of capital recovery	2,480	1,908
Other Income	109	17
Total other income	2,898	2,565
Total income	144,880	123,910

Key Accounting Policies

Revenue is measured by reviewing each revenue contract and its respective services to customers to determine its performance obligation while allocating the transaction price to each performance obligation either over time or at a point in time. The performance obligations identified are:

Platform revenue

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

Other income

- Gain from disposal/loss of investments is recognised when the asset has been disposed
- Unrealised gains from investments is recognised when the fair value of the underlying asset has increased/decreased but not been disposed
- Dividend revenue is recognised when the right to receive a dividend has been established
- Cost of capital recovery is recognised when the right to recover the cost of subscribed Operational Risk Financial Requirement (ORFR) capital has been established
- Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that discounts the estimated future cash receipt through the expected life of the financial asset to that asset's net carrying amount on initial recognition

5 Expenses

5.1 Employee benefits expense

	Consolidated Group	
	30 June 2021	30 June 2020
	\$'000	\$'000
Salaries and wages (including payroll tax)	43,329	34,741
Contributed superannuation	3,521	2,915
Share-based payment expense	402	446
Other employee benefits expenses	3,247	3,446
Total employee benefits expenses	50,499	41,548

5.2 Other operating expenses

	Consolidated Group	
	30 June 2021	30 June 2020
	\$'000	\$'000
Operating expenses	9,070	11,800
Total other operating expenses	9,070	11,800

Key Accounting Policies

Short-term employee benefits

Current liabilities for wages and salaries (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period for the employees' services rendered. They are measured at the amounts expected to be paid when the obligation is settled.

Other long-term employee benefits

Long service leave are long-term employee benefits, where they are not expected to be settled wholly within 12 months after the end of the annual reporting period for the employees' services rendered. It is measured at the present value of the probability on expected future payments to be made to employees and are discounted at rates determined by reference to Group of 100 (G100) discount rate.

They are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Retirement benefit obligations

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution to the employee's superannuation fund of choice in accordance with relevant statutory requirements.

Rent expense

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

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

Other occupancy expenses

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

6 Income Taxes

	Consolidated Group	
	30 June 2021 \$'000	30 June 2020 \$'000
a) The components of tax expense/(income) comprise:		
Current tax	24,025	18,203
Deferred tax	(875)	893
Under/(Over) provision from prior years	(22)	(12)
	23,128	19,084
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%	23,169	18,824
Other non-allowable/assessable items	(41)	260
Income tax expense attributable to entity	23,128	19,084

	Consolidated Group	
	30 June 2021 \$'000	30 June 2020 \$'000
c) The components of deferred tax assets comprise:		
Expenditure deductible over 5 years	845	2,053
Lease liability	4,928	1,522
Tax losses	272	-
Temporary differences	2,260	1,902
	8,305	5,477
d) The components of deferred tax liabilities comprise:		
Property, equipment and intangible assets	247	189
Right-of-use assets	4,915	1,425
Temporary differences	211	56
	5,373	1,670

Effective tax rate

	30 June 2021	30 June 2020
Consolidated Group	29.9%	30.4%

The effective tax rate for the year ended 30 June 2021 is 29.9%.

	Opening Balance 30 June 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	3,539	(1,485)	-	-	2,054
Provisions	1,290	277	-	-	1,567
Property, plant & equipment and intangible assets	(445)	202	-	-	(243)
Leases	-	97	-	-	97
Other temporary difference	316	16	-	-	332
	4,700	(893)	-	-	3,807

	Opening Balance 30 Jun 2020	Charged to Income	Charged Directly to Equity	Transferred to Assets Held for Sale	Closing Balance 30 Jun 2021
	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets/liabilities					
Expenditure deductible over 5 years	2,054	(1,209)	-	-	845
Provisions	1,567	391	-	-	1,958
Property, plant & equipment and intangible assets	(243)	(40)	-	-	(283)
Leases	97	(84)	-	-	13
Tax losses	-	272	-	-	272
Other temporary differences	332	(205)	-	-	127
	3,807	(875)	-	-	2,932

Key Accounting Policies

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

Current tax

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

Deferred tax

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

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

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

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

Offsetting within tax consolidated group

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

Key Accounting Policies

Netwealth Group Limited and its wholly-owned Australian subsidiaries formed an income tax consolidated group under the tax consolidation legislation with effect from 30 June 2018. Netwealth Group Limited is the head entity of the Group.

The tax consolidated group has entered a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The amounts payable or receivable under the tax-funding arrangement between the company head entity and the entities in the tax consolidated group are determined using the 'standalone taxpayer method' approach for allocation of the tax contributions payable or receivable by each member of the tax-consolidated group. This approach results in the tax effect of transactions being recognised in the legal entity where the transaction occurred and does not affect transactions that do not have tax consequences to the group.

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

7 Key Management Personnel Compensation

	Consolidated Group	
	30 June 2021 \$'000	30 June 2020 \$'000
Short term employee benefits	2,084	1,694
Post-employment benefits	129	84
Share based payments	100	111
Key management personnel compensation	2,313	1,889

The remuneration paid to KMP of the Group during the year, was paid by Netwealth Group Services Pty Ltd, a subsidiary of the Company. The remuneration disclosures are provided in the 'Remuneration Report' on pages 37 to 50 of the Annual Report.

8 Dividends

Dividends paid or declared by the Company in the year ended 30 June 2021 were:

	Cents Per Share	Total Amount \$'000	% Franked	Date of Payment
2021				
Interim 2021 ordinary	9.06	22,089	100%	26 Mar 2021
Total dividend	9.06	22,089		
2020				
Final 2020 ordinary	7.80	18,540	100%	24 Sep 2020
Total dividend	7.80	18,540		

During the year, the Company declared on 17 February 2021 and paid on 26 March 2021 a fully franked dividend of 9.06 cents per share representing a total dividend of \$22,089,000. There is no dividend reinvestment plan.

Franking credits

Franking credits available as at 30 June 2021 to shareholders of the Company amount to \$29,771,588 (2020: \$8,540,158) at the 30 percent corporate tax rate.

Subsequent events

Since the end of the financial year, the Company declared the following dividend on 18 August 2021. The dividend has not been provided for as at 30 June 2021 and there are no tax consequences.

	Cents Per Share	Total Amount \$'000	% Franked	Date of Payment
Final 2021 ordinary	9.50	23,161	100%	17 Sep 2021
Total dividend	9.50	23,161		

9 Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares on issue during the year.

Diluted EPS is determined by adjusting the profit/(loss) attributable to owners of the Company and the weighted average number of ordinary shares on issue for the effects of all dilutive ordinary shares. As there were no exercisable options at the start or end of the financial year, the basic and diluted EPS are identical and summarised below.

	Consolidated Group	
	30 June 2021 Cents per Share	30 June 2020 Cents per Share
Basic and diluted earnings per share	22.55	18.37

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	Consolidated Group	
	30 June 2021 \$'000	30 June 2020 \$'000
Profit for the year attributable to owners of the Company	54,103	43,661
Profit for the year attributable to owners of the Company	54,103	43,661

	Consolidated Group	
	30 June 2021 Number	30 June 2020 Number
Weighted average number of issued ordinary shares	239,953,994	237,690,475

10 Trade and Other Receivables

	Consolidated Group	
	30 June 2021	30 June 2020
	\$'000	\$'000
Products account receivables	12,024	10,191
Trade and sundry receivables	2,279	133
Total current receivables	14,303	10,324
Total trade and other receivables	14,303	10,324
Trade and other receivables classified as financial assets*	14,303	10,324

* Refer to Note 22 for further information about Financial Assets

11 Other Current Assets

	Consolidated Group	
	30 June 2021	30 June 2020
	\$'000	\$'000
Accrued income	2,299	1,471
Prepayments	3,191	2,752
Deposit	4,000	-
Other receivables	1,707	188
Total other current assets	11,197	4,411

12 Financial Assets

	Consolidated Group	
	30 June 2021	30 June 2020
	\$'000	\$'000
FVTPL* financial assets	535	1,186
Total financial assets	535	1,186

	Consolidated Group	
	30 June 2021	30 June 2020
	\$'000	\$'000
FVTPL* financial assets comprise at fair value:		
Netwealth managed funds	17	16
Netwealth wrap and super accounts	452	1,108
Other investments	66	62
Total FVTPL financial assets	535	1,186

* Fair Value through Profit or Loss (FVTPL)

13 Leases

	Property \$'000
Right-of-use assets	
Balance as at 30 June 2020	4,748
Depreciation	(1,049)
Remeasurement of Melbourne Office lease on 1 October 2020	(3,157)
Remeasurement of Melbourne Office lease on 1 January 2021	(45)
Initial recognition of new Melbourne Office lease on 30 June 2021	15,885
Total right-of-use assets as at 30 June 2021	16,382

	Property \$'000
Lease liability	
Balance as at 30 June 2020	5,071
Lease payments	(1,392)
Interest on leases	64
Remeasurement of Melbourne Office lease on 1 October 2020	(3,157)
Remeasurement of Melbourne Office lease on 1 January 2021	(45)
Initial recognition of new Melbourne Office lease on 30 June 2021	15,885
Total lease liability as at 30 June 2021	16,426
Current	1,398
Non-current	15,028
Total lease liability as at 30 June 2021	16,426

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position throughout FY2021 was 3.144% (2020: 3.133%).

	Property \$'000
Undiscounted lease payments to be paid	
Year 1	1,894
Year 2	1,937
Year 3	1,825
Year 4	1,776
Year 5	1,825
> 5 years	9,957
Total	19,214

Impact of new lease

The Group has leased a new Melbourne office of approximately 2,702 square metres to replace its existing head office. The lease is for a period of 10 years commencing from 1 July 2021. Annual increases will start at 2.00% per annum and eventually increasing to 3.00% per annum from the 6th year of the lease.

From 30 June 2021, the Group has recognised:

Expected Impact on Statement of Financial Position	\$'000
Recognition of new lease liabilities	(15,885)
Recognition of new right-of-use assets	15,885
Net impact on statement of financial position	-

The expected financial impact of the lease for the 12 month to 30 June 2022 are:

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

Short-term leases

Payments associated with short-term leases are directly expensed within 'Occupancy expenses' in the consolidated income statement. Short-term leases are leases with a contractual term of 12 months or less. Netwealth has no low-value assets. For the year ended 30 June 2021, \$0.1 million of short-term lease payments has been recognised in the income statement.

Key Accounting Policies

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

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

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

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

14 Investment in Associates

	Consolidated Group	
	30 June 2021 \$'000	30 June 2020 \$'000
Equity investments with no provisions for impairment	2,567	-
Share of Associate's NPAT	(183)	-
Total investment in associates	2,384	-

The Group's associates at the balance date are:

Associates	Ownership Interest	Nature of activities	Financial Reporting Date	Carrying Value 30 June 2021 \$'000
Xeppo Pty Limited	25%	Fintech Data Solutions Provider	30 June	2,384

Xeppo Pty Ltd

On 5 November 2020, the Group acquired a 25% interest in an unlisted entity, Xeppo, an Australian specialist fintech data solutions provider from Adelaide 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.

Key Accounting Policies

If an entity holds, directly or indirectly, 20 percent or more of the voting power of the investee, it is presumed that the entity has significant influence.

Significant influence

It is where the acquirer has the power to of significant influence over the investee, but this does not equate to control over the investee, which relates to the ability to direct.

Investments in associates – Equity Method

Investments in associates are measured on the cost basis and if the cost of investment is greater than the net assets of the investee, goodwill is to be recognised.

Recognition of Share of Profit from investment in associate

The investor's share of the investee's profit or loss is to be recognised in the investor's profit or loss, which will either increase or decrease the carrying amount of the investment in associate.

15 Property and Equipment

	Consolidated Group		
	30 June 2021	30 June 2020	
	\$'000	\$'000	
Carrying amount of:			
Leasehold improvements	64	309	
Equipment	1,174	1,294	
Total property and equipment	1,238	1,603	
	Leasehold Improvements	Equipment	Total
	\$'000	\$'000	\$'000
Cost			
Balance at 30 June 2019	3,111	2,676	5,787
Additions	17	898	915
Disposals	-	(550)	(550)
Balance at 30 June 2020	3,128	3,024	6,152
Additions	-	586	586
Disposals	(2,633)	(595)	(3,228)
Balance at 30 June 2021	495	3,015	3,510
Accumulated depreciation			
Balance at 30 June 2019	(1,468)	(1,786)	(3,254)
Depreciation expense	(1,351)	(469)	(1,820)
Disposals	-	525	525
Balance at 30 June 2020	(2,819)	(1,730)	(4,549)
Depreciation expense	(245)	(642)	(887)
Disposals	2,633	531	3,164
Balance at 30 June 2021	(431)	(1,841)	(2,272)

	Leasehold Improvements \$'000	Equipment \$'000	Total \$'000
Net carrying amount			
At 30 June 2020	309	1,294	1,603
At 30 June 2021	64	1,174	1,238

Key Accounting Policies

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

Leasehold improvements

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

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

Depreciation

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

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Leasehold improvements	10%
Office equipment	20%
Computer equipment	25% to 33%
Laptop computers and software	33.33%

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

Gains or losses on disposal

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

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

16 Intangible Assets

	Consolidated Group			
	30 June 2021		30 June 2020	
	\$'000		\$'000	
Carrying amount of:				
Non-contractual customer relationships	120		180	
Software and website developments costs	147		117	
Software – Work in Progress (WIP)	458		-	
Total intangibles	725		297	
	Customer relationship	Software and website	Software - Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
Balance at 30 June 2019	300	345	-	645
Additions	-	4	-	4
Disposals	-	(52)	-	(52)
Balance at 30 June 2020	300	297	-	597
Additions	-	86	458	544
Disposals	-	-	-	-
Balance at 30 June 2021	300	383	458	1,141
	Customer relationship	Software and website	Software - Work in progress	Total
	\$'000	\$'000	\$'000	\$'000
Accumulated amortisation and impairment				
Balance at 30 June 2019	(60)	(202)	-	(262)
Amortisation	(60)	(30)	-	(90)
Disposal	-	52	-	52
Balance at 30 June 2020	(120)	(180)	-	(300)
Amortisation	(60)	(56)	-	(116)
Disposals	-	-	-	-
Balance at 30 June 2021	(180)	(236)	-	(416)

Key Accounting Policies

Intangible assets acquired separately

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

Intangibles – Software as a Service (SaaS) customisation upgrades

Intangibles for SaaS customisation upgrades is recognised when the software upgrade is separately identifiable, the costs are measurable, the condition for having obtained control of the intellectual property from the upgrade, the development on the existing SaaS code enhances and creates new additional capabilities and it is probable that future economic benefits will be obtained.

Intangibles - Work In Progress (WIP)

Intangibles – WIP is recognised when it can be demonstrated that there is an intention to complete the work in progress and it is feasible that the intangible assets will be ready for use or sale and the amount can be reliably measured.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. Gains or losses arising are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with either indefinite useful lives or not yet available for use are tested for impairment at least annually. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Key Accounting Policies

Amortisation

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

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

Class of Intangibles	Amortisation rate
Customer relationships	20%
Software and website	20%

17 Trade and Other Payables

	Consolidated Group	
	30 June 2021 \$'000	30 June 2020 \$'000
Financial liabilities measured at amortised cost:		
Trade payables	7,130	6,786
GST payables / (receivables)	785	595
Other payables	-	86
Total financial liabilities measured at amortised cost	7,915	7,467
Financial liabilities at amortised costs classified as trade and other payables		
Total financial liabilities at amortised cost	7,915	7,467
Less:		
GST payable / (receivables)	785	595
Total financial liabilities as trade and other payables	7,130	6,872

Key Accounting Policies

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.

18 Provisions

	Consolidated Group		
	30 June 2021 \$'000	30 June 2020 \$'000	
Employee benefits	6,465	5,013	
Other provisions	59	213	
Total provisions	6,524	5,226	
Current	5,386	4,277	
Non-current	1,138	949	
Total provisions	6,524	5,226	
	Employee Benefits \$'000	Other Provisions \$'000	Total Provisions \$'000
Analysis of provisions consolidated Group			
Balance at 30 June 2020	5,013	213	5,226
Additional amounts raised during the year	4,079	1	4,080
Amount used or reversed during the year	(2,627)	(155)	(2,782)
Balance at 30 June 2021	6,465	59	6,524

18.1 Provision for employee benefits

Provision for employee benefits represents and amounts accrued for annual leave and long service leave. The current portion for this provision includes the total amount accrued for annual leave entitlements and the amount accrued for long service leave is a pro-rata amount accrued based on the current years of service, adjusted for an assumed rate of salary increase and discounted to allow for when the leave is expected to be taken. Based on experience the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months.

	Consolidated Group	
	30 June 2021 \$'000	30 June 2020 \$'000
Current		
Annual leave	3,380	2,531
Long service leave	1,947	1,533
Total current employee provisions	5,327	4,064
Non-current		
Long service leave	1,138	949
Total non-current employee provisions	1,138	949
Total employee provisions	6,465	5,013

18.2 Other provisions

A provision of \$0.1 million has been recognised for the cost to make good premises that the Group has an obligation under existing lease commitments.

Key Accounting Policies

Provisions

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

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

19 Issued Capital

Issued capital comprised:

	Consolidated Group	
	30 June 2021 \$'000	30 June 2020 \$'000
243,802,657 Fully Paid Ordinary shares (June 2020: 237,694,996)	882,433	879,530
Nil Performance shares (June 2020: 6,177,500)	-	2,937
Total share capital	882,433	882,467
Restricted shares	-	(3,310)
Reorganisation reserve	(856,035)	(856,035)
Issued capital	26,398	23,122

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

	Consolidated group	
	30 June 2021 Number	30 June 2020 Number
Fully Paid Ordinary shares		
At the beginning of the reporting period	237,694,996	237,679,816
Performance shares converted to Fully Paid Ordinary shares	6,107,661	-
Shares issued during the year	-	15,180
At the end of the reporting period	243,802,657	237,694,996
Shares with value	243,802,657	235,581,149
Restricted shares	-	2,113,847

On 10 February 2021, the Performance Shares in Note 23 Issued Capital vested in full and on 15 February 2021, 6,107,661 Performance Shares were converted to 6,107,661 Ordinary shares. The Ordinary Shares have been quoted on the ASX with full voting rights and are entitled to dividends.

	Consolidated group	
	30 June 2021 Number	30 June 2020 Number
Performance shares		
At the beginning of the reporting period	6,177,500	6,177,500
Performance shares converted to Fully Paid Ordinary shares	(6,107,661)	-
Shares cancelled during the year	(69,839)	-
At the end of the reporting period	-	6,177,500
Restricted shares	-	6,177,500

The Company has issued share capital amounting to 243,802,657 Ordinary shares (2020: 237,694,996 shares) of no par value and nil Performance Shares (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.

20 Reserves

	Consolidated Group	
	30 June 2021 \$'000	30 June 2020 \$'000
Share reserve	1,688	1,286

The Share reserve records the fair value of shares granted via Share-based payment transactions.

Key Accounting Policies

Ordinary shares are classified as equity. The incremental costs directly attributable to the issue of new equity instruments are expensed, net of GST, in the consolidated statement of profit or loss and other comprehensive income.

21 Controlled Entities

	Country of Incorporation	Percentage Owned	
		30 June 2021 %	30 June 2020 %
Subsidiaries of Netwealth Group Limited			
Netwealth Holdings Limited	Australia	100	100
Netwealth Superannuation Services Pty Ltd	Australia	-	100
Wealthtech Pty Ltd	Australia	100	100
Subsidiaries of Netwealth Holdings Limited			
Netwealth Investment Limited	Australia	100	100
Netwealth Group Services Pty Ltd	Australia	100	100
Netwealth Fiduciary Services Pty Ltd*	Australia	100	100
Netwealth Superannuation Services Pty Ltd	Australia	100	-

*Previously known as Netwealth Advice Group Pty Ltd

Netwealth Superannuation Services Pty Ltd and Wealthtech Pty Ltd are subsidiaries which were established in FY2020. Neither are operating as at 30 June 2021. Netwealth Superannuation Services Pty Ltd, previously a fully owned subsidiary of Netwealth Group Limited became a full owned subsidiary of Netwealth Holdings Limited during the year.

22 Financial Instruments

22.1 Capital management

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

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

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

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

Under the RSE licence granted by APRA, the licensed entity is required to maintain sufficient level of capital known as Operational Risk Financial Requirements (ORFR) to cover operational risk. At 30 June 2021, this ORFR requirement was \$42.1 million. Combined with ASIC's RG166 capital

requirements for Australian Financial Services Licensees, the licensed entity was also required to maintain an additional \$12.2 million in net tangible assets as at 30 June 2021. The licensed entity satisfied both of these requirements at all times during the year.

22.2 Categories of financial instruments

The Group's financial instruments consist mainly of deposits with banks, local money markets investments, short term investments, accounts receivable and payable. For the year ended 30 June 2021, the Group did not utilise derivatives, was debt free and has not traded in financial instruments including derivatives other than listed and unlisted securities. The carrying amount for each category of financial instruments, measured in accordance with *AASB 9 Financial Instruments*, as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated Group	
	30 June 2021 \$'000	30 June 2020 \$'000
Financial assets		
Cash and cash equivalents	81,421	85,516
Trade and other receivables	14,303	10,324
Financial assets	535	1,186
Total financial assets	96,259	97,026
Financial liabilities		
Trade and other payables	7,915	7,467
Total financial liabilities	7,915	7,467

22.3 Financial risk management objectives

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

Senior executives meet on a regular basis to analyse financial risk exposure in the context of the most recent economic conditions and forecasts. The overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk, relating to interest rate risk and other price risk.

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

22.4 Market risk

i. Interest rate risk

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

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

ii. Other price risk

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

Sensitivity analysis

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

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

	Consolidated Group	
	Profit (Before Tax) \$'000	Equity \$'000
Year ended 30 June 2021		
+/- 0.1% interest rates (interest income)	+3,149/-3,149	+2,204/-2,204
Year ended 30 June 2020		
+/- 0.1% interest rates (interest income)	+2,503/-2,503	+1,752/-1,752

The assumptions used to prepare the above sensitivity analysis has changed from the prior year and has been applied retrospectively for comparative purposes. The two assumptions which changed are:

- Interest rates used in the sensitivity analysis has decreased from 1% pa to 0.1% pa;
- Retained interest on clients pooled cash.

The review of the assumptions was due to the declining Reserve Bank of Australia (RBA) cash rate and the impact it has on the retained interest income from pooled accounts.

22.5 Credit risk management

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

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

Credit risk exposures

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

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically mentioned within Note 10. The main source of credit risk to the Group is considered to relate to the class of assets described as "trade and other receivables" and "loans".

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

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

	Amount	Past Due but Not Impaired (Days Overdue)			Within Initial Trade Terms	Past Due and Impaired
		31 - 60	61 - 90	>90		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2021						
Trade and term receivables	2,407	580	9	9	1,809	-
Other receivables	11,896	-	-	-	11,896	-
Total	14,303	580	9	9	13,705	-
2020						
Trade and term receivables	318	2	-	24	292	-
Other receivables	10,006	-	-	-	10,006	-
Total	10,324	2	-	24	10,298	-

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

22.6 Liquidity risk management

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

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

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

	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000
2021				
Trade & other payables	7,130	-	-	7,130
Total expected outflows	7,130	-	-	7,130
Cash and cash equivalents	81,421	-	-	81,421
Trade and other receivables	14,303	-	-	14,303
Financial assets	535	-	-	535
Total anticipated inflows	96,259	-	-	96,259
Net (outflow)/inflow of financial instruments	89,129	-	-	89,129
2020				
Trade & other payables	6,872	-	-	6,872
Total expected outflows	6,872	-	-	6,872
Cash and cash equivalents	85,516	-	-	85,516
Trade and other receivables	10,324	-	-	10,324
Financial assets	1,186	-	-	1,186
Total anticipated inflows	97,026	-	-	97,026
Net (outflow)/inflow of financial instruments	90,154	-	-	90,154

22.7 Fair value of financial instruments

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

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

	Net Carrying Value		Net Fair Value	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash & cash equivalent	81,421	85,516	81,421	85,516
Trade & other receivables	14,303	10,324	14,303	10,324
FVTPL financial assets	535	1,186	535	1,186
Loans & receivables	-	-	-	-
Total financial assets	96,259	97,026	96,259	97,026
Financial liabilities				
Trade & other payables	7,130	6,872	7,130	6,872
Total financial liabilities	7,130	6,872	7,130	6,872

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

- i. Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts relating to the provision of annual leave and deferred revenue which is outside the scope of *AASB 9*.
- ii. For listed FVTPL, closing quoted bid prices at the end of the reporting period are used.
- iii. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market and approximate their fair value.

Financial instruments measured at fair value

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

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

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
2021				
Financial assets				
FVTPL financial assets:				
Listed investments	357	-	-	357
Other	-	-	178	178
Total FVTPL financial assets	357	-	178	535
2020				
Financial assets				
FVTPL financial assets:				
Listed investments	1,003	-	-	1,003
Other	-	-	182	182
Total FVTPL financial assets	1,003	-	182	1,185

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

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

Level 3 inputs are unobservable inputs for the asset or liability. Majority relate to deferred payments receivable from the sale of its subsidiary operations in 2018 with the reconciliation shown in the table below:

Reconciliation of Level 3 fair value measurements

	Unlisted Investments	Deferred Receivables*	Total
	\$'000	\$'000	\$'000
2021			
Opening balance	182	-	182
Total gains or losses	(9)	-	(9)
Purchases	14	-	14
Disposal	(9)	-	(9)
Closing balance	178	-	178
2020			
Opening balance	160	2,120	2,280
Total gains or losses	22	-	22
Purchases	3	-	3
Disposal	(3)	(2,120)	(2,123)
Impairment	-	-	-
Closing balance	182	-	182

* Relates to deferred payments receivable from sale of Bridgeport Financial Services Pty Ltd

22.8 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.

	2021		2020	
	Gross Exposure \$'000	ECL Allowance \$'000	Gross Exposure \$'000	ECL Allowance \$'000
Trade receivables [^]	14,130	5	10,191	4
Intercompany loans ⁻	6,354	6	25,201	25
Other	535	1	1,186	21
Total	21,019	12	36,578	50

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

⁻ Intercompany loans were assessed on a stand-alone company basis

Key Accounting Policies

Initial recognition and measurement

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

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

Financial assets

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

Debt instruments

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

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

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

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

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

Impairment of financial assets

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

Expected credit losses (ECL)

Financial assets are required to determine the ECL to recognise the possible loss derived from the Financial Asset.

Key Accounting Policies continued...

Trade and Other receivables are assessed for ECL on a collective basis. Any intergroup receivables are excluded from the ECL assessment as they are typically paid within 14 days. A credit loss model is applied and using historical trend, management has determined the Expected Loss Probability as:

Category	Expected Loss Probability
Current	0.10%
1 – 30 Days	0.50%
31 – 60 Days	0.75%
61 – 90 Days	1.00%
Over 90 Days	3.00%

These Expected Loss Probability is applied to each aging category to calculate the ECL.

Intercompany Loans are required to calculate it's ECL on a stand-alone basis despite being fully eliminate across the Group at consolidation. Management has assessed the risk of an intercompany loan being unable to repay the intercompany loan to be low as control of the intercompany loan remains within the Group. The lowest Expected Loss Probability has been applied against the intercompany loan to determine the ECL.

For Listed Investments that are measured at FVTPL, the amount of the ECL is measured by applying the 3-month average 1-year price return discounted rate to ascertain the probable risk the value of the Listed Investment drops below FVTPL. The difference between the probable impact on present value and the cost is the ECL.

Derecognition of financial assets

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

Financial liabilities and equity instruments

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.

23 Share Based Payments

23.1 Details of the employee share plans of the Group

Netwealth employee share loan plan

The Group had a share loan plan, the Pre-Listing LTI Scheme described on page 41 which applied to Performance Shares and was in effect until February 2021. The Pre-Listing LTI Scheme became fully vested during the financial year.

The Group has adopted the New LTI Scheme described on page 42 under which the Group has offered options over ordinary shares to senior and key employees.

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

Performance shares (Pre-Listing LTI Scheme)

The Performance Shares gave the participant the right to convert to fully paid ordinary shares in Netwealth Group Ltd upon meeting specific performance hurdles and other conditions.

On 10 February 2021, as all the vesting conditions attached to the Performance Shares were fulfilled, 6,107,661 vested on 15 February 2021 and were converted to 6,107,661 Ordinary shares. The Ordinary Shares have been quoted on the ASX with full voting rights and are entitled to dividends.

The remainder 69,839 Performance Shares were cancelled due to the holders not fully meeting the vesting conditions.

Netwealth Equity Incentive Plan (NEIP)

Under NEIP, 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 NEIP does not apply to non-executive Directors.

The following options (referred to as the 'New LTI Scheme') were granted under the NEIP 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 New LTI Scheme Options:

- The holder must be either continuously employed by or hold office continually with until 30 June 2022;
- In each of the three financial years ending with the FY2022, the holder must achieve performance ratings of 'effectively displays' and achieve all minimum KPIs 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.

23.2 Share options

No share options were exercised during the year (2020: nil). There are no outstanding share options at the end of the year (2020: nil).

Key Accounting Policies

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

24 Related Party Transactions

The Group's main related parties are as follows:

24.1 Entities exercising control over the Group

The parent entity, which exercises control over the Group is Netwealth Group Limited.

24.2 Key management personnel

For details of disclosures relating to key management personnel, refer to the Remuneration Report on pages 37 to 50 and Note 7.

24.3 Other related parties

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

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidations and are not disclosed in this note.

	Consolidated Group	
	30 June 2021	30 June 2020
	\$'000	\$'000
Director related entities		
Netwealth Group Services has generated revenue by providing administration services to director related entities during the year are as follows:		
Other entities:		
Heine Brothers Pty Ltd	6	12

Related parties

Netwealth Investments Limited is the Responsible Entity and receives management fees for managing the operations of managed investment schemes. The 17 managed investment schemes that Netwealth Investments Limited is the Responsible Entity for are:

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

Netwealth Investments Limited also holds units in some of these Schemes through which distributions are paid from the above Schemes.

	Consolidated Group	
	30 June 2021	30 June 2020
	\$	\$
Management fees:		
Management fee revenue	10,202,176	6,686,765
Distributions:		
Distribution income	925	1,246

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

Netwealth Investments Limited holds investments in Netwealth products as follows:

	Consolidated Group	
	30 June 2021	30 June 2020
	\$	\$
FVTPL financial assets		
Netwealth Managed Funds	18,699	16,623
Netwealth Wrap and Super Accounts	652,016	1,268,859

25 Cash Flow Note

Reconciliation of cash flow from operations with profit after income tax

	Consolidated Group	
	30 June 2021	30 June 2020
	\$'000	\$'000
Profit for the year	54,103	43,661
Income tax expense recognised in profit or loss	23,128	19,084
Depreciation & amortisation	2,054	3,287
Share based payment expense	402	578
Unrealised (gain)/loss on investments	(73)	19
Adjustments on make good provision	(153)	6
Loss/(gain) on disposal of assets	21	25
Gain on disposal of investments	291	(40)
Share of Associate's NPAT	183	-
	79,956	66,620
Movements in working capital		
(Increase)/decrease in trade & other receivables	(4,117)	(1,765)
(Increase)/decrease in other assets	(6,787)	(927)
Increase/(decrease) in trade & other payables	587	1,607
Increase/(decrease) in provisions	1,451	1,347
Cash generated from operations	71,090	66,882
Income tax paid	(33,281)	(7,470)
Net cash provided by operating activities	37,809	59,412

Reconciliation of liabilities arising from financing activities

	30 June 2020 \$'000	Cash Flows	Non-Cash Changes		30 June 2021 \$'000
			Acquisitions	New Leases	
Lease liabilities	5,071	(1,328)	-	12,683	16,426
Total liabilities from financing activities	5,071	(1,328)	-	12,683	16,426

Key Accounting Policies

Cash and cash equivalents includes:

- cash on hand
- deposits held at-call with banks; and
- other short-term highly liquid investments with original maturities of three months or less, (including products managed via the netwealth platform).

26 Parent Entity Disclosures

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 2 for a summary of the significant accounting policies relating to the Group.

Statement of Financial Position	Parent Entity	
	30 June 2021 \$'000	30 June 2020 \$'000
Assets		
Cash and cash equivalents	121	58
Current assets	10,369	20,429
Non-current assets	1,020	1,496
Investment in subsidiaries	46,823	43,546
Total assets	58,333	65,529
Liabilities		
Current liabilities	20,076	31,199
Total liabilities	20,076	31,199
Net assets	38,257	34,330
Equity		
Issued capital	882,434	879,158
Reserves	(834,661)	(835,033)
Retained earnings	(9,516)	(9,795)
Total equity	38,257	34,330
Statement of profit or loss and comprehensive income		
Total Profit/(Loss) for the year	40,907	32,121
Total Comprehensive Profit / (Loss) for the year	40,907	32,121

Guarantees: The parent entity has a deed of cross guarantee with its subsidiaries; Netwealth Holdings Limited, Netwealth Group Services Pty Ltd and Netwealth Advice Group Pty Ltd in order for them to be relieved from financial reporting obligations under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

Contractual commitments: At 30 June 2021, the parent entity had not entered into any contractual commitments for the acquisition of property and equipment or any operating leases (2020: nil).

Contingent liabilities: At 30 June 2021, the parent entity does not have any contingent liabilities (2020: nil).

27 Auditor's Remuneration

	Consolidated Group	
	30 June 2021 \$'000	30 June 2020 \$'000
Fees payable for audit and review of financial reports		
Company	108	101
Subsidiaries	70	40
Total audit and review of financial reports	178	141
Statutory assurance services	12	19
Audit and review of the Funds	204	157
Audit on Internal Controls – GS007	92	84
Audit of IDPS and Investor Statements	25	24
Total fees paid to group auditor	511	425

28 Events Occurring after Reporting Date

On the 18 August 2021, the Company declared a fully franked final dividend for FY2021 of 9.50 cents per share (total dividend of \$23,161,252). The final dividend is payable on 24 September 2021.

In the opinion of the Board, there are no other matters or circumstances which have arisen between 30 June 2021 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs for the Group in subsequent financial periods.

Directors' Declaration

The Directors declare that:

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

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Timothy Antonie

Chairman

18 August 2021

Independent Auditor's Review Report



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Netwealth Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Revenue Recognition – Platform Revenue</p> <p>As at 30 June 2021, \$142 million of Platform Revenue has been recognised as disclosed in Note 4.</p> <p>Administration and Management fees within Platform Revenue are calculated on a number of factors such as daily portfolio balance, number of days in a period and any rebates granted.</p> <p>Netwealth’s accounting system uses a number of different data feeds within this highly automated system to capture and record the administration revenue. Consequently, there is a risk to the accuracy and completeness of these data feeds in the system.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - Updating our understanding of the system, procedures and controls in place for the accurate and complete recording of Platform Revenue; - Assessing that the controls over Platform Revenue are operating effectively, including the setup of a sample of agreements in the system; - Performing general IT controls testing over the systems that support data feeds for the Platform revenue; - Performing an analytical review of the administration revenue items based on fee rates within agreements and funds under administration, and - For a portion of the administration fees which are based on bespoke agreements; Recalculating on a sample basis, the manual fees and family fee rebates granted based on fee rates within agreements. <p>We have also assessed the appropriateness of the disclosures in Note 5 to the financial statements</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2021, but does not include the financial report and our auditor’s report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 35 to 50 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Netwealth Group Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants
Melbourne, 18 August 2021

Shareholder Information

Ordinary Shares (ASX Listed)

The shareholder information set out below was applicable at 30 July 2021.

Distribution of shareholdings

Range	Ordinary Shares	Number of shareholders
1-1,000	1,255,084	3,240
1,001-5,000	4,147,078	1,838
5,001-10,000	2,121,517	298
10,001-100,000	3,543,004	150
100,001 and over	232,735,975	34

There were no holder of less than a marketable parcel of ordinary shares.

Top 20 Holders

Rank	Name	Ordinary shares	% of Issued Capital
1	Heine Brothers Pty Ltd	115,304,990	47.29%
2	HSBC Custody Nominees (Australia) Limited	33,304,289	13.66%
3	Leslie Max Heine Pty Ltd <ATF The LMH Trust>	20,109,465	8.25%
4	J P Morgan Nominees Australia Pty Limited	17,437,870	7.15%
5	Netwealth Investments Limited <Wrap Services A/C>	15,460,837	6.34%
6	Citicorp Nominees Pty Limited	9,452,186	3.88%
7	BNP Paribas Noms Pty Ltd <DRP>	3,967,270	1.63%
8	National Nominees Limited	3,578,404	1.47%
9	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	2,438,652	1.00%
10	Australian Foundation Investment Company Limited	2,090,010	0.86%
11	Netwealth Investments Limited <Super Services A/C>	1,999,973	0.82%
12	Mirrabooka Investments Ltd	981,215	0.40%
13	Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	873,210	0.36%
14	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	652,199	0.27%
15	Asset Plus Pty Limited <ATF The Headline Investments Trust>	467,642	0.19%
16	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	439,832	0.18%
17	HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	398,357	0.16%
18	Djerriwarrh Investments Limited	384,000	0.16%
19	Truebell Capital Pty Ltd <Truebell Investment Fund>	376,550	0.15%
20	Damian Soraghan	312,874	0.13%
	Total	230,029,825	94.35%
	Balance of register	13,772,833	5.65%
	Grand total	243,802,658	100.00%

Substantial holders (as at 30 July 2021)

Substantial Holder	Number of Ordinary shares in which the holder together with their associates have a relevant interest
Matthew Heine	139,190,860
Nicholas Heine	135,501,205
Michael Heine	135,454,455
Heine Brothers Pty Ltd	135,454,455
Leslie Max Heine Pty Ltd <ATF The LMH Trust>	20,109,465

Ordinary shares voting rights

At a general meeting of the Company, every shareholder present in person or by proxy has one vote on a show of hands. Upon a poll, each share has one vote.

On-market buy-back

Currently the Company does not have an on-market buy back scheme in operation.

Company Information

Netwealth Group Limited

ABN 84 620 145 404

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Phone: 1800 888 223
Email: contact@netwealth.com.au

Shareholder Enquiries

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

Auditor

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

Stock Exchange

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

Share Registry

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

Link Market Services Limited

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727 Collins Street
Docklands VIC 3008

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