

Netwealth Group Limited
ACN 620 145 404



Prospectus

Initial Public Offering of Ordinary Shares

Joint Lead Managers



Important notices

The Offer

The Offer contained in the Prospectus is an invitation by Netwealth Group Limited (ACN 620 145 404) (**Company**) to acquire Shares in the Company (**Offer**).

The Prospectus is issued by the Company.

References to Netwealth, the Restructure and the Divestments

The Company was incorporated on 30 June 2017 and does not currently own the Platform business conducted by Netwealth. The business of Netwealth is currently being conducted by Netwealth Holdings Limited ACN 133 790 146 (**NHL**), the current parent company of the Group. In connection with the Offer, Netwealth will undertake the Restructure, under which the Company will become the new parent company of the Group. Completion of the Restructure is subject to Listing. The Restructure is scheduled to take effect on Friday, 24 November 2017. If the Restructure does not complete, the Offer will not proceed.

Under the Restructure, the Existing Shareholders (being the current owners of Netwealth Holdings Limited) will receive Shares, or a combination of Shares and cash if they elect to realise part of their investment, in exchange for their shares in Netwealth Holdings Limited. As such, Shares have not been issued as at the date of the Prospectus, being Tuesday, 24 October 2017, and will only be issued on completion of the Restructure.

In addition to the Restructure, the Group is taking steps to dispose of its interests held in non-core businesses, by:

- proposing to dispose of the majority of the assets and liabilities of Bridgeport, with completion anticipated to occur by 31 December 2017; the Group intends to wind up Bridgeport as soon as practicable following the disposal (see [Section 10.5.2.1](#) for further information);
- proposing to enter into a binding agreement to dispose of all of the shares or assets of Pathway and possibly NAG with completion anticipated to occur by 31 December 2017; NAG, which is the holding company of Pathway, does not undertake any operations and has no other assets or liabilities and will be wound up if it is not sold with Pathway (see [Section 10.5.2.2](#) for further information); and
- having entered into on 19 September 2017, and completed on 20 October 2017, a

binding and non-conditional agreement disposing of all of the shares of APS (see [Section 10.5.2.3](#) for further information).

Unless otherwise specified, the Prospectus is prepared as if the Restructure and Divestments have occurred. For example, the Investment Overview in [Section 1](#) and the Company Overview in [Section 3](#) of the Prospectus describe Netwealth after completion of the Restructure and Divestments, and the Financial Information in [Section 4](#) of the Prospectus represents the business operations of Netwealth after completion of the Restructure and Divestments.

Please refer to [Section 10.5](#) of the Prospectus for a description of the Restructure and Divestments.

Lodgement and Listing

The Prospectus is dated Tuesday, 24 October 2017 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. None of ASIC, the Australian Securities Exchange (**ASX**) or their respective officers take any responsibility for the contents of the Prospectus or the merits of the investment to which the Prospectus relates.

Expiry Date

The Company will apply to ASX for listing and quotation of the Shares on ASX within seven days after the date of the Prospectus. No Shares will be issued on the basis of the Prospectus later than 13 months after the date of the Prospectus.

Note to Applicants

The Offer contained in the Prospectus is not investment or financial product advice and does not take into account the investment objectives, financial position and particular needs of individual investors.

It is important that you read the Prospectus carefully and in its entirety before deciding to invest in the Company.

In particular, you should consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect the financial performance of the Company. You should carefully consider these risks in light of your personal circumstances and seek professional advice from your accountant, tax adviser, stockbroker, lawyer or other professional adviser before deciding to invest. Some of the key risk factors that should be considered by prospective investors are set out in [Section 5](#) of the Prospectus. There

may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in the Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital or the payment of a return on the Shares.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company, the Joint Lead Managers or any other person in connection with the Offer. You should rely only on information contained in the Prospectus when deciding whether to invest in the Company.

Credit Suisse (Australia) Limited and UBS AG, Australia Branch have acted as Joint Lead Managers to the Offer, Bell Potter Securities Limited and Ord Minnett Limited have acted as Co-Lead Managers to the Offer and Crestone Wealth Management Limited and JBWere Limited have acted as Co-Managers to the Offer and have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by them or by any of their affiliates, officers or employees. To the maximum extent permitted by law, the Joint Lead Managers and each of their respective affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

As set out in [Section 7](#) of the Prospectus, it is expected that the Shares will be quoted on ASX initially on a conditional and deferred settlement basis. The Company, the Share Registry, the Joint Lead Managers, the Co-Lead Managers and the Co-Managers each disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement, even if such person received confirmation of allocation from the Netwealth Offer Information Line or confirmed their firm allocation through a

Important notices

Broker or by Netwealth Investments Limited (for the Platform Priority Offer).

Exposure Period

The Corporations Act prohibits the Company from processing Applications in the seven day period after the date of lodgement of the Prospectus (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days (i.e. up to a total of 14 days). The Exposure Period enables the Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in the Prospectus.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Obtaining a copy of this Prospectus

During the Exposure Period, an electronic version of this Prospectus without an Application Form will be available at www.netwealthipo.com.au to persons who are Australian residents only. Application Forms will not be made available until after the Exposure Period has expired.

During the Broker Firm Offer Period, this Prospectus is available in electronic form at www.netwealthipo.com.au. The Offer constituted by this Prospectus in electronic form at www.netwealthipo.com.au is available only to persons within Australia. The Prospectus is not available to persons in other jurisdictions (including the United States) in which it may not be lawful to make such an invitation or offer. If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety.

You may before the Broker Firm Offer Period closes, obtain a paper copy of the Prospectus (free of charge) by telephoning the Netwealth Offer Information Line on 1800 888 223 (within Australia) from 8.30am to 6.00pm (Sydney time), Monday to Friday.

Applications for Shares may only be made during the Priority Offer Period, Employee Offer Period or Broker Firm Offer Period (as applicable) on an Application Form attached to or accompanying this Prospectus.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a paper copy of the Prospectus or the complete and unaltered electronic version of the Prospectus.

Refer to [Section 7](#) for further information.

Statements of past performance

This Prospectus includes information regarding the past performance of Netwealth. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial Information presentation

[Section 4](#) sets out the detail of the Financial Information referred to in this Prospectus. The basis of preparation and presentation of the Financial Information in the Prospectus is set out in [Section 4.2](#).

All references to FY2015, FY2016, FY2017 and FY2018 appearing in this Prospectus are to the financial years ended or ending 30 June 2015, 30 June 2016, 30 June 2017 and 30 June 2018, respectively, unless otherwise indicated.

The Historical Financial Information is presented on both a statutory and pro forma basis and has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board (**IFRS**).

The Prospectus also includes Forecast Financial Information based on the best estimate assumptions of the Board. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information presented in this Prospectus is presented on both a statutory and pro forma basis and is unaudited.

Investors should note that certain financial data included in the Prospectus is not recognised under the Australian Accounting

Standards and is classified as 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. The Company believes that this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of Netwealth. The non-IFRS financial measures do not have standardised meanings under the Australian Accounting Standards therefore may not be comparable to similarly titled measures presented by other entities, nor should they be interpreted as an alternative to other financial measures determined in accordance with the Australian Accounting Standards. Investors are cautioned therefore, not to place undue reliance on any non-IFRS financial information and ratios included in this Prospectus.

The Financial Information is presented in an abbreviated form insofar as it does not include all disclosures, statements and comparative information as required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Financial Information should be read in conjunction with, and is qualified by reference to, the information contained in [Sections 4](#) and [5](#).

All financial amounts contained in this Prospectus are expressed in Australian dollars, unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Investigating Accountant's Report on Financial Information and financial services guide

The provider of the Investigating Accountant's Report on Financial Information is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act. The Investigating Accountant's Report and accompanying financial services guide are provided in [Section 8](#).

Forward-looking statements

The Prospectus contains forward-looking statements, including the Forecast Financial Information in [Section 4](#) of the Prospectus, which may be identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the date of the Prospectus, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company.

Netwealth, the Board and Netwealth management cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in the Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

Forward-looking statements should be read in conjunction with the risk factors set out in [Section 5](#) of the Prospectus, the assumptions contained in the Financial Information set out in [Section 4](#) and other information in the Prospectus.

Industry and market data

This Prospectus, including the industry overview in [Section 2](#), uses market data and third party estimates and projections. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified, and cannot give any assurances to the accuracy or completeness of, these market and third party estimates and projections. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in [Section 5](#).

No offering where offering would be illegal

The Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia.

The distribution of the Prospectus outside Australia (including electronically) may be restricted by law and persons who come into possession of the Prospectus outside Australia should seek advice and observe any such restrictions. Any failure to comply with

such restrictions may constitute a violation of applicable securities laws. For details of selling restrictions that apply to the Shares in certain jurisdictions outside of Australia, please refer to [Section 7.12](#).

This Prospectus may not be distributed to, or relied upon by, persons in the United States. The Shares have not been, and will not be, registered under the United States Securities Act of 1933 as amended (**US Securities Act**) or any state securities law in the United States and may not be offered, sold, pledged or transferred in the United States unless the Shares are registered under the US Securities Act, or an exemption from the registration requirements of the US Securities Act and applicable US state securities laws is available. Please refer to [Section 7.12](#) of the Prospectus for more detail on selling restrictions that apply to the Offer and the sale of Shares in jurisdictions outside of Australia.

Privacy

By filling out the Application Form to apply for Shares (or directing Netwealth to make an Application on your behalf under the Platform Priority Offer), you are providing personal information to the Company through the Company's service provider, Link Market Services Limited (**Share Registry**), which is contracted to manage Applications. The Company, and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the Income Tax Assessment Act 1997 (Cth) and the Corporations Act.

If you do not provide the information requested in the Application Form (or required by Netwealth to make an Application on your behalf under the Platform Priority Offer), the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company, which it considers may be of interest to you.

Your personal information may also be provided to the Company's members, agents and service providers on the basis that they deal with such information in accordance with

the Company's privacy policy. The members, agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. If you do not provide all the information requested, your Application (or, under the Platform Priority Offer, the Application made by Netwealth on your behalf) may not be able to be processed.

The information contained in the Company's register of members must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register of members is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to gain access to the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the Corporate Directory on the inside back cover of the Prospectus.

Important notices

Applicants can obtain a copy of the Company's privacy policy by visiting the Company's website www.netwealth.com.au.

Photographs and diagrams

Photographs used in the Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by Netwealth. Diagrams used in the Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Website

The Company maintains a website at www.netwealth.com.au. Any references to documents included on the Company's website are for convenience only, and information contained in or otherwise accessible through this or a related website is not a part of this Prospectus.

Applications

Applications may be made only during the Priority Offer Period, Employee Offer Period or Broker Firm Offer Period (as applicable) on the appropriate Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from www.netwealthipo.com.au (or as otherwise advised for Applications under the Platform Priority Offer or General Priority Offer). By making an Application, you represent and warrant that you were given access to the Prospectus, together with an Application Form.

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

Glossary

Certain terms and abbreviations used in the Prospectus have defined meanings which are explained in the Glossary in Appendix A.

Questions

Instructions on how to apply for securities are set out in [Section 7](#) of this Prospectus and on the back of the provided Application Form.

If you have any questions about how to apply for Shares, please call your Broker (in relation to the Broker Firm Offer) or your Platform Advisor (in relation to the Platform Priority Offer). Alternatively, call the Netwealth Offer Information Line on 1800 888 223 from 8.30am to 6.00pm (Sydney time), Monday to Friday.

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Letter from the Chairman



Jane Tongs
Chairman
Netwealth Group Limited

Dear investor

On behalf of the Directors, I am pleased to offer you the opportunity to join me as a shareholder in Netwealth Group Limited.

Netwealth was founded in 1999 and has grown rapidly since achieving the milestone of \$1 billion in funds under management and administration (**FUMA**) in 2007. At 30 June 2017 Netwealth had approximately \$14.3 billion in FUMA, with 2,106 Financial Intermediaries using Netwealth's Platform products, with FUMA reaching \$15.7 billion by 30 September 2017. A Platform provides Financial Intermediaries and clients with an efficient and transparent way to acquire, hold and administer a broad range of investments.

Our market leading Platform (demonstrated by recently being rated Australia's best Platform overall¹) combined with high quality customer service, and governance processes, are the core of our customer value proposition. Netwealth is led by a senior management team who combine significant industry knowledge and experience with a leading in-house onshore Platform technology development capability, strong corporate governance and a culture of innovation. This has positioned Netwealth to provide innovative and quality products and services to Financial Intermediaries and clients.

We operate a profitable and highly cash generative business. Netwealth has a demonstrated track record of substantial profit growth, as evidenced by a compound annual growth rate of 30% in pro forma net profit after tax for the period from FY2015 to FY2017. We are well placed to generate profitable growth from the structural shift within the Platform market from banks to Specialist Platform Providers, enhanced and increased product and service offerings and further industry expansion supported by the Commonwealth Government's compulsory superannuation system.

The Offer will raise \$264.0 million which will provide Existing Shareholders with an opportunity to realise a part of their investment in Netwealth. On Completion, successful Applicants are expected to hold 30.0% of the Shares, with the remainder being held by the Existing Shareholders.

Other key reasons for the Offer are to provide a liquid market for shares in Netwealth, financial flexibility to grow the business, and greater public exposure for Netwealth and its products.

The Company does not currently own the Platform business, which is currently being conducted by Netwealth Holdings Limited, which will be acquired by the Company in connection with the Offer under the Restructure.

This Prospectus contains detailed information about Netwealth and the risks and potential returns of an investment in Netwealth. As with other businesses, Netwealth is subject to a range of risks, which, if they occur, may have a negative impact on Netwealth's financial performance and position. These include the risk of compliance breaches or unfavourable or excessive regulatory change, failures associated with Netwealth's operational systems, processing and controls, an inability to attract and retain skilled personnel, loss of market share or revenues resulting from poor decisions, fee and margin compression and/or IT failures or cyber breaches. These risks are defined and otherwise detailed in [Sections 1.4 and 5](#).

I encourage you to read this Prospectus carefully and in its entirety and consider seeking advice from a Financial Intermediary before making an investment decision.

On behalf of the Directors, I look forward to welcoming you as a Shareholder of Netwealth.

Yours sincerely,

A handwritten signature in black ink that reads "J A Tongs".

Jane Tongs
Chairman

1. Investment Trends: December 2016 Platform Competitive Analysis and Benchmarking Report, based on analyst reviews of 19 Platforms.

Key dates and Offer statistics

Key dates

Prospectus Date	Tuesday, 24 October 2017
Broker Firm Offer Period, Employee Offer Period and Priority Offer Period opens	Thursday, 2 November 2017
Priority Offer Period and Employee Offer Period closes	Tuesday, 14 November 2017
Broker Firm Offer Period closes	Thursday, 16 November 2017
Commencement of ASX trading on a conditional and deferred settlement basis	Monday, 20 November 2017
Settlement	Thursday, 23 November 2017
Issue and allotment of Shares and completion of the Restructure (Completion) (trading on an unconditional and deferred settlement basis commences)	Friday, 24 November 2017
Expected dispatch of holding statements	Monday, 27 November 2017
Expected commencement of trading of Shares on ASX on a normal settlement basis	Tuesday, 28 November 2017

Dates may change

The dates above are indicative only and may be subject to change without notice.

Netwealth, in consultation with the Joint Lead Managers, reserves the right to vary the times and dates of the Offer including to close the Offer early, extend the Offer or to accept late Applications, either generally or in particular cases, without notification. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

Investors are therefore encouraged to submit their Application Forms as early as possible after the Offer opens. All references to times stated throughout this Prospectus are references to the time in Sydney unless stated otherwise.

Questions

Please call the Netwealth Offer Information Line on 1800 888 223 (toll free within Australia) or +61 3 9655 1300 (outside Australia) from 8.30am until 6.00pm (Sydney time), Monday to Friday (Business Days only). If you are unclear in relation to any matter or are uncertain as to whether Netwealth is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

Key dates and Offer statistics

Key Offer statistics

Offer Price	\$3.70 per Share
Total number of Shares available under the Offer	71.3 million
Total proceeds under the Offer	\$264.0 million
Number of Shares to be held by Existing Shareholders at Completion	166.3 million
Total number of Shares on issue at Completion ¹	237.6 million
Market capitalisation based on the Offer Price ²	\$879.2 million
Enterprise value based on the Offer Price ³	\$857.1 million
Offer Price to pro forma forecast FY2018 net profit after tax (NPAT) per Share ⁴	32.2x
Enterprise value to pro forma FY2018 earnings before interest and tax (EBIT) ⁴	21.9x
Implied pro forma forecast FY2018 dividend yield (based on target payout ratio) ⁵	2.2%

1. Fully paid ordinary shares only and excludes any new Shares to be issued under the Employee Offer. The Company will also have 6,457,500 Performance Shares on issue on Completion. Refer to [Section 6.3.2](#).
2. Market capitalisation is calculated as the total number of Shares on issue on Completion (excluding any new Shares issued under the Employee Offer) multiplied by the Offer Price. Shares may not trade at the Offer Price after Listing.
3. Enterprise value is calculated as the market capitalisation of the Company based on the Offer Price, minus pro forma net cash of \$22.1 million as at 30 June 2017. Refer to [Section 4](#) for more detail.
4. The Forecast Financial Information is based on assumptions and accounting policies set out in [Section 4](#) and Appendix B and is subject to key risks set out in [Section 5](#). There is no guarantee that the forecasts will be achieved. Certain financial information in this Prospectus is described as pro forma for the reasons described in [Section 4.2](#). Forecasts have been included in this Prospectus for the period ending 30 June 2018.
5. The implied forecast FY2018 dividend yield is calculated as the dividend per Share assuming the mid-point of the target payout ratio of 60-80% of Netwealth's pro forma forecast FY2018 NPAT divided by the Offer Price. It is the Board's current intention to pay its first dividend in October 2018 in respect of the period from Completion to 30 June 2018 based on the pro forma net profit after tax achieved during this stub period. The payment of a dividend by the Company is at the discretion of the Board and will be a function of a number of factors, including general business conditions, the operating results and financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Board may consider relevant. No assurances can be given by any person, including the Board, about payment of any dividend and the level of franking on any such dividend. For more information on the Company's dividend policy, see [Section 4.9](#).

This Prospectus is important and should be read in its entirety prior to deciding whether to invest in Shares. In particular, [Section 4](#) sets out in detail the financial information referred to in this Prospectus, the basis of preparation of that information, the Statutory Financial Information and Pro Forma Financial Information, certain financial ratios and metrics and details of Netwealth's net cash and dividend policy. [Section 4](#) contains certain non-IFRS measures and should be read in conjunction with the risk factors set out in [Section 5](#) and other information contained in this Prospectus.

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Investment overview

1.1 Introduction

1.2 Key features of Netwealth

1.3 Investment highlights

1.4 Key risks

1.5 Netwealth Directors and senior management team

1.6 Significant interests of key people and related party transactions

1.7 Overview of the Offer

1.1 Introduction

Topic	Summary	For more information
Who is Netwealth?	<ul style="list-style-type: none"> As a Specialist Platform Provider², Netwealth offers superannuation and non-superannuation Platform products which provide innovative portfolio administration, investment management tools, investment and managed account solutions, primarily to Financial Intermediaries and clients. Netwealth’s Platform is currently rated Australia’s best Platform overall³ and is equal number 1 for overall adviser satisfaction⁴, providing Financial Intermediaries with the technology and service required to help them efficiently manage and add value to their clients’ investment portfolios. Netwealth has approximately \$14.3 billion FUMA as at 30 June 2017, with 2,106 Financial Intermediaries using its Platform. 	Section 3.1
What is Netwealth’s history?	<ul style="list-style-type: none"> Founded in 1999 and based in Melbourne, Netwealth was established to provide innovative web-based wealth management products primarily for Financial Intermediaries and their clients. Netwealth was formed by entities associated with Michael Heine. Netwealth has grown rapidly since achieving the milestone of \$1 billion in FUMA in 2007, driven by the growth in the number of Financial Intermediaries and clients that use Netwealth’s Platform, the growth in the asset values of those clients and the increasing use of Netwealth’s Platform by those Financial Intermediaries and clients. 	Section 3.2
What is a Platform?	<ul style="list-style-type: none"> A Platform provides Financial Intermediaries and clients with an efficient and transparent way to acquire, hold and administer a range of investments, commonly including domestic and international securities, managed funds, cash and term deposits. A Platform also provides them with detailed reporting so that they can accurately monitor their clients’ (or their) financial position and the performance of investments. In the case of Netwealth’s Platform, it also caters for both superannuation members (both pre- and post-retirement) and for non-superannuation clients. 	Section 2.4

2. A Platform provider whose primary business activity is providing a Platform, such as Netwealth and other companies including HUB24, OneVue and Praemium.

3. Investment Trends: December 2016 Platform Competitive Analysis and Benchmarking Report.

4. Investment Trends: May 2017 Planner Technology Report. Netwealth ranks joint first in terms of overall Platform satisfaction amongst surveyed financial advisers.

Topic	Summary	For more information
What is Netwealth's Platform?	<ul style="list-style-type: none"> • Netwealth's Platform is the core of its customer value proposition. • The Platform has been substantially developed in-house by Netwealth's technology team based in Melbourne. The Platform design and continuous enhancement is based on a deep understanding of the needs of users. • Through Netwealth's Platform users can: <ul style="list-style-type: none"> – buy and sell investments within an account; – set up savings and contribution plans; – set up reinvestment plans; – access investment research; – move assets in or out of managed accounts; – track and monitor investments online within a single account; – administer life insurance; – access a suite of reports, including regarding asset performance and allocation; and – gain access via a personal computer, mobile or tablet. • This allows users to track and manage their investments and accounts, which can otherwise be challenging and time-consuming without centralised tools. 	Section 3.5
What products are offered on the Netwealth Platform?	<ul style="list-style-type: none"> • Products available on the Netwealth Platform can broadly be divided into: <ul style="list-style-type: none"> – Superannuation products provided on the Platform with \$6.3 billion of funds under administration (FUA) as at 30 June 2017. – Wrap products provided on the Platform with \$6.4 billion of FUA as at 30 June 2017. – Managed funds, each of which is a registered managed investment scheme designed to be used in conjunction with the Platform, with a total of \$884 million of funds under management (FUM) as at 30 June 2017. – Netwealth Managed Account, designed to be used in conjunction with the Platform, with a total of \$679 million FUM as at 30 June 2017. 	Section 3.5
What is the Offer?	<ul style="list-style-type: none"> • The Offer is an initial public offering of approximately 71.3 million Shares, excluding any new Shares to be issued under the Employee Offer, at the Offer Price of \$3.70 per Share. The Offer is expected to raise approximately \$264.0 million. • Each Share issued and allotted under this Prospectus will, from the time they are issued and allotted, rank equally with all other Shares on issue. 	Section 7.1
Why is the Offer being conducted?	<ul style="list-style-type: none"> • The Offer is being conducted to: <ul style="list-style-type: none"> – provide Existing Shareholders with an opportunity to realise part of their investment; – enhance Netwealth's financial flexibility to pursue its business strategies and identified growth opportunities; – increase Netwealth's profile with Financial Intermediaries; – create a liquid market for Shares; and – provide Netwealth with access to capital markets. 	Section 7.1

1.2 Key features of Netwealth

Topic	Summary	For more information
Which industries and markets does Netwealth operate in?	<ul style="list-style-type: none"> • Netwealth operates in the Australian wealth management industry which provides financial products and services to assist clients to manage, grow and protect their wealth in both the superannuation and non-superannuation sectors. • Netwealth provides a range of products and services to clients, primarily through Financial Intermediaries. Netwealth’s focus and expertise is the delivery of a leading wealth management Platform which is an increasingly essential service for Financial Intermediaries and clients. 	Sections 2.2 and 3.5
Who are Netwealth’s customers?	<ul style="list-style-type: none"> • As of 30 June 2017, clients of Financial Intermediaries accounted for approximately 95% of FUA on Netwealth’s Platform while self-directed investors accounted for approximately 5%. 	Section 3.4
How does Netwealth generate revenue and what are its key costs?	<ul style="list-style-type: none"> • Netwealth’s revenue is earned from a number of different sources including administration, management, transaction and ancillary fees and other income. • Netwealth’s primary costs are employee benefits expenses, which accounted for \$24.8 million or 68% of pro forma total operating expenses in FY2017. Employee benefits expenses related to software maintenance and improvement are included in employee benefits expenses and are not capitalised. • Other key costs include IT and communications, advertising and marketing, rent and occupancy and other operating costs. 	Sections 3.5 and 4.3
How does Netwealth fund its operations?	<ul style="list-style-type: none"> • Netwealth operates a profitable and highly cash generative business model and currently funds its operations, including its internal growth strategies, through operational cash flow. • Accordingly, Netwealth is not raising any proceeds under the Offer to fund its operations or pay for the costs of the Offer. • As at 30 June 2017, Netwealth had pro forma cash and cash equivalents totalling \$22.1 million. 	Section 4.4
What is Netwealth’s culture? What are its key values?	<ul style="list-style-type: none"> • Netwealth is a fast-growing financial services company focused on attracting talented, innovative, creative and team-orientated people. • Netwealth merges leading financial technology solutions with high quality customer service. Technical innovation sets Netwealth’s Platform solution apart from its competitors. The excellent customer service provided to clients and willingness to promptly serve Financial Intermediaries is a key contributor to why Financial Intermediaries join and mostly stay with Netwealth. • Netwealth sees its purpose as being to enable people to see wealth differently and discover a brighter future. • Netwealth’s key values are to be Curious, Optimistic, Courageous, Collaborative, Agile and Genuine. Netwealth’s key values are manifested in its culture and how it operates on a day-to-day basis. 	Section 3.3

Topic	Summary	For more information
<p>What is Netwealth’s approach to technology?</p>	<ul style="list-style-type: none"> • Netwealth has developed market-leading, home-grown and scalable technology based on a comprehensive understanding of Financial Intermediary and client needs. • Netwealth’s IT capabilities are managed and developed by an in-house team of 53 staff (as at 30 June 2017) focused on security, innovation, functionality and scalability. The team is onshore and collaborates closely with key clients and other stakeholders to rapidly build features in a low friction agile environment. • Netwealth utilises agile software development methodologies to ensure it is constantly building, delivering and implementing change to its Platform. • Netwealth’s technology is hosted in Australia and a full redundant copy of its production infrastructure is maintained in a secondary site for disaster recovery. Netwealth performs data recovery testing annually and has implemented resilience and recovery measures to reduce risk of outages. 	<p>Section 3.7.3</p>
<p>What is Netwealth’s growth strategy?</p>	<ul style="list-style-type: none"> • Netwealth has a demonstrated track record of substantial, profitable growth in FUA, as evidenced by a compound annual growth rate (CAGR) of 30% in Netwealth’s pro forma net profit after tax from FY2015 to FY2017. • Netwealth plans to continue to grow its revenue by capturing a greater share in both the superannuation and non-superannuation sectors. To do this, Netwealth is focused on executing three key strategic goals, which are the delivery of: <ul style="list-style-type: none"> – innovative, scalable and market-leading technology which is developed in-house and tailored to client needs. Current development priorities are further detailed in Section 3.8.1; – responsive, market-leading customer service to clients and Financial Intermediaries which is enhanced by deep ‘many to many’ relationships across multiple touch points and a true partnership model; and – new and valuable insights to clients and Financial Intermediaries on domestic and international trends that are driving widespread change with a focus on innovation, technology, demography, practice management and asset management. • By demonstrating ongoing leadership in these three areas Netwealth believes it will: <ul style="list-style-type: none"> – retain existing Financial Intermediaries and their clients and increase their use of Netwealth’s Platform and obtain new clients from existing Financial Intermediaries; – attract new Financial Intermediaries and their clients; and – increase penetration of the non-superannuation sector. 	<p>Section 3.8</p>

Topic	Summary	For more information																																																	
What is Netwealth's historical and forecast financial performance?	<p>A selected summary of Netwealth's Pro Forma Historical Financial Information, Pro Forma Forecast Financial Information and Statutory Forecast Financial Information is set out below. Investors should read this information in conjunction with the more detailed discussion of the Financial Information set out in Section 4, including the assumptions, management discussion and analysis and sensitivity analysis, as well as the key risks set out in Section 5.</p> <p>Selected Pro Forma Financial Information¹</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">Pro forma historical¹</th> <th>Pro forma forecast¹</th> </tr> <tr> <th>FY2015</th> <th>FY2016</th> <th>FY2017</th> <th>FY2018</th> </tr> </thead> <tbody> <tr> <td>Platform Revenue (\$'000)</td> <td>40,642</td> <td>48,323</td> <td>60,637</td> <td>80,229</td> </tr> <tr> <td>Other income (\$'000)</td> <td>454</td> <td>708</td> <td>614</td> <td>1,323</td> </tr> <tr> <td>EBITDA (\$'000)²</td> <td>15,023</td> <td>20,385</td> <td>24,925</td> <td>39,940</td> </tr> <tr> <td>Net profit after tax (\$'000)</td> <td>9,938</td> <td>13,945</td> <td>16,824</td> <td>27,322</td> </tr> <tr> <td>FUA (eop) (\$ million)</td> <td>6,735</td> <td>8,142</td> <td>12,747</td> <td>15,247</td> </tr> <tr> <td>FUM (eop) (\$ million)</td> <td>665</td> <td>988</td> <td>1,563</td> <td>2,473</td> </tr> <tr> <td>Platform Revenue/average FUA³</td> <td>68.0 bps</td> <td>66.0 bps</td> <td>60.9 bps</td> <td>57.3 bps</td> </tr> <tr> <td>Platform Revenue/average number of accounts (\$)⁴</td> <td>1,170</td> <td>1,228</td> <td>1,288</td> <td>1,404</td> </tr> </tbody> </table>		Pro forma historical ¹			Pro forma forecast ¹	FY2015	FY2016	FY2017	FY2018	Platform Revenue (\$'000)	40,642	48,323	60,637	80,229	Other income (\$'000)	454	708	614	1,323	EBITDA (\$'000) ²	15,023	20,385	24,925	39,940	Net profit after tax (\$'000)	9,938	13,945	16,824	27,322	FUA (eop) (\$ million)	6,735	8,142	12,747	15,247	FUM (eop) (\$ million)	665	988	1,563	2,473	Platform Revenue/average FUA ³	68.0 bps	66.0 bps	60.9 bps	57.3 bps	Platform Revenue/average number of accounts (\$) ⁴	1,170	1,228	1,288	1,404	<p>Section 4, including Section 4.3</p>
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Topic	Summary				For more information	
What is Netwealth's historical and forecast financial performance? continued	Selected Statutory Financial Information¹				Section 4, including Section 4.3	
		Statutory historical¹				Statutory forecast¹
	(\$'000)	FY2015	FY2016	FY2017		FY2018
	Platform Revenue	41,431	48,323	60,637		80,229
	Other income	454	708	614		1,323
	EBITDA ²	16,337	20,910	24,212		27,823
	Net profit after tax from continuing operations	10,858	14,313	16,325		18,350
Profit/(loss) from discontinued operations ³	(4,945)	(5,166)	(2,772)	1,414		
	<ol style="list-style-type: none"> 1. The Pro Forma Historical Financial Information, Pro Forma Forecast Financial Information, Statutory Historical Financial Information and Statutory Forecast Financial Information included in this Prospectus have been prepared on the bases described in Section 4 of this Prospectus. 2. Earnings before interest, tax, depreciation and amortisation. 3. The Divestments are described in more detail in Section 10.5.2. 					

Topic	Summary	For more information
What is Netwealth’s dividend policy?	<ul style="list-style-type: none"> The payment of a dividend by Netwealth is at the discretion of the Board and will be a function of a number of factors, including the general business environment, the operating results and financial condition of Netwealth, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Netwealth, and any other factors the Board may consider relevant. The Board intends to target a dividend payout ratio between 60% and 80% of Netwealth’s statutory annual net profit after tax. However, the payout ratio is expected to vary between periods depending on the factors above. No assurances can be given by any person, including the Board, about the payment of any dividend and the level of franking on any such dividend. There may be periods in respect of which dividends are not paid. It is the current intention of the Board to pay dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year. It is anticipated that interim dividends will be paid in April and final dividends will be paid in October following the end of the relevant financial period. It is expected that future dividends will be franked to the maximum extent possible. It is the Board’s current intention to pay its first dividend in October 2018 in respect of the period from Completion to 30 June 2018 based on the pro forma net profit after tax achieved. The dividend is expected to be fully franked. 	Section 4.9
What is the Restructure?	<ul style="list-style-type: none"> The Company was incorporated on 30 June 2017 and does not currently own the Platform business conducted by Netwealth. The business of Netwealth is currently being conducted by NHL, the current parent company of the Group. In connection with the Offer, the Group will be restructured to superimpose the Company as the holding company of NHL, and ultimate holding company of the Group (Restructure). The Company and Existing Shareholders (including holders of Platinum Shares discussed in Section 6.3) have entered into a share sale agreement to implement the Restructure, under which the Company has agreed to buy all of the issued share capital of NHL from the Existing Shareholders in exchange for Shares, or a combination of Shares and the proceeds of the Offer where Existing Shareholders have elected to realise part of their investment in NHL, as consideration. 	Section 10.5

Topic	Summary	For more information
What are the Divestments and acquisition?	<ul style="list-style-type: none"> • In addition to the Restructure, the Group is taking steps to dispose of its interests held in non-core businesses, by: <ul style="list-style-type: none"> – proposing to dispose of the majority of the assets and liabilities of Bridgeport, with completion anticipated to occur by 31 December 2017; the Group intends to wind up Bridgeport as soon as practicable following the disposal (see Section 10.5.2.1 for further information); – proposing to enter into a binding agreement to dispose of all of the shares or assets of Pathway and possibly NAG with completion anticipated to occur by 31 December 2017; NAG, which is the holding company of Pathway, does not undertake any operations and has no other assets or liabilities and will be wound up if it is not sold with Pathway (see Section 10.5.2.2 for further information); and – having entered into on 19 September 2017, and completed on 20 October 2017, a binding and non-conditional agreement disposing of all of the shares of APS (see Section 10.5.2.3 for further information). • Netwealth is also considering the acquisition of a book of predominantly Wrap clients from another Platform operator. The purchase price will be dependent on the value of the recurring revenue generated by the transferring clients over a period to be agreed between the Group and the seller. If completed, it is anticipated that the purchase price will be approximately \$3 million. Discussions in relation to this transaction are at a very early stage, and there is no guarantee as to whether this transaction will proceed. Accordingly, no consideration has been given to this potential acquisition in preparing the Financial Information. • Refer to Section 4.2.3 for the treatment of the Divestments and acquisition in the context of the Financial Information. 	Section 10.5

1.3 Investment highlights

Topic	Summary	For more information
<p>Attractive industry fundamentals and a structural shift from banks towards Specialist Platform Providers</p>	<ul style="list-style-type: none"> • Netwealth operates in the Australian wealth management industry, which provides financial products and services to assist Australians to manage, grow and protect their wealth. Levels of personal wealth are on average increasing in Australia, particularly in superannuation which is complex to administer. Households need to manage and protect their wealth and the demand for Financial Intermediary services is expected to continue to increase, which should support increased use of Platforms such as Netwealth’s. • In addition, in recent years, Netwealth has been taking market share from the institutional Platform providers (being major banks and other large diversified financial institutions), driven in part by the innovation capabilities of Netwealth and its ability to quickly and efficiently respond to the needs of Financial Intermediaries and clients. Over the past four years, the leading Specialist Platform Providers have seen an increase in market share of net funds flow from 3.6% to 32.6%⁵. This trend is supported by an increase in the number of Financial Intermediaries that are not aligned with or owned by a major bank or large diversified financial institution. • Netwealth is well-positioned to benefit from changes in the adviser market, particularly the switch of Financial Intermediaries from the larger Platform providers to Specialist Platform Providers. According to a survey conducted by Investment Trends⁶, 19% of Financial Intermediaries are considering switching Platforms in the next 12 months. Among this cohort, Netwealth is in the top two Platform providers that Financial Intermediaries are considering. 	<p>Sections 2.5.2 and 3.8.3</p>

5. Represents Netwealth, HUB24, OneVue and Praemium cumulative share of master trust, Platform and Wrap net funds flows as per Strategic Insight: Master Trusts, Platforms & Wrap (12 months to June 2017 vs. 12 months to June 2013).

6. Investment Trends: May 2017 Planner Technology Report, based on a survey of 533 financial planners.

Topic	Summary	For more information
<p>Significant scope for growth in a large addressable market from 1.7%⁷ market share</p>	<ul style="list-style-type: none"> The Platform market has traditionally been dominated by the major banks and large diversified financial institutions, but Netwealth is well-positioned to profitably increase its market share. Netwealth is innovative and agile, which it believes allows it to respond to Financial Intermediaries' and clients' needs more rapidly than many of its competitors, particularly its large institutional competitors. Netwealth has been successful in attracting new Financial Intermediaries and their clients to its Platform and capturing a larger market share of net funds flows. While Netwealth's market share was 1.7% of FUA as at 30 June 2017, its market share of net funds flows over the 12 months to 30 June 2017 was 18.6%⁸. In addition, Netwealth had 38% of its Financial Intermediary users' funds under advice on its Platform as at May 2017⁹. This represents growth in Netwealth's Financial Intermediary customer base, with many Financial Intermediaries that have moved to Netwealth still consolidating their client transitions. This presents a substantial growth opportunity for Netwealth if Financial Intermediaries consolidate and transition a higher proportion of their clients' funds under advice onto the Netwealth Platform. 	<p>Sections 2.4 and 3.8</p>
<p>Track record of growth, profitability and cash generation</p>	<ul style="list-style-type: none"> Netwealth has a demonstrated track record of substantial, profitable growth. FUMA has grown from approximately \$7.4 billion as at 30 June 2015 to approximately \$14.3 billion as at 30 June 2017, a CAGR of 39%. Over the same period, pro forma NPAT has grown from \$9.9 million in FY2015 to \$16.8 million in FY2017 for a CAGR of 30%. Netwealth's FUMA and pro forma NPAT are forecast to further increase in FY2018 by 24% and 62%, respectively. Netwealth also enjoyed pro forma NPAT margin expansion from 24.2% in FY2015 to 27.5% in FY2017, with FY2018 pro forma NPAT margin forecast to increase to 33.5%. Netwealth's growth has been driven by the growth in the number of Financial Intermediaries and clients that use Netwealth's Platform, the growth in the asset values of those clients and the increasing use of Netwealth's Platform by those Financial Intermediaries and clients. Netwealth's business model is highly cash generative with strong cash conversion from EBITDA to operating cash flow. Netwealth currently funds its operations, product development and other internal growth initiatives through operational cash flow and is not planning to raise any proceeds under this Offer to fund these activities. 	<p>Sections 3.1, 3.2 and 4</p>

7. Based on total FUA sourced from Strategic Insight: Master Trusts, Platforms & Wrap (June 2017).

8. Strategic Insight: Master Trusts, Platforms & Wrap (June 2017).

9. Investment Trends: May 2017 Planner Technology Report.

Topic	Summary	For more information
Diversified client base and stable revenue with a high proportion of revenue from existing Financial Intermediary network	<ul style="list-style-type: none"> • Netwealth’s client base is broadly diversified and has been very stable over time as evidenced by recent FUMA flows. No Licensee accounts for more than 6% of Netwealth’s FUA. • Approximately 62% of Netwealth’s new FUA in FY2017 came from existing Financial Intermediaries, primarily through adding new clients to the Platform and also through increasing FUA of existing clients already on the Platform. 	Sections 3.4 and 3.8.2
Highly-scalable award-winning technology enhanced by exceptional service commitment	<ul style="list-style-type: none"> • A strong driver of Netwealth’s business growth and success has been its ability to provide technology-based solutions for Financial Intermediaries and clients, while maintaining high standards of customer service. The Netwealth Platform is designed to provide Financial Intermediaries and clients with a wide choice of financial products from a large range of product providers. • Netwealth’s market-leading, home-grown, scalable technology is based on a comprehensive understanding of Financial Intermediary and client needs. Netwealth utilises agile software development methodologies to ensure it is constantly building, delivering and implementing change to improve its products. Netwealth is actively pursuing product development opportunities to meet a range of client and Financial Intermediary needs with a view to ensuring it remains a market-leading Platform at the forefront of product functionality. 	Sections 3.3, 3.7.1, 3.7.3 and 3.8.3
Experienced and entrepreneurial senior management team	<ul style="list-style-type: none"> • Netwealth’s senior management team combines significant breadth and depth of industry experience, positioning Netwealth well for future growth. • The team has a proven track record of driving significant profitable growth and experience in successfully implementing a wide range of Netwealth’s innovations relating to its Platform, technology, products and customer service. • The team is led by Joint Managing Directors Michael and Matt Heine, who are deeply committed to the business and oversee all business activity, including the implementation of Netwealth’s business strategy, distribution, operations, marketing and product development. 	Section 6.2

1.4 Key risks

Topic	Summary	For more information
<p>Increased compliance costs and complexity and the risk of non-compliance</p>	<ul style="list-style-type: none"> • There is a range of legislation and regulations in Australia that governs Netwealth’s business undertakings. Over recent years the level and complexity of the regulatory environment for financial services in Australia have continued to increase, bringing an increased cost and burden of compliance. It is anticipated the regulatory environment will continue to change with increasing complexity. • There is a risk that Netwealth’s processes and systems may not be adequate to detect and prevent all potential compliance breaches in the current or future regulatory environments. A breach of legislation or regulations may result in reputational damage, fines and penalties or result in an enforceable undertaking, which may have a material adverse effect on Netwealth’s business and reputation. • Netwealth requires an Australian Financial Services Licence (AFSL) and a Registrable Superannuation Entity (RSE) licence to conduct its business. There is a risk that Netwealth’s licence(s) and authorisations may be revoked or modified, or a regulator may suspend Netwealth’s right to operate. Any suspension or revocation of such licences or authorisations may result in Netwealth being unable to continue operating its business. 	<p>Section 5.2.1</p>
<p>Operational systems, processing and controls may fail</p>	<ul style="list-style-type: none"> • Efficient internal processes are critical to the operation of Netwealth’s business. There is a risk that inadequate or failed internal processes, people or systems or external events may give rise to failures or disruptions in operational systems and controls, which may result in losses to customers which Netwealth is liable to compensate. • Netwealth’s growth has resulted and will continue to result in increasing pressure on all parts of Netwealth’s business, including Netwealth’s ability to operate manual processes, offer bespoke or unique solutions for particular customers, hire and train new employees or otherwise structure its operations as required. • As a result of the increased pressure on Netwealth’s business operations from its growth, along with the increased complexity of its business resulting from advancements in its technology or changes to its product suite, there is a risk that process and execution errors may increase. • Such failures or errors may have a material adverse effect on Netwealth’s reputation, and its ability to retain or attract customers. 	<p>Section 5.2.2</p>

Topic	Summary	For more information
<p>Netwealth relies upon attracting and retaining skilled personnel and continuing its positive culture</p>	<ul style="list-style-type: none"> • The success of Netwealth depends to a significant extent on the ability and performance of its key personnel. The loss of key personnel or sustained underperformance by key personnel may impact Netwealth’s ability to operate its business effectively, develop and implement its growth strategies or maintain its industry relationships, which may have a material adverse effect on its future financial performance. • The successful operation of Netwealth also relies on its ability to attract and retain experienced and high performing employees with specialist skills, including relationship managers, sales staff, information technology specialists, operational leaders as well as senior management. There is a risk that Netwealth’s recruitment and/or retention of employees may not be effective, and may have a material adverse effect on Netwealth’s business, operating and financial performance. 	<p>Section 5.2.3</p>
<p>Netwealth may lose market share or revenues as a result of poor strategic decisions, particularly a failure to respond to market demand and remain competitive</p>	<ul style="list-style-type: none"> • The core of Netwealth’s corporate strategy is to operate a market-leading Platform, which requires Netwealth to continue introducing and developing innovative software and technology products while maintaining high standards of customer service. • Netwealth’s technology systems may become obsolete or outdated due to the investment of its peers in superior technology offerings, general market developments or changes in the commercial and/or regulatory environment. Further, such developments may require Netwealth to undertake substantial expenditure on updating or improving its current Platform. • The financial services sector in which Netwealth operates is highly competitive. Netwealth’s competitors may invest to provide superior technology, engage in aggressive marketing, undertake consolidation activities, or adopt pricing strategies (for example, discounting or flat fee models) to gain scale and improve their market positioning. As a result of these competitive market dynamics, Netwealth’s market position may deteriorate to the extent that it results in a material adverse change in Netwealth’s operating performance. 	<p>Section 5.2.4</p>
<p>Netwealth may suffer loss of profits and revenues due to fee and/or margin compression, or may be impacted by clients altering the mix of products and services used</p>	<ul style="list-style-type: none"> • Netwealth charges administration, management, transaction, ancillary and other fees to customers for use of its products and services. There is a risk that Netwealth may not be able to maintain its fee structure and revenue per customer. • Further, margins vary across the products and services that Netwealth provides to Financial Intermediaries and clients. Netwealth’s customers may choose to alter the mix of the products, allocation and investment assets (including cash) and services provided by Netwealth, which could have an adverse impact on Netwealth’s financial performance through reduced fees or margins. • A reduction in fees and margins may also affect Netwealth’s operations and ability to maintain its level of service, which may result in Netwealth failing to retain customers or attract new customers. 	<p>Section 5.2.5</p>

Topic	Summary	For more information
<p>Netwealth may suffer unauthorised third party access to its Platform resulting in service disruption, theft, regulatory issues or legal action</p>	<ul style="list-style-type: none"> • The use of information technology and the effectiveness of Netwealth’s Platform is critical to Netwealth’s ability to deliver services to its clients and the growth of its business. It is possible that measures taken by Netwealth to prevent technology breaches may prove inadequate. Security breaches may involve unauthorised access to Netwealth’s networks, systems, and databases and the deployment of viruses or other malicious software designed to create system and service disruptions, exposing financial, proprietary and personal user information. • In addition, Netwealth stores, analyses and transmits confidential and private personal information. It is possible that the measures taken by Netwealth to protect its proprietary information and the private information of its clients are not sufficient to prevent unauthorised access to, or disclosure of, such data. • Any accidental or deliberate security breaches or other unauthorised access to Netwealth’s information technology systems or client data may subject Netwealth to reputational damage, a loss of confidence in the services it provides, claims by clients, loss of clients, theft, a disruption of services to clients, legal action and regulatory scrutiny. Any of these events could adversely impact Netwealth’s reputation, business, financial condition and financial performance. 	<p>Section 5.2.6</p>
<p>Netwealth’s need to update its Platform creates risks</p>	<ul style="list-style-type: none"> • The need to continually change and update Netwealth’s Platform creates risks, including if system design or coding errors lead to loss to clients, errors in information held on Netwealth’s Platform, or breaches of legislation. In the past, issues with coding in Netwealth’s Platform or reliance on manual processes have led to errors. • Netwealth may otherwise fail to successfully achieve, or experience unforeseen delays, costs or outcomes in achieving, the required development of its technology and systems. 	<p>Section 5.2.7</p>
<p>Netwealth may be subject to regulatory changes</p>	<ul style="list-style-type: none"> • Future changes to legislation, regulations or policies may require Netwealth to modify its product offerings, secure additional licences, authorisations or permits or incur additional costs to ensure compliance, which may increase the costs of operations, affect profitability of its product offering or adversely affect Netwealth’s ability to conduct its operations. • Regulatory changes which Netwealth considers beneficial may cease to exist, which may impact on Netwealth’s growth. In particular, Netwealth’s growth forecasts are dependent on its ability to capture a share of the growth in the superannuation market. Changes in superannuation, investor directed portfolio services (IDPS), managed investment scheme or taxation laws or regulations affecting growth in this market may adversely affect Netwealth’s ability to achieve its planned targets. 	<p>Section 5.2.8</p>

Topic	Summary	For more information
<p>A significant decrease in domestic and global markets could adversely impact Netwealth’s operating performance</p>	<ul style="list-style-type: none"> • The operating and financial performance of Netwealth is influenced by a variety of general domestic and international economic and business conditions, performance of equity and debt capital markets, interest rates, foreign exchange rates, and government fiscal, monetary and regulatory policies. • These factors, in particular the performance of equity markets, influence investor activity which will in turn impact the level of demand for Netwealth’s Platform. A deterioration in market conditions may also have an impact on the share price of Netwealth as a result of general falls in equity markets, even if Netwealth’s growth prospects, revenues, financial position and performance are not impacted. 	<p>Section 5.2.9</p>
<p>Netwealth relies on the provision and effective performance of its IT software and infrastructure</p>	<ul style="list-style-type: none"> • Netwealth and its clients are dependent on the effective and uninterrupted performance, reliability and availability of Netwealth’s Platform, software, third party data centres and communication systems. • Technology failures may affect Netwealth’s ability to deliver consistent, quality services to its clients, meet its contractual and service level obligations, attract new customers, or lead to data integrity issues or data loss. This in turn may lead to reputational damage and adversely impact Netwealth’s operations, financial performance and financial condition. • Further, Netwealth’s business is dependent on maintaining successful relationships with key third party suppliers, including suppliers Netwealth depends on to support its IT infrastructure. There is a risk that these contracts or arrangements could be terminated, potentially with short notice, which could result in Netwealth experiencing a disruption to its business. If Netwealth fails to secure alternative suppliers and service providers quickly on favourable terms, this may impact Netwealth’s ability to retain current customers or generate new business and adversely affect Netwealth’s business, operating and financial performance. 	<p>Section 5.2.10</p>
<p>Other risks</p>	<ul style="list-style-type: none"> • A number of other risks are included in Section 5. 	<p>Sections 5.2 and 5.3</p>

1.5 Netwealth Directors and senior management team

Topic	Summary	For more information
Who are the Directors of Netwealth?	<ul style="list-style-type: none"> • Jane Tongs (Chairman) • Michael Heine (Joint Managing Director) • Matt Heine (Joint Managing Director) • Davyd Lewis (Non-Executive Director) • Tim Antonie (Non-Executive Director) 	Section 6.1
Who are the senior executives of Netwealth?	<ul style="list-style-type: none"> • Michael Heine (Joint Managing Director) • Matt Heine (Joint Managing Director) • Grant Boyle (Chief Financial Officer and Joint Company Secretary) • Rachel Axton (General Manager, Legal, Risk and Compliance and Joint Company Secretary) • Philip Coldwell (General Manager, Product) • Alistair Densley (General Manager, Operations) • John Hanrahan (Chief Information Officer) • Mary Limperis (General Manager, Human Resources) 	Section 6.2

1.6 Significant interests of key people and related party transactions

Topic	Summary								For more information	
Who are the Existing Shareholders and what will their interest in Netwealth be immediately following Completion?		Ordinary shares held in NHL prior to the Restructure		Platinum Shares held in NHL prior to the Restructure		Shares held post-Completion ¹		Performance Shares held post-Completion		Section 7.1.4
	Shareholder	(m)	(%)	(m)	(%)	(m)	(%)	(m)	(%)	
	Heine Brothers Pty Ltd as trustee for the MMH Trust (an entity controlled by Michael Heine)	135.7	57.1	–	–	125.9	53.0	–	–	
	Matt Heine (and entities controlled by him)	3.2	1.3	1.4	21.7	3.2	1.4	1.4	21.7	
	Leslie Max Heine Pty Ltd as trustee for The LMH Trust (an entity controlled by Leslie Heine) ²	81.6	34.3	–	–	22.4	9.4	–	–	
	Other Directors and employees	7.1	3.0	5.1	78.3	4.8	2.0	5.1	78.3	
	Other Existing Shareholders	10.0	4.2	–	–	9.9	4.2	–	–	
	New Shareholders	–	–	–	–	71.3	30.0	–	–	
	Total	237.6	100.0	6.5	100.0	237.6	100.0	6.5	100.0	
	<p>1. Excludes any new Shares to be issued under the Employee Offer.</p> <p>2. This Shareholder has entered into an agreement with Michael Heine and Heine Brothers Pty Ltd under which either Michael Heine or Heine Brothers Pty Ltd (at the election of Michael Heine) is entitled to direct the voting of any Shares held by this Shareholder which are held at Completion. This agreement continues indefinitely until terminated by any party, or until this Shareholder ceases to hold the relevant Shares.</p>									

Topic	Summary	For more information
<p>Are any Shares subject to voluntary escrow arrangements?</p>	<p>Each of the Heine Shareholders has entered into a voluntary escrow deed with the Company in relation to all of the Shares (Escrowed Shares) they will hold on Completion.¹⁰</p> <p>In aggregate, 151.2 million Shares will be the subject of these escrow arrangements, representing approximately 63.6% of the total Shares on issue immediately following Completion, excluding any new Shares to be issued under the Employee Offer.</p> <p>Under the voluntary escrow deeds for Michael Heine and Matt Heine (and entities controlled by them), they each agree, subject to limited exceptions, not to deal in:</p> <ul style="list-style-type: none"> • 100% of their Shares held at Completion, from Completion until the date the audited financial report of the Company for FY2018 is provided to ASX; and • 50% of their Shares held at Completion, from the date the audited financial report of the Company for FY2018 is provided to ASX until the date the audited financial report of the Company for FY2019 is provided to ASX. <p>Under the voluntary escrow deed for Leslie Heine (and entities controlled by him), Leslie Heine agrees, subject to limited exceptions, not to deal in 100% of Shares held following Completion until the date the audited financial report of the Company for FY2018 is provided to ASX.</p>	<p>Section 9.2</p>

10. This excludes 325,584 Shares held on Completion by Leslie Heine through a Netwealth superannuation product which will not be subject to escrow arrangements due to legal restrictions relating to the manner in which they are held. These Shares represent 0.1% of the total number of Shares on issue at Completion, and 1.5% of the holding by Leslie Heine (and entities controlled by him) at Completion.

Topic	Summary	For more information																																			
<p>What significant benefits and interests are payable to Directors and other persons connected with Netwealth or the Offer and what significant interests do they hold?</p>	<p>On Completion, the Directors and management will hold Shares as follows (excluding any new Shares to be issued under the Employee Offer):</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Directors and management</th> <th style="text-align: center;">Number of Shares immediately following Completion¹</th> <th style="text-align: center;">Percentage shareholding immediately following Completion¹</th> <th style="text-align: center;">Number of Performance Shares immediately following Completion</th> <th style="text-align: center;">Percentage holding of Performance Shares immediately following Completion</th> </tr> </thead> <tbody> <tr> <td>Michael Heine (through Heine Brothers Pty Ltd as trustee for the MMH Trust, an entity controlled by him)</td> <td style="text-align: center;">125.9</td> <td style="text-align: center;">53.0</td> <td style="text-align: center;">–</td> <td style="text-align: center;">–</td> </tr> <tr> <td>Matt Heine (and entities controlled by him)</td> <td style="text-align: center;">3.2</td> <td style="text-align: center;">1.4</td> <td style="text-align: center;">1.4</td> <td style="text-align: center;">21.7</td> </tr> <tr> <td>Jane Tongs (and associated entities)</td> <td style="text-align: center;">1.9</td> <td style="text-align: center;">0.8</td> <td style="text-align: center;">0.2</td> <td style="text-align: center;">2.7</td> </tr> <tr> <td>Davyd Lewis (and associated entities)</td> <td style="text-align: center;">0.2</td> <td style="text-align: center;">0.1</td> <td style="text-align: center;">0.2</td> <td style="text-align: center;">2.7</td> </tr> <tr> <td>Tim Antonie (and associated entities)</td> <td style="text-align: center;">–</td> <td style="text-align: center;">–</td> <td style="text-align: center;">0.2</td> <td style="text-align: center;">2.7</td> </tr> <tr> <td>Other management Shareholders</td> <td style="text-align: center;">0.9</td> <td style="text-align: center;">0.4</td> <td style="text-align: center;">1.4</td> <td style="text-align: center;">21.1</td> </tr> </tbody> </table> <p>1. Excludes any new Shares to be issued under the Employee Offer.</p> <ul style="list-style-type: none"> • The \$264.0 million of funds received under the Offer will be paid to Existing Shareholders. • Directors and senior management are entitled to remuneration, fees and payments as set out in Section 6.3.1. • Professional advisers to the Offer are entitled to fees as set out in Section 6.3.4. • Certain agreements have been entered into between the Group and an entity associated with Michael Heine in relation to the sale by the Group of APS to the entity associated with Michael Heine, the indemnification by the Group of APS against claims against APS for an amount of \$1 million for the period commencing on 30 June 2017 and ending three years following completion of the sale of APS, and the provision of ongoing human resources, finance, legal, risk and compliance and technology services to APS by the Group. Further information in relation to these arrangements is set out in Section 10.5.2.3. 	Directors and management	Number of Shares immediately following Completion ¹	Percentage shareholding immediately following Completion ¹	Number of Performance Shares immediately following Completion	Percentage holding of Performance Shares immediately following Completion	Michael Heine (through Heine Brothers Pty Ltd as trustee for the MMH Trust, an entity controlled by him)	125.9	53.0	–	–	Matt Heine (and entities controlled by him)	3.2	1.4	1.4	21.7	Jane Tongs (and associated entities)	1.9	0.8	0.2	2.7	Davyd Lewis (and associated entities)	0.2	0.1	0.2	2.7	Tim Antonie (and associated entities)	–	–	0.2	2.7	Other management Shareholders	0.9	0.4	1.4	21.1	<p>Section 6.3</p>
Directors and management	Number of Shares immediately following Completion ¹	Percentage shareholding immediately following Completion ¹	Number of Performance Shares immediately following Completion	Percentage holding of Performance Shares immediately following Completion																																	
Michael Heine (through Heine Brothers Pty Ltd as trustee for the MMH Trust, an entity controlled by him)	125.9	53.0	–	–																																	
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Davyd Lewis (and associated entities)	0.2	0.1	0.2	2.7																																	
Tim Antonie (and associated entities)	–	–	0.2	2.7																																	
Other management Shareholders	0.9	0.4	1.4	21.1																																	
<p>What are the Performance Shares?</p>	<p>The Performance Shares are unlisted shares that, on Completion, will be issued to certain Directors and employees of Netwealth.</p> <p>If certain performance milestones for the Performance Shares are satisfied as at 31 December 2020 and the holder of Performance Shares repays the loan used to acquire the Performance Shares, that holder's Performance Shares will automatically convert to Shares on a 1:1 basis. Full terms and conditions of the Performance Shares are set out in Appendix C of this Prospectus.</p>	<p>Section 6.3.2 and Appendix C</p>																																			

1.7 Overview of the Offer

Topic	Summary	For more information
What is the Offer?	<p>The Offer is an initial public offering of approximately 71.3 million Shares, excluding any new Shares to be offered under the Employee Offer, at the Offer Price of \$3.70 per Share. The Offer is expected to raise approximately \$264.0 million.</p> <p>Each Share issued and allotted under this Prospectus will, from the time they are issued and allotted, rank equally with all other Shares on issue.</p>	Section 7.1
Who is issuer of this Prospectus?	Netwealth Group Limited (ACN 620 145 404) (ASX code: NWL)	Section 7.1
What is the proposed use of funds raised under the Offer?	The \$264.0 million of funds received under the Offer will be paid to Existing Shareholders.	Section 7.1.3
Who bears the costs of the Offer?	<p>The costs of the Offer (including advisory, legal, accounting, tax and duty, listing and administrative fees, the Joint Lead Managers' management and underwriting fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses which amount to approximately \$12.1 million) have been, or will be, borne by the Group, and not from the proceeds of the Offer.</p>	Section 7.1.4
Will the Shares be listed?	<p>Netwealth will apply to ASX within seven days of the Prospectus Date for its admission to the Official List and quotation of Shares on ASX (under the code 'NWL'). It is anticipated that quotation will initially be on a conditional and deferred settlement basis.</p> <p>Completion is conditional on ASX approving that application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest), as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 7.2
How is the Offer structured?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> • the Retail Offer, consisting of the: <ul style="list-style-type: none"> – Broker Firm Offer; – Platform Priority Offer; – General Priority Offer; and – Employee Offer; and • the Institutional Offer. <p>No general public offer of Shares will be made under the Offer.</p>	Section 7.1
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Joint Lead Managers.	Section 7.1.1

Topic	Summary	For more information
Who are the Joint Lead Managers of the Offer?	The Joint Lead Managers are Credit Suisse (Australia) Limited and UBS AG, Australia Branch.	Section 6.3.4
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, Platform Priority Offer, General Priority Offer, and Institutional Offer will be determined by agreement between the Joint Lead Managers and Netwealth having regard to the allocation policies outlined in Sections 7.3 through 7.7.</p> <p>The allocation of Shares among Applicants in the Institutional Offer was determined by agreement between Netwealth and the Joint Lead Managers.</p> <p>Platform Advisers who have received a Platform Priority Offer Letter to apply under the Platform Priority Offer have been guaranteed a reserved allocation as set out in their Platform Priority Offer Letter. Platform Advisers may apply for more than the reserved allocation set out in their Platform Priority Offer Letter. However, there is no guarantee that such Applicants will receive all or any additional Shares for which they have applied. If an Application or Applications for additional Shares will result in the Platform Priority Offer being oversubscribed, the Company will scale back Applications received for additional Shares from Platform Advisers and their Platform Adviser Clients on a pro rata basis across all applications made for additional Shares. It is a matter for the Platform Advisers how they allocate Shares among their Platform Adviser Clients.</p> <p>Investors nominated by the Company who have received a General Priority Offer Letter to apply under the General Priority Offer have been guaranteed a reserved allocation as set out in their General Priority Offer Letter. Applicants under the General Priority Offer may apply for a number of Shares up to their reserved allocation.</p> <p>Eligible Employees under the Employee Offer will receive an allocation of 270 Shares.</p> <p>With respect to the Broker Firm Offer, it will be a matter for the Brokers how they allocate Shares among their eligible retail clients.</p>	Section 7.2
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.	Section 7.2
What are the tax implications of investing in Shares?	<p>The tax consequences of any investment in Shares will depend upon an investor’s particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.</p> <p>Summaries of certain Australian tax consequences of participating in the Offer and investing in Shares are set out in Section 10.9.</p>	Section 10.9

Topic	Summary	For more information
How can I apply?	<p>Institutional Offer Applications</p> <p>The Joint Lead Managers separately advised Institutional Investors of the Application procedure under the Institutional Offer.</p> <p>Broker Firm Offer Applicants</p> <p>Broker Firm Offer Applicants may apply for Shares by completing a valid Broker Firm Application Form attached to or accompanying this Prospectus and lodging it with the Broker who invited them to participate in the Broker Firm Offer.</p> <p>Platform Priority Offer Applicants</p> <p>Applicants under the Platform Priority Offer must apply in accordance with the instructions provided in their Platform Priority Offer Letter and Section 7.4.</p> <p>General Priority Offer Applicants</p> <p>Applicants under the General Priority Offer must apply in accordance with the instructions provided in their General Priority Offer Letter and Section 7.5.</p> <p>Employee Offer Applicants</p> <p>To apply under the Employee Offer, you must complete the Employee Offer Application Form in accordance with the instructions provided to you by the Company.</p>	Section 7
When will I receive confirmation that my Application has been successful?	<p>Confirmation of successful Applications in the form of initial holding statements are expected to be dispatched by standard post on or about Monday, 27 November 2017.</p> <p>For successful Applications made by Applicants under the Platform Priority Offer or General Priority Offer through their Platform accounts, the Shares will appear in the Platform accounts available online.</p> <p>For more information, see Key dates and Offer statistics on page 7.</p>	Section 7
Where can I find more information about this Prospectus or the Offer?	<p>Please call the Netwealth Offer Information Line on 1800 888 223 (toll free within Australia) or +61 3 9655 1300 (outside Australia) from 8.30am until 6.00pm (Sydney time), Monday to Friday (Business Days only).</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Netwealth is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.</p>	Key dates and Offer statistics
Can the Offer be withdrawn?	<p>Netwealth reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded by the Share Registry, your Broker or Netwealth.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>	Section 7.9

02

Industry overview

2.1 Introduction

2.2 The Australian wealth management industry

2.3 The Australian financial advice industry

2.4 The Platform industry

2.5 Key trends in the Platform and financial advice industries

2.1 Introduction

Netwealth operates in the Australian wealth management industry which provides financial products and services to assist Australians to manage, grow and protect their wealth.

Netwealth provides a range of products and services to Australian clients, primarily through Financial Intermediaries¹¹. Netwealth's focus and expertise is the delivery of a leading wealth management Platform which is an increasingly essential service for Financial Intermediaries and clients.

Essentially, a Platform provides Financial Intermediaries and clients with an efficient and transparent way to acquire, hold and administer a range of investments, commonly including domestic and international securities, managed funds, cash and term deposits. A Platform also provides detailed reporting so Financial Intermediaries and clients can monitor the financial position and the performance of investments. In the case of Netwealth's Platform, it also caters for both superannuation members (both pre- and post-retirement) and for non-superannuation clients.

Netwealth's prospects and growth are principally linked to:

- the growth of Netwealth's market share of the Platform market FUA¹² (driven by both growth in the number of Financial Intermediaries who use Netwealth's Platform and growth in the use of Netwealth's Platform by those Financial Intermediaries);
- the growth in the use of Specialist Platform Providers, and Platform products such as managed accounts, by Financial Intermediaries and clients;
- growth in the value of assets being managed and/or administered by the Australian wealth management industry (both superannuation and non-superannuation), which leads to a corresponding growth in the value of assets on Platforms; and
- Netwealth's demonstrated ability to develop new and innovative products and services used in conjunction with its Platform.

2.2 The Australian wealth management industry

Australia's large and rapidly growing wealth management industry can be divided into two parts:

- the superannuation sector, which had total assets of approximately \$2.3 trillion as of 30 June 2017¹³; and
- the non-superannuation sector, which had total personal investments of approximately \$2.3 trillion as of 30 June 2016¹⁴.

The superannuation sector consists of wealth accumulated by Australian individuals to provide themselves with income and capital in retirement, and is supported by mandatory employer contributions and tax incentives. The non-superannuation sector consists of wealth accumulated by investors outside the superannuation sector. In both sectors, the wealth typically comprises cash and term deposits in banks, Australian and international listed securities, Australian and international fixed interest securities, managed funds and real property.

Managed funds have traditionally been a key component of both sectors, and Australia has the sixth largest managed fund assets pool in the world and the largest in the Asia Pacific region¹⁵. The managed fund asset pool reached \$2.9 trillion in March 2017¹⁶.

Alongside managed funds, managed accounts are starting to gain prominence as another key product in the Australian wealth management industry. Managed accounts allow Financial Intermediaries to more effectively and efficiently look after client investment portfolios. As a result, managed accounts are being increasingly used by Financial Intermediaries, and the managed account FUM reached \$24.6 billion in June 2017¹⁷. The managed accounts' share of the Platform market is also expected to increase from approximately 3-4% in 2017 to almost 7% in 2020¹⁸. See [Section 2.5.3](#) for further information on the rise in popularity of managed accounts.

11. Persons or businesses who hold an AFSL or who are authorised representatives of an AFSL holder, who provide financial advice to clients or arrange financial products for clients. Financial Intermediaries can include financial advisers, investment advisers, stockbrokers, managed discretionary account providers, private wealth managers, accountants and firms servicing high net wealth individuals and families.

12. Strategic Insights Platform Wrap Report 'Product Fund Size' June 2017.

13. Association of Superannuation Funds of Australia (ASFA) Superannuation Statistics (August 2017).

14. Rice Warner Personal Investment Market Projections 2016.

15. Austrade 'Why Australia' Benchmark Report 2017.

16. Australian Bureau of Statistics 'Managed Funds, Australia' (March 2017; Catalogue Number 5655.0).

17. Institute of Managed Account Professionals Ltd Managed Accounts FUM Census (excluding managed discretionary accounts) (June 2017).

18. Morgan Stanley 'Disruptors – Australia Financials' (June 2016).

Life insurance products are another important part of the industry and are used by individuals to protect themselves and their families against risks such as loss of income due to accident or injury, high rehabilitation and living costs associated with total and permanent disability and inability to provide financial support to dependants after the insured's death. For the year ended 30 June 2017, total life insurance industry net premiums were \$46.1 billion¹⁹.

2.2.1 Superannuation sector

Superannuation is central to Australia's retirement income system. The system has three 'pillars': compulsory superannuation contributions made under the 'superannuation guarantee' regime, private savings, often made through additional voluntary superannuation contributions, and government social security²⁰. The superannuation guarantee regime is a mandatory savings system, and the superannuation taxation regime provides preferential tax treatment that motivates individuals to make substantial discretionary contributions to their superannuation. The system is designed to allow Australians to accumulate wealth during their working years that can be used to provide income and capital during retirement, thereby reducing their dependence on Australia's social security system. As the Australian population ages, more and more budgetary pressure will be placed on the welfare system, and the superannuation system will become increasingly important.

Superannuation funds receive both the mandatory contributions made by employers (on behalf of their employees) and the voluntary contributions made by individuals. The mandatory contribution rate is currently 9.5% of an employee's ordinary time earnings, and it is legislated to increase to 12% over the next eight years²¹. These mandatory and voluntary contributions, along with capital growth and income from investments, are then held by superannuation funds for their members and can usually only be withdrawn once the member has reached a certain 'preservation' age and has retired, or in certain less usual circumstances, such as the member becoming incapacitated or dying before reaching retirement age. While there are strict restrictions on the withdrawal of accumulated funds from the system, investors can move their funds from one regulated superannuation fund to another. Even once a member is permitted to withdraw their funds, there may be tax incentives for the member to leave their investments in the superannuation system.

Traditionally, the investments of superannuation funds were made at the discretion of the trustee or trustees of the fund and the members were rarely involved in investment decisions. Member choice in investment decisions was introduced to allow members to choose between different investment profiles, such as 'high growth', 'balanced' or 'conservative'. This model may be appropriate where the member has a low balance, a low level of interest or knowledge in superannuation or investment selection or a preference to leave stock and fund selection to the trustee's investment managers. However, as superannuation balances increase and members become more aware of their individual retirement savings, more investors are seeking involvement in the investment decisions. Two ways for Financial Intermediaries and clients to achieve a broad range of investment choices within their superannuation are to set up a self-managed superannuation fund (**SMSF**) or to join a fund where investments are made according to the member's instruction (within the trustee's investment risk framework).

The superannuation system in Australia has evolved over many years. Some of the key milestones include:

- the introduction of superannuation as part of some industry pay awards in the mid-1980s;
- legislation to introduce the superannuation guarantee system in 1992;
- the introduction of the Superannuation Industry (Supervision) Act (**SIS Act**) in 1993;
- the Wallis Financial System Inquiry in 1996-1997 which led to measures to promote competition between superannuation funds and the introduction of SMSFs; and
- the Cooper Review in 2009-2010 which resulted in the 'MySuper' and 'Superstream' packages of measures²².

19. APRA Quarterly Life Insurance Performance Statistics June 2017. Net premiums represent the sum of net policy revenue, premium-related fees and net policy revenue recognised as a deposit.

20. Australia's Future Tax System Review, Australia's future tax system: the retirement income system: report on strategic issues, (Henry Tax Review), Commonwealth of Australia, May 2009.

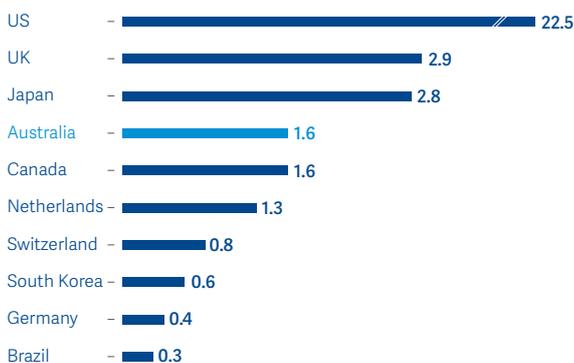
21. Australian Taxation Office, Super guarantee percentage, last modified 26 July 2017.

22. Parliament of Australia 'Major superannuation and retirement income changes in Australia: a chronology', updated 11 March 2014.

2–Industry overview

Approximately 14.8 million Australians have a superannuation account²³. Australia’s superannuation assets have grown at a CAGR of 10% over the last 20 years²⁴, a trend that is expected to continue through to 2020²³. This represented the fourth largest pension asset pool in the world as at 31 December 2016, as shown in the chart below.

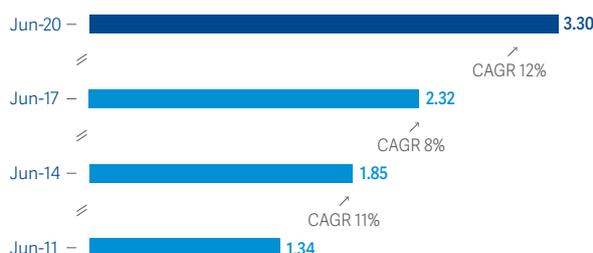
Comparison of global pension assets (US\$ trillion) (December 2016)



Source: Willis Towers Watson Global Pension Asset Study (January 2017).

Note: Figures are estimated as at December 2016 by Willis Towers Watson based on index movements from hard data typically as of December 2015 (except for Australia and Brazil which are as of June 2016) collected by Willis Towers Watson and from various secondary sources.

Growth in Australian superannuation assets (\$ trillion)



Source: APRA Annual Superannuation Bulletin (June 2011), APRA Quarterly Superannuation Performance (June 2014) and ASFA Superannuation Statistics (August 2017). 2020 estimate represents the midpoint of the consensus private sector forecast range as published in ASFA Superannuation Statistics (August 2017) and assumed to be as of 30 June 2020.

Within the superannuation sector, there are broadly five types of funds:

- small funds (including SMSFs) — superannuation entities fewer than five members who generally operate the funds themselves. SMSFs form part of the superannuation industry, but due to their structure they are often administered by their trustee on a Wrap Platform product²⁵;
- retail funds — superannuation funds that are offered to the public (but may be limited to a corporate group or industry) and are typically operated by financial services companies and banks;
- industry funds — superannuation funds that operate on a not-for-profit basis; historically, these funds were usually restricted to employees working in a particular industry, but many are now open to the public;
- public sector funds — superannuation funds that operate on a not-for-profit basis and are generally only available to Federal and State Government employees; and
- corporate funds — superannuation funds that operate on a not-for-profit basis and are generally only available to employees of a specific corporate group.

23. ASFA Superannuation Statistics (August 2017).

24. APRA Insight Issue Two 2007 ‘Celebrating 10 years of superannuation data collection 1996-2006’ and ASFA Superannuation Statistics (August 2017).

25. For this reason, while SMSFs are treated as part of the superannuation sector in Section 2, in Section 3 they are treated as held on Wrap products provided on Netwealth’s Platform (rather than superannuation products).

The table below shows the size of these five types of funds²⁶. Netwealth participates in the two largest segments – SMSFs and retail funds (denoted by shading in the table below). Netwealth is commonly used by individuals who have larger account balances than the average held in retail funds and, usually through their Financial Intermediaries, wish to be engaged in decisions as to how their funds are invested.

Overview of the superannuation sector in Australia

Type of fund	Total assets (\$ billion) (June 2017)	Number of funds (June 2017)	Number of accounts (June 2016)
SMSFs	697	596,516	1.1 million
Retail	588	128	13.0 million
Industry	545	41	11.1 million
Public sector ¹	379	37	3.5 million
Corporate	59	27	0.3 million
Other ²	57	2,083	
Total	2,324		29.1 million

■ = Netwealth target segment

Source: APRA Quarterly Superannuation Performance (June 2017), APRA Superannuation Bulletin (June 2016).

1. Includes exempt schemes.
2. Includes small APRA funds and single-member approved deposit funds.

2.2.2 Non-superannuation sector

Australia’s non-superannuation sector had total personal investments of approximately \$2.3 trillion as at 30 June 2016²⁷. The non-superannuation sector is forecast to grow at a real CAGR of 4% per year from June 2016 to June 2031²⁷. Unlike in the superannuation sector, non-superannuation investments can be held by investors directly. There is no need for them to be held in a trust fund or Platform. Traditionally, most non-superannuation investments have been held by investors themselves rather than through Platforms, and only 3.4% of personal

investments were held through Platforms as at 30 June 2016²⁸. Non-superannuation assets commonly include real property held by households, which in most circumstances cannot be held directly on a Platform. However, the use of Platforms is forecast to increase to 8.0% of personal investments by June 2031²⁸. If this occurs, it will represent a fourfold increase in personal investments held through Platforms from \$78 billion in June 2016 to approximately \$334 billion in June 2031 (in 2016 dollars) as shown in the table below.

26. Netwealth participates in the SMSF sector, but not the small fund sector. Therefore, small funds have been grouped in the ‘Other’ category.

27. Rice Warner Personal Investment Market Projections 2016.

28. Rice Warner Personal Investment Market Projections 2016. Figures exclude SMSF investments, which may also be held on a Wrap Platform.

2–Industry overview

Overview of the non-superannuation sector personal investments (in 2016 dollars, June year-end)

(\$ billion)	2016	2021E	2026E	2031E	2016-2031E CAGR (real)
Wrap Platforms ¹	78.1	139.6	223.3	333.9	10.2%
Wrap Platforms (% of total)	3.4%	4.9%	6.5%	8.0%	na
Non-superannuation master funds ²	62.3	71.7	81.6	91.6	2.6%
Life investment products ³	28.3	34.2	41.1	48.9	3.7%
Directly held by households	2,135.7	2,580.8	3,095.3	3,679.8	3.7%
Total	2,304.4	2,826.3	3,441.3	4,154.2	4.0%

Source: Rice Warner Personal Investment Market Projections 2016.

1. Excludes SMSF assets. Refer to [Section 2.4](#) for an overview of Wrap Platforms.
2. Refer to [Section 2.4](#) for an overview of master funds.
3. Represents investments products offered as part of life insurance policies.

2.3 The Australian financial advice industry

Financial Intermediaries such as financial advisers assist investors to set their financial goals and manage, grow and protect their wealth. In conjunction with their clients, Financial Intermediaries are the primary users of Platforms such as Netwealth's. Some Financial Intermediaries are employed by large financial institutions, or businesses that have ties to large financial institutions, but others operate separately, typically under a Licensee. The Licensee is required to provide the financial adviser and its staff with compliance, training and other support services including defining an approved list of products in which those operating under its AFSL can invest. As of July 2017, there were approximately 25,400 Financial Intermediaries in Australia who provide advice through approximately 1,500 Licensees²⁹. It is estimated that approximately 9,350 of these Financial Intermediaries are tied to large financial institutions³⁰ and approximately 16,050 are not²⁹.

2.3.1 Evolution of the financial advice industry

The financial advice industry has undergone significant growth and development since the 1980s. Traditionally, the industry largely involved the distribution of financial products through a commission-based sales process. Financial Intermediaries were typically representatives of financial institutions which were product manufacturers or were employees of stockbrokers.

The financial advice industry has now evolved to use a very different model, with adviser revenues based increasingly on fee-for-advice service rather than product sales commissions and the increasing emergence of adviser groups which are not aligned with product manufacturers, such as the banks and other large financial institutions. Also, some large financial institutions are now moving away from participation in wealth management.

These changes have been driven by many factors including:

- growing maturity and professionalism of Financial Intermediaries supported by increasingly effective and efficient technology solutions, including Platforms;
- growing recognition by investors of the value of financial advice (as distinct from financial product advice) driven by greater sophistication, information, product choice and household wealth (particularly with larger superannuation balances);
- the Financial Services Reform Act in 2001, which substantially changed the regulation of the financial advice industry, including by imposing much more stringent requirements in relation to the documentation of financial advice given to retail investors and the disclosure of adviser remuneration;
- the global financial crisis in 2007-2008, which revealed the need for improved product design and financial advice and a need for greater focus by regulators, Financial Intermediaries and investors on the quality of financial products and advice;

29. ASIC Financial Advisers Dataset (July 2017).

30. Defined as the major banks, AMP and IOOF.

- concerns about the appropriateness of the vertical integration model, where large financial institutions, which manufacture financial products, also own or control Licensees under whose AFSL financial advice is given to retail investors;
- the Future of Financial Advice (FOFA) reforms in 2012-2013, which introduced further changes in the form of:
 - a ban on most conflicted remuneration structures, including commissions and volume-based payments, in relation to advice about a range of retail investment products; and
 - a duty for Financial Intermediaries to act in the best interests of their clients and place the best interests of their clients ahead of their own; and
- the Professional Standards of Financial Advisers reforms in 2017, which will further drive these changes, as they improve conduct through a provider Code of Ethics and raise the education, training and ethical standards of Financial Intermediaries including by imposing:
 - compulsory education requirements for new and existing Financial Intermediaries;
 - an examination requirement approved by the standards body;
 - a professional year requirement, whereby new Financial Intermediaries must undertake at least one year of work and training that meets the requirements set by the standards body; and
 - continuing professional development requirements.

2.3.2 Netwealth's role within the financial advice industry

Netwealth has strategically taken advantage of these changes in the financial advice industry by being innovative and agile, which allows it to respond to Financial Intermediaries' and their clients' needs more rapidly than many of its competitors, particularly its large institutional competitors. Netwealth's Platform offers financial products and services from a wide range of providers. These products and services have been specifically designed to support the needs of Financial Intermediaries by providing them with some of the functionality needed to meet their obligations to their clients and to also facilitate and enhance the professional financial advice provided.

Netwealth is not reliant on tied Financial Intermediaries to distribute its financial products. Rather, it relies on the quality of its products, a high level of customer service and the leading functionality of its Platform to attract and retain Financial Intermediaries and clients. Platform users have historically been attracted by the size, networks, resources and brand strength of large financial institutions, particularly banks. However, Specialist

Platform Providers are finding a way in through improved customer service experiences and better technology.

2.4 The Platform industry

2.4.1 Why use a Platform?

Platforms began to be adopted in Australia in the late 1980s and early 1990s as a simple way for investors to acquire, hold, administer and monitor the performance of investments. Initially, Platforms were largely used to hold managed fund investments, but this gradually expanded to include a range of other assets, including listed securities. Platforms can be used either for superannuation investments or for non-superannuation investments.

For Financial Intermediaries, Platforms are now a key tool that:

- assists them in streamlining the implementation of their advice to clients;
- helps them in complying with complex regulatory obligations;
- makes their businesses more efficient by automating many administrative processes that Financial Intermediaries have traditionally had to do manually; and
- enhances their ability to implement broader based and more dynamic investment strategies for their clients.

As discussed in [Section 2.3.1](#) above, a key value proposition of Financial Intermediaries to their clients is the quality of advice they provide, rather than just assistance in acquiring investments. Platforms allow Financial Intermediaries to focus on this aspect of their business. Because of this, most advice firms use one or more Platforms, and 74% of new client money (inflows) is placed through Platforms³¹. While Platforms take a variety of forms, the key features of most Platforms are:

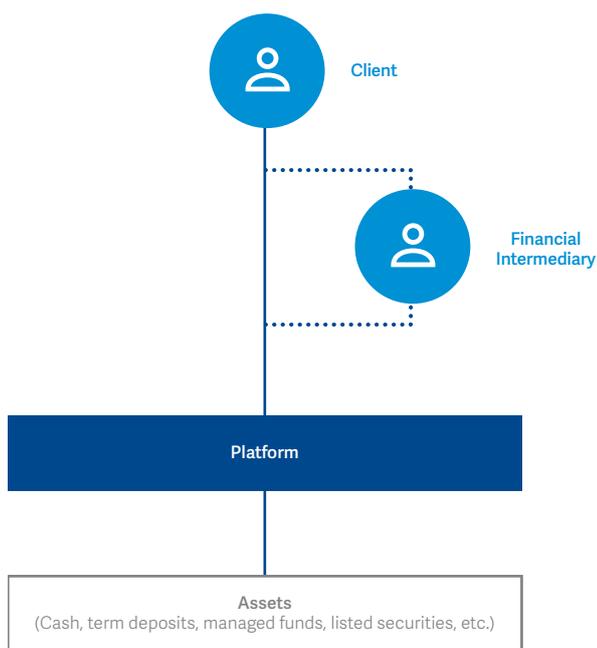
- Consolidation of information — Platforms provide a single source of information about an investor's assets.
- Custody — Platforms provide a secure and efficient means of holding investments.
- Account-based — Each investor has an account, the value of which is determined by reference to the value of their underlying investments, adjusted for related costs and expenses including tax (where applicable).
- A broad range of investments — Platforms can provide a broad investment menu from which investments can be chosen, and can include managed funds (often made available to investors at wholesale rates which would not be available if the investor invested directly in the managed fund as a retail investor), Australian and international listed securities (including exchange traded funds), term deposits, other income investments and cash.

31. Investment Trends: May 2017 Planner Technology Report.

2–Industry overview

- Member direction — The investor or their Financial Intermediary determines which investments available on the investment menu are bought (sometimes within specified limits) and/or sold.
- Transparency — Platforms provide the investor and their Financial Intermediary with ongoing access to information about their investments, usually online and accessible through a personal computer, tablet or mobile device.
- Reporting — The Platform trustee or operator provides consolidated reporting to the investors and their Financial Intermediaries on the performance of investments, including asset pricing, returns and (where applicable) taxation information.
- Add-on services — Increasingly, Platforms are also offering wealth-related services such as access to investment research and education and insurance policies.

How Platforms operate



Source: Netwealth.

2.4.2 Types of Platform products

As discussed in the previous Sections, Platforms can be used for superannuation products or non-superannuation products. Superannuation Platform products and non-superannuation Platform products are functionally similar, but there are some important differences.

- Superannuation Platform products — Superannuation is generally provided through a trust structure in which trustees hold funds on behalf of members³². Tax is generally paid at the fund level by the trustee in a superannuation Platform product and deducted from members' account balances. Superannuation products are primarily regulated by APRA under the SIS Act and ASIC under the Corporations Act. The trustee of a superannuation product must be licensed by APRA and ASIC.
- Non-superannuation Platform products — Generally use an IDPS or IDPS-like structure. An IDPS has an operator and a custodian (which may also be the operator). The custodian holds the investments on behalf of investors. While termed 'non-superannuation Platform products', SMSFs are often administered through an IDPS. The IDPS does not have the superannuation rules built into it, and therefore, the trustee of the SMSF is responsible for managing the SMSF and ensuring that it is compliant. Tax in an IDPS is paid by the investor. The IDPS operator may provide information to the investor, which can be used to prepare the investor's tax returns. Information may be customised depending on the nature of the investor. For example, the investor may be an SMSF, in which case the taxation information can be prepared in a form suitable for an SMSF. IDPSs are primarily regulated by ASIC, and the operator must have an AFSL issued by ASIC which allows them to operate the IDPS.

Netwealth's Platform provides both of these types of products. The superannuation Platform product uses a master trust structure, and the non-superannuation Platform product uses an IDPS structure.

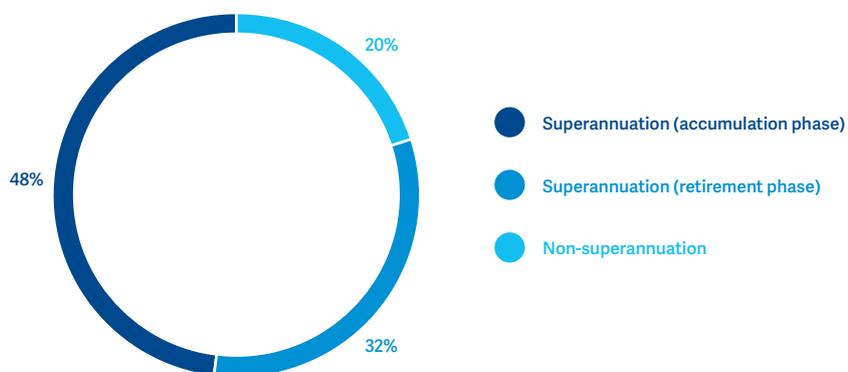
IDPSs are commonly referred to in the industry as 'wrap accounts' because they allow investors to 'wrap' their investments into a single reporting structure. Superannuation Platform products are sometimes also referred to as 'super wrap accounts'. For convenience, in this Prospectus the term **Wrap** is used to refer to IDPS Platform products. While a Wrap is not itself a superannuation product, Wraps are commonly used by SMSFs to hold and monitor their investments as detailed above.

A single Platform account cannot, however, be used for both superannuation and non-superannuation products, because a superannuation Platform product account can only hold superannuation assets in an individual member's name. A Wrap Platform product account could be held in the name of an individual or multiple individuals, in the name of a company or in the name of the superannuation trust, where the account is an SMSF account.

32. 'Superannuation: an overview' Australian Government Australian Law Reform Commission <http://www.alrc.gov.au/publications/8-superannuation/superannuation-overview>.

The majority of FUA in the Australian Platform industry are in superannuation products as shown in the chart below.

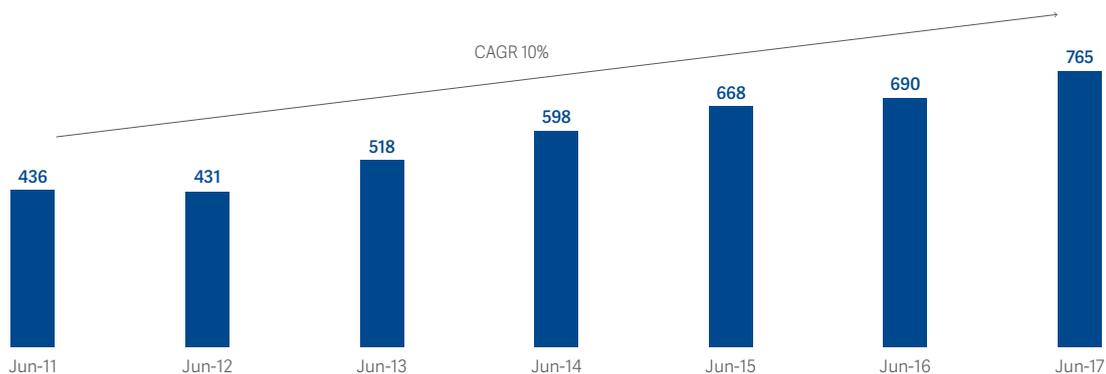
Platform FUA by tax structure (September 2016)



Source: Financial Services Council/UBS Asset Management State of the Industry Report (2017) based on Rainmaker (September 2016).

Platforms grew at a CAGR of 10% since 2011 as shown in the chart below.

Total Platform FUA over time (\$ billion)



Source: Strategic Insight: Master Trusts, Platforms & Wraps (June 2017).

2-Industry overview

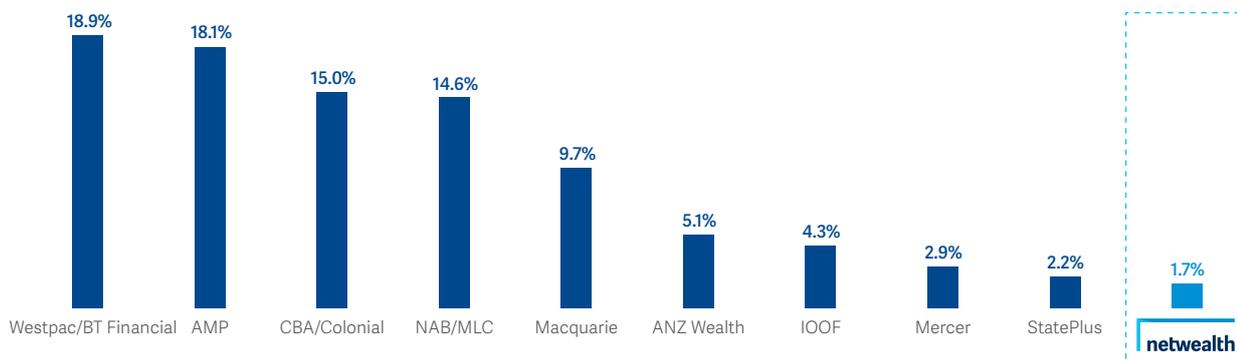
2.4.3 Competitive landscape

The Platform market has traditionally been dominated by the major banks and large diversified financial institutions. Competitors in this market can broadly be categorised as follows:

- Platform operators owned by major banks and other large diversified financial institutions; and
- companies such as Netwealth which specialise in Platforms (**Specialist Platform Providers**).

Netwealth is the 10th largest Platform provider based on total FUA, with a 1.7% market share, and is the largest Specialist Platform Provider, as shown in the chart below.

Overview of Platform providers by FUA market share (%)¹



Source: Strategic Insight: Master Trusts, Platforms & Wraps (June 2017).

1. Total industry retail FUA of \$765 billion (as at June 2017).

2.4.4 Barriers to entry

There are significant barriers to entry for a new entrant to establish a substantial position in the Platform industry, including:

- The cost of building a Platform — Platforms often use systems that can be expensive to develop.
- The technical complexity of building a Platform — Platforms are designed to be relatively simple to use, but functionality-rich Platforms are extremely complex to build.
- The time required to build a Platform business — Platform businesses can take years to achieve profitability.
- The time required to recruit and train staff — The IT, operations and investor service staff necessary to operate and maintain a Platform business require sufficient skill and expertise. Ongoing training is required to build up the necessary expertise to do so efficiently and maintain a high level of customer service.
- The brand strength of existing Platform providers — The institutional providers have well-known established brand recognition with investors and Financial Intermediaries through the breadth of their product offering.
- Regulatory and legal complexity — Platform operators and trustees must comply with a wide range of complex legal and regulatory requirements imposed by multiple regulators. The regulators require demonstrated expertise before they will provide the required licences.
- Customer satisfaction — Existing users of a Platform that provides high levels of customer satisfaction are unlikely to try other Platforms.
- Friction in moving Platforms — There are regulatory requirements for Financial Intermediaries wishing to move clients from one Platform to another, including the need to demonstrate how the change is in the client's best interest.

2.5 Key trends in the Platform and financial advice industries

2.5.1 Innovation and technology

The Platform and financial advice industries have evolved considerably in recent years as innovation and technology become an increasingly important part of product and service offerings.

Many industry participants are adapting their business processes and models in response to technological trends, aiming to deliver greater value and deeper engagement with clients. In addition, many Financial Intermediaries believe that technology can improve general perceptions of advice, creating a new understanding of the advice industry and encouraging more Australians to seek advice. Technology is also being used to improve business efficiency and compliance, as Financial Intermediaries are involved not only in giving advice, but also in the implementation of investments and ongoing portfolio management; Financial Intermediaries are increasingly using Platforms such as Netwealth's for this.

Many Financial Intermediaries are looking to enhance their business using technology, but may not have the capital to invest and therefore are likely to outsource to Platforms for the delivery of technological solutions. Netwealth, as a technology-based Platform business, is well placed to deliver creative, innovative, technology-based solutions to Financial Intermediaries.

Technological innovation is likely to shape the industry in the coming years. Examples of major trends that could serve as opportunities or disrupters to the market include the following:

- investment portfolio administration capabilities, including managed accounts, which enable Financial Intermediaries to implement investment decisions consistently and on an efficient basis across a wide number of individual client portfolios; managed accounts give Financial Intermediaries the ability to scale their business and manage a large number of clients by providing professionally managed and tailored investment portfolios; they also enable Financial Intermediaries to implement broader and more complex investment strategies for their clients;
- 'robo' investment technologies, which provide online portfolio recommendations using algorithms to improve back office efficiency and allow Financial Intermediaries to increase the number and type of clients they can advise;
- scaled advice technology, which is personal advice that is limited in scope or piece-by-piece advice rather than holistic or comprehensive advice, often provided over the phone or the internet;

- tools for clients, including investment portfolio information, fast, efficient and cheaper trading capabilities across mixed assets, education and research material and easy-to-use responsive online functionality;
- adviser tools with a focus on streamlining the advice process and making the Financial Intermediaries' businesses more efficient through investment portfolio administration capabilities, data feeds between Platforms and the Financial Intermediaries' client relationship management and financial planning systems, and production of transaction-based disclosure documents and client approval processes;
- artificial intelligence and data analytics, enabling the targeted identification of client needs and opportunities and the development of automated solutions for clients in a timely manner; and
- the potential use of new and emerging transaction technology to improve transaction efficiency and security, such as blockchain.

These technological trends are important to Platform providers like Netwealth for several reasons. Most notably, Platform providers can use their differentiated technological capabilities and focus on continuous innovation to attract new Financial Intermediaries and clients to their Platform and retain existing clients. In addition, as disruptive technologies gain support, Financial Intermediaries are questioning how they will define their value proposition in the future, including what aspects of their service will be outsourced to third parties such as Platform providers and what they will retain. Technological advances also have the potential to broaden the appeal of both Platform services and financial advice and therefore drive growth in the Platform industry.

Netwealth, as an innovative, nimble and technology-focused organisation, is well placed to exploit these trends.

2.5.2 Structural shift towards Specialist Platform Providers

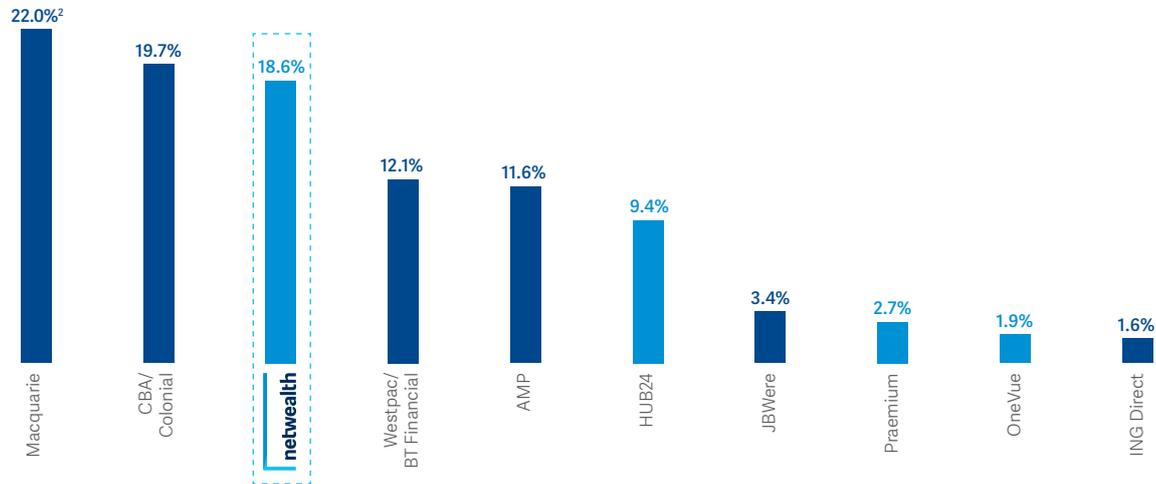
As discussed above, Netwealth is a Specialist Platform Provider. By their very nature, Specialist Platform Providers have a particular focus on Platforms in contrast to other financial services organisations, for whom Platforms are a small part of the product and service offering provided. In recent years, Specialist Platform Providers have increased their share of net funds flows when compared to the institutional Platform providers, driven in part by the innovation capabilities of Specialist Platform Providers and their ability to quickly and efficiently respond to the needs of Financial Intermediaries and clients. Over the past four years, the leading Specialist Platform Providers have seen an increase in market share from 3.6% to 32.6% of net funds flows³³.

33. Represents Netwealth (2017: 18.6%, 2013: 2.7%), HUB24 (2017: 9.4%, 2013: 0.2%), Praemium (2017: 2.7%, 2013: 0.7%) and OneVue (2017: 1.9%, 2013: nil) cumulative share of master trust, Platform and Wrap net funds flows as per Strategic Insight: Master Trusts, Platforms & Wraps (12 months to June 2017 vs. 12 months to June 2013).

2-Industry overview

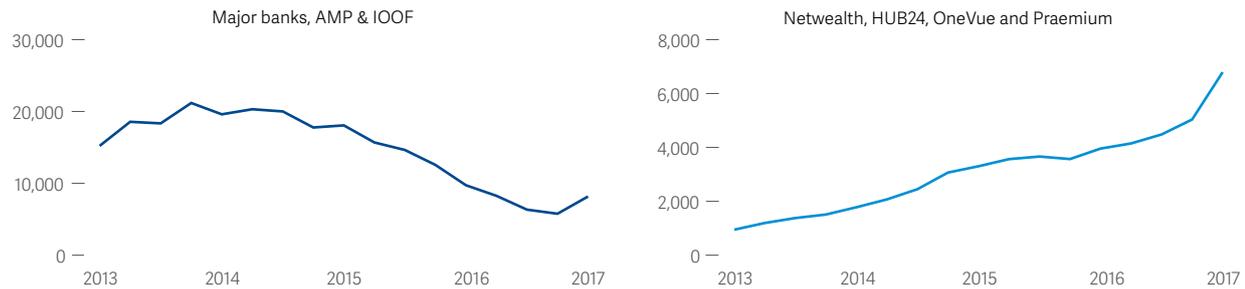
Overview of Platform providers by net funds flows market share

Platform provider net funds flows (% market share; 12 months to June 2017)¹



Specialist Platform Providers are winning share of net funds flows

Platform provider net funds flows (\$ million, quarter-end rolling 12 months)

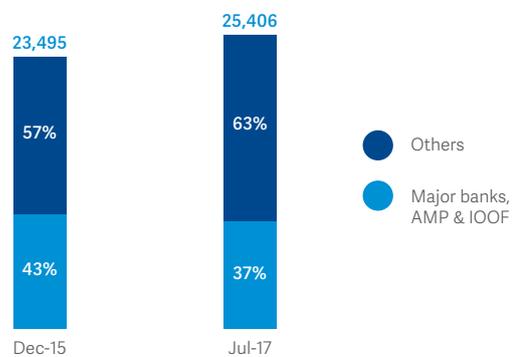


Source: Strategic Insight: Master Trusts, Platforms & Wraps (June 2017).

1. Total net funds flows of \$20.8 billion (12 months to June 2017).
2. Includes transition from Oasis (ANZ) to Macquarie.

This trend is supported by an increase in the number of Financial Intermediaries that are not aligned with or owned by a major bank or large diversified financial institution. As shown in the following chart, the major banks, and the two largest diversified institutions, have seen their aggregate share of Financial Intermediaries decrease by six percentage points between 31 December 2015 and 30 June 2017 as Financial Intermediaries increasingly choose to obtain their own AFSL or join small to mid-size Licensees³⁴.

Number of Financial Intermediaries linked to major financial institutions



Source: ASIC Financial Advisers Dataset (July 2017).

34. ASIC Financial Advisers Dataset (July 2017).

2.5.3 The rise in popularity of managed accounts

One product that has experienced exceptional growth in recent years is the managed account. A managed account is a financial product similar in some ways to a managed fund, but with some important differences.

- With a managed fund, investors' money is pooled in a fund (in Australia usually in the form of a trust) and invested in a pre-determined investment class or classes. The managed fund has a professional fund manager which determines which investments are bought or sold within the relevant investment class or classes. The investment classes may be listed securities, fixed interest investments, other managed funds, exchange traded funds, real property or almost any other form of asset. Typically, a managed fund is unitised and the units are valued by the fund operator based on the value of the fund's assets, adjusted for any costs and liabilities. Managed funds distribute returns to unit holders on a periodic basis, usually based on the number of units they hold on a particular date. On the investor's statement or asset reports, investors will see their holding as a number of units within the managed fund.
- With a managed account, an investment manager determines which investments should be made within the relevant investment class or classes, although the investment classes are generally restricted to listed securities and managed funds. The investment manager typically determines a model portfolio which represents what the manager considers to be the optimal combination of investments to implement their investment strategy, and each account is then invested to 'track' that portfolio as closely as practical. The model portfolio is reviewed and revised on a periodic basis by the manager. In contrast to a managed fund, a managed account is not unitised, and each underlying investment is reported individually for each investor.

Managed accounts have a number of advantages over managed funds including the following:

- With a managed account, an investor and their adviser can see exactly where their money is invested and when investment decisions have been implemented on their behalf. With a managed fund, the investor and the adviser receive periodic reports of what the fund is invested in but do not see the exact investments as they are bought or sold.

- Because of their transparency, with a managed account the investor and their adviser can see what is driving the performance of the account. With a managed fund, it is possible for an investor and their adviser to monitor the unit price but, because they do not know what the specific assets of the fund are, they do not know what is contributing to investment performance.
- Typically, with a managed account, the investor can set investment parameters and rules regarding how their portfolio is managed, including investment exclusions and substitutions, trade sizes and tax preferences. For example, an investor can choose to substitute one individual stock for another or remove 'non-ethical' stocks from their portfolio. Therefore, the investor or their adviser can alter the portfolio if they believe that is desirable.
- If an investor wishes to withdraw their investment from a managed fund, their units in the fund have to be redeemed. This can give rise to a capital gains tax liability, and typically there will also be a 'buy-sell' spread (the difference between the price at which units are bought and sold), which means there is a cost to the investor in withdrawing their money. With a managed account, unless the investor is seeking to realise their investments, the investor can simply cease using the services of the model manager and either transfer their account to another model manager or manage it themselves. There is no need to sell assets, and there is no buy-sell spread cost.
- Investment in managed funds can also result in investors having a tax liability which is different from what they would have if they invested in the assets directly. For example, managed funds will sometimes have unrealised capital gains on assets at the time an investor invests in the fund, and the disposal of the asset will result in a greater tax liability for the investor than if the investor acquired the asset directly. Another situation that can arise is where a managed fund disposes of a substantial amount of assets to fund the withdrawal of investors from the fund. In some cases, the disposal of assets will have tax consequences for the remaining investors. This does not occur in a managed account, as assets are only bought or sold on behalf of the investor themselves rather than a pooled fund.

2-Industry overview

It should be noted that managed funds remain an important investment structure, as they include some functionality that is not possible with managed accounts including the following:

- Managed funds can be structured as index funds which closely track a chosen index. This would be very difficult to do with a managed account due to the size of the individual portfolios.
- Managed funds can use internal borrowings to enhance the returns of their portfolios.
- Managed accounts typically only invest in listed securities and managed funds, and it is not usually possible to invest directly in substantial or non-liquid investments such as property or infrastructure.
- The minimum amount that can be invested in a managed fund is relatively small, often as low as \$500 or even less, which would not be practical under a managed account model. Typically, when investing in a managed account model which invests in listed securities, to acquire the necessary number of investments would require an investment amount of several thousands of dollars.
- Managed accounts can have 'tracking error'. This is where an individual's account portfolio performance does not exactly 'track' the performance of the theoretical managed model portfolio. This can occur due to factors such as technology limitations and minimum parcel sizes for underlying investments making it impractical to buy or sell the exact number of securities to match the model.

Netwealth therefore believes that both managed funds and managed accounts will continue to be used in conjunction with each other for the foreseeable future. However, from the point of view of Financial Intermediaries, managed accounts have the benefit of allowing them

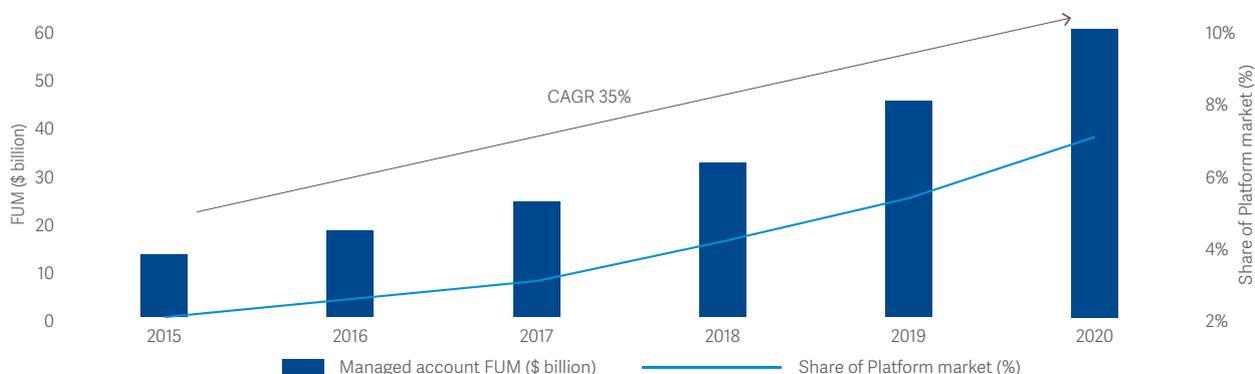
to service a large number of clients with a significantly reduced administrative and compliance burden (e.g. tax and performance reporting). For example, if a client has an existing exposure to a particular listed security or managed fund, that investment can be excluded from their managed account portfolio or, if a client does not wish to invest in mining companies, mining company shares can be excluded.

While managed accounts have existed in Australia since the late 1990s, they have only recently started gaining popularity largely driven by:

- the evolution of the financial advice industry as described in [Section 2.3.1](#) and Financial Intermediaries seeking to add value for clients by assisting them with customised investment advice rather than product selling;
- increasing levels of individual wealth, particularly retirement assets, resulting in greater demand for control of investments, flexibility in catering to investor preferences, transparency in holdings and tax efficiency;
- a maturing of the SMSF industry, which has resulted in an increased demand for managed accounts given the opportunity for professional management combined with beneficial ownership, transparency and improved tax efficiency; and
- advances in technology to support managed account capabilities, with tools to support Financial Intermediaries being more readily available through Specialist Platform Providers like Netwealth.

As a result of these factors, the managed account industry FUM are expected to grow at approximately a 35% CAGR from 2017 to 2020, increasing to \$60 billion by 2020 and representing approximately 7% of the total Platform market as shown below.

Forecast managed account industry FUM



Source: Morgan Stanley 'Disruptors – Australia Financials' (June 2016).

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03

Company overview

3.1 Introduction to Netwealth

3.2 Corporate history and growth

3.3 Corporate culture and values

3.4 Client base

3.5 Products and services

3.6 Regulatory and risk framework

3.7 Key functions

3.8 Growth strategy

3.1 Introduction to Netwealth

As a Specialist Platform Provider, Netwealth offers superannuation and non-superannuation Platform products which provide innovative portfolio administration, investment management tools, investment and managed account solutions, to Financial Intermediaries and clients. Netwealth’s Platform is currently rated Australia’s best Platform overall³⁵ and is equal Number 1 for overall Platform satisfaction³⁶, providing Financial Intermediaries with the technology required to help them efficiently manage and add value to their clients’ investments.

Netwealth had approximately \$14.3 billion of FUMA on the Platform as at 30 June 2017, comprising \$12.7 billion of FUA and \$1.6 billion of FUM³⁷.

As at 30 June 2017, 2,106 Financial Intermediaries used Netwealth’s Platform. Netwealth has been one of the fastest growing Platform providers in recent years³⁸. Netwealth has a market share of approximately 1.7%³⁹ of the addressable Platform market based on FUA and therefore has ample scope for continuing to increase its market share further if it can successfully execute its growth strategy as discussed in Section 3.8 below.

3.2 Corporate history and growth

Founded in 1999 and based in Melbourne, Netwealth was established to provide innovative web-based wealth management products primarily for Financial Intermediaries and their clients. Netwealth was formed by entities associated with Michael Heine. Key milestones in Netwealth’s history include:

- April 2007: reached first billion dollars in FUMA;
- March 2010: launched SMART technology (an end-to-end, real-time modelling and rebalancing system) (SMART);
- September 2012: became one of the first Platform operators to offer multiple insurers and insurance policies;
- October 2012: became one of the first Platform operators in Australia to launch direct international share trading;
- April 2015: launched managed accounts;
- September 2016: reached \$10 billion in FUMA; and
- August 2017: reached \$15 billion in FUMA.

As illustrated in the chart below, Netwealth has grown rapidly since achieving its first milestone of \$1 billion in FUMA, driven by the growth in the number of Financial Intermediaries and clients that use Netwealth’s Platform, the growth in the asset values of clients and the increasing use of Netwealth’s Platform by those Financial Intermediaries and clients.

The number of Financial Intermediaries and clients using Netwealth’s Platform has grown rapidly.

The number of Financial Intermediaries and clients using Netwealth’s Platform has grown rapidly



Source: Netwealth.

35. Investment Trends: December 2016 Platform Competitive Analysis and Benchmarking Report.
 36. Investment Trends: May 2017 Planner Technology Report. Netwealth ranks joint first in terms of overall Platform satisfaction amongst surveyed financial advisers.
 37. Where funds are invested in a Netwealth managed account or a Netwealth managed fund through a Netwealth Platform, for the purposes of this Prospectus the funds are counted both as FUA on the Platform and FUM in the managed fund or managed account. In other words, \$1 invested in a managed fund or managed account through a Platform counts as \$2 of FUMA.
 38. Based on growth in total FUA (master trust and Wrap) from 30 June 2015 to 30 June 2017 sourced from Strategic Insight: Master Trusts, Platforms & Wraps (June 2017).
 39. Strategic Insight: Master Trusts, Platforms & Wraps (June 2017).

3.3 Corporate culture and values

Netwealth is a fast-growing financial services company focused on attracting talented, innovative, creative and team-orientated people. Netwealth is driven by its purpose, which is to enable people to see wealth differently and discover a brighter future. Netwealth’s key values are to be Curious, Optimistic, Courageous, Collaborative, Agile and Genuine.

Netwealth has a clear set of organisational values and behaviours that guide the way employees work together, communicate and live.

Netwealth’s purpose

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

Netwealth’s values

- + Curious
- + Optimistic
- + Collaborative
- + Agile
- + Genuine
- + Courageous

Source: Netwealth.

Under the leadership of Joint Managing Directors Michael and Matt Heine, managers at Netwealth are not traditional command and control managers, but are hands-on and instrumental in shaping their teams and the outcomes. Wherever possible, teams have a flat structure, and leaders have deep knowledge about the work conducted. People work across the business in an open plan environment. All employees are encouraged to speak up, and to be curious in their approach to their role.

Netwealth’s key values are manifested in how it operates on a day-to-day basis. An example is agility. Netwealth seeks to adapt to change and execute its agreed priorities quickly and efficiently. Netwealth’s IT development area utilises agile software development methodologies, generally on a two week release cycle. This ensures that Netwealth is constantly building, delivering and implementing change to improve its products. This agile approach extends beyond IT and into each part of Netwealth’s business including Operations, Compliance and Marketing.

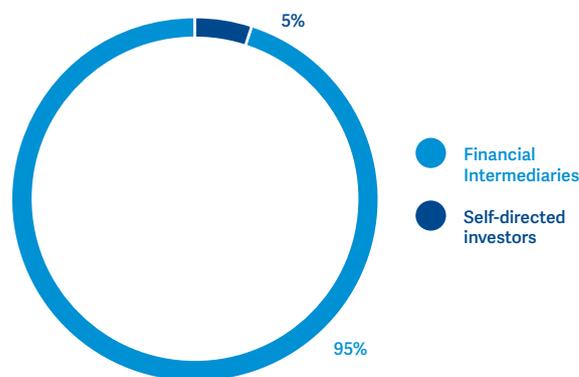
3.4 Client base

Netwealth provides services to two main types of client:

- Financial Intermediaries, who provide financial advice on superannuation, other investments and other financial needs to their clients — this segment is typically referred to as Financial Intermediaries, advisers or planners and may be either an individual financial adviser or a group of Financial Intermediaries that share training, licensing and support services and recommended product lists; and
- self-directed clients who have chosen not to seek advice.

As of 30 June 2017, Financial Intermediaries accounted for approximately 95% of FUA on Netwealth’s Platform, while self-directed investors accounted for approximately 5%.

Client mix by FUA (30 June 2017)



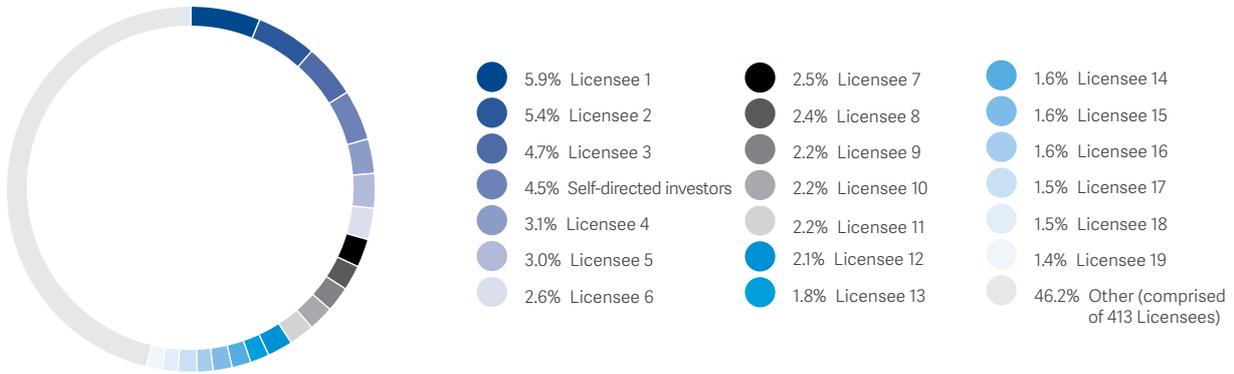
Source: Netwealth.

3-Company overview

Netwealth's client base is broadly diversified and has been very stable over time. The chart below shows the relative FUA attributable to the 19 largest Licensees who use

Netwealth's Platform, together with self-directed investors and the 413 other Licensees. No Licensee accounted for more than 6% of Netwealth's FUA as at 30 June 2017.

FUA by Licensee¹ (30 June 2017)

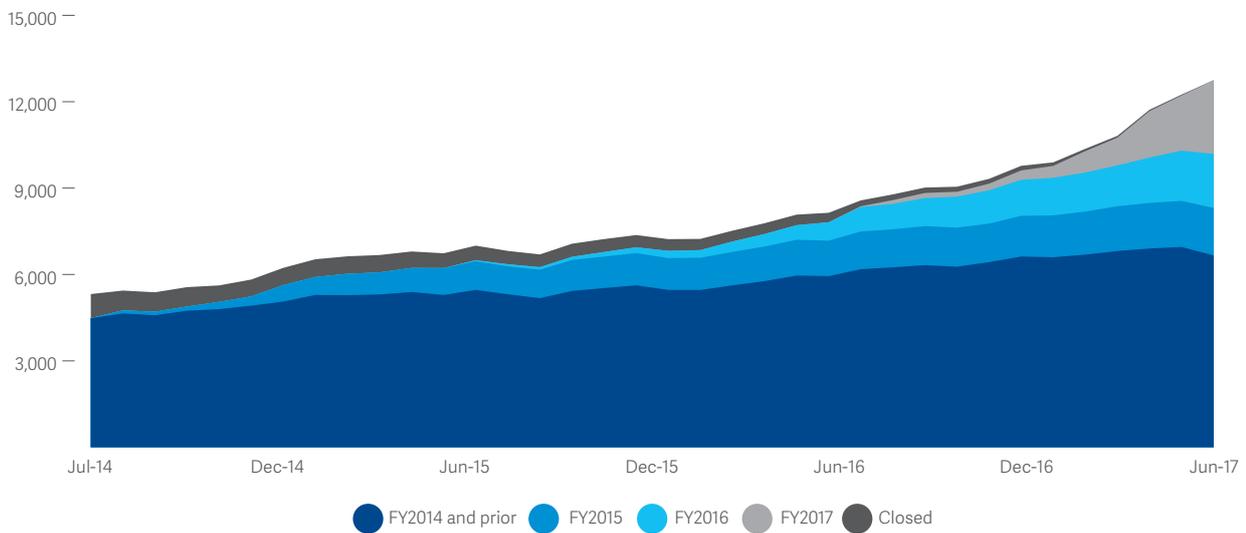


Source: Netwealth.

1. Licensees are groups of Financial Intermediaries that operate as one licensed group and often share training, support services and recommended product lists.

The chart below illustrates, for Financial Intermediaries who have FUA on the Netwealth Platform as at 30 June 2017, how much their FUA has grown since coming on to the Platform.

FUA by Financial Intermediary vintage (\$ million)



Source: Netwealth.

3.5 Products and services

3.5.1 Overview

Netwealth’s products can broadly be divided into:

- superannuation products provided on the Platform, with \$6.3 billion of FUA as at 30 June 2017;
- Wrap products provided on the Platform, with \$6.4 billion of FUA as at 30 June 2017⁴⁰;
- managed funds, each of which is a registered managed investment scheme designed to be used in conjunction with the Platform, with a total of \$884 million of FUM as at 30 June 2017; and
- managed accounts, designed to be used in conjunction with the Platform, with a total of \$679 million of FUM as at 30 June 2017.

Netwealth’s Platform is the core of its customer value proposition. The Platform has been developed in-house by Netwealth’s onshore technology team based in Melbourne. The Platform design is based on a deep understanding of the needs of Financial Intermediaries and clients. The Platform products are continuously enhanced using feedback from Financial Intermediaries, clients and other users. Through Netwealth’s Platform, Financial Intermediaries and clients can:

- buy and sell investments within an account;
- set up savings and contribution plans;
- set up reinvestment plans;
- access investment research;
- move assets in or out of managed accounts;
- track and monitor investments online within a single account;
- administer life insurance;
- access a suite of reports, including asset performance and allocation; and
- gain access via personal computer, mobile or tablet.

This allows Financial Intermediaries and clients to track and manage investments and accounts, which can otherwise be challenging and time-consuming without centralised tools.

3.5.2 Revenue model

Netwealth’s revenue is earned from a number of different sources, including administration, management, transaction, ancillary and other fees.

Administration fees are recurring in nature and are charged for maintaining accounts, including providing reporting tools, providing online access, client and adviser support, maintaining records and preparing and providing reports. These fees are generally charged on a percentage of FUA and are generally capped for any amounts over a balance of \$1 million for individual or family group associated accounts. The administration fees are generally deducted directly from the clients’ Platform account.

Management fees generally relate to Netwealth managed funds and are typically charged on a percentage of FUM. These fees are charged to the managed fund and deducted prior to the calculation of unit prices.

Netwealth also generates revenue from transaction (or activity) fees linked to a variety of transaction and administrative functions. Similarly to administration fees, these are debited from the clients’ Platform accounts.

Ancillary fees include:

- income generated from third party suppliers including insurance fees, model manager fees and fund manager fees;
- fees related to certain investment options, including a cash administration fee which typically ranges from 1.40% to 1.45% of the balance held by the client in cash, and fees on international securities held by the client; and
- insurance administration fees for provision of life insurance through the Platform.

Platform Revenue split (FY2017)



Source: Netwealth.

40. As noted in Section 2, while SMSFs are part of the superannuation sector, in Section 3 they are treated as held on Wrap products provided on Netwealth’s Platform (rather than superannuation products), because their structure requires them to be administered by their trustee on a Wrap product where they use the Netwealth Platform (i.e. they cannot be held on the Netwealth Platform using the Netwealth superannuation product).

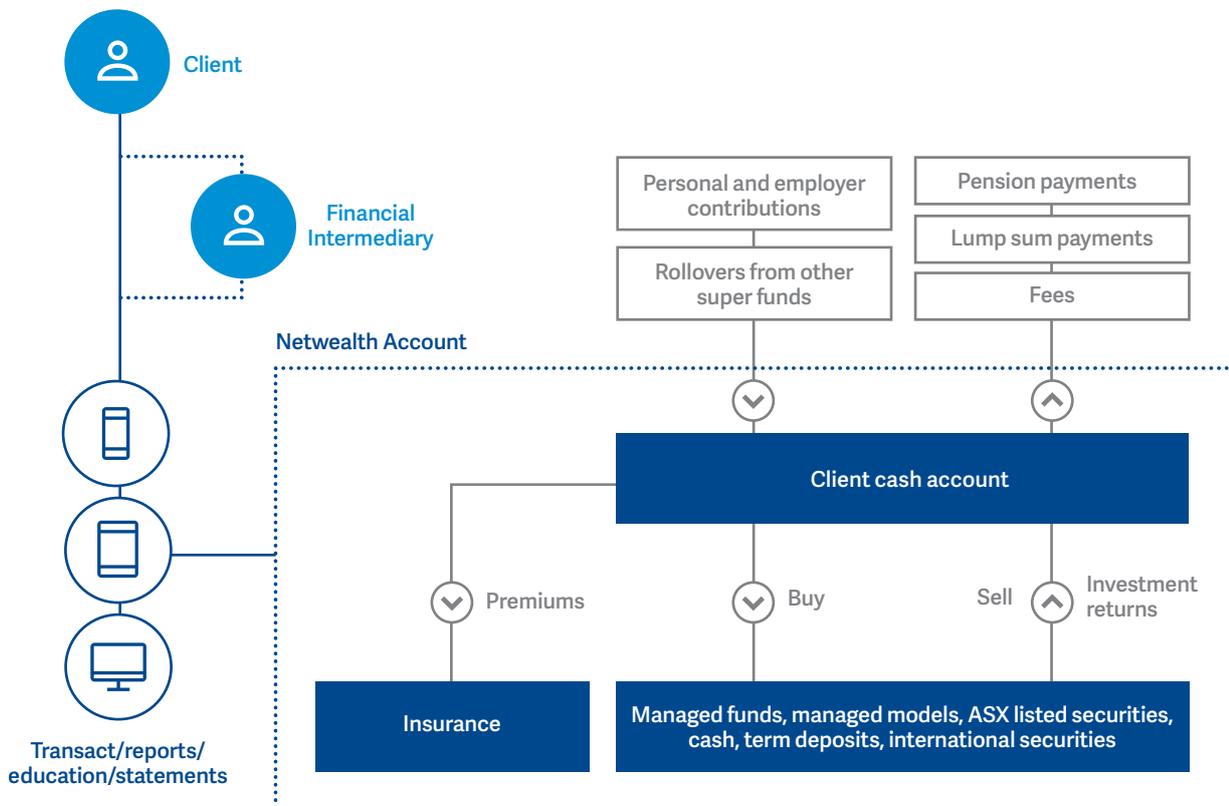
3.5.3 Netwealth’s superannuation products

Netwealth’s superannuation products can be used by clients to invest superannuation money in an all-in-one portfolio administration, transaction and reporting service. The Platform enables Financial Intermediaries and clients to acquire and retain a range of investments in a Platform account and to easily monitor and administer those

investments. The Platform provides a menu of investment options and enables Financial Intermediaries and clients to instruct Netwealth to buy, hold and sell investments in their superannuation account. They can monitor their superannuation portfolio online and obtain consolidated administration and reporting for all the investments in the portfolio.

Overview of the Netwealth superannuation products

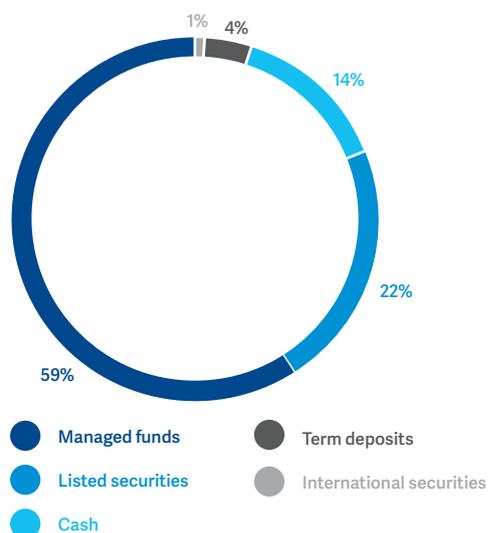
The following is a simplified representation of how the Netwealth Platform superannuation products work.



Source: Netwealth.

Netwealth’s Platform superannuation products offer a range of investment options and are used by both pre-retirement and post-retirement clients.

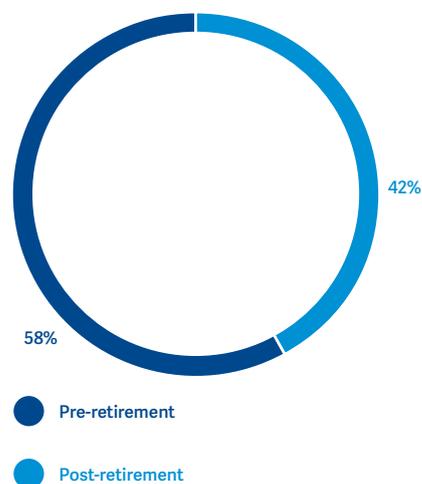
Netwealth Superannuation product FUA by product
30 June 2017



Source: Netwealth.

Netwealth primarily provides two types of superannuation products for use on its Platform. These are called 'Super Accelerator Core' and 'Super Accelerator Plus'. Super Accelerator Core is a simple, cost-effective and easy-to-manage superannuation service that provides a choice of cash, term deposits and Netwealth's own GSS Funds (explained below in [Section 3.5.5](#)), while Super Accelerator

Netwealth Superannuation product FUA by client type
30 June 2017



Source: Netwealth.

Plus provides an extensive choice of investments in cash, term deposits, managed funds (including Netwealth's own GSS Funds), Australian and international listed securities and managed accounts. A comparison of the Super Accelerator Core and Super Accelerator Plus products is shown in the table below.

	Super Accelerator Core	Super Accelerator Plus
Investment choices		
Cash	✓	✓
Term deposits	✓	✓
GSS Funds	✓	✓
280+ wholesale managed funds		✓
ASX listed securities		✓
International listed securities		✓
77 managed account models with 17 model managers ⁴¹		✓
Key statistics (as at 30 June 2017)		
Total FUA	\$1.3 billion	\$5.0 billion
Number of accounts (rounded to nearest 100)	13,100	29,900
Average account size (rounded to nearest \$1,000)	\$105,000	\$167,000

Source: Netwealth.

41. As at 30 June 2017.

3-Company overview

Netwealth also provides other superannuation products on its Platform. These are 'Netwealth Super Wrap', a product that is functionally similar to Super Accelerator Plus but has a different fee structure (this product is closed to new clients) and 'Russell Investments Super Series', which is functionally similar to Super Accelerator Core, but has a different fee structure and has a menu of managed funds provided by Russell Investment Management Limited (RIML). Netwealth also enables the establishment of an SMSF account. While an SMSF account is part of the superannuation industry, it is administered on a Wrap Platform and therefore is included under Netwealth's Wrap products below.

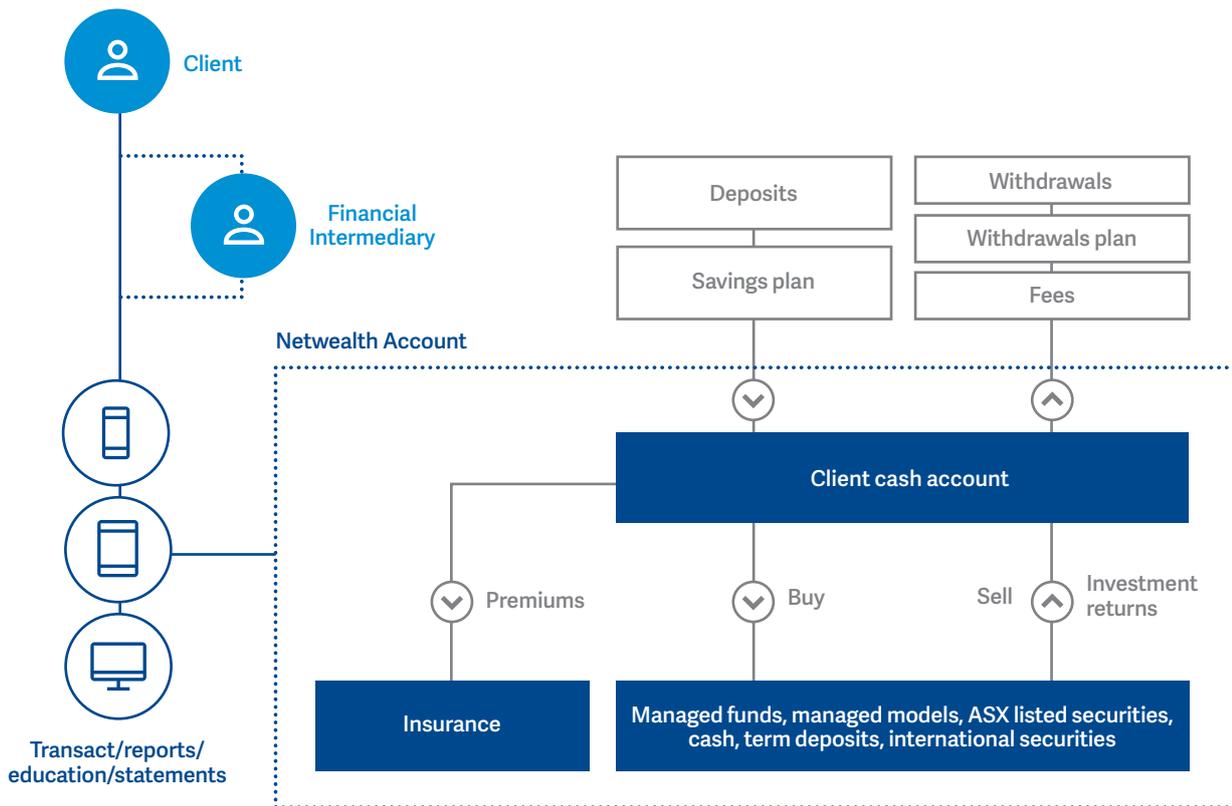
3.5.4 Netwealth's Wrap products

Netwealth's Wrap products can be used to establish superannuation and non-superannuation accounts. The Wrap is used by individual, joint, SMSF or corporate clients

who want an all-in-one portfolio administration, transaction and reporting service. The Wrap products on the Platform enable Financial Intermediaries and clients to acquire and retain a range of investments in a Platform account and to easily monitor and administer those investments. The Platform provides a menu of investment options and enables Financial Intermediaries and clients to instruct Netwealth to buy, hold and sell investments in their account. They can monitor their portfolio online and obtain consolidated administration and reporting for all the investments in the portfolio. The product consolidates a client's investments into one account for tax and reporting purposes, and allows clients to view their complete transaction history and generate tax reports, including those suitable for SMSFs. Investments on the Platform may also be used as security for margin lending, although Netwealth itself does not offer margin lending products.

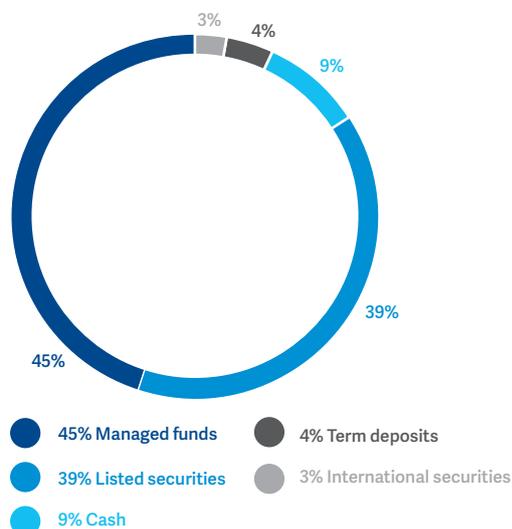
Overview of the Netwealth Wrap products

The following is a simplified representation of how the Netwealth Platform Wrap products work.



Netwealth Wrap FUA by product

30 June 2017

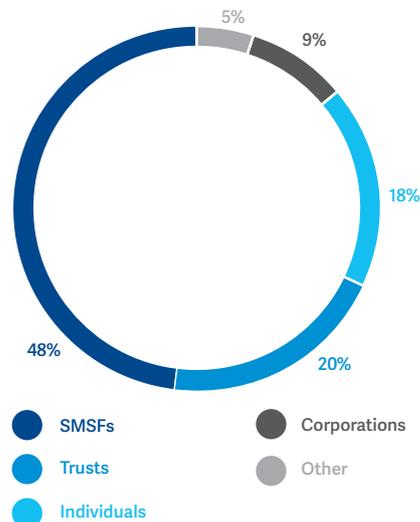


Source: Netwealth.

Like the superannuation products, Netwealth’s Wrap products offer two levels of service. These are called ‘Wealth Accelerator Core’ and ‘Wealth Accelerator Plus’. Wealth Accelerator Core provides a simple, cost-effective and easy to manage Wrap service that provides a choice of cash, term deposits and Netwealth’s own GSS Funds,

Netwealth Wrap FUA by client type

30 June 2017



Source: Netwealth.

while Wealth Accelerator Plus provides an extensive choice of investments in cash, term deposits, managed funds (including Netwealth’s own GSS Funds), Australian and international listed securities and managed accounts. A comparison of the Wealth Accelerator Core and Wealth Accelerator Plus products is shown in the table below.

	Wealth Accelerator Core	Wealth Accelerator Plus
Investment choices		
Cash	✓	✓
Term deposits	✓	✓
GSS Funds	✓	✓
280+ wholesale managed funds		✓
ASX listed securities		✓
International listed securities		✓
77 managed account models with 17 model managers ⁴²		✓
Key statistics (as at 30 June 2017)		
Total FUA	\$0.3 billion	\$6.1 billion
Number of accounts (rounded to nearest 100)	1,800	9,900
Average account size (rounded to nearest \$1,000)	\$148,000	\$621,000

Source: Netwealth.

42. As at 30 June 2017.

3–Company overview

Netwealth also provides other versions of the Wrap. These are: 'Netwealth Investment Wrap', which is functionally similar to Wealth Accelerator Plus but which has a different fee structure (this product is closed to new clients), 'Russell Investments Portfolio Service', which is functionally similar to Wealth Accelerator Core but which has a different fee structure and which has a menu of managed funds provided by RIML (this product is closed to new clients) and 'Russell Investments Wealth Series', a product which is functionally similar to Wealth Accelerator Core but which has a different fee structure and which has a menu of managed funds provided by RIML.

3.5.5 Managed funds

Netwealth's managed funds had a total of \$884 million in FUM as at 30 June 2017. Netwealth is the issuer and responsible entity of a total of 12 managed funds. Eleven of these are referred to collectively as the Global Specialist Series funds (**GSS Funds**). The GSS Funds are only available through a Netwealth Platform account and are designed to allow clients to build investment portfolios in a simple, cost-effective way. They can be used in either the superannuation or the Wrap products. Each of the GSS Funds invests in an underlying fund or underlying funds chosen by Netwealth. Clients can invest in single sector index funds if they wish to take an index approach to a specific asset class (e.g. Australian fixed interest, Australian listed property, Australian and international equities), or in diversified strategies with active asset allocation investing in passive indices or active management styles. Each of the GSS Funds is invested in a managed fund operated by one of Netwealth's chosen investment managers, which is responsible for implementing their investment strategy and purchasing the investments of the underlying fund or underlying funds. The GSS Funds are as follows:

GSS Index Opportunities Funds

- Netwealth Index Opportunities Conservative Fund;
- Netwealth Index Opportunities Balanced Fund; and
- Netwealth Index Opportunities Growth Fund.

The investment strategy of these funds is, via investment in one or more underlying funds, to use exposure to a combination of passive investments, largely index-related, and opportunistic (tactical) asset allocation to provide their return.

GSS Active Diversified Funds

- Netwealth Active 30/70 Conservative Fund;
- Netwealth Active 50/50 Balanced Fund;
- Netwealth Active 70/30 Growth Fund; and
- Netwealth Active 90/10 High Growth Fund.

The investment strategy of these funds is to invest in a mix of assets across various traditional and alternative asset classes via investment in one or more underlying funds with specified exposures to income and growth assets.

GSS Single Sector Funds

- Netwealth Australian Bond Index Fund;
- Netwealth Australian Property Index Fund;
- Netwealth Australian Equities Index Fund; and
- Netwealth International Equities Index Fund.

The investment strategy of these funds is to provide an exposure to the securities comprising a specified market index in a way that replicates the performance of that index via investment in one or more underlying funds.

Netwealth is also the issuer and responsible entity of a managed fund called 'netcash' that invests in an at-call deposit with an Australian bank.

3.5.6 Netwealth Managed Account

The Netwealth Managed Account had a total of \$679 million in FUM as at 30 June 2017, up from \$145 million FUM as at 30 June 2016, with a total of 77 managed models operated by 17 model managers available in the managed account product. The Netwealth Managed Account is only available through the Netwealth Platform and is designed to give clients access to a range of investment models that are created and maintained by professional investment managers. The model managers whose models were available through the retail managed accounts as at 30 June 2017 are as follows:

- Arnhem Investment Management Pty Ltd;
- Bennelong Funds Management Limited;
- DNR Capital Pty Ltd;
- Evans and Partners Pty Ltd;
- Morningstar Investment Management Australia Limited;
- NIL;
- Ralton Asset Management Limited; and
- UBS Asset Management (Australia) Limited.

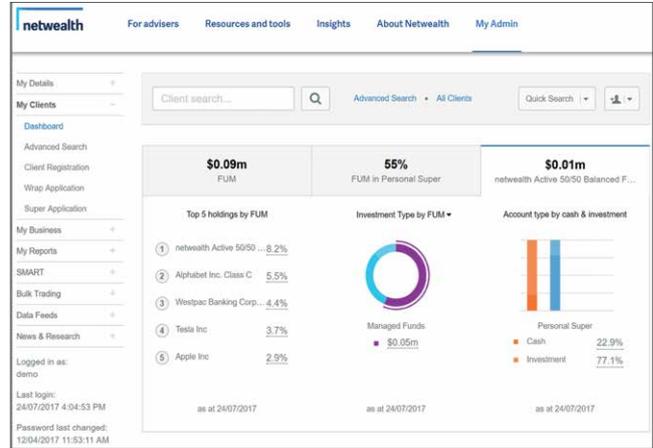
3.5.7 Key Platform features

A snapshot of the key features of Netwealth's Platform is presented on the following pages.

Feature **Description**

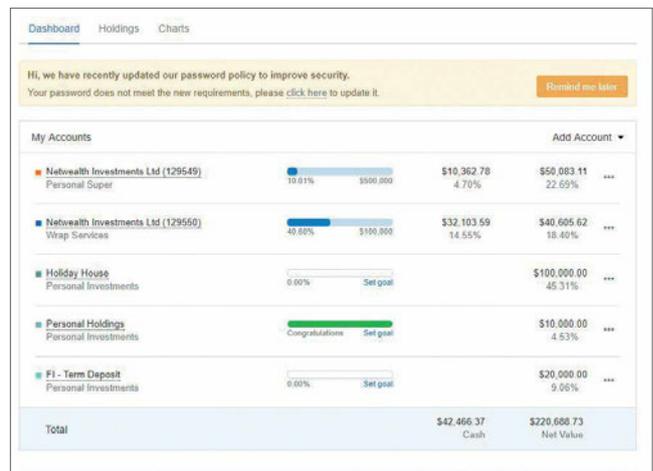
Market-leading Financial Intermediary portal

- Rated Number 1 for functionality⁴³
- Intuitive design and usability
- Quick access to information
- Sophisticated portfolio tools
- In-depth business and client reporting



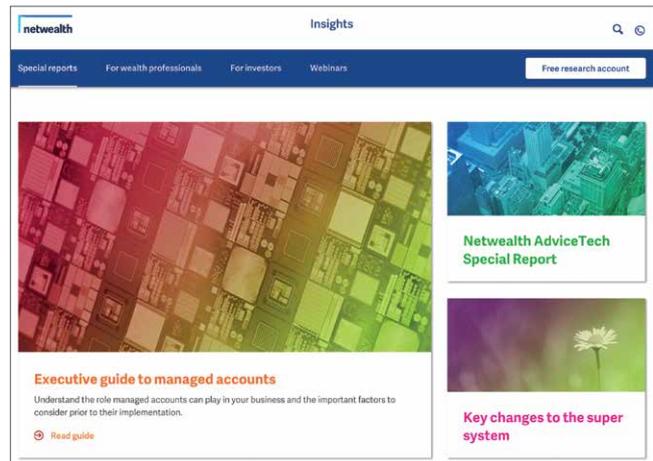
Market-leading client portal

- Rated Number 1 for functionality⁴⁴
- Intuitive design and usability
- Can be white labelled for Licensees so that when their clients access the portal, it is branded as the Financial Intermediary group's product
- Allows consolidation of accounts



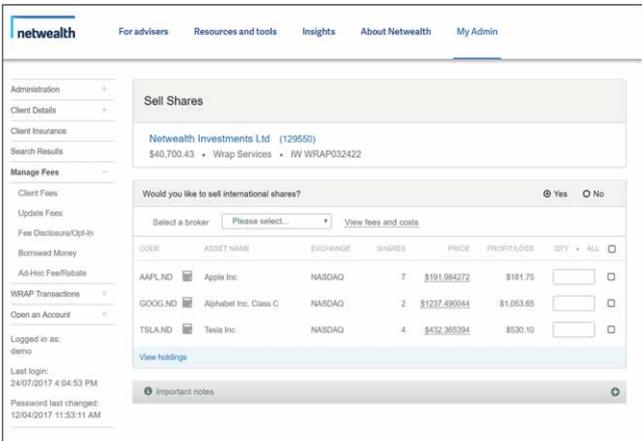
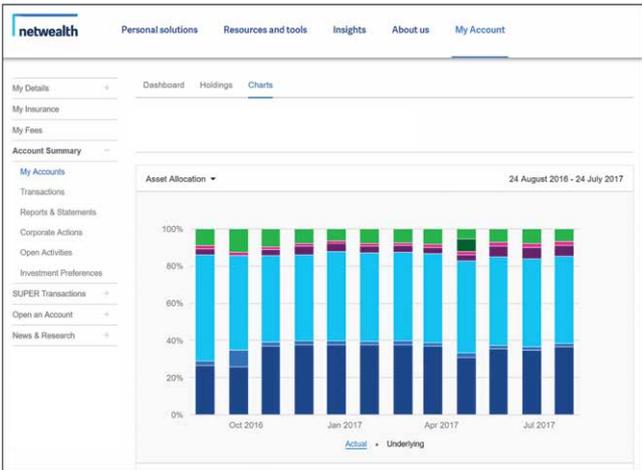
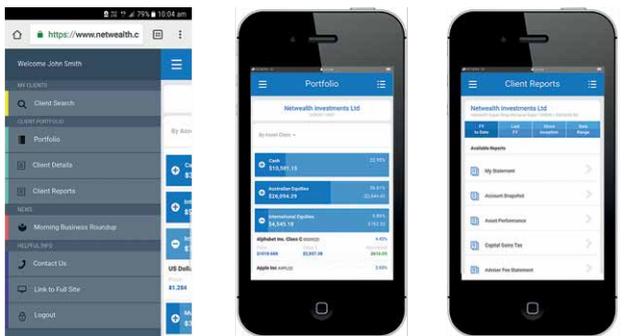
Research and insights

- Engaging client and Financial Intermediary insights
- Articles, webinars and white papers
- Wide range of investment research
- Managed funds and equities



43. Investment Trends: December 2016 Platform Competitive Analysis and Benchmarking Report.

44. Investment Trends: December 2016 Platform Competitive Analysis and Benchmarking Report.

Feature	Description																																	
<p>Innovative transactional capability</p>	<ul style="list-style-type: none"> • Online domestic and international trading • Online fund switching • Sophisticated rebalancing technology (SMART) • Range of automated account and cash settings 	 <p>The screenshot shows the 'Sell Shares' page for Netwealth Investments Ltd. It includes a navigation menu on the left with options like Administration, Client Details, and Client Fees. The main content area displays the account name and balance, followed by a question about selling international shares. Below this is a table of holdings:</p> <table border="1"> <thead> <tr> <th>CODE</th> <th>ASSET NAME</th> <th>EXCHANGE</th> <th>SHARES</th> <th>PRICE</th> <th>PROFIT/LOSS</th> <th>QTY</th> <th>ALL</th> </tr> </thead> <tbody> <tr> <td>AAPL</td> <td>Apple Inc.</td> <td>NASDAQ</td> <td>7</td> <td>\$191.984272</td> <td>\$181.75</td> <td></td> <td><input type="checkbox"/></td> </tr> <tr> <td>GOOG</td> <td>Alphabet Inc. Class C</td> <td>NASDAQ</td> <td>2</td> <td>\$1237.490044</td> <td>\$1,053.85</td> <td></td> <td><input type="checkbox"/></td> </tr> <tr> <td>TSLA</td> <td>Tesla Inc.</td> <td>NASDAQ</td> <td>4</td> <td>\$432.385394</td> <td>\$530.10</td> <td></td> <td><input type="checkbox"/></td> </tr> </tbody> </table>	CODE	ASSET NAME	EXCHANGE	SHARES	PRICE	PROFIT/LOSS	QTY	ALL	AAPL	Apple Inc.	NASDAQ	7	\$191.984272	\$181.75		<input type="checkbox"/>	GOOG	Alphabet Inc. Class C	NASDAQ	2	\$1237.490044	\$1,053.85		<input type="checkbox"/>	TSLA	Tesla Inc.	NASDAQ	4	\$432.385394	\$530.10		<input type="checkbox"/>
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<p>Comprehensive reporting</p>	<ul style="list-style-type: none"> • A wide range of business, client and portfolio reports • Interactive and static reports available • Can be white labelled for Licensees so that when their clients receive reports, they are branded as the Financial Intermediary group's product 	 <p>The screenshot shows the 'Asset Allocation' chart for the period 24 August 2016 - 24 July 2017. The chart is a stacked bar chart with the following data series:</p> <table border="1"> <thead> <tr> <th>Month</th> <th>Actual</th> <th>Underlying</th> </tr> </thead> <tbody> <tr> <td>Oct 2016</td> <td>~30%</td> <td>~30%</td> </tr> <tr> <td>Jan 2017</td> <td>~35%</td> <td>~35%</td> </tr> <tr> <td>Apr 2017</td> <td>~40%</td> <td>~40%</td> </tr> <tr> <td>Jul 2017</td> <td>~45%</td> <td>~45%</td> </tr> </tbody> </table>	Month	Actual	Underlying	Oct 2016	~30%	~30%	Jan 2017	~35%	~35%	Apr 2017	~40%	~40%	Jul 2017	~45%	~45%																	
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<p>Online access</p>	<ul style="list-style-type: none"> • Personal computer, tablet and mobile access • Financial Intermediary and client versions available 	 <p>The image shows three mobile device screens displaying the Netwealth app interface. The first screen shows a search results page for 'Client Search'. The second screen shows a 'Portfolio' view for 'Netwealth Investments Ltd' with a list of assets and their values. The third screen shows a 'Client Reports' page with various report options like 'My Statement', 'Account Dispute', and 'Asset Performance'.</p>																																

Source: Netwealth.

3.5.8 Awards and recognition

Netwealth’s Platform has won numerous industry awards and consistently ranks highly in industry reviews. Recent annual reviews conducted by Investment Trends, an independent research house, rate Netwealth’s Platform as the 2015⁴⁵ and 2016 Best Platform Overall⁴⁶. Netwealth also holds awards for the Best Client Portal, best

Transaction Tools, best Online Business Management and best Decision Support Tools⁴⁷. As the largest Specialty Platform Provider in Australia⁴⁸, Netwealth is a leader in innovation and has achieved the highest Platform user ratings for overall satisfaction for the past five years⁴⁹, including in 2017, when it was rated equal first with another Specialist Platform Provider.

Recent awards won by Netwealth



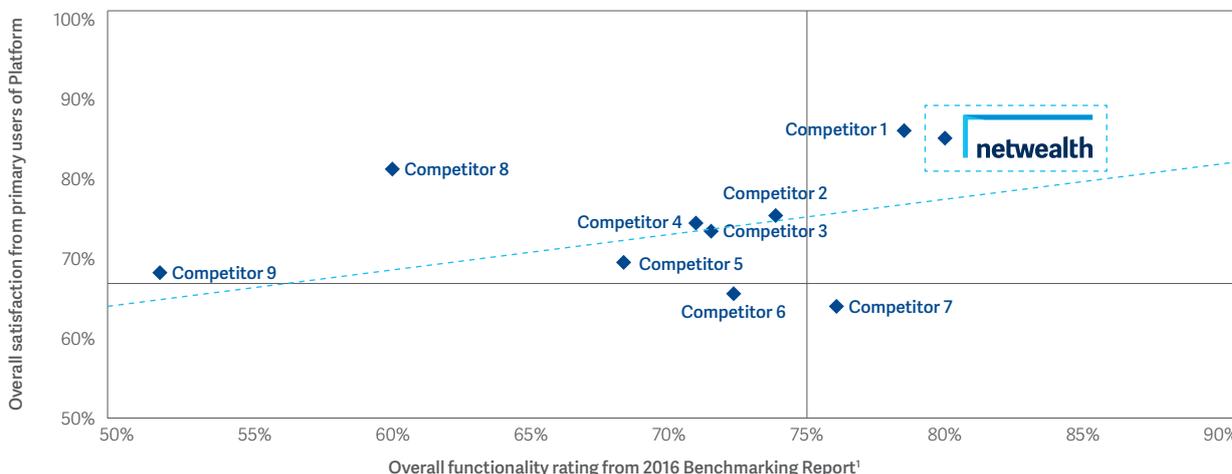
Source: Investment Trends Platform Competitive Analysis and Benchmarking Report December 2016, Investment Trends Planner Tech Report May 2017, SMSF Adviser press release July 2017, SuperRatings Assessments June 2017.

Supported by its technology capabilities, Netwealth has the flexibility to design and offer new products and services to cater to evolving Financial Intermediary and client requirements, without the constraints of legacy Platforms or excessive bureaucracy. The chart below

illustrates Netwealth’s functionality and satisfaction scores compared to its key competitors. Netwealth is rated equal number 1 for overall satisfaction⁵⁰, with 95% of Financial Intermediaries who use Netwealth as their primary Platform rating the Netwealth Platform as ‘very good’ or ‘good’.

Overall functionality score vs. overall satisfaction from primary users

Investment Trends ratings



Source: Investment Trends: May 2017 Planner Technology Report. Composite score based on weighted average using Very Good = 100%, Good = 67%, Average = 50%, Poor = 17%, Very Poor = 0%.

1. Based on Investment Trends ratings.

45. Investment Trends: December 2015 Platform Competitive Analysis and Benchmarking Report.
 46. Investment Trends: December 2016 Platform Competitive Analysis and Benchmarking Report.
 47. Investment Trends: December 2016 Platform Competitive Analysis and Benchmarking Report.
 48. Based on total FUA sourced from Strategic Insight: Master Trusts, Platforms & Wraps (June 2017).
 49. Investment Trends: Planner Technology Report 2013–2017. In 2017, Netwealth rated equal first.
 50. Investment Trends: May 2017 Planner Technology Report. Netwealth ranks joint first in terms of overall Platform satisfaction amongst surveyed financial advisers.

3.6 Regulatory and risk framework

3.6.1 Licences

Netwealth has systems and procedures to comply with licences, financial services and other laws and policies of regulatory bodies. Netwealth is regulated and licensed by both APRA and ASIC and is a member of the Financial Services Council and the Association of Superannuation Funds of Australia.

Netwealth holds an AFSL which permits it, among other things, to operate IDPSs (such as the Wrap products) and to be the responsible entity of the GSS Funds, netcash and the Netwealth Managed Account. Netwealth has four responsible managers under its AFSL, who have each been an employee of Netwealth for over 10 years. Under its AFSL, Netwealth is authorised to carry on a financial services business to:

- provide general financial product advice in relation to superannuation, securities, interests in managed investment schemes (including IDPSs) and life risk insurance products;
- deal by issuing, applying for, acquiring, varying or disposing of a financial product in respect of superannuation and interests in managed investments schemes (including IDPSs);
- deal by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of:
 - basic deposit products;
 - non-cash payment products;
 - life risk insurance products;
 - interests in managed investment schemes (including IDPSs);
 - securities; and
 - superannuation;
- operate registered managed investment schemes, limited to the Netwealth Managed Account, and schemes which only hold financial assets and/or mortgages; and
- provide custodial or depository services, including operating IDPSs and operating custodial or depository services other than IDPSs.

Netwealth can provide these financial services to retail and wholesale clients.

Netwealth holds RSE licence number L0000192, which permits it to be the trustee of the Netwealth Superannuation Master Fund (ABN 94 573 747 704).

3.6.2 Insurance

Netwealth has a range of insurance policies in place to manage the risks of its day-to-day business and certain other activities. These policies include investment managers' insurance (which includes directors' and officers' liability, professional liability and crime), cyber enterprise risk management insurance (which includes privacy liability, network security liability, media liability, cyber extortion, data asset loss and business interruption), public and product liability insurance, corporate travel and business insurance.

Each policy is reviewed annually in conjunction with Netwealth's insurance brokers to determine whether it is appropriate for the environment in which Netwealth operates.

3.7 Key functions

As at 30 June 2017, Netwealth had 243 employees, of which 209 relate to continuing operations, including five Directors and seven executives⁵¹. Netwealth's key business units include Operations, Custody, Information Technology, Sales, Product and Marketing, Finance, Human Resources and Legal, Risk and Compliance.

3.7.1 Operations

A key factor in Netwealth's success has been its ability to maintain excellent standards of administration and customer service while the range of its financial products and the size of its client base have expanded. Based in its Melbourne head office, Netwealth's Operations team comprised 71 staff members as at 30 June 2017 and is responsible for providing the administration and customer service for all products and services offered on Netwealth's Platform.

The quality of the real-time portfolio information made available to Financial Intermediaries and their clients via Netwealth's extensive online web portal is underpinned by the work performed by the Operations team. The Operations team consists of two key departments, each maintaining a key focus on implementing processes that provide excellent service, are scalable and minimise risk. The two departments are:

- **Investor Services:** This department provides the contact centre function supporting clients and Financial Intermediaries, and consists of further sub-teams that specialise in administering client accounts at each stage of their life cycle, including accepting new account applications (including deposits, rollovers and contributions), administering all requests to apply for, vary or cancel life insurance cover, modifying investment preferences, account details and other

51. The 30 June 2017 executives included two members of the Finance team, which was reduced to one member in July 2017.

product features, processing requests for withdrawals, benefit payments and claims, and co-ordinating inbound and outbound mail (including the allocation of work items within Netwealth's workflow system) and the production of client statements.

- **Managed Accounts:** This department is responsible for administering all aspects of the Managed Accounts service, including maintenance of model portfolios in accordance with instructions from model managers, asset transfers into and out of the service, execution of the daily rebalancing process (having regard to individual client investment preferences), and the management of buy and sell instructions originating from the rebalancing process.

Operations staff are encouraged to transfer between departments over time to broaden their knowledge. This serves to increase the depth of talent available to Netwealth when seeking to fill the new roles that are regularly created in response to the growth of the business.

The leadership team within Operations has remained stable over an extended period, meaning that critical knowledge of the business, systems and clients has been retained. This stability has proven to be a significant advantage, and the business knowledge is regularly applied in implementing changes that allow the Operations team to adapt to the growing needs of the business. Over time, further expertise has been added to the Operations leadership team to broaden its industry knowledge, and assist with the growth and evolution of the department.

Maintaining high standards of customer service is critical to Netwealth's continued growth and success. Netwealth's investment in a dedicated Quality Assurance & Development team within Operations enables it to deliver a comprehensive induction program to all new starters, to provide ongoing training, and to formally monitor and measure the quality of service being provided to Financial Intermediaries and clients.

To further support and enhance the administrative function, Netwealth has established a Business Improvement team. This has proven effective in identifying and pursuing opportunities to create administrative efficiencies, and in driving the implementation of key projects impacting Operations.

A strong driver of Netwealth's business growth has been its ability to provide technology-based solutions for Financial Intermediaries and clients and Netwealth's own staff. Operations staff engage heavily with Netwealth's in-house IT team at all stages of the agile software development life cycle. This close involvement (particularly during the requirements gathering, prioritisation and user acceptance testing phases) ensures that the solutions delivered by IT are fit for purpose, enhance Netwealth's administrative capability, and are implemented effectively into processes and procedures.

Operations staff also work closely with IRESS Limited, the vendor of 'Acurity', Netwealth's core Platform administration system, to continually extend and refine the system. This ensures that changes to regulations and business rules are properly embedded within the core system.

In October 2017, Operations expanded by 23 staff (transferred from the Custody team) to manage the processing of investment-related transactions for clients, including purchase and sale confirmations, in-specie asset transfers, corporate actions, and income receipts. Operations are also responsible for valuing investments in clients' portfolios.

3.7.2 Custody

Netwealth provides clients with a rich and diverse menu of investment options, enabling them to gain exposure to a wide range of managed models, managed funds, term deposits and securities listed on domestic and international stock exchanges.

Netwealth's Custody department consisted of 24 employees as at 30 June 2017 and is responsible for the safekeeping and administration of all investments held by Netwealth clients, and operates omnibus (pooled) holdings on behalf of the superannuation Platform product and the Wrap Platform product.

The Platform has experienced sustained growth in recent years, and the number of investments being administered has grown significantly. By operating omnibus holdings, Custody has been able to further improve administrative efficiencies and maintain scalability.

In October 2017, the Custody team had expanded to 27 people and was restructured with 23 staff moving to Operational roles. The remaining four staff will manage the core custodial functions, including:

- safekeeping of investments on behalf of the Netwealth Superannuation Master Fund and Netwealth Wrap Services;
- authorising and lodging instructions with fund managers and registries;
- settlement of ASX listed security transactions;
- preparation of Custodian schedules and other information requested by fund managers and registries; and
- ensuring compliance with ASX Settlement Operating Rules.

3.7.3 Information Technology

Netwealth has developed market-leading, home-grown, scalable technology based on a comprehensive understanding of Financial Intermediary and client needs.

The in-house team of 53 staff (as at 30 June 2017) is focused on security, innovation, functionality and scalability. The team is onshore, and collaborates closely with key clients and other stakeholders to rapidly build features

3–Company overview

in a low-friction, agile environment. Through frequent releases of small functional increments, the process provides fast feedback, allowing for iterative design and waste minimisation.

The Netwealth Platform web application is an in-house developed multi-device accessible technology platform delivered as a managed service to customers via a cloud delivery model. It provides Financial Intermediaries with specifically tailored functionality, including trading, rebalancing, reporting and research capabilities. The web application interfaces in real time with IRESS' Acurity administration system and a number of third party software and data providers to enable straight through processing and live portfolio reporting.

Netwealth's technology is hosted in Australia, and a full redundant copy of its production infrastructure is maintained in a secondary site for disaster recovery. Netwealth performs data recovery testing annually and has implemented resilience and recovery measures to reduce risk of outages. Netwealth also maintains and complies with an Information Security Management System based on ISO/IEC 27001. A hierarchy of policies, standards, guidelines and procedures is in place, including training and awareness programs and ongoing compliance monitoring and exemption handling.

3.7.4 Sales, Product and Marketing

Netwealth's Sales, Product and Marketing team was comprised of 27 people as at 30 June 2017 and is responsible for the following functions:

- distribution (sales), training and relationship management;
- product;
- marketing;
- technical services; and
- investment and research.

The distribution (sales) team consists of Distribution Managers and Training and Relationship Managers, who are responsible for driving face-to-face sales with Financial Intermediaries. The Distribution Managers focus on new business opportunities and are responsible for the sales, distribution and relationship efforts to targeted Financial Intermediaries and Licensees. The Training and Relationship Managers provide an account management function to Netwealth's existing client base of Financial Intermediaries.

The product team works on product strategy and development, product disclosures and communications, reporting to external research houses, competitor research, client base analysis and pricing for adviser transition projects.

The marketing team is responsible for lead generation, sales support and the overall brand position of Netwealth in the market. The team uses a variety of tools, tactics and technologies to achieve this with a core focus on client attitudes, behaviours and needs.

The technical services team provides support on a diverse range of strategy and technical areas from legislative to financial planning to taxation.

The investment and research team's core responsibility is investment governance, including responsible entity and super trustee regulatory responsibilities. The team manages Platform, GSS Funds and managed account product lists, asset approvals, performance reporting and monitoring the level of investment risk. In addition, the team is also responsible for the assessment, review and monitoring of investment managers and model managers, including agreements and fee negotiations, investment committee approvals and reporting and implementing investment strategies of the GSS Funds.

3.7.5 Finance

The Finance team manages and reports on the financial performance of Netwealth and its subsidiaries, including monitoring costs and revenues. The Finance team consisted of 15 employees as at 30 June 2017 and plays an integral role in the business strategy planning, producing financial projections, managing the financial controls, producing the corporate and product accounting and meeting appropriate regulatory and legislative requirements. The Finance team also manages the internal and external audit relationships and provides administration support for certain SMSF accounts.

3.7.6 Human Resources

The Human Resources team (two employees as at 30 June 2017) supports all functions of the business. The Netwealth human resources strategy seeks to foster an engaged, customer focused and respectful culture with three key streams of activity, including:

- recruiting of market-leading talent to Netwealth and managing the recruitment life cycle;
- analysing, designing and implementing learning and development programs to develop Netwealth's people capability; and
- providing human resource advice and support through guidance, process and strategy for Netwealth.

3.7.7 Legal, Risk and Compliance

Netwealth's functions are supported by the Legal, Risk and Compliance team consisting of five employees as at 30 June 2017. As at 30 June 2017, the team consisted of two in-house lawyers and three risk and compliance professionals. The team supports, challenges and reviews business activities to ensure that they are compliant and appropriately consider risk. The risk and compliance professionals perform three key functions, including:

- risk management — manage the risk framework in accordance with APRA and ASIC requirements, provide risk guidance and manage the risk assessment process;

- compliance management — handle issues and incidents, control improvement, manage regulator engagement and review regulatory obligations; and
- secretariat — support Netwealth’s Board and associated committees.

The legal professionals provide guidance to the business on legal matters, including new projects, contracts and structures, and engage with external legal advisers when required.

3.8 Growth strategy

Netwealth has a demonstrated track record of substantial, profitable growth in FUA, as evidenced by a CAGR of 30% in Netwealth’s pro forma net profit after tax from FY2015 to FY2017. Netwealth plans to continue to grow its revenue organically by capturing a greater market share in both the superannuation and the non-superannuation sectors. To do this, Netwealth is focused on executing three key strategic goals, which are the delivery of:

- innovative, scalable and market-leading technology which is developed in-house and tailored to client needs; current development priorities are further detailed in [Section 3.8.1](#);
- responsive, market-leading customer service to clients and Financial Intermediaries which is enhanced by deep ‘many to many’ relationships across multiple touch points and a true partnership model; and
- new and valuable insights to clients and Financial Intermediaries on domestic and international trends that are driving widespread change, with a focus on innovation, technology, demography, practice management and asset management.

By demonstrating ongoing leadership in these three areas, Netwealth believes it will:

- retain existing Financial Intermediaries and their clients and increase their use of Netwealth’s Platform, and obtain new clients from existing Financial Intermediaries;
- attract new Financial Intermediaries and clients; and
- increase penetration of the non-superannuation sector.

3.8.1 Product innovation

In addition to existing, award-winning technology and products, Netwealth is actively pursuing new development opportunities to meet a range of client and Financial Intermediary needs with a view to ensuring that it remains a market-leading Platform at the forefront of product functionality. Netwealth’s current product strategies include innovations in the following areas:

- Investment portfolio administration — Effective and efficient administration of investment portfolios is a key issue for Financial Intermediaries, and technological

developments continue to provide further opportunity to enhance this functionality. Netwealth has been a leader through the implementation of the Netwealth Managed Account and SMART rebalancing. Netwealth expects growth in managed accounts to continue as the industry increases its adoption of the product — see [Section 2.5](#). Netwealth is exploring how to refine and further expand its managed account capabilities, continuing to implement further trading efficiencies, reduce trading costs and expand the available managers and asset types. Netwealth is also seeking to further improve its administration functionality to support managed discretionary account operators who seek to benefit from trading efficiencies and rebalancing functionality but under their own product/service structures outside of the managed account product.

- Cash functionality and reporting — Netwealth is expanding its superannuation and Wrap products and reporting capability beyond investment portfolio administration, to provide functionality to Financial Intermediaries and clients to help them integrate Netwealth accounts with external transactional and banking information. Netwealth believes this will assist clients and Financial Intermediaries to gain greater insight into the client’s wealth position and provide opportunities to increase client engagement. Netwealth is also developing additional capabilities for bill payment and cash transfers from its Wrap products.
- Investment options and trading capability — Netwealth is continually looking to expand the investment options and trading capabilities available to Financial Intermediaries and clients. Netwealth was one of the first Platforms to implement direct investment in international securities, and opportunities exist to further expand the range of international investment options and improve the trading efficiency. Netwealth has also recently added the ability to hold and settle direct over the counter bonds on the Wrap.
- Client management and reporting — Financial Intermediaries use a range of systems for client relationship management, reporting and taxation management. Integration of these systems with investment portfolio management is a key issue for Financial Intermediaries in improving back office efficiency. Netwealth provides direct feeds to assist Financial Intermediaries to manage their data. Netwealth aims to continue to expand these capabilities to provide a higher level of service, including the ongoing development of Open Application Programming Interfaces to allow data to be pushed directly to Netwealth from external systems to streamline transactions and account opening.

3–Company overview

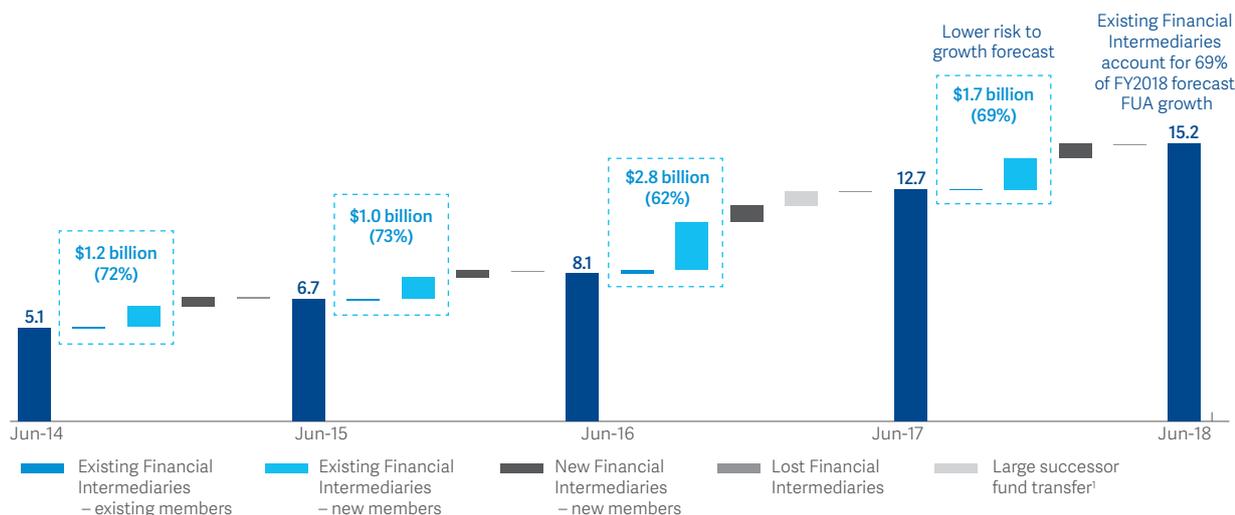
- Advice delivery, implementation and disclosures — The delivery of advice to clients is heavily regulated and poses key efficiency issues for Financial Intermediaries. Opportunities exist to provide Financial Intermediaries with greater efficiencies by providing automated tools to assist with the generation of advice disclosure documents to support their recommended transactions and to facilitate client acceptance. These tools will leverage technology to streamline the process, from Financial Intermediary recommendation to capturing the client decision and ultimately executing the transaction.
- Non-custodial administration services — Netwealth has recently undertaken a limited release of a new service called X-Wrap. X-Wrap is a service which

provides consolidated reporting on assets held by clients outside of their custodial Wrap service. Netwealth intends to continue to build on and expand on this capability providing access to further penetration of Financial Intermediaries and their clients’ funds under advice.

3.8.2 Retaining existing Financial Intermediaries and increasing their use of Netwealth’s Platform and obtaining new clients from existing Financial Intermediaries

Approximately 62% of Netwealth’s new FUA in FY2017 came from existing Financial Intermediaries, primarily through adding new clients to the Platform and also through increasing FUA of existing clients already on the Platform.

Breakdown of Netwealth’s annual FUA growth (FY2015-FY2018) (\$ billion)



Source: Netwealth.

Note: Data as at 30 June.

1. In FY2017, approximately 18% of the increase in FUA relates to a large successor fund transfer and transfer of other clients by the asset manager of the successor fund onto the Platform.

As at May 2017, Netwealth had 38% of its Financial Intermediary users’ funds under advice on its Platform⁵². This presents a substantial growth opportunity for Netwealth as Financial Intermediaries consolidate and transition a higher proportion of their clients’ funds under advice onto the Netwealth Platform.

3.8.3 Attracting new Financial Intermediaries and new clients

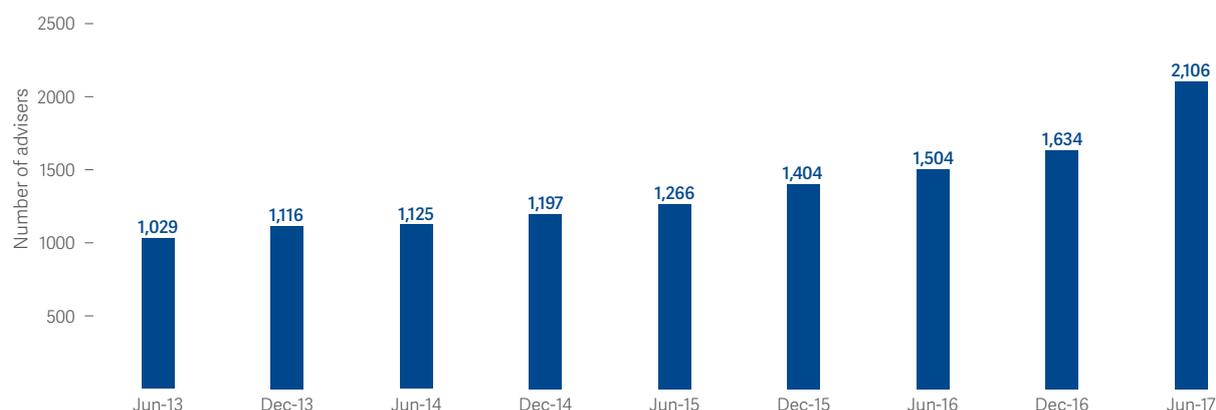
In addition to increased penetration of its Financial Intermediary base, Netwealth is focused on continuing to attract new Financial Intermediaries and clients to its Platform. Netwealth has developed a comprehensive

52. Investment Trends: May 2017 Planner Technology Report.

marketing strategy to increase its brand awareness and continue to win new business based on the strength of its differentiated Platform offerings. Netwealth is focused on profitably increasing its market share in the Financial

Intermediary market, and has a successful track record of attracting new Financial Intermediaries and their clients to its Platform, as shown in the chart below.

Growth in Financial Intermediaries using Netwealth’s Platform



Source: Netwealth.

Substantial documentation and administration may be required for a Financial Intermediary to move its clients to a new Platform, including providing documented advice to each client as to why the change of Platform is appropriate for them. Netwealth assists Financial Intermediaries with transitions and to manage the practical impact to Financial Intermediaries and their clients.

Netwealth is well-positioned to benefit from changes in the adviser market, particularly the switch of Financial Intermediaries from the larger Platform providers to Specialist Platform Providers. According to a survey conducted by Investment Trends⁵³, 19% of Financial Intermediaries are considering switching Platforms in the next 12 months. Among this cohort, Netwealth is in the top two Platform providers that Financial Intermediaries are considering. Momentum appears to be shifting towards Specialist Platform Providers, who are winning an increasing share of net funds flows.

Netwealth has been successful in capturing a larger market share of net funds flows. While Netwealth’s market share was 1.7% of FUA as at 30 June 2017, its market share of net funds flows over the 12 months to 30 June 2017 was 18.6%⁵⁴.

In addition, levels of personal wealth are on average increasing in Australia, particularly in superannuation, which can be complex to administer. Households need to manage and protect their wealth, and the demand for and number of Financial Intermediary services is expected

to continue to increase, which should support increased use of Platforms such as Netwealth’s.

3.8.4 Increased penetration of the non-superannuation sector

Australia’s non-superannuation sector total personal investments are expected to grow at a CAGR of 4% over the next 15 years in real terms⁵⁵. The majority of non-superannuation personal investments are currently held directly by individuals, with just 3.4% held through Platforms⁵⁶. However, a significant movement from directly-held investments to investments held on Platforms is expected, with the value of non-superannuation investments held on Platforms expected to increase from \$78 billion in 2016 to \$334 billion in 2031⁵⁶. Platforms and their products, including managed accounts and model portfolio products, are expected to be the fastest growing personal investment segment, with its market share of the industry’s total personal investments expected to increase from 3.4% in June 2016 to 8.0% by June 2031⁵⁶.

Netwealth is focused on this market and has a comprehensive Wrap product offering that provides Financial Intermediaries and their clients with the tools to invest in non-superannuation products.

53. Investment Trends: May 2017 Planner Technology Report, based on a survey of 533 financial planners.

54. Strategic Insight: Master Trusts, Platforms & Wraps (June 2017).

55. Rice Warner Personal Investment Market Projections 2016.

56. Rice Warner Personal Investment Market Projections 2016. Figures exclude SMSF investments which may also be held on a Wrap Platform.

04

Financial Information

4.1 Introduction

4.2 Basis of preparation and presentation of the Financial Information

4.3 Consolidated historical and forecast statements of profit or loss and other comprehensive income

4.4 Pro Forma Historical Balance Sheet

4.5 Pro Forma Historical Cash Flow Statements, Pro Forma Forecast Cash Flow Statement and Statutory Forecast Cash Flow Statement

4.6 Management discussion and analysis of the Pro Forma Historical Financial Information

4.7 Pro Forma Forecast Financial Information

4.8 Sensitivity analysis

4.9 Dividend policy

4.1 Introduction

Financial information for Netwealth contained in this [Section 4](#) is set out below for the financial years ended 30 June 2015 (**FY2015**), 30 June 2016 (**FY2016**) and 30 June 2017 (**FY2017**) as well as for the forecast financial year ending 30 June 2018 (**FY2018**).

This [Section 4](#) contains a summary of the following financial information of Netwealth as defined below:

- the statutory historical financial information for Netwealth (prior to Completion, NHL) comprising:
 - the statutory historical consolidated statements of profit or loss and other comprehensive income for FY2015, FY2016 and FY2017 (the **Statutory Historical Income Statements**);
 - the statutory historical consolidated summarised statements of cash flows before financing, tax and dividends for FY2015, FY2016 and FY2017 (the **Statutory Historical Cash Flow Statements**); and
 - the statutory historical consolidated statement of financial position as at 30 June 2017 (the **Statutory Historical Balance Sheet**),
(together, the **Statutory Historical Financial Information**);
- the pro forma historical financial information comprising:
 - the pro forma historical consolidated statements of profit or loss and other comprehensive income for FY2015, FY2016 and FY2017 (the **Pro Forma Historical Income Statements**);
 - the pro forma historical consolidated summarised statements of cash flows before financing, tax and dividends for FY2015, FY2016 and FY2017 (the **Pro Forma Historical Cash Flow Statements**); and
 - the pro forma historical consolidated statement of financial position as at 30 June 2017 (the **Pro Forma Historical Balance Sheet**),
(together, the **Pro Forma Historical Financial Information**);
(the Statutory Historical Financial Information and Pro Forma Historical Financial Information together form the **Historical Financial Information**); and
- the forecast financial information comprising:
 - the statutory forecast consolidated statement of profit or loss and other comprehensive income for FY2018 (the **Statutory Forecast Income Statement**);
 - the statutory forecast consolidated summarised statement of cash flows for FY2018 (the **Statutory Forecast Cash Flow Statement**),

(together, the Statutory **Forecast Financial Information**); and

- the pro forma forecast consolidated statement of profit or loss and other comprehensive income for FY2018 (the **Pro Forma Forecast Income Statement**); and
- the pro forma forecast consolidated summarised statement of cash flows for FY2018 (the **Pro Forma Forecast Cash Flow Statement**);

(together, the **Pro Forma Forecast Financial Information**);

(the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information together form the **Forecast Financial Information**).

The Historical Financial Information and the Forecast Financial Information together form the **Financial Information**.

Also summarised in this Section are:

- the basis of preparation and presentation of the Financial Information (see [Section 4.2](#));
- the key operating and financial metrics of Netwealth (see [Section 4.3.3](#));
- a summary of Netwealth’s contractual obligations and commitments (see [Section 4.4.2](#));
- management discussion and analysis of the Pro Forma Historical Financial Information (see [Section 4.6](#));
- Netwealth’s best estimate specific assumptions (see [Section 4.7.2](#)) and general assumptions (see [Section 4.7.1](#)) underlying the Forecast Financial Information;
- management discussion and analysis of the Pro Forma Forecast Financial Information (see [Section 4.7](#));
- an analysis of the key sensitivities in respect of the Pro Forma Forecast Financial Information (see [Section 4.7.3](#), [Section 4.7.4](#) and [Section 4.8](#)); and
- a summary of Netwealth’s proposed dividend policy (see [Section 4.9](#)).

The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagement involving Fundraising and/or Prospective Financial Information* by Deloitte Corporate Finance whose Investigating Accountant’s Report is contained in [Section 8](#). Investors should note the scope and limitations of that report.

The information in this [Section 4](#) should also be read in conjunction with the risk factors set out in [Section 5](#) and other information contained in this Prospectus.

4.2 Basis of preparation and presentation of the Financial Information

4.2.1 Overview

The Financial Information included in this Prospectus is intended to present potential investors with financial information to assist them in understanding the underlying historical financial performance, cash flows and financial position of Netwealth, together with forecast financial performance and cash flows for FY2018. Netwealth is responsible for the preparation and presentation of the Financial Information.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of the AAS, issued by the AASB, which are consistent with IFRS and interpretations issued by the IASB.

The Financial Information is presented in an abbreviated form and does not include all the presentation and disclosures, statements or comparative information required by the AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Financial Information also includes non-IFRS measures that Netwealth uses to manage and report on its business that are not in accordance with AAS or IFRS (see [Section 4.2.6](#)).

Netwealth's significant accounting policies are set out in Appendix B. In preparing the Statutory Historical Financial Information and Statutory Forecast Financial Information, the accounting policies of Netwealth have been applied consistently throughout the periods presented.

Prior to and on Completion, the Company will have one reportable segment under AASB 8 'Operating Segments', being Platform Services.

4.2.2 Treatment of the Restructure and Capital Reorganisation

NHL will report the operating activities and financial results of the business until Completion, when the Restructure will be undertaken and the Company (formerly known as ACN 620 145 404 Limited), which was incorporated on 30 June 2017, will become the parent entity of NHL and its controlled entities. Additional information in relation to the Restructure is set out in [Section 10.5.1](#).

In addition to the Restructure, at Completion, a capital reorganisation of the share capital of NHL will be finalised. The Capital Reorganisation comprises:

- a pre-Completion dividend, which was paid to holders of shares in NHL prior to the Prospectus Date;
- conversion of Foundation Shares and A Class shares in NHL to ordinary shares in NHL, which occurred prior to the Prospectus Date;
- exercise of certain options held in respect of ordinary shares in NHL and issue of ordinary shares in NHL, which occurred prior to the Prospectus Date;
- payment of amounts outstanding on partly paid ordinary shares in NHL (and the shares becoming fully paid shares), which occurred prior to the Prospectus Date;
- variation to the terms of Platinum Shares in NHL, which will be undertaken after Listing but prior to Completion; and
- splitting every one share in NHL into seven corresponding shares in NHL, which will occur after Listing but prior to Completion.

The substance of the transactions comprising the Restructure and Capital Reorganisation have been evaluated and are considered to be a form of capital restructuring and group reorganisation that will be accounted for at book value. The Company intends making an election to enter the income tax consolidation regime post-Completion.

On this basis:

- the carrying value of the net assets of NHL will continue to be recorded at their book value (as opposed to their fair values) as per the NHL consolidated financial statements and the results of Netwealth will continue to be reported in a manner consistent with that recorded by NHL;
- the retained earnings and other equity balances recognised in the consolidated financial statements shall be the existing retained earnings and other equity balances of NHL; and
- the amount recognised as issued capital in the consolidated financial statements of Netwealth will reflect the impact of the Restructure and the Capital Reorganisation. A corresponding reorganisation reserve will align total equity with the net asset position of Netwealth.

The comparative financial information presented in the consolidated financial statements is that of NHL.

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The accounting for transactions referred to above and contemplated in the Offer, is currently being reviewed by international accounting standard setters and is subject to alternative interpretations and may change. The outcome of these deliberations, the timing of any decisions and whether any potential changes are retrospective or only prospective could mean that the financial reporting outcome may be different to that reported in this Prospectus. In the event that the acquisition of all the shares of NHL by the Company was required to be recorded at fair value:

- the net assets of Netwealth would be increased to reflect the market capitalisation as a result of the Offer (an increase of approximately \$841 million based on the Offer Price);
- the estimated excess of the fair value (based on indicative market capitalisation) compared to the book value of the net assets, if a purchase price allocation were required to be undertaken in the future, would be allocated to customer relationships (estimated to be approximately \$111 million), trademarks and business names (estimated to be approximately \$29 million), software (estimated to be approximately \$23 million) and any residual to goodwill. A deferred tax liability would be recognised, representing the difference between the tax and accounting cost bases of the identified intangible assets (e.g. customer relationships and software); and
- to the extent that any excess fair value was allocated to finite life intangible assets (e.g. customer relationships and software), net profit after tax would be impacted by the annual amortisation of these intangible assets, which has been estimated to be approximately \$12 million per annum.

The precise impact of any acquisition accounting, if it were required to be applied in the future, cannot be determined at this time as a formal purchase price allocation has not been carried out. Accordingly, the above estimates are preliminary indicative estimates only which may change on undertaking a formal purchase price allocation in the future.

4.2.3 Treatment of the Divestment Businesses and acquisition in the Financial Information

In addition to the Restructure, the Group is taking steps to dispose of its interests held in non-core businesses, by:

- proposing to dispose of the majority of the assets and liabilities of Bridgeport, with completion anticipated to occur by 31 December 2017; the Group intends to wind up Bridgeport as soon as practicable following the disposal (see [Section 10.5.2.1](#) for further information);

- proposing to enter into a binding agreement to dispose of all of the shares or assets of Pathway and possibly NAG with completion anticipated to occur by 31 December 2017; NAG, which is the holding company of Pathway, does not undertake any operations and has no other assets or liabilities and will be wound up if it is not sold with Pathway (see [Section 10.5.2.2](#) for further information); and
- having entered into on 19 September 2017, and completed on 20 October 2017, a binding and non-conditional agreement disposing of all of the shares of APS (see [Section 10.5.2.3](#) for further information).

Each of the Divestments is described in more detail in [Section 10.5.2](#) and is anticipated to be completed on or by 31 December 2017.

The Divestment Businesses have been classified (and measured) in the general purpose financial statements of NHL and its controlled entities for FY2017 in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' as follows.

- Held for sale in the Statutory Historical Balance Sheet.
- Discontinued operations in the Statutory Historical Income Statements and the Statutory Forecast Income Statement.

The Statutory Historical Income Statements and Statutory Historical Cash Flow Statements include the results of the Divestment Businesses.

The Statutory Forecast Financial Information includes the results of the Divestment Businesses for the pre-divestment period from:

- 1 July 2017 to 31 December 2017 in the case of Bridgeport;
- 1 July 2017 to 31 December 2017 in the case of Pathway (and NAG); and
- 1 July 2017 to 20 October 2017 in the case of APS,

based on anticipated or contracted completion dates for the sale of each Divestment Business. The impact of any delay in the disposal of Bridgeport and/or Pathway (or NAG) on FY2018 statutory results will not be material; however, it is expected to be marginally earnings accretive based on the full year FY2018 forecast financial performance of the Divestment Businesses.

The Pro Forma Historical Income Statements and Pro Forma Historical Cash Flow Statements exclude the results of the Divestment Businesses as if the divestments had been completed prior to or on 30 June 2014.

As noted in [Section 10.5.2](#), Netwealth is also considering the acquisition of a book of predominantly Wrap clients from another Platform operator. Given the uncertainty as to whether this transaction will proceed, no consideration has been made of this potential acquisition in preparing the Financial Information.

4.2.4 Preparation of Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. It has been derived from the Statutory Historical Financial Information, to illustrate the net income after tax, assets, liabilities and cash flows of Netwealth adjusted for certain transactions and pro forma adjustments as described below.

The Statutory Historical Financial Information has been extracted from the consolidated general purpose financial statements of NHL and its controlled entities for FY2015, FY2016 and FY2017. The consolidated financial statements for FY2015 and FY2016 have been audited by ShineWing Australia ABN 39 533 589 331, and for FY2017 by Deloitte Touche Tohmatsu ABN 74 490 121 060 in accordance with AAS. Unmodified opinions were issued in respect of each of those financial years.

The pro forma adjustments are as described in [Sections 4.3.4, 4.4.1 and 4.5.2](#). In particular, pro forma adjustments have been made to reflect:

- the impact of the Restructure and Capital Reorganisation, as if it had taken place on 1 July 2014;
- the disposal of the Divestment Businesses as if this had taken place on or before 30 June 2014;
- the elimination of certain material non-operating and non-recurring expenses;
- the impact of the Company electing to enter into the income tax consolidation regime;
- the incremental costs of being a publicly listed company; and
- the income tax effect of the above pro forma adjustments.

The Pro Forma Historical Balance Sheet is derived from the Statutory Historical Balance Sheet, and similarly adjusted to reflect:

- the impact of the Offer, including directly attributable Offer costs offset against retained earnings;
- the impact of the Restructure and Capital Reorganisation;
- the impact of the Company electing to enter into the income tax consolidation regime; and
- the disposal of the Divestment Businesses.

The Pro Forma Historical Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of Netwealth's view of its future financial position. Investors should note that past results are not a guarantee of future performance.

4.2.5 Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared by Netwealth based on an assessment of present economic and operating conditions and on a number of assumptions, including the general assumptions and the specific assumptions set out in [Sections 4.7.1 and 4.7.2](#).

Netwealth has prepared the Forecast Financial Information with due care and attention, and considers all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a materially positive or negative effect on Netwealth's actual financial performance or financial position. Investors are advised to review the Forecast Financial Information in conjunction with the general and specific assumptions set out in [Sections 4.7.1 and 4.7.2](#), the sensitivity analysis set out in [Section 4.8](#), the risk factors set out in [Section 5](#) and other information set out in this Prospectus.

The Forecast Financial Information has been presented on both a statutory and pro forma basis. The Pro Forma Forecast Financial Information is based on the Statutory Forecast Financial Information, adjusted by the pro forma adjustments to reflect the full year of the operating and capital structure that will be in place upon Completion, to exclude the costs of the Offer and other items which are not expected to occur in the future, as set out in [Sections 4.3.4, 4.4.1 and 4.5.2](#).

The basis of preparation and presentation of the Statutory Forecast Financial Information is consistent with the basis of preparation of the Pro Forma Historical Financial Information.

Netwealth has no intention to update or revise the Forecast Financial Information or other forward-looking statements following the issue of this Prospectus, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

4.2.6 Explanation of non-IFRS financial measures

Netwealth uses certain measures to manage and report on its business that are not recognised under AAS or IFRS. These measures are referred to in this Section 4 as non-IFRS financial measures under Regulatory Guide 230 ‘Disclosing Non-IFRS Financial Information’ published by ASIC. Non-IFRS financial measures are intended to supplement the measures calculated in accordance with AAS or IFRS and not be a substitute for those measures. Because non-IFRS financial measures are not defined by the recognised body of accounting standards, they do not have a prescribed meaning and the way that Netwealth calculates them may be different to the way that other companies calculate similarly-titled measures.

The principal non-IFRS financial measures used in this Prospectus are described below.

4.2.7 Income statement information

Platform Revenue

Platform Revenue includes administration, management, transaction and ancillary fees.

Other income

Other income includes interest income and a recovery of the cost of the capital provided by Netwealth to maintain the minimum Operational Risk Financial Requirement as trustee of the Netwealth Superannuation Master Fund.

EBITDA and EBITDA margin

EBITDA represents earnings before interest, tax, depreciation and amortisation.

EBITDA eliminates the non-cash charges for depreciation and amortisation, and is therefore useful to help understand the cash generation potential of a business. However, it should not be considered as an alternative to cash flow from operations because it does not reflect actual cash movements or movements in Netwealth’s working capital balances.

EBITDA margin is calculated as EBITDA divided by total revenue and expressed as a percentage.

EBIT

EBIT represents earnings before interest and tax.

4.2.7.1 Cash flow information

Working capital

Working capital includes trade and other receivables, other current assets, financial assets, trade and other payables and provisions.

Capital expenditure

Capital expenditure is described as payments for property, plant and equipment. Capital expenditure relates to new equipment for expansion and maintenance and replacement to keep Netwealth’s equipment at the required standard to maintain the existing operations and earnings.

4.2.8 New and revised accounting standards

The AASB has recently issued revised standards in relation to revenue recognition, leases and financial instruments. The revised standards in relation to revenue recognition and financial instruments will become effective for reporting periods commencing on or after 1 January 2018 and therefore are applicable for the Company for the reporting period ending 30 June 2019. The revised leases standard will become effective for reporting periods commencing on or after 1 January 2019 and therefore are applicable for the Company for the reporting period ending 30 June 2020. The Forecast Financial Information does not consider the effect of the new standards as they are not yet effective. Furthermore, the potential effects of the revised standards have not been disclosed in the Prospectus as the Board has not yet completed its assessment of the impact on the Company.

4.3 Consolidated historical and forecast statements of profit or loss and other comprehensive income

4.3.1 Summary of Pro Forma Historical Income Statements and Pro Forma Forecast Income Statement

Set out below is a summary of Netwealth’s pro forma historical consolidated statements of profit or loss and other comprehensive income for FY2015, FY2016 and FY2017 and the pro forma forecast consolidated statement of profit or loss and other comprehensive income for FY2018.

Table 1: Summary of Pro Forma Historical Income Statements and Pro Forma Forecast Income Statement

\$'000	Notes	Pro forma historical ¹			Pro forma forecast ¹
		FY2015	FY2016	FY2017	FY2018
Platform Revenue	2	40,642	48,323	60,637	80,229
Other income	3	454	708	614	1,323
Total revenue		41,096	49,031	61,251	81,552
Employee benefits expense	4	(16,291)	(19,011)	(24,799)	(27,796)
Rent and occupancy costs	5	(1,141)	(1,276)	(1,530)	(1,716)
IT and communications costs	6	(1,574)	(1,520)	(1,848)	(2,619)
Other operating expenses	7	(7,068)	(6,839)	(8,148)	(9,481)
Total operating expenses		(26,073)	(28,646)	(36,326)	(41,612)
EBITDA		15,023	20,385	24,925	39,940
Depreciation	8	(583)	(489)	(541)	(717)
Amortisation	9	(248)	(273)	(79)	(63)
EBIT		14,192	19,623	24,304	39,160
Net finance costs		(11)	–	–	–
Profit before tax		14,180	19,623	24,304	39,160
Income tax expense		(4,243)	(5,678)	(7,480)	(11,838)
Net profit after tax		9,938	13,945	16,824	27,322

Notes:

1. The Pro Forma Historical Income Statements and Pro Forma Forecast Income Statement are reconciled to the respective Statutory Historical Income Statements and Statutory Forecast Income Statement in [Section 4.3.4](#).
2. **Platform Revenue** includes administration, management, transaction and ancillary fees.
3. **Other income** includes interest income and a recovery of the cost of the capital provided by Netwealth to maintain the minimum Operational Risk Financial Requirement as trustee of the Netwealth Superannuation Master Fund.
4. **Employee benefits expense** includes the cost of employment of Netwealth's employees. Employee benefits expenses related to software maintenance and improvement are included in employee benefits expenses and are not capitalised.
5. **Rent and occupancy costs** include rental expense, utilities and other operating costs for each of Netwealth's offices.
6. **IT and communication costs** include expenses to maintain IT infrastructure, software licence fees and communications.
7. **Other operating expenses** include advertising and marketing, consulting, legal, audit fees and travel and accommodation.
8. **Depreciation** includes primarily the depreciation of leasehold improvements, office furniture and IT hardware.
9. **Amortisation** reflects the amortisation of purchased software.

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4.3.2 Summary of Statutory Historical Income Statements and Statutory Forecast Income Statement

Set out in Table 2 below is a summary of Netwealth’s statutory historical consolidated statements of profit

or loss and other comprehensive income for FY2015, FY2016 and FY2017 and the statutory forecast consolidated statement of profit or loss and other comprehensive income for FY2018.

Table 2: Summary of Statutory Historical Income Statements and Statutory Forecast Income Statement

\$'000	Notes	Statutory historical			Statutory forecast
		FY2015	FY2016	FY2017	FY2018
Continuing operations					
Platform Revenue		41,431	48,323	60,637	80,229
Other income		454	708	614	1,323
Total revenue		41,885	49,031	61,251	81,552
Employee benefits expense		(16,291)	(19,011)	(24,799)	(28,035)
Rent and occupancy costs		(1,141)	(1,276)	(1,530)	(1,716)
IT and communications costs		(1,574)	(1,520)	(1,848)	(2,619)
Other operating expenses		(6,543)	(6,314)	(8,861)	(21,359)
Total operating expenses		(25,548)	(28,121)	(37,039)	(53,729)
EBITDA		16,337	20,910	24,212	27,823
Depreciation		(583)	(489)	(541)	(717)
Amortisation		(248)	(273)	(79)	(63)
EBIT		15,506	20,148	23,592	27,043
Net finance costs		(11)	–	–	–
Profit before tax		15,494	20,148	23,592	27,043
Income tax expense		(4,637)	(5,836)	(7,266)	(8,693)
Net profit after tax from continuing operations		10,858	14,313	16,325	18,350
Discontinued operations	1				
Profit/(loss) from discontinued operations		(4,945)	(5,166)	(2,772)	1,414
Profit		5,913	9,147	13,553	19,765
Total comprehensive income		5,913	9,147	13,553	19,765

Notes:

- Discontinued operations** reflect Netwealth’s plan to dispose of the Divestment Businesses (see Section 4.2.3). In FY2018, the profit from discontinued operations includes the forecast net profit of the Divestment Businesses during the period from 1 July 2017 to the date on which the relevant Divestment Business has been or is expected to be divested of (\$0.05 million) and the anticipated gain on disposal of the Divestment Businesses of \$1.4 million.

4.3.3 Key operating and financial metrics

Set out below is a summary of Netwealth's key pro forma historical operating and financial metrics for FY2015,

FY2016, FY2017 and key pro forma forecast operating and financial metrics for FY2018.

Table 3: Key pro forma historical and forecast operating and financial metrics for FY2015, FY2016, FY2017 and FY2018

	Notes	Pro forma historical			Pro forma forecast
		FY2015	FY2016	FY2017	FY2018
Key operating metrics					
FUA (eop) (\$ million)	1	6,735	8,142	12,747	15,247
FUM (eop) (\$ million)	2	665	988	1,563	2,473
FUMA (eop) (\$ million)	3	7,400	9,130	14,310	17,720
Net FUA flows (\$ million)	4	1,355	1,366	3,880	2,500
Net FUM flows (\$ million)	4	259	310	557	910
Platform Revenue/average FUA (bps)	5	68.0 bps	66.0 bps	60.9 bps	57.3 bps
Platform Revenue/average number of accounts (\$)	6	1,170	1,228	1,288	1,404
Key pro forma financial metrics					
EBITDA margin		36.6%	41.6%	40.7%	49.0%
Net profit after tax margin	7	24.2%	28.4%	27.5%	33.5%

Notes:

- FUA (eop)** represents total client funds administrated by Netwealth on the Platform at the end of the year.
- FUM (eop)** represents total client funds managed by Netwealth and invested in the GSS Funds, Netcash or the Netwealth Managed Account at the end of the year.
- FUMA (eop)** is the aggregate of FUA and FUM.
- Net FUA flows (\$ million)** and **net FUM flows (\$ million)** represent the total new FUA and FUM added to the Platform each year less the FUA and FUM withdrawn by clients and excludes the effect of any movement in the market value of the assets on the Platform.
- Platform Revenue/average FUA (bps) is calculated as Platform Revenue divided by average FUA, where average FUA is calculated as the monthly average balance of FUA for each 12 month period presented, and expressed in bps where 1% is equal to 100 bps.
- Platform Revenue/average number of accounts (\$)** is calculated as Platform Revenue divided by average number of accounts, where average number of accounts is calculated as the monthly average number of accounts for each 12 month period presented.
- Net profit after tax margin is calculated as net profit after tax divided by total revenue and expressed as a percentage.

4.3.4 Pro forma adjustments to the Statutory Historical Income Statements and Statutory Forecast Income Statement

In presenting the pro forma historical and forecast consolidated statements of profit or loss and other comprehensive income included in this Prospectus, pro forma adjustments have been made for certain transactions, in particular, the capital structure that

will be in place following Completion, as if they were in place as at 1 July 2014. In addition, adjustments have been made for material one-off expenses or receipts which will not occur going forward and to reflect the full year impact of the additional operating expenses that will be in place following Completion, including costs associated with being a listed entity. These adjustments are summarised in Table 4 below.

Table 4: Reconciliation of pro forma adjustments to the Statutory Historical Income Statements and Statutory Forecast Income Statement

\$'000	Notes	Historical			Forecast
		FY2015	FY2016	FY2017	FY2018
Statutory EBITDA from continuing operations		16,337	20,910	24,212	27,823
Listed company costs	1	(525)	(525)	(525)	–
IPO transaction costs	2	–	–	238	12,116
RITC prior year rebate	3	(789)	–	–	–
Divestment Businesses legal claims	4	–	–	1,000	–
Pro forma EBITDA		15,023	20,385	24,925	39,940
Statutory net profit after tax from continuing operations		10,858	14,313	16,325	18,350
Listed company costs	1	(525)	(525)	(525)	–
IPO transaction costs	2	–	–	238	12,116
RITC prior year rebate	3	(789)	–	–	–
Divestment Businesses legal claims	4	–	–	1,000	–
Income tax effect	5	394	158	(214)	(3,145)
Pro forma net profit after tax		9,938	13,945	16,824	27,322

Notes:

1. Adjustment to reflect the anticipated incremental costs expected to be incurred as a listed company. These costs include listing and registry fees, investor relations costs and other listed company associated costs.
2. Adjustment to exclude the IPO transaction costs incurred in FY2017 and anticipated to be incurred in FY2018 including Joint Lead Managers, legal, tax and accounting advisers' fees and Employee Offer and initial listing fees. Netwealth has assumed all IPO transaction costs incurred in FY2018 will be expensed via the statement of profit or loss and other comprehensive income with no IPO transactions anticipated to be capitalised to issued capital.
3. Adjustment to exclude a rebate received by Netwealth in FY2015 and recognised in revenue in relation to the RITC and a prior period over payment.
4. Adjustment to exclude a legal provision expense of \$1.0 million recognised in FY2017 by Netwealth relating to APS, one of the Divestment Businesses (see Sections 4.2.3 and 10.5.2.3), and the indemnity that Netwealth has agreed to provide to APS for a period commencing on 30 June 2017 and ending three years from completion of the sale of APS (see Sections 4.4.3 and 10.5.2.3). As this expense related to one of the Divestment Businesses it is not considered representative of Netwealth's future operations.
5. Adjustment to reflect the tax impact of tax consolidation (\$0.5 million) and income tax effect of the pro forma adjustments set out in Table 4 based on the Australian statutory corporate tax rate of 30%.

4.4 Pro Forma Historical Balance Sheet

The Pro Forma Historical Balance Sheet shown below is based on the Statutory Historical Balance Sheet, adjusted for certain pro forma adjustments, as if Completion had occurred on 30 June 2017.

4.4.1 Pro forma adjustments to the Statutory Historical Balance Sheet

Details of the pro forma adjustments made to the

Statutory Historical Balance Sheet are set out in the notes to Table 5. The Pro Forma Historical Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of Netwealth's view on its future financial position upon Completion or at a future date.

Further information on the sources and uses of funds of the Offer is contained in [Section 7](#).

Table 5: Reconciliation of Statutory Historical Balance Sheet and Pro Forma Historical Balance Sheet

\$'000	Notes	Statutory	Impact of the Divestment Businesses ¹	Impact of the Restructure and the Capital Reorgani- sation ²	Impact of the Offer ³	Pro forma
Assets						
Current assets						
Cash and cash equivalents	4,5	34,340	5,663	(5,806)	(12,116)	22,081
Trade and other receivables	5	5,398	–	–	–	5,398
Other current assets		1,242	–	–	–	1,242
Financial assets		912	–	–	–	912
Assets held for sale		14,757	(14,757)	–	–	–
Total current assets		56,649	(9,094)	(5,806)	(12,116)	29,633
Non-current assets						
Property, plant and equipment		2,613	–	–	–	2,613
Intangible assets		107	–	–	–	107
Other receivables		–	8,315	–	–	8,315
Deferred tax assets		4,168	–	–	2,907	7,076
Total non-current assets		6,888	8,315	–	2,907	18,111
Total assets		63,537	(779)	(5,806)	(9,209)	47,744
Current liabilities						
Trade and other payables		5,225	–	–	(238)	4,988
Provisions		3,494	–	–	–	3,494
Current tax liabilities		710	–	–	(728)	(18)
Liabilities directly associated with assets classified as held for sale		2,242	(2,242)	–	–	–
Total current liabilities		11,672	(2,242)	–	(965)	8,464
Non-current liabilities						
Provisions		429	–	–	–	429
Deferred tax liability		42	–	490	–	532
Total non-current liabilities		471	–	490	–	961
Total liabilities		12,143	(2,242)	490	(965)	9,425
Net assets		51,395	1,463	(6,296)	(8,244)	38,318
Equity						
Issued capital		24,231	–	2,534	852,414	879,179
Treasury shares		(4,026)	–	(40)	–	(4,066)
Reserves		712	–	–	(852,174)	(851,462)
Retained earnings	6	30,478	1,463	(8,790)	(8,484)	14,667
Total equity		51,395	1,463	(6,296)	(8,244)	38,318
Total equity and liabilities		63,537	(779)	(5,806)	(9,209)	47,744

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Notes:

- The pro forma adjustments relating to the Divestment Businesses reflect the actual or anticipated sales of the Divestment Businesses (see [Section 4.2.3](#)) and include:
 - exclusion of the assets and liabilities of the Divestment Businesses held for sale as reflected in the statutory statement of financial position at 30 June 2017; and
 - the anticipated proceeds from disposal of the Divestment Businesses totalling \$14.0 million based on initial cash payments upon settlement (\$5.7 million) and deferred payments associated with an earn out incentive to be received in FY2019 (\$5.7 million) and FY2020 (\$2.7 million) included in non-current assets.
- The pro forma adjustments relating to the Capital Reorganisation (see [Section 4.2.2](#)) include:
 - a pre-listing dividend of \$8.3 million paid to holders of NHL shares prior to the Prospectus Date;
 - the conversion of partly paid ordinary shares (\$2.5 million); and
 - the tax impact (\$0.5 million) arising from the election to form a tax consolidated group.
- The pro forma adjustment relating to the Offer reflects the anticipated IPO transaction costs (\$12.1 million). The pro forma statement of financial position recognises the tax effected impact of the IPO transaction costs reflected in the deferred tax asset (\$2.9 million) and current tax liability (\$0.7 million) adjustments. IPO transaction costs recognised in trade and other payables at 30 June 2017 in the statutory statement of financial position are assumed settled in cash in the pro forma statement of financial position. The pro forma statement of financial position recognises the Employee Offer impact of the IPO transaction costs reflected in the Issued capital (\$0.3 million).
- The cash balance reflects the impacts of the Divestments, Capital Reorganisation and Offer as follows:
 - Divestments: anticipated initial cash receipts upon settlement (\$5.7 million);
 - Capital Reorganisation: pre-listing dividend outflow of \$8.3 million partially offset by the cash receipt from the conversion of partly paid ordinary shares (\$2.5 million); and
 - Offer: the cash outflow from the anticipated IPO transaction costs of \$12.1 million.
- The pro forma cash balance and trade and other receivables include regulatory capital of \$24.6 million, comprised of:
 - an obligation to hold \$10.0 million in regulatory capital to satisfy custody requirements; and
 - an operational risk trustee capital of \$14.6 million calculated at 25 bps on superannuation FUA, net of \$1.2 million operational risk reserve provided by the large successor fund transfer in FY2017.
- The retained earnings balance reflects the impacts of the Divestments, Capital Reorganisation and Offer as follows:
 - Divestments: the anticipated gain on disposal of the Divestment Businesses of \$1.4 million being sale proceeds of \$14.0 million less book value of net assets of \$12.5 million;
 - Capital Reorganisation: the anticipated pre-listing dividend of \$8.3 million; and
 - Offer: the tax effected recognition of the IPO transaction costs noting that \$0.2 million of total costs of \$12.1 million were recognised in FY2017 and the Employee Offer for \$0.3 million.

4.4.2 Contractual obligations and commitments

As at 30 June 2017 Netwealth had no capital expenditure commitments.

Table 6 summarises Netwealth’s commitments in relation to property leases as at 30 June 2017.

Table 6: Lease commitments

\$'000	As at 30 June 2017
Less than 1 year	1,234
1-5 years	4,217
Total	5,451

4.4.3 Contingent liabilities

As at the end of FY2017, APS had received complaints or claims from clients of authorised representatives which had not been finalised by the end of the reporting period. Netwealth has in place professional indemnity insurance for such claims. Netwealth had indemnified APS against all claims that may be brought or made against it prior to completion of the sale of APS, and provided an indemnity to APS in relation to such claims for a period commencing on 30 June 2017 and ending three years from completion of the sale of APS (which will mean that Netwealth, and not APS or the purchaser of APS, will be exposed to the first \$1.0 million of claims against APS whilst this indemnity is on foot). APS shall assume liability for all claims over and above this amount and as such, the Company ceases to have a contingent liability in relation to such claims upon the sale of APS.

A provision of \$1.0 million was made to cover probable outflows in relation to these claims in the Historical Statutory Balance Sheet.

4.5 Pro Forma Historical Cash Flow Statements, Pro Forma Forecast Cash Flow Statement and Statutory Forecast Cash Flow Statement

4.5.1 Pro Forma Historical Cash Flow Statements, Pro Forma Forecast Cash Flow Statement and Statutory Forecast Cash Flow Statement

Set out in Table 7 below is a summary of Netwealth's pro forma historical consolidated statements of cash flows

for FY2015, FY2016 and FY2017, pro forma forecast consolidated statement of cash flows for FY2018 and statutory forecast consolidated statement of cash flows for FY2018.

Table 7: Summary of Pro Forma Historical Cash Flow Statements, Pro Forma Forecast Cash Flow Statement and Statutory Forecast Cash Flow Statement

\$'000	Notes	Pro forma historical ¹			Pro forma forecast ¹	Statutory forecast ²
		FY2015	FY2016	FY2017	FY2018	FY2018
EBITDA		15,023	20,385	24,925	39,940	29,598
Non-cash items in EBITDA	3	358	84	166	100	(1,123)
Changes in working capital	4	(8)	(671)	830	(372)	(610)
Capital expenditure		(363)	(1,219)	(1,032)	(1,000)	(1,000)
Net (purchases)/sale proceeds on investments	5	1,289	(45)	(27)	–	–
Net cash flows before financing activities and taxation		16,298	18,533	24,861	38,668	26,865
Taxation	6				(10,352)	(10,234)
Proceeds from issue of shares					–	2,494
Proceeds from sale of discontinued operations					–	5,663
Dividends					–	(8,300)
Net cash flow					28,316	16,488

Notes:

- The Pro Forma Historical Cash Flow Statements and the Pro Forma Forecast Cash Flow Statement are reconciled to the respective Statutory Historical Cash Flow Statements and the Statutory Forecast Cash Flow Statement in [Section 4.5.2](#).
- The EBITDA recognised within the Statutory Forecast Cash Flow Statement includes the forecast earnings contribution of the Divestment Businesses from 1 July 2017 to the date on which the relevant Divestment Business has been or is expected to be divested (\$0.05 million) and the anticipated gain on disposal of the Divestment Businesses (\$1.4 million).
- Non-cash items in EBITDA primarily include share-based payment expense and gains and losses on disposal of assets and investments. In the FY2018 statutory forecast, non-cash items in EBITDA include the anticipated gain on disposal of the Divestment Businesses of \$1.4 million and the Employee Offer of \$0.3 million.
- The pro forma historical FY2015, FY2016 and FY2017 and pro forma forecast FY2018 changes in working capital represent the change in working capital balances from the Company's continuing operations (excluding the Divestment Businesses) and include trade and other receivables, other current assets, financial assets, trade and other payables and provisions. The statutory forecast FY2018 change in working capital includes IPO transaction costs.
- Net (purchases)/sales proceeds on investments reflect the Company's investment activity as principal for FY2015, FY2016 and FY2017. The Company is not intending to undertake any material investment activity as principal in FY2018.
- The pro forma forecast FY2018 taxation cash flows reflect the anticipated income tax instalment profile of the Company's continuing operations and final income tax payment for the FY2017 period. The pro forma forecast FY2018 taxation cash flows exclude the tax benefit attributable to the Company on a statutory basis from prior year legal claim expenses incurred in relation to the Divestment Businesses.

4.5.2 Pro forma adjustments to the Statutory Historical Cash Flow Statements and Statutory Forecast Cash Flow Statement

In presenting the Pro Forma Historical Cash Flow Statements, adjustments to the audited Statutory

Historical Cash Flow Statements and Statutory Forecast Cash Flow Statement have been made as summarised below.

Table 8: Pro forma adjustments to the Statutory Historical Cash Flow Statements

\$'000	Notes	Historical		
		FY2015	FY2016	FY2017
Statutory net cash flows from operating activities	1	13,585	9,704	12,827
Income tax paid		3,647	7,161	8,011
Capital expenditure		(2,962)	(1,714)	(984)
Net (purchases)/sale proceeds on investments		1,289	(45)	(27)
Statutory net cash flows before financing activities and taxation	2	15,558	15,106	19,827
Operating cash flows from the Divestment Businesses	3	2,053	3,953	5,559
Statutory operating net cash flows before financing activities and taxation from continuing operations		17,611	19,059	25,386
Listed company costs	4	(525)	(525)	(525)
RITC prior year rebate	5	(789)	–	–
Cash impact of pro forma adjustments		(1,314)	(525)	(525)
Pro forma net free cash flow before financing activities and taxation		16,298	18,533	24,861

Notes:

1. Statutory net cash flows from operating activities as disclosed in the audited historical financial statements of the Company for FY2015, FY2016 and FY2017.
2. Statutory net cash flows before financing activities and taxation represents statutory historical operating cash flows on a consistent basis to pro forma historical cash flows disclosed in Table 7 prior to the exclusion of discontinued operations and recognition of pro forma adjustments.
3. Operating cash flows from the Divestment Businesses represent the EBITDA contribution, change in working capital and capital expenditure relating to the Divestment Businesses for FY2015, FY2016 and FY2017.
4. Adjustment to recognise listed company costs as described in Table 4 footnotes.
5. Adjustment to exclude RITC prior year rebate as described in Table 4 footnotes.

Table 9: Pro forma adjustments to the Statutory Forecast Cash Flow Statement

\$'000	Notes	Forecast FY2018
Statutory net cash flows		16,488
Taxation	1	(118)
Proceeds from paying up of partly paid ordinary shares	2	(2,494)
IPO transaction costs	3	12,116
Sale of discontinued operations	4	(5,663)
Divestment Businesses	5	(312)
Dividends	6	8,300
Cash impact of pro forma adjustments		11,828
Pro forma net cash flows		28,316

Notes:

1. FY2018 statutory forecast cash flows include anticipated taxation cash flows associated with the Divestment Businesses relating to FY2017 and FY2018 stub period prior to divestment.
2. FY2018 statutory forecast cash flows include the anticipated conversion of partly paid ordinary shares (3,000,000) to fully paid ordinary shares.
3. IPO transaction costs have been excluded from the FY2018 pro forma net cash flows as described in Table 4 footnotes.
4. The Statutory Forecast Cash Flow Statement includes assumed proceeds from disposal of the Divestment Businesses.
5. Adjustment to exclude from FY2018 pro forma net cash flows, the forecast operating cash flow contribution of the Divestment Businesses from 1 July 2017 to the date on which the relevant Divestment Business has been or is expected to be divested. See [Section 4.2.3](#).
6. Adjustment to exclude from FY2018 pro forma net cash flows an anticipated pre-listing dividend of \$8.3 million.

4.6 Management discussion and analysis of the Pro Forma Historical Financial Information

4.6.1 General factors affecting the operating results of Netwealth

Below is a discussion of the main factors which affected Netwealth's operating and financial performance in FY2015, FY2016 and FY2017, as well as the factors Netwealth expects may continue to affect it in the future.

The discussion of these general factors is intended to provide a brief summary only and does not detail all factors which affected Netwealth's historical operating and financial performance, nor everything that may affect Netwealth's operating and financial performance in the future. The information in this Section should also be read in conjunction with the risk factors set out in [Section 5](#) and other information contained in this Prospectus.

4.6.1.1 Revenue

The key drivers of Netwealth's revenue are:

- **FUA**
 - FUA represents total client funds under administration by Netwealth on the Platform.
- **FUM**
 - FUM represents total client funds managed by Netwealth invested in the GSS Funds, Netcash or Managed Accounts.

Netwealth derives Platform Revenue, which includes:

- **Administration fees**
 - Administration fees are calculated daily, either as a percentage of FUA or as a flat fee, and charged monthly.
 - Administration fees are charged on a tiered basis dependent on the account size, with most accounts having an administration fee cap applied at a certain level. There are also family fee rebates available on certain products which enable up to six accounts to be grouped together for the purposes of the administration fee calculation.

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- **Management fees**
 - Management fees are calculated daily, as a percentage of FUM and charged monthly.

- **Transaction fees**
 - Transaction fees are fees levied on individual transactions which includes domestic and international brokerage, share settlement fees and other transaction fees.

- **Ancillary fees**
 - Ancillary fees comprise other Platform-related fees which include margin on client cash held on the Platform, custody fees, insurance administration fees and fund manager services fees.

4.6.1.2 Expenses

The majority of Netwealth's expenses comprise employee benefits expenses. Expenses have historically not grown at the same rate as revenue and this is forecast to continue into FY2018. The key components and drivers of Netwealth's expenses are:

- **Employee benefits**
 - Netwealth's employee benefits expense primarily comprises salaries of operations and software development employees, investor services, sales and marketing and executive management. The largest functions by headcount are operations and software development.
 - The employee benefits expense is driven by employee headcount and remuneration.
 - Employee benefits expenses related to software development are included in profit and loss and are not capitalised.
- **Rent and occupancy**
 - Rent and occupancy costs include rental expense under third party lease agreements, utilities and other operating costs for each of Netwealth's offices. Expense increases in FY2015, FY2016 and FY2017 primarily reflect the additional lease space at Netwealth's Melbourne office.
- **IT and communication**
 - IT and communication costs comprise the core expenses to maintain IT infrastructure, software licence fees and communications.
 - Netwealth's IT infrastructure expenditure and software licence fees are incurred under third party arrangements and driven by the number of client accounts and Netwealth's employee headcount.

- **Other operating expenses**
 - Other operating expenses include advertising and marketing, consulting, legal and audit fees and travel and accommodation expenses.

4.6.1.3 Depreciation and amortisation

- Depreciation and amortisation includes primarily the depreciation of leasehold improvements, office furniture and IT hardware and the amortisation of purchased software.

4.6.1.4 Net working capital

Net working capital includes:

- **Trade and other receivables**
 - Trade and other receivables include primarily client fee receivables which are settled by directly debiting client accounts by the second week of the month following the month in which the fees are earned.
- **Other current assets**
 - Other current assets primarily include prepayments for rent, software licences, insurance and accrued fund manager service fees.
- **Financial assets**
 - Financial assets include listed fixed income investments held by Netwealth as principal.
- **Trade and other payables**
 - Trade and other payables comprise primarily accrued employees bonuses.
- **Provisions**
 - Provisions comprise primarily leave provisions and long service awards.

4.6.1.5 Capital expenditure

Capital expenditure includes leasehold improvements, the acquisition of office furniture and IT hardware.

4.6.2 Summary Pro Forma Historical Income Statements: FY2016 compared to FY2015

Table 10 below sets out the summary pro forma consolidated statements of profit or loss and other comprehensive income for FY2016 and FY2015.

Table 10: Summary Pro Forma Historical Income Statements: FY2016 compared to FY2015

\$'000	Pro forma historical		Change	% change
	FY2015	FY2016		
Platform Revenue	40,642	48,323	7,681	18.9%
Other income	454	708	254	55.9%
Total revenue	41,096	49,031	7,935	19.3%
Employee benefits expense	(16,291)	(19,011)	(2,720)	16.7%
Rent and occupancy costs	(1,141)	(1,276)	(136)	11.9%
IT and communication costs	(1,574)	(1,520)	55	(3.5%)
Other operating expenses	(7,068)	(6,839)	229	(3.2%)
Total operating expenses	(26,073)	(28,646)	(2,573)	9.9%
EBITDA	15,023	20,385	5,362	35.7%
Depreciation	(583)	(489)	94	(16.2%)
Amortisation	(248)	(273)	(25)	10.1%
EBIT	14,192	19,623	5,432	38.3%
Net finance costs	(11)	–	11	(100.0%)
Profit before tax	14,180	19,623	5,443	38.4%
Income tax expense	(4,243)	(5,678)	(1,435)	33.8%
Net profit after tax	9,938	13,945	4,008	40.3%
Key operating metrics				
FUA (eop) (\$m)	6,735	8,142	1,408	20.9%
FUM (eop) (\$m)	665	988	323	48.6%
FUMA (eop) (\$m)	7,400	9,130	1,731	23.4%
Net FUA flows (\$m)	1,355	1,366	12	0.9%
Net FUM flows (\$m)	259	310	50	19.4%
Platform Revenue/average FUA (bps)	68.0 bps	66.0 bps	(1.9 bps)	(2.9%)
Platform Revenue/average number of accounts (\$)	1,170	1,228	58	4.9%
Key financial metrics				
EBITDA margin	36.6%	41.6%		
Net profit after tax margin	24.2%	28.4%		

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- Total revenue increased by \$7.9 million or 19.3% from \$41.1 million in FY2015 to \$49.0 million in FY2016.
- The primary drivers of increased Platform Revenue in FY2016 were the full year revenue impact of increased FUA balances in FY2015 flowing into FY2016 and increased FUA balances in FY2016.
- FUA grew by \$1.4 billion to \$8.1 billion in FY2016.
 - Approximately 73% of the increase in FUA for FY2016 relates to existing Financial Intermediaries on-boarding additional FUA and 27% relates to new Financial Intermediaries.
 - The increase in FUA was offset slightly by a decline in Platform Revenue/average FUA of 1.9 bps from 68.0 bps in FY2015 as a result of the tiered administration fees and administration fee caps. The percentage of administration fee paying FUA decreased by 2.2% from 77.9% in FY2015. Higher value accounts generate higher Platform Revenue in absolute terms and a higher revenue per account but result in lower Platform Revenue/average FUA (bps).
- Total operating expenses increased by \$2.6 million or 9.9% from \$26.1 million in FY2015 to \$28.6 million in FY2016, primarily due to:
 - an increase in the employee benefits expense of \$2.7 million or 16.7% from \$16.3 million in FY2015 to \$19.0 million in FY2016 due to:
 - » an average remuneration increase of approximately 5% following a benchmarking of remuneration levels; and
 - » an increase in employee headcount primarily in technology, product, sales and operations;
 - an increase in rent and occupancy costs of \$0.1 million or 11.9% from \$1.1 million in FY2015 to \$1.3 million in FY2016 from the addition of two new leased floors at the Melbourne office during the year and the renewal of the rental contract for an additional five years based on an annual escalation rate of 3.75%-4.0%; and
 - a partially offsetting aggregate reduction of \$0.3 million or 3.3% in other operating expenses and IT and communication costs.
- The total information technology-related spend in FY2016 was \$6.1 million, which includes employee benefits expense and IT and communication costs.
- EBITDA increased from \$15.0 million in FY2015 to \$20.4 million in FY2016, reflecting an increase in revenue of 19.3% and an increase in total operating expenses of 9.9%. The EBITDA margin increased from 36.6% to 41.6%.
- Net profit after tax increased from \$9.9 million in FY2015 to \$13.9 million in FY2016 or 40.3%, primarily due to the 35.7% increase in EBITDA and a slight decrease in the effective tax rate from 29.9% in FY2015 to 28.9% in FY2016.

4.6.3 Summary Pro Forma Historical Cash Flow Statements: FY2016 compared to FY2015

Table 11 below sets out the summary pro forma consolidated statements of cash flows for FY2016 and FY2015.

Table 11: Summary Pro Forma Historical Cash Flow Statements: FY2016 compared to FY2015

\$'000	Pro forma historical		Change	% change
	FY2015	FY2016		
EBITDA	15,023	20,385	5,362	35.7%
Non-cash items in EBITDA	358	84	(274)	(76.6%)
Changes in working capital	(8)	(671)	(663)	7799.7%
Capital expenditure	(363)	(1,219)	(856)	235.6%
Net (purchases)/sale proceeds on investments	1,289	(45)	(1,334)	(103.5%)
Operating net cash flows before taxation	16,298	18,533	2,235	13.7%

- Operating net cash flows before taxation increased by \$2.2 million or 13.7% from \$16.3 million in FY2015 to \$18.5 million in FY2016, primarily due to an increase in EBITDA of \$5.4 million partially offset by an increase in working capital and capital expenditure as well as net purchases, rather than sales proceeds on investments, as was the case in FY2015.
- The working capital increase of \$0.7 million was primarily as a result of the growth in the business which increased client fee receivables.
- The increase in capital expenditure of \$0.9 million was primarily as a result of the fit-outs of two new leased floors at Netwealth's Melbourne office during the year.

4.6.4 Summary Pro Forma Historical Income Statements: FY2017 compared to FY2016

Table 12 below sets out the summary pro forma consolidated statements of profit or loss and other comprehensive income for FY2017 and FY2016.

Table 12: Summary Pro Forma Historical Income Statements: FY2017 compared to FY2016

\$'000	Pro forma historical		Change	% change
	FY2016	FY2017		
Platform Revenue	48,323	60,637	12,314	25.5%
Other income	708	614	(94)	(13.3%)
Total revenue	49,031	61,251	12,220	24.9%
Employee benefits expense	(19,011)	(24,799)	(5,788)	30.4%
Rent and occupancy costs	(1,276)	(1,530)	(254)	19.9%
IT and communication costs	(1,520)	(1,848)	(329)	21.6%
Other operating expenses	(6,839)	(8,148)	(1,310)	19.1%
Total operating expenses	(28,646)	(36,326)	(7,680)	26.8%
EBITDA	20,385	24,925	4,540	22.3%
Depreciation	(489)	(541)	(53)	10.7%
Amortisation	(273)	(79)	194	(71.0%)
EBIT	19,623	24,304	4,681	23.9%
Net finance costs	–	–	–	n/a
Profit before tax	19,623	24,304	4,681	23.9%
Income tax expense	(5,678)	(7,480)	(1,802)	31.7%
Net profit after tax	13,945	16,824	2,879	20.6%
Key operating metrics				
FUA (eop) (\$m)	8,142	12,747	4,605	56.6%
FUM (eop) (\$m)	988	1,563	575	58.2%
FUMA (eop) (\$m)	9,130	14,310	5,180	56.7%
Net FUA flows (\$m)	1,366	3,880	2,514	184.0%
Net FUM flows (\$m)	310	557	247	79.8%
Platform Revenue/average FUA (bps)	66.0 bps	60.9 bps	(5.1 bps)	(7.7%)
Platform Revenue/average number of accounts (\$)	1,228	1,288	60	4.8%
Key financial metrics				
EBITDA margin	41.6%	40.7%		
Net profit after tax margin	28.4%	27.5%		

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- Total revenue increased by \$12.2 million or 24.9% from \$49.0 million in FY2016 to \$61.3 million in FY2017.
- The primary drivers of increased Platform Revenue in FY2017 were the full year revenue impact of increased FUA balances in FY2016 flowing into FY2017 and increased FUA balances in FY2017.
- FUA grew by \$4.6 billion to \$12.7 billion in FY2017.
 - Approximately 62% of the increase in FUA for FY2017 relates to existing Financial Intermediaries on-boarding additional FUA, 20% relates to new Financial Intermediaries and 18% relates to a large successor fund transfer and transfer of other clients by the asset manager of the successor fund onto the Platform.
 - The increase in FUA was offset slightly by a decline in Platform Revenue/average FUA of 5.1 bps from 66.0 bps in FY2016 as a result of the tiered administration fees and administration fee caps. The percentage of administration fee paying FUA decreased by 6.4% from 75.7% in FY2016. Higher value accounts generate higher Platform Revenue in absolute terms and a higher revenue per account but result in lower Platform Revenue/average FUA (bps).
- Total operating expenses increased by \$7.7 million or 26.8% from \$28.6 million in FY2016 to \$36.3 million in FY2017, primarily due to:
 - an increase in the employee benefits expense of \$5.8 million or 30.4% from \$19.0 million in FY2016 to \$24.8 million in FY2017, resulting from an increase in employee headcount primarily in technology, product, sales and operations to position the Company for future growth, routine employee remuneration increases and an increase in performance-related sales bonuses;
 - an increase in rent and occupancy costs of \$0.3 million or 19.9% from \$1.3 million in FY2016 to \$1.5 million in FY2017, resulting from the full year impact of the addition of two new leased floors at the Melbourne office during FY2016 and an annual escalation rate of 3.75%-4.0%;
 - an increase in IT and communication costs of \$0.3 million or 21.6% from \$1.5 million in FY2016 to \$1.8 million in FY2017, resulting from higher software licence costs; and
 - an increase in other operating expenses of \$1.3 million or 19.1% from \$6.8 million in FY2016 to \$8.1 million in FY2017, resulting from additional legal, consulting and marketing expenses as well as increased spend on trade events including the Adviser Innovation Summit to increase brand awareness.
- The total information technology-related spend in FY2017 was \$7.8 million, which includes employee benefits expense and IT and communication costs.
- EBITDA increased from \$20.4 million in FY2016 to \$24.9 million in FY2017, reflecting an increase in revenue of 24.9% and an increase in total operating expenses of 26.8%. The EBITDA margin decreased from 41.6% to 40.7%.
- Net profit after tax increased from \$13.9 million in FY2016 to \$16.8 million in FY2017 or 20.6%, primarily due to the 22.3% increase in EBITDA and offset by a slight increase in the effective tax rate from 28.9% in FY2016 to 30.8% in FY2017.

4.6.5 Summary Pro Forma Historical Cash Flow Statements: FY2017 compared to FY2016

Table 13 below sets out the summary pro forma consolidated statements of cash flows for FY2017 and FY2016.

Table 13: Summary Pro Forma Historical Cash Flow Statements: FY2017 compared to FY2016

\$'000	Pro forma historical		Change	% change
	FY2016	FY2017		
EBITDA	20,385	24,925	4,540	22.3%
Non-cash items in EBITDA	84	166	83	98.7%
Changes in working capital	(671)	830	1,501	(223.5%)
Capital expenditure	(1,219)	(1,032)	187	(15.3%)
Net (purchases)/sale proceeds on investments	(45)	(27)	18	(40.0%)
Operating net cash flows before taxation	18,533	24,861	6,328	34.1%

- Operating net cash flows before taxation increased by \$6.3 million or 34.1% from \$18.5 million in FY2016 to \$24.9 million in FY2017, primarily due to an increase in EBITDA of \$4.5 million and a decrease in working capital.
- Working capital decreased by \$0.8 million, primarily due to an increase in current liabilities related to higher employee benefits provisions and provisions for sales bonuses.
- The capital expenditure of \$1.0 million relates primarily to office refurbishments at Netwealth's Melbourne office and the purchase of IT equipment.

4.7 Pro Forma Forecast Financial Information

The basis of preparation of the FY2018 Forecast Financial Information is detailed in [Section 4.2.5](#). [Section 4.7.2](#) includes Netwealth's best estimate specific assumptions. In addition to these specific assumptions, the general assumptions adopted in preparing the Forecast Financial Information are detailed in [Section 4.7.1](#) below.

4.7.1 General assumptions

The following general assumptions are relevant to the Forecast Financial Information.

- There is no material change in the competitive and operating environments in which Netwealth operates other than as set out or contemplated by this Prospectus.
- There is no significant change in global or Australian economic conditions or financial market prices.
- There is no significant change in conditions relevant to the Australian superannuation and Platform sectors.
- There is no material change in the legislative regimes (including taxation) and regulatory environment relevant to Netwealth and its clients.
- None of the risks set out in [Section 5](#) have a material impact on Netwealth.
- Netwealth suffers no material loss of clients.
- There is no material amendment to any material agreement relating to Netwealth's business other than as disclosed in this Prospectus.
- There are no significant disruptions to the continuity of operations of Netwealth and there are no other material changes in Netwealth's business.
- No material acquisitions or disposals are completed other than as set out in or contemplated by this Prospectus.
- There are no material changes to Netwealth's corporate and funding structure other than as set out in or contemplated by this Prospectus.

- There is no loss of key management personnel and Netwealth will maintain the ability to recruit and retain the required personnel to support its operations.
- There is no material litigation that will arise or be settled, to the benefit or detriment of Netwealth, other than as set out in this Prospectus.
- There are no material contingent liabilities that will arise or be realised to the detriment of Netwealth.
- The Offer proceeds in accordance with the timetable set out on page 7 of this Prospectus.
- There are no material changes in applicable AAS or other mandatory professional reporting requirements or the Corporations Act, which have a material effect on Netwealth's financial performance, financial position, accounting policies, financial reporting or disclosure.

4.7.2 Netwealth's best estimate specific assumptions

The Forecast Financial Information has been prepared on the basis of a 12 month forecast ending on 30 June 2018. The Forecast Financial Information also has regard to Netwealth's trading performance up until the date of lodgement of the Prospectus.

The Forecast Financial Information is based on various specific assumptions, of which the key specific assumptions are set out below. The assumptions below are only a summary of the key assumptions and do not represent all factors which will affect Netwealth's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. It should be read in conjunction with the basis of preparation of the Forecast Financial Information set out in [Section 4.2.5](#), the general assumptions set out in [Section 4.7.1](#) and the risk factors set out in [Section 5](#).

Netwealth's best estimate specific assumptions underpinning the Forecast Financial Information include the following:

4.7.2.1 Revenue

Forecast revenue is based on the following key assumptions.

- Platform Revenue comprises administration fees, ancillary fees, transaction fees and management fees.
- A Platform Revenue/average FUA earn rate of 57.3 bps across Platform Revenue categories for the year, reflecting:
 - an increased proportion of administration fee-capped FUA based on historical and assumed wins of higher average account balance accounts;

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- the benefit of negotiated improvements in brokerage and cash administration fees and a level of domestic and international share trading activity consistent with historical experience, factoring in the assumed FUA and FUM growth; and
- a portfolio asset allocation which is consistent with the existing profile.
- The full year benefit of FUA won over the course of FY2017.
 - Opening FUA as at 1 July 2017 was \$12.7 billion compared to an average FUA for FY2017 of \$9.9 billion.
 - Based on FUA of \$12.7 billion as at 30 June 2017 and an assumed Platform Revenue/average FUA earn rate of 57.3 bps, full-year equivalent revenue in FY2018 would amount to \$73.1 million excluding the effect of any net FUA flows or a change in the market value of the assets on the Platform.
- An increase in FUA which can broadly be categorised as follows:
 - an increase in FUA from existing accounts at the start of the year which is forecast to grow in line with historical experience (from contributions and compounding effect);
 - existing Financial Intermediaries transferring additional accounts onto the Platform driven by historical wins continuing to transition onto the Platform and assumed additional accounts won from existing Financial Intermediaries;
 - new Financial Intermediaries transferring their accounts onto the Platform based on Netwealth’s business development pipeline and its ability to win new Financial Intermediary business;
 - offset by an assumed level of Financial Intermediary and account attrition consistent with Netwealth’s historical experience; and
 - no change in the market value of the assets on the Platform.
- Further growth in Managed Accounts consistent with market expectations and Netwealth’s historical experience.
- Growth in service fees consistent with the assumed growth in the number of funds on the Platform.

Other income includes:

- Interest income based on forecast cash flows and an assumed interest rate
- The introduction from 1 October 2017 of a recovery of the cost of the capital provided by Netwealth to maintain the minimum Operational Risk Financial Requirement as trustee of the Netwealth Superannuation Master Fund.

4.7.2.2 Expenses

Forecast expenses are based on the following key assumptions:

- Employee benefits expense:
 - A net increase in Netwealth’s headcount to fill existing vacancies and specific additional positions planned to service business requirements and growth strategies (see [Section 3.8](#)).
 - An assumed impact of an annual employee remuneration review across all employees.
- Rent and occupancy costs:
 - Forecast additional rent and occupancy costs associated with the addition of one new leased floor at Netwealth’s Melbourne office in addition to the annual rental escalation on the existing leases.
- IT and communication costs:
 - Software licensing costs are forecast to increase in line with account growth expectations and the assumed increase in headcount.
 - Third party software development costs associated with planned new IT projects and product enhancements.
- Other operating expenses:
 - Forecast other operating expenses are based on the current level of expenses, adjusted for known growth initiatives and expected inflation-related cost increases.
 - Volume-related transaction expenses are expected to increase in line with expected growth in domestic and international share trading.
 - An increase in professional and consulting fees has been forecast as a result of the changing and increasingly complex regulatory environment.
 - An increase in marketing expenses to increase brand awareness has been forecast.

4.7.2.3 Statement of cash flows

- Forecast capital expenditure is based on:
 - the fit-out of one new leased floor at Netwealth’s Melbourne office; and
 - ongoing computer and IT infrastructure costs including investments in hardware to support the forecast growth.
- Forecast working capital is consistent with historical working capital days.

4.7.3 Summary Pro Forma Historical Income Statements and Pro Forma Forecast Income Statement: FY2018 compared to FY2017

Table 14 below sets out the summary pro forma consolidated statements of profit or loss and other comprehensive income for FY2018 and FY2017.

Table 14: Summary Pro Forma Historical Income Statements and Pro Forma Forecast Income Statement: FY2018 compared to FY2017

\$'000	Pro forma historical	Pro forma forecast	Change	% change
	FY2017	FY2018		
Platform Revenue	60,637	80,229	19,592	32.3%
Other income	614	1,323	709	115.5%
Total revenue	61,251	81,552	20,301	33.1%
Employee benefits expense	(24,799)	(27,796)	(2,996)	12.1%
Rent and occupancy costs	(1,530)	(1,716)	(186)	12.2%
IT and communication costs	(1,848)	(2,619)	(771)	41.7%
Other operating expenses	(8,148)	(9,481)	(1,333)	16.4%
Total operating expenses	(36,326)	(41,612)	(5,286)	14.6%
EBITDA	24,925	39,940	15,016	60.2%
Depreciation	(541)	(717)	(176)	32.5%
Amortisation	(79)	(63)	16	(20.3%)
EBIT	24,304	39,160	14,856	61.1%
Net finance costs	–	–	–	n/a
Profit before tax	24,304	39,160	14,856	61.1%
Income tax expense	(7,480)	(11,838)	(4,358)	58.3%
Net profit after tax	16,824	27,322	10,498	62.4%
Key operating metrics				
FUA (eop) (\$m)	12,747	15,247	2,500	19.6%
FUM (eop) (\$m)	1,563	2,473	910	58.2%
FUMA (eop) (\$m)	14,310	17,720	3,410	23.8%
Net FUA flows (\$m)	3,880	2,500	(1,380)	(35.6%)
Net FUM flows (\$m)	557	910	353	63.5%
Platform Revenue/average FUA (bps)	60.9 bps	57.3 bps	(3.6 bps)	(5.9%)
Platform Revenue/average number of accounts (\$)	1,288	1,404	116	9.0%
Key financial metrics				
EBITDA margin	40.7%	49.0%		
Net profit after tax margin	27.5%	33.5%		

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- Total revenue is forecast to increase by \$20.3 million or 33.1% from \$61.3 million in FY2017 to \$81.6 million in FY2018.
- The forecast drivers of increased Platform Revenue in FY2018 are the full year revenue impact of increased FUA balances in FY2017 flowing into FY2018 and increased FUA balances in FY2018.
- Based on actual FUA of \$12.7 billion as at 30 June 2017 and the forecast Platform Revenue/average FUA earn rate of 57.3 bps, full-year equivalent revenue in FY2018 would amount to \$73.1 million excluding the effect of any net FUA flows or a change in the market value of the assets on the Platform.
- FUA is forecast to grow by \$2.5 billion to \$15.2 billion in FY2018.
 - Approximately 69% of the forecast increase in FUA for FY2018 relates to existing Financial Intermediaries on-boarding additional FUA and 31% relates to new Financial Intermediaries.
 - The forecasted increase in FUA is offset slightly by a decline in Platform Revenue/average FUA of 3.6 bps from 60.9 bps in FY2017 as a result of the tiered administration fees and administration fee caps. The percentage of administration fee paying FUA is forecast to decrease by 2.5% from 69.3% in FY2017. Higher value accounts generate higher Platform Revenue in absolute terms and a higher revenue per account but result in lower Platform Revenue/average FUA (bps).
 - FY2018 forecast Platform Revenue includes the benefit of an increase in the cash administration fee margin of approximately 20 bps, which when applied to the FY2018 forecast average cash balance, results in an increase in Platform Revenue of \$3.0 million for the year.
- Managed Accounts FUM forecast to grow by \$0.7 billion in FY2018 to \$1.3 billion at 30 June 2018.
- Other income is forecast to increase primarily due to the introduction, from 1 October 2017, of a recovery of the cost of the capital provided by Netwealth to maintain the minimum Operational Risk Financial Requirement as trustee of the Netwealth Superannuation Master Fund.
- Total operating expenses are forecast to increase by \$5.3 million or 14.6% from \$36.3 million in FY2017 to \$41.6 million in FY2018, primarily due to:
 - a forecast increase in the employee benefits expense of \$3.0 million or 12.1% from \$24.8 million in FY2017 to \$27.8 million in FY2018, resulting from an increase in employee headcount primarily in technology, product, sales and operations and routine employee remuneration increases;
 - a forecast increase in rent and occupancy costs of \$0.2 million or 12.2% from \$1.5 million in FY2017 to \$1.7 million in FY2018, resulting from the addition of one new leased floor at the Melbourne office and the existing contractual lease arrangements including an annual rental escalation rate of 3.75%-4.0%;
 - a forecast increase in IT and communication costs of \$0.8 million or 41.7% from \$1.8 million in FY2017 to \$2.6 million in FY2018, resulting from:
 - the forecast increase in headcount resulting in the requirement for additional software licences; and
 - planned new IT projects and product enhancements;
 - a forecast increase in other operating expenses of \$1.3 million or 16.4% from \$8.1 million in FY2017 to \$9.5 million in FY2018.
- The forecast total information technology-related spend for FY2018 is \$9.6 million, which includes employee benefits expense and IT and communication costs.
- EBITDA is forecast to increase from \$24.9 million in FY2017 to \$39.9 million in FY2018, reflecting an increase in revenue of 33.1% and an increase in total operating expenses of 14.6%. The EBITDA margin is forecast to increase from 40.7% to 49.0%.
- Net profit after tax is forecast to increase from \$16.8 million in FY2017 to \$27.3 million in FY2018 or 62.4%, primarily due to the forecast increase in EBITDA of 60.2% and a slight decrease in the forecast effective tax rate from 30.8% in FY2017 to 30.2% in FY2018.

4.7.4 Pro Forma Historical Cash Flow Statements and Pro Forma Forecast Cash Flow Statement: FY2018 compared to FY2017

Table 15 below sets out the summary pro forma consolidated statements of cash flows for FY2018 and FY2017.

Table 15: Summary Pro Forma Historical Cash Flow Statements and Pro Forma Forecast Cash Flow Statement: FY2018 compared to FY2017

\$'000	Pro forma historical	Pro forma forecast	Change	% change
	FY2017	FY2018		
EBITDA	24,925	39,940	15,016	60.2%
Non-cash items in EBITDA	166	100	(66)	(39.8%)
Changes in working capital	830	(372)	(1,202)	(144.8%)
Capital expenditure	(1,032)	(1,000)	32	(3.1%)
Net (purchases)/sale proceeds on investments	(27)	–	27	(100.0%)
Operating net cash flows before taxation	24,861	38,668	13,807	55.5%

- Operating net cash flows before taxation are forecast to increase by \$13.8 million or 55.5% from \$24.9 million in FY2017 to \$38.7 million in FY2018, primarily due to an increase in EBITDA of \$15.0 million offset by an increase in working capital.
- The forecast increase in working capital of \$0.4 million relates primarily to the forecast business growth and resultant increase in client fee receivables.
- The forecast capital expenditure of \$1.0 million in FY2017 relates primarily to the fit-out of a new leased floor at Netwealth's Melbourne office during the year.

Investors should be aware that future events cannot be predicted with certainty and, as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, set out below is a summary of the sensitivity of certain Forecast Financial Information to changes in a number of key assumptions. The changes in the key assumptions as set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. For the purposes of the analysis below, the effect of the changes in key assumptions on the FY2018 pro forma forecast net profit after tax of \$27.3 million is presented.

4.8 Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions as set out in [Section 4.7](#). These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Netwealth. These estimates are also based on assumptions with respect to future business developments, which are subject to change.

Table 16: Sensitivity analysis on pro forma forecast net profit after tax for FY2018

\$'000	Variance	Impact on FY2018 pro forma net profit after tax	
		Increase	Decrease
Increase average in FUA	+/- 5.0%	2,808	(2,808)
Platform Revenue/average FUA (bps)	+/- 1.0 bps	980	(980)
Change in market value of equity instruments on the Platform	+/- 10.0%	1,120	(1,160)
Change in cash balances on the Platform	+/- 10.0%	1,566	(1,566)
Growth in employee benefits expense	+/- 10.0%	(1,946)	1,946
Growth in other operating expenses	+/- 10.0%	(664)	664

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the forecast. In practice, changes in variables may offset each other or be additive, and it is likely that Netwealth management would respond to any adverse change in one variable by seeking to minimise the net effect on Netwealth’s net profit after tax. Additionally, for the purpose of the sensitivity analysis it has been assumed that the change in the variable occurred on 1 July 2017 to calculate a full year impact.

4.9 Dividend policy

The payment of a dividend by Netwealth is at the discretion of the Board and will be a function of a number of factors, including the general business environment, the operating results and financial condition of Netwealth, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Netwealth, and any other factors the Board may consider relevant.

The Board intends to target a dividend payout ratio between 60% and 80% of Netwealth’s statutory annual net profit after tax. However, the payout ratio is expected to vary between periods depending on the factors above. No assurances can be given by any person, including the Board, about the payment of any dividend and the level of franking on any such dividend. There may be periods in respect of which dividends are not paid.

It is the current intention of the Board to pay dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year. It is anticipated that interim dividends will be paid in April and final dividends will be paid in October following the end of the relevant financial period. It is expected that future dividends will be franked to the maximum extent possible.

It is the Board’s current intention to pay its first dividend in October 2018 in respect of the period from Completion to 30 June 2018 based on the pro forma net profit after tax achieved. The dividend is expected to be fully franked.

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05

Key risks

5.1 Introduction

5.2 Risks specific to an investment in Netwealth

5.3 General risks of an investment in Netwealth

5.1 Introduction

This Section outlines some of the potential risks associated with Netwealth’s business and an investment in its Shares.

An investment in Netwealth is subject to risk factors, some of which are specific to Netwealth’s business activities and others that are of a more general nature.

Any single risk, or a combination of these risks, may have a material adverse impact on Netwealth’s business, financial performance and operations. This Section does not purport to list every risk that may be associated with an investment in Shares now or in the future. While Netwealth seeks to manage risks to prevent adverse outcomes, many of these risks are outside the control of Netwealth, the Board and management.

The selection of risks in this Section has been based on an assessment of a combination of the likelihood of the risk occurring, and the impact of the risk if it did occur. This assessment is based on the knowledge of the Board as at the Prospectus Date. There is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

There can be no guarantee that Netwealth will deliver on its business strategy, or that the forecasts or any forward-looking statement contained in this Prospectus will be achieved or realised. You should note that past performance is not an indicator of future performance.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters and you should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Shares, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

5.2 Risks specific to an investment in Netwealth

5.2.1 Increased compliance costs and complexity and the risk of non-compliance

There is a range of legislation, regulation, policies and standards in Australia that governs Netwealth’s business undertakings. Over recent years the level and complexity of the regulatory environment for financial services in Australia have continued to increase, bringing an increased cost and burden of compliance, and it is anticipated the regulatory environment will continue to change and become more complex.

There is a risk that Netwealth’s processes and systems may not be adequate to detect and prevent all potential compliance breaches in the current or future regulatory environments. For example, Netwealth may fail to properly develop and implement compliance practices, policies and strategies; provide adequate training to staff on compliance practices (including how to identify, and obligations to report, compliance issues); manage complaints that identify compliance issues; and/or monitor regulatory change and implement necessary changes. A breach of legislation or regulation may result in reputational damage, fines and penalties, increased regulator involvement in Netwealth’s operations and/or an enforceable undertaking. These may have a material adverse effect on Netwealth’s business and reputation.

Netwealth requires an AFSL and an RSE licence to conduct its business. There is a risk that Netwealth’s licences and authorisations may be revoked or modified, or a regulator may suspend Netwealth’s right to operate, for breaches of relevant financial services laws, breaches of conditions of the licence(s) or authorisations or failure by Netwealth to comply with orders made by the issuing authority or relevant minister or any undertakings given by Netwealth. Any suspension or revocation of such licences or authorisations may result in Netwealth being unable to continue operating its business.

Netwealth has reported instances of non-compliance to the appropriate regulator in the past, but these have not resulted in fines, penalties, licence conditions, licence modification or licence revocation.

5.2.2 Operational systems, processing and controls may fail

Efficient internal processes are critical to the operation of Netwealth’s business. There is a risk that inadequate or failed internal processes, people or systems (including failure of staff to follow defined processes, inadequate training or failure to implement appropriate controls) or external events may give rise to failures or disruptions in operational systems and controls (e.g. fraud, security failures, manual processing errors), which may result in losses to customers that Netwealth is liable to compensate.

Ensuring that internal processes are efficient and scalable is particularly important in the context of Netwealth’s significant historic and planned future growth. This growth has resulted and will continue to result in increasing pressure on all parts of Netwealth’s business, including Netwealth’s ability to:

- operate manual processes, which may be viable and appropriate at one level of FUMA, but cease to be viable as FUMA grows;
- offer bespoke or unique solutions for particular customers;
- hire and train new employees to meet increasing workloads; or

- otherwise structure its operations to ensure they continue to service the Financial Intermediaries and clients at expected service levels.

As a result of the increased pressure on Netwealth's business operations from its growth, along with the increased complexity of its business resulting from advancements in its technology or changes to its product suite (including as a result of introduction of new clients), there is a risk that process and execution errors which occur from time to time may increase.

Such failures or errors may have a material adverse effect on Netwealth's reputation, and its ability to retain or attract customers.

5.2.3 Netwealth relies upon attracting and retaining skilled personnel and continuing its positive culture

The success of Netwealth depends to a significant extent on the ability and performance of its key personnel, in particular, but not limited to, its Directors and senior management team discussed in [Section 6](#).

Key individuals within Netwealth have extensive experience in the financial services industry, Platforms and in Netwealth's business. They also have long-standing relationships with others in the industry (including suppliers and customers) which are built on a history of trust, collaboration and partnership. The loss of key personnel or sustained underperformance by key personnel may impact Netwealth's ability to operate its business effectively, develop and implement its growth strategies or maintain its industry relationships, which may have a material adverse effect on its future financial performance.

Netwealth's successful operation also relies on its ability to attract and retain experienced and high performing employees with specialist skills, including relationship managers, sales staff, information technology specialists, operational leaders as well as senior management. There is a risk that Netwealth's ability to recruit and/or retain employees may not be effective and may have a material adverse effect on Netwealth's business, operating and financial performance.

Netwealth's success has been due in part to its cultural values, which are described further in [Section 3.3](#). There is a risk that Netwealth will not be able to hire new employees which embody its cultural values, or that changes to key employees or growth affect Netwealth's ability to maintain its cultural values. In the financial services industry, it is also increasingly important for companies such as Netwealth to have cultures which promote and contribute to compliance and good corporate conduct. There is a risk that Netwealth's senior management team fail to set an appropriate cultural tone for Netwealth, or that one or more of Netwealth's employees behave in an inappropriate manner that causes damage to Netwealth or its brand. Any of the above risks eventuating could have a material adverse effect on Netwealth's business and performance.

5.2.4 Netwealth may lose market share or revenues as a result of poor strategic decisions, particularly a failure to respond to market demand and remain competitive

The core of Netwealth's corporate strategy is to operate a market-leading Platform. This requires Netwealth to continue introducing and developing innovative software and technology products while maintaining high standards of customer service for its Platform, to expand its existing market share and maintain its competitive position. However, Netwealth must also continue to update its existing technology, to avoid legacy issues, and continue to create efficiencies and scalability in its Platform to remove or avoid manual processes (which increase operating costs and the risk of error).

Netwealth's technology systems may become obsolete or outdated due to the investment of its peers in superior technology offerings, general market developments or changes in the commercial and/or regulatory environment which Netwealth fails to anticipate or react swiftly to. Further, such developments may require Netwealth to undertake substantial expenditure on updating or improving the technology of its Platform, and the development of these product and service offerings may involve an extended period of time before a return on investment is achieved.

Further, the financial services sector in which Netwealth operates is highly competitive. Netwealth's competitors may invest to provide superior technology, engage in aggressive marketing, undertake consolidation activities or adopt pricing strategies (for example, discounting or flat fee models) to gain scale and improve their market positioning. In particular, many of Netwealth's competitors are larger businesses with substantial budgets, which may enable them to implement aggressive pricing strategies for extended time periods to gain market share. Netwealth may also be exposed to heightened competition resulting from new entrants or disrupters into the Platform market. In addition, Netwealth listing and resulting public disclosures may increase competitive responses towards the business.

Additionally, Financial Intermediaries and clients may exert commercial pressure to reduce fees, which could have an adverse effect on Netwealth's financial performance or ability to retain these clients.

As a result of these competitive market dynamics, Netwealth's market position may deteriorate to the extent that it results in a material adverse change in Netwealth's operating performance. The potential resultant reduction in revenues may adversely affect Netwealth's financial performance.

5.2.5 Netwealth may suffer loss of profits and revenues due to fee and/or margin compression or may be impacted by clients altering the mix of products and services used

Netwealth charges administration, management, transaction, ancillary and other fees to customers for use of its products and services. There is a risk that Netwealth may not be able to maintain its fee structure and revenue per customer. This may occur, for example, due to actions of competitors (discussed in [Section 5.2.4](#) above), political or economic pressures to reduce administration fees, reduced cash holdings in customer accounts and the margin that can be earned by Netwealth through aggregation of these cash balances (including if ANZ reduces the interest rate Netwealth earns on these cash balances as described in [Section 9.4.3](#) and Netwealth cannot obtain a similar rate elsewhere), if customers do not perceive value in Netwealth's products or if arrangements with third party suppliers change (including their charges or the availability of products which enable Netwealth to offer services or earn margins). Netwealth may also fail to identify new revenue opportunities, or be slow to react to new revenue or product opportunities which its competitors exploit.

Further, margins vary across the products and services that Netwealth provides to its Financial Intermediaries and clients. Netwealth's customers may choose to alter the mix of the products, and services they use which are provided by Netwealth, which could have an adverse impact on Netwealth's financial performance through reduced fees or margins. For example, Netwealth makes different margins on different products held through the Netwealth Platform, and some margins are higher than other margins. A reduction in products held through the Netwealth Platform with comparatively high margins (when compared to other products held through the Netwealth Platform), for example if clients use their cash to invest in a different asset class held on the Platform or if the cash is withdrawn from the Platform, would adversely impact Netwealth's financial performance. Further, a reduction in fees and margins may also affect Netwealth's operations and ability to maintain its level of service, which may result in Netwealth failing to retain customers or attract new customers.

5.2.6 Netwealth may suffer unauthorised third party access to its Platform resulting in service disruption, theft, regulatory issues or legal action

The use of information technology and the effectiveness of Netwealth's Platform are critical to Netwealth's ability to deliver services to its clients and the growth of its business. It is possible that measures taken by Netwealth to prevent technology breaches may prove to be inadequate. By their nature, information technology systems are susceptible to cyber-attacks, with third parties seeking unauthorised access to data. Security breaches may involve unauthorised access to Netwealth's networks, systems, and databases, including with respect to Netwealth's

service offerings and Platform, and the deployment of viruses or other malicious software designed to create system and service disruptions, exposing financial, proprietary and personal user information.

In addition, in providing services to its clients, Netwealth stores, analyses and transmits confidential and private personal information. It is possible that the measures taken by Netwealth to protect its proprietary information and the private information of its clients are not sufficient to prevent unauthorised access to, or disclosure of, such data.

Any accidental or deliberate security breaches or other unauthorised access to Netwealth's information technology systems or client data may subject Netwealth to reputational damage, a loss of confidence in the services it provides, claims by clients, loss of clients, theft, a disruption of services to clients, legal action and regulatory scrutiny. Any of these events could adversely impact Netwealth's reputation, business, financial condition and financial performance.

Further, some of Netwealth's third party suppliers may receive and store information provided by Netwealth or its clients through mobile or web applications. Although any such information provided by Netwealth is limited and subject to contractual confidentiality obligations, if these third-party suppliers fail to adopt or adhere to robust security practices or their security systems are breached, the data of Netwealth's clients may be improperly accessed, used or disclosed.

5.2.7 Netwealth's need to update its Platform creates risks

The need to continually change and update Netwealth's Platform creates risks, including if system design or coding errors lead to loss to clients, errors in information held on Netwealth's Platform, or breaches of legislation (discussed in [Section 5.2.1](#) above). System design and coding errors may arise due to inadequate testing of new developments, inappropriate design of technology solutions or inadequate change management. In the past, issues with coding in Netwealth's Platform or reliance on manual processes have led to errors or breaches of legislation.

There is a risk that Netwealth may otherwise fail to successfully achieve, or experience unforeseen delays, costs or outcomes in achieving, the required development of its technology and systems. This risk may arise due to inadequate project management, failure to source appropriately trained staff to develop the products, failure to adequately monitor market change or trends in the industry for new products and designs, or failure to allocate sufficient capital to the projects. Use of Netwealth's IT resources in developing new functionality, may also divert them from improving existing functionality, with the result that flaws or vulnerabilities (such as system design issues or coding errors) may not be identified or understood, which could lead to vulnerability in Netwealth's systems.

5.2.8 Netwealth may be subject to regulatory changes

There is a range of legislation and regulation in Australia that governs Netwealth's business undertakings. Over recent years the level and complexity of the regulatory environment for financial services in Australia have continued to increase, bringing increased costs and burdens of compliance, and it is anticipated that the regulatory environment will continue to change and become more complex.

There is a risk that future changes to legislation, regulation, standards or policies may require Netwealth to modify its product offerings, secure additional licences, authorisations or permits, restrict the margins it can make on its products or incur additional costs to ensure compliance, which may increase the costs of operations, affect profitability of its product offering or adversely affect Netwealth's ability to conduct its operations.

Regulatory changes which Netwealth considers beneficial may cease to exist, which may impact on Netwealth's growth. In particular, Netwealth's growth forecasts are dependent on its ability to capture a share of the growth in the superannuation market. Changes in financial services or taxation laws or regulations affecting growth in this market may adversely affect Netwealth's ability to achieve its planned targets. Additionally, current trends in the regulatory and industry environment, for example the move to Platforms provided by Specialist Platform Providers to avoid vertical arrangements (where a Platform is provided by a major bank or large diversified financial institution) may not continue, which could adversely affect Netwealth's ability to increase its market share.

Other examples of future regulatory changes that may affect Netwealth include changes to financial product disclosure regimes or prudential standards, or changes to scope and exercise of the power of regulators, including ASIC and APRA, any of which may negatively impact on Netwealth's business.

5.2.9 A significant decrease in domestic and global markets could adversely impact Netwealth's operating performance

The operating and financial performance of Netwealth is influenced by a variety of general domestic and international economic and business conditions, performance of equity and debt capital markets, interest rates, foreign exchange rates, and government fiscal, monetary and regulatory policies.

These factors, in particular the performance of equity markets, influence client activity which will in turn impact the level of demand for Netwealth's Platform. For example, an economic downturn, either in the Australian market or globally, may result in clients moving their wealth out of assets which are perceived to be risky (such as investments in shares, managed funds, managed

accounts and other financial products) and into cash. This may decrease demand for assets to be held on Platforms such as Netwealth's, which could reduce Netwealth's FUMA. This may have a negative impact on Netwealth's growth prospects, revenues, financial position and performance.

A deterioration in market conditions may also have an impact on Netwealth's share price as a result of general falls in equity markets, even if Netwealth's growth prospects, revenues, financial position and performance were not to be impacted.

5.2.10 Netwealth relies on the provision and effective performance of its IT software and infrastructure

Netwealth and its clients are dependent on the effective and uninterrupted performance, reliability and availability of Netwealth's Platform, software, third party data centres and communication systems.

Netwealth's core technologies may be exposed to damage or interruption from system failures, telecommunication provider failures, inadequate system maintenance, damage to the physical infrastructure associated with the network, disasters from natural or human causes, or other unforeseen events which may cause the systems to be unavailable from time to time. Netwealth may also experience system interruption due to failures by third party suppliers; for example, failure because of outages, failures to implement appropriate business continuity plans and services, or otherwise failing to perform the functions and services in accordance with Netwealth's requirements.

Technology failures may affect Netwealth's ability to deliver consistent, quality services to its clients, meet its contractual and service level obligations, attract new customers, or lead to data integrity issues or data loss. This in turn may lead to reputational damage and adversely impact Netwealth's operations, financial performance and financial condition.

Further, Netwealth's business is dependent on maintaining successful relationships with key third party suppliers, including suppliers Netwealth depends on to support its IT infrastructure. In particular, Netwealth relies on services from a small number of key IT suppliers which are integral to the operation of Netwealth's Platform, which could take time to transition should they no longer support, upgrade or agree to provide services. There is a risk that these contracts or arrangements could be terminated, potentially with short notice, which could result in Netwealth experiencing a disruption to its business. If Netwealth fails to secure alternative suppliers and service providers quickly on favourable terms, this may impact Netwealth's ability to retain current customers or generate new business and adversely affect Netwealth's business, operating and financial performance.

5.2.11 Netwealth may experience brand and reputational damage

Netwealth's reputation is important in attracting and retaining Financial Intermediaries, clients and employees. There is a risk that certain issues or events, including many of those identified in this Section, may adversely affect Netwealth's reputation, including through negative publicity, disputes or negative customer experiences. For example, Financial Intermediaries that use Netwealth's Platform to provide financial services to their clients may act improperly, a model manager that provides model management services for Netwealth's managed account may breach the terms of its investment mandate before Netwealth detects the departure or Netwealth staff may engage in improper conduct when interacting with customers. Allegations of improper conduct or other perceived issues with Netwealth, its business or employees may lead to negative media or regulatory interest which may further harm Netwealth's brand or reputation, causing disruption to its business.

Any factors that diminish Netwealth's reputation may result in a loss of Financial Intermediary support, client support and/or employees or a failure to attract new Financial Intermediaries, clients and/or employees, which would impede Netwealth's ability to compete and execute its business strategy successfully. This may adversely impact Netwealth's financial performance, market position and prospects.

5.2.12 Netwealth's roles and duties may give rise to conflicts of interest

Conflicts of interest may arise between Netwealth, other entities in the Group, Netwealth Directors, staff, clients or third parties. Although as an AFSL holder and RSE licensee, the Group has adopted a conflicts management policy to help minimise the potential adverse impact of conflicts of interest on Netwealth clients and on Netwealth's businesses and brands, there is a risk that this policy will not be sufficient or Netwealth will fail to properly comply with the policy. For example, NIL's duties as trustee of the Netwealth Superannuation Master Fund (ABN 94 573 747 704) may conflict with its corporate duties. There is a risk that, if conflicts are not properly managed, Netwealth may suffer serious financial and reputational damage.

5.2.13 Netwealth may be unable to protect its intellectual property

Netwealth has developed a Platform which is the key to the successful operation and growth of its business. The commercial value of Netwealth's intellectual property in the Platform is dependent in part on legal protections provided by a combination of copyright, confidentiality, trade secrecy laws and other intellectual property rights.

These legal mechanisms do not guarantee that Netwealth's intellectual property will be protected or that the competitive position Netwealth holds as a consequence of its unique technology will be maintained. There is a risk that third parties may breach confidentiality agreements, or infringe or misappropriate Netwealth's intellectual property, compromising Netwealth's competitive advantage. In addition, third parties may be able to successfully challenge the validity, ownership or authorised use of intellectual property relevant to Netwealth's business, or produce non-infringing competitive technology.

Third parties may also assert intellectual property infringement or similar claims against Netwealth under copyright, trade secret, patent or other laws. While Netwealth is not aware of any claims of this nature in relation to any of the intellectual property rights in which it has interests, such claims, if made, may be costly and divert management's attention from normal commercial operations. Furthermore, such disputes may require Netwealth to develop non-infringing technology or enter into royalty or licensing agreements which, if necessary, may be unavailable on terms acceptable to Netwealth. If there is a successful claim relating to intellectual property infringement or unfair competition against Netwealth and it is unable to develop non-infringing technology or license the infringed or similar technology or content on a timely basis, it could harm Netwealth's business, operations and financial performance.

5.2.14 Netwealth's insurance arrangements may not compensate for all loss

While Netwealth has in place insurance policies for a range of liabilities (including cyber security risks), not all liabilities may be covered and the policy limits for liabilities that are covered may not be adequate to cover all financial exposures that may arise.

If insurance is either not available to cover a claim, or the quantum of any relevant claim exceeds the applicable policy limit, Netwealth will be required to use its reserves or otherwise itself be exposed to the financial impact of the liability (and, as such, it could have an adverse impact on its business strategy, financial condition or financial performance). In addition, any significant claim against a policy may lead to increased premiums on renewal, additional exclusions under the terms of future policies or an inability to obtain suitable insurance cover for all aspects of the business.

5.2.15 Netwealth may be exposed to potential litigation, claims and disputes

Netwealth may from time to time be subject to litigation and other claims and disputes in the course of its business. For example, these claims may relate to contractual disputes with suppliers or customers, excess charges, professional negligence, investment losses, intellectual property disputes, workplace health and safety incidents and employment disputes. There is a risk that such litigation, claims and disputes, including the costs of settling claims and operational impacts, could materially adversely affect Netwealth's business, operating and financial performance.

5.2.16 Netwealth may not have access to equity and debt

Netwealth may seek to raise debt finance or new equity to fund its business. A deterioration in the level of liquidity in debt and equity markets, or the terms on which debt or equity is available, may prevent Netwealth from being able to secure some or all of its funding requirements on favourable terms or at all.

5.2.17 The Existing Shareholders will continue to have a stake in Netwealth after Listing

Following Completion, the Heine Shareholders will hold at least 63.8% of the Shares, excluding any new Shares to be issued under the Employee Offer, and will be represented on the Board by the Joint Managing Directors. As such, the Heine Shareholders (excluding Leslie Heine and entities controlled by him) may be in a position to exercise influence over matters requiring the approval of Netwealth's Shareholders, including but not limited to the election of Directors and the approval of significant corporate activities (unless prevented from voting under the Corporations Act or ASX Listing Rules).

The interests of the Heine Shareholders may differ from the interests of Netwealth and its other Shareholders, and this may adversely affect the price of the Shares and other Shareholders. The Heine Shareholders' retained shareholding in Netwealth may also reduce the liquidity of trading in the Shares.

Following Completion, 100%⁵⁷ of the Escrowed Shares held by the Heine Shareholders at Completion (amounting to approximately 63.6% of the Shares on Issue at Completion, excluding any new Shares to be issued under the Employee Offer) will be subject to voluntary escrow arrangements until Netwealth's full year results for FY2018 are provided to ASX for release to the market, and 50% of the Escrowed Shares held by the Heine Shareholders at Completion (in this period, excluding Leslie Heine and entities controlled by him) (amounting to approximately 27.2% of the Shares,

excluding any new Shares to be issued under the Employee Offer) will be subject to voluntary escrow arrangements until Netwealth's full year results for FY2019 are provided to ASX for release to the market.

In each case, the escrow restrictions are subject to certain exceptions as set out in more detail in [Section 9.2](#). The inability of the Heine Shareholders to sell Escrowed Shares during the Escrow Period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares. Following the end of each Escrow Period described above, Shares held by the Heine Shareholders will be able to be freely traded on ASX. A significant sale of Shares by the Heine Shareholders, or the perception that such a sale might occur, could adversely affect the market price of the Shares.

5.2.18 Failure to meet forecasts

The forward-looking statements, opinions and estimates provided in this Prospectus, including the Forecast Financial Information, rely on various contingencies and assumptions, some of which are described in [Section 4](#). Various factors, both known and unknown, may impact upon the performance of Netwealth and cause actual performance to vary significantly from expected results. There can be no guarantee that Netwealth will achieve its stated objectives or that any forward-looking statement or forecast will eventuate.

5.2.19 Risks associated with Netwealth's Divestments

As outlined in [Section 10.5.2](#), the Group is taking steps to dispose of its interests held in non-core businesses, by:

- proposing to dispose of the majority of the assets and liabilities of Bridgeport, with completion anticipated to occur by 31 December 2017; the Group intends to wind up Bridgeport as soon as practicable following the disposal (see [Section 10.5.2.1](#) for further information);
- proposing to enter into a binding agreement to dispose of all of the shares or assets of Pathway and possibly NAG with completion anticipated to occur by 31 December 2017; NAG, which is the holding company of Pathway, does not undertake any operations and has no other assets or liabilities and will be wound up if it is not sold with Pathway (see [Section 10.5.2.2](#) for further information); and
- having entered into on 19 September 2017, and completed on 20 October 2017, a binding and non-conditional agreement disposing of all of the shares of APS (see [Section 10.5.2.3](#) for further information).

57. This excludes 325,584 Shares held on Completion by Leslie Heine through a Netwealth superannuation product which will not be subject to escrow arrangements due to legal restrictions relating to the manner in which they are held. These Shares represent 0.1% of the total number of Shares on issue at Completion, and 1.5% of the holding by Leslie Heine (and entities controlled by him) at Completion.

5–Key risks

In relation to each of the Divestments (excluding in respect of APS), there is a risk that the Group will not be able to enter into a binding sale agreement in respect of the disposal, or that the agreement it enters into will be conditional, and the conditions will not be met, in which case completion will not occur. Further, there is also a risk that, even if binding, non-conditional agreements are entered into or the relevant conditions are met, the purchaser defaults under the relevant agreement. In each of these cases the relevant Divestment will fail to complete and Netwealth will continue to operate the relevant business. As the intention of the Group is to undertake the Divestments to enable the Group to dedicate its resources to matters that are central to its operations, this may have a negative impact on the Group's operations.

Any sale agreements for both Bridgeport and Pathway may require each purchaser to pay an upfront amount and subsequent payments following completion, linked to the performance of the relevant business over a given period or periods post-completion. There is a risk that the purchaser defaults and fails to make the relevant payments, or that the performance of the relevant business does not meet expectations, in which case the proceeds received by Netwealth will be less than anticipated.

It is anticipated that Netwealth will provide certain standard warranties to the purchasers of Bridgeport and Pathway, and there is a risk that Netwealth will be liable to compensate the relevant purchaser if a breach of warranty occurs.

In relation to the sale of APS, the shares in APS have been sold to an entity associated with Michael Heine. Although limited warranties have been provided under the share sale agreement, APS has in the past been subject to claims in relation to financial services advice provided by some of its authorised representatives, APS is currently subject to claims and it may be subject to future claims.

Although, following completion of the APS sale it is no longer part of Netwealth and the entity associated with Michael Heine has agreed to assume the liabilities associated with APS, Netwealth has agreed, at its expense, to assist APS in the processing of claims, including by providing the resources and access to information reasonably required to respond to claims. Additionally, given the close association of Netwealth and APS in the financial services industry and the importance of Netwealth's reputation in its business activities, NIL has agreed to indemnify APS in respect of claims, up to an amount of \$1 million and for a period commencing on 30 June 2017 and ending three years from completion of the sale of APS. It has been agreed between Netwealth, APS and the purchaser of APS that this indemnity will be called on in priority to the purchaser of APS funding APS to meet the claims. There is a risk that this indemnity will be called upon, which would have a negative impact on Netwealth's cash and cash equivalents. There is also a

risk that claims made against APS will negatively impact on Netwealth's reputation and standing, which may further impact its financial position and performance.

5.3 General risks of an investment in Netwealth

5.3.1 Price of Shares may fluctuate

Once Netwealth becomes a publicly listed company on ASX, it will become subject to general market risks that are inherent in all securities listed on a securities exchange. The price at which Shares are quoted on ASX may increase or decrease due to a number of factors, many of which are outside of Netwealth's control and are not attributable to the underlying operations and activities specific to Netwealth. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price of the Shares will increase following quotation on ASX, even if Netwealth's earnings increase.

Some of the factors which may affect the price of the Shares include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which Netwealth operates, force majeure events (described in [Section 5.3.6](#)) and general operational and business risks.

5.3.2 The trading in Shares may not be liquid

Prior to the Offer, there has been no public market in the Shares. Once the Shares are quoted on ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

Further, the Heine Shareholders will hold approximately 63.6% of the Shares, excluding any new Shares to be issued under the Employee Offer, following Completion that will be subject to voluntary escrow restrictions, which may impact on liquidity as discussed above in [Section 5.2.17](#).

5.3.3 There is a risk of Shareholder dilution

In the future, Netwealth may elect to issue Shares (or securities convertible into Shares). While Netwealth will be subject to the constraints of the Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares or securities.

5.3.4 Taxation changes may occur

Taxation law is frequently being changed, both prospectively and retrospectively. Changes in taxation law (including goods and services taxes and stamp duties), or changes in the way taxation laws are interpreted, may impact the tax liabilities or future profitability of Netwealth or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change.

Tax authorities may review the tax treatment of transactions entered into by Netwealth. Any actual or alleged failure to comply with, or any change in the application or interpretation of, taxation laws applied in respect of such transactions, may increase Netwealth's tax liabilities or expose it to legal, regulatory or other actions. An interpretation of taxation law by a revenue authority that is contrary to Netwealth's or its adviser's interpretation of those taxation laws may also increase the amount of tax to be paid.

In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in Netwealth.

5.3.5 Australian Accounting Standards may change

Australian Accounting Standards are set by the Australian Accounting Standards Board (**AASB**) and are outside the control of either Netwealth or its Board. The AASB may introduce new or refined Australian Accounting Standards, which may affect future measurement and recognition of key income statement and statement of financial position items.

There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income statement and statement of financial position items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in Netwealth's consolidated financial statements.

5.3.6 Force majeure events may occur

Events may occur within or outside Australia that could impact upon the Australian economy, the operations of Netwealth and the price of the Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Netwealth's services and its ability to conduct business. Netwealth has only a limited ability to insure against some of these risks.

06

Key individuals, interests and benefits

6.1 Board of Directors

6.2 Senior management team

6.3 Interests and benefits

6.4 Corporate governance

6.1 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
 <p>Jane Tongs Independent Non-Executive Chairman</p>	<ul style="list-style-type: none"> Jane has served as the independent Chairman of Netwealth (and its related entities) since April 2000. Prior to 2000, Jane was a partner at PricewaterhouseCoopers, specialising in the financial services sector. She has experience with insurance, funds management and superannuation entities. Jane has over 20 years' experience as non-executive director and superannuation fund trustee and is currently a director of Cromwell Property Group, Australian Energy Market Operator, Warakirri Group, CCI Insurance Ltd and Brighton Grammar. 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 Institute of Company Directors. Jane is a member of the Company Audit Committee, Compliance and Risk Management Committee, Remuneration Committee and is Chair of the Nomination Committee.
 <p>Michael Heine Joint Managing Director</p>	<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 Matt since January 2015. In his executive capacity, Michael has the Finance, IT, Legal Risk and Compliance, Operations and Human Resources teams reporting to him. Michael has experience in Australian and European financial markets, including commodity trading, international financing, mortgage lending and property development. Michael was instrumental in the establishment of the Heine Brothers funds management business in 1982, and was its Managing Director from 1982 to 1999 when the company was acquired by ING (then Mercantile Mutual). Michael is a member of the Nomination Committee.
 <p>Matthew (Matt) Heine Joint Managing Director</p>	<ul style="list-style-type: none"> Matt joined Netwealth in July 2001 and was appointed a Director in March 2004. He was appointed Joint Managing Director in January 2015. Matt has been instrumental in the development of the distribution, branding and marketing of the Group and distribution of its products. Matt'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, Matt has the Product, Technical, Sales and Marketing teams reporting to him. Matt holds a Diploma of Financial Services and an Advanced Diploma of Management. Matt is a member of the Nomination Committee.
 <p>Davyd Lewis Independent Non-Executive Director</p>	<ul style="list-style-type: none"> 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 Company Audit Committee and Nomination Committee. Davyd is the Chair of the Compliance and Risk Management Committee and the Remuneration Committee.

Name and title

Profile



Tim Antonie
Independent
Non-Executive
Director

- Tim has been a Director of Netwealth since November 2015.
- Tim commenced his career at Price Waterhouse (now PricewaterhouseCoopers) and qualified as a chartered accountant. He subsequently worked at a number of 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.
- Tim is currently also a director of Breville Group Limited, Premier Investments Limited and Village Roadshow Limited.
- Tim is a member of the Compliance and Risk Management Committee, Remuneration Committee and Nomination Committee. Tim is the Chair of the Company Audit Committee.

The composition of the Company’s Board committees and a summary of its key corporate governance policies are set out in [Section 6.4](#).

Each Director above has confirmed to the Company that they anticipate being available to perform their duties as a Non-Executive Director or Executive Director, as the case may be, without constraint from other commitments.

6.2 Senior management team

Profiles of the Company’s senior management team are set out below.

Name and title

Profile



Michael Heine
Joint Managing
Director

- See [Section 6.1](#).



**Matthew
(Matt) Heine**
Joint Managing
Director

- See [Section 6.1](#).

6–Key individuals, interests and benefits

Name and title	Profile
 <p>Grant Boyle <i>Chief Financial Officer and Joint Company Secretary</i></p>	<ul style="list-style-type: none">• Grant joined Netwealth in May 2017.• Grant has more than 25 years' experience in financial services and the accounting profession. Most recently the Chief Financial Officer of EMR Capital, Grant has held a number of 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 and is a Chartered Accountant.
 <p>Rachel Axton <i>General Manager, Legal, Risk and Compliance and Joint Company Secretary</i></p>	<ul style="list-style-type: none">• Rachel joined Netwealth in February 2016.• Rachel has 20 years of experience in financial services working across a range of wealth management providers, specialising in superannuation and investment services. Prior to joining Netwealth, Rachel managed the Colonial First State Custom Solutions Risk and Compliance team and contributed to the company's strategic direction as part of the executive team.• Rachel is a Fellow of the Association of Super Funds of Australia and has memberships with Governance Risk and Compliance and Risk Management Australia. Rachel holds a Graduate Diploma in Superannuation Management and is completing a Bachelor of Business (Economics).
 <p>Philip Coldwell <i>General Manager, Product</i></p>	<ul style="list-style-type: none">• Philip was employed by Netwealth in November 2011.• Philip has over 30 years of 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.
 <p>Alistair Densley <i>General Manager, Operations</i></p>	<ul style="list-style-type: none">• 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.

Name and title

Profile



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.



Mary Limperis
General Manager,
Human Resources

- Mary joined Netwealth in August 2015.
- Mary is responsible for leading Netwealth’s human resources function. Mary’s career spans over 25 years within the financial services industry, during which time she has led several human resources functions and assisted organisations to build their people capabilities and engagement.
- Prior to joining Netwealth, Mary spent 12 years at CBA, including as Head of Human Resources of Colonial First State Custom Solutions, and in executive project roles within Colonial First State Global Asset Management and CBA’s Advice Review program.
- Mary holds a Bachelor of Arts, majoring in Psychology and Sociology and a Post-Graduate Diploma in Applied Finance and Investments. Mary is a Certified professional member of the Australian Human Resources Institute (CAHRI).

6.3 Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer.

Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer,

holds at the Prospectus Date, or has held in the two years before the Prospectus Date, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 Directors’ interests and remuneration

6.3.1.1 Joint Managing Directors

Michael Heine and Matt Heine are employed by NGS in the position of Joint Managing Director and report to the Board. Each Joint Managing Director has entered into an ongoing employment agreement with NGS under which they will each continue to act as Joint Managing Director of the Group.

Under the terms of their respective employment agreements, Michael Heine is entitled to fixed remuneration of \$250,000 per annum (inclusive of superannuation) and Matt Heine is entitled to fixed remuneration of \$500,000 per annum (inclusive of superannuation).

Each Joint Managing Director is also entitled to a short term incentive (STI) of up to \$150,000, payable in cash, for FY2018. Payment of the STI is subject to the relevant Joint Managing Director achieving or exceeding KPIs and achieving a minimum standard of behaviour, as detailed in the relevant Joint Managing Director’s performance plan and is also subject to the Company achieving the Prospectus NPAT forecast for FY2018.

Each Joint Managing Director’s employment agreement can be terminated by NGS or the relevant Joint Managing Director on 6 months’ written notice. NGS can elect to make payment of all or part of 6 months’ total remuneration package in lieu of notice. NGS may terminate a Joint Managing Director’s employment without notice in certain circumstances including serious misconduct or dishonesty by that Joint Managing Director.

6–Key individuals, interests and benefits

On the date of notice or on the date of termination of employment (whichever occurs first), a Joint Managing Director will be subject to a restraint of trade for a period of up to 12 months. The enforceability of the restraint clause is subject to legal requirements. Any payments made to a Joint Managing Director upon termination are subject to any limits under the Corporations Act.

6.3.1.2 Non-Executive Director remuneration

Under the Constitution, the Board may decide the total amount paid to each Director as remuneration for his or her services as a Director to the Company. However, under the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. This amount has been fixed by the Company at \$800,000 per annum.

Annual Directors' fees, inclusive of superannuation, currently agreed to be paid by the Company are \$120,000 to the Chairman, Jane Tongs, and \$100,000 to each other Non-Executive Director. In addition, the chairs of the Audit Committee, the Compliance and Risk Management Committee and the Remuneration Committee will each be paid \$5,000 annually. Any Director that is a member of a management committee may be paid up to \$5,000 annually for that role.

The remuneration of Directors (who are not the Joint Managing Directors) must not include a commission on, or a percentage of profits or operating revenue.

6.3.1.3 Other remuneration arrangements

Directors may be reimbursed for travel and other expenses incurred in attending to the Company's affairs, including attending and returning from Board or committee meetings or general meetings. Any Director who performs extra services, makes any special exertions for the benefit of the Company or who otherwise performs services which,

in the opinion of the Board, are outside the scope of ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

6.3.1.4 Deeds of indemnity, insurance and access for Directors

The Company has entered into a deed of indemnity, insurance and access with each Director, which confirms the Director's right of access to Board papers and requires the Company to indemnify the Director, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities (including all reasonable legal costs) incurred by the Director as an officer of the Company or of a related body corporate on the terms set out in the deed.

Under the deeds of indemnity, insurance and access, the Company must maintain a directors and officers insurance policy insuring a Director (among others) against liability as a Director and officer of the Company and its related bodies corporate until seven years after a Director ceases to hold office as a Director of the Company or a director of a related body corporate (or the date any relevant proceedings commenced (and notified by the Director to the Company) during the seven year period have been finally resolved).

6.3.1.5 Directors' holdings

Directors are not required under the Constitution to hold any Shares.

The Directors (and their associated entities) are entitled to apply for Shares under the Offer. The interests of Directors' (and their associated entities) in Shares prior to and upon Completion are set out below. The Directors also have interests in Performance Shares (see Section 6.3.2).

Directors	Ordinary shares held in NHL immediately prior to the Offer (m)	Shares acquired in the Offer (m)	Shares held on Completion (m)
Michael Heine (through Heine Brothers Pty Ltd as trustee for the MMH Trust, an entity controlled by him)	135.7	–	125.9
Matt Heine (and entities controlled by him)	3.2	0.03	3.2
Jane Tongs (and associated entities)	2.4	–	1.9
Davyd Lewis (and associated entities)	0.2	–	0.2
Tim Antonie (and associated entities)	–	–	–

6.3.2 Performance Shares

In 2016, NGS invited certain senior and longstanding employees and Directors to participate in an employee incentive plan under which these employees and Directors were offered performance shares (**Platinum Shares**). The Platinum Shares were issued at their prevailing market value, and the subscription price was funded by a loan from NGS. These shares may not be transferred, do not provide rights to dividends, to attend and vote at meetings of members (subject to law), or to participate on a winding up or a return of capital. The purpose of the Platinum Shares was to incentivise these individuals to achieve performance milestones, remain with the Group and to add shareholder value.

In connection with the Restructure discussed in [Section 10.5.1](#), the Platinum Share terms will be amended, and then the holders of Platinum Shares will sell all of their Platinum Shares to the Company in exchange for new performance shares in the Company on a 1:1 basis (**Performance Shares**). The Performance Shares will not be listed on ASX, and will have identical rights, terms and conditions to the Platinum Shares that are being replaced. The loan attaching to the Platinum Shares will remain in place and be amended to reflect the substitution of Platinum Shares for Performance Shares.

Satisfaction of the performance milestones for the Performance Shares can only occur at 31 December 2020. If the performance milestones are satisfied at that time the holders of Performance Shares may repay the loans used to acquire the Performance Shares, in which case the Performance Shares will automatically convert to Shares on a 1:1 basis. The Performance Shares will be bought back by the Company for the price at which they were issued if the performance milestones are not achieved or the loan is not paid by its due date, being 31 October 2022. The Performance Shares are also subject to standard conversion triggers if there is a change in control of the Company, but must not convert to a number of Shares exceeding 10% of the total issued Shares on conversion.

The Performance Shares will automatically convert to ordinary Shares if the following performance milestones are satisfied and any loan made by NGS to a holder of Performance Shares to enable the holder to purchase the Performance Shares is repaid by 31 October 2022:

- continuous service — the holder must be continuously employed by (or be a Director of) the Group until 31 December 2020;
- performance ratings — the holder must achieve expected standards in certain performance areas from FY2017 to FY2020;

- behaviour ratings — the holder must consistently display the expected level of behaviour and skills from FY2017 to FY2020; and
- Netwealth financial performance — Netwealth must achieve financial performance in FY2020, measured in earnings per share (**EPS**) for FY2020, as set out below. In summary, EPS is calculated as Netwealth’s net profit after tax for FY2020, divided by the total number of Netwealth Shares on issue at the time.

Earnings per share	Proportion of Performance Shares
\$0.1571 or more	100%
\$0.1414 or more but less than \$0.1571	90%
\$0.1271 or more but less than \$0.1414	80%
\$0.1143 or more but less than \$0.1271	70%
Less than \$0.1143	Nil

The EPS targets set out in the table above will be adjusted in certain circumstances where the number of Shares on issue is altered after Completion and prior to 31 December 2020 to ensure that the achievement of the EPS targets takes into account the changes to the number of Shares on issue.

Full terms and conditions of the Performance Shares are set out in Appendix C of this Prospectus.

6–Key individuals, interests and benefits

The Performance Shares are held as follows:

Shareholder	Number of Performance Shares	% of Shares (assuming all Performance Shares convert into Shares and the number of Shares on issue at conversion is equal to the number of Shares on issue at Completion, excluding Shares issued under the Employee Offer)
Matt Heine	1,400,000	0.574%
Davyd Lewis	175,000	0.072%
Jane Tongs	175,000	0.072%
Tim Antonie	175,000	0.072%
Grant Boyle	175,000	0.072%
John Hanrahan	350,000	0.143%
Other employees	4,007,500	1.642%
Total	6,457,500	2.646%

6.3.3 Transactions with Shareholders and related parties

The Group and an entity associated with Michael Heine have entered into certain arrangements with respect to the sale and indemnification of APS, a former subsidiary of the Group. These are discussed further in [Section 10.5.2.3](#).

6.3.4 Interests of professional advisers

The Company has engaged the following professional advisers:

- Credit Suisse (Australia) Limited and UBS AG, Australia Branch have acted as Joint Lead Managers to the Offer. Netwealth has paid, or agreed to pay, the Joint Lead Managers the fees described in [Section 9.1.1](#) for these services.
- Herbert Smith Freehills has acted as Australian legal adviser in relation to the Offer (except in relation to taxation, stamp duty and the Divestments). Netwealth has paid, or agreed to pay, approximately \$910,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Herbert Smith Freehills in accordance with its time-based charge-out rates.
- Deloitte Corporate Finance Pty Limited has acted as Investigating Accountant and has prepared the Investigating Accountant's Report and has performed work in relation to due diligence enquiries. Netwealth has paid, or agreed to pay, approximately \$400,000 in total (excluding disbursements and GST) for the above services up until the Prospectus Date. Further amounts may be paid to Deloitte Corporate Finance Pty Limited in accordance with its time-based charge-out rates.
- ShineWing Australia Pty Ltd has acted as taxation adviser. Netwealth has paid, or agreed to pay, approximately \$200,000 in total (excluding disbursements and GST) for the above services up until the Prospectus Date. Further amounts may be paid to ShineWing Australia Pty Ltd in accordance with its time-based charge-out rates.
- Ord Minnett Limited and Bell Potter Securities Limited have agreed to act as Co-Lead Managers to the Offer. Ord Minnett Limited will be paid a base fee of \$250,000, and Bell Potter Securities Limited will be paid a base fee of \$150,000. Both Ord Minnett Limited and Bell Potter Securities Limited will be paid a broker firm fee of 1.5% of the value of Shares allocated to clients of that Co-Lead Manager. The Co-Lead Managers' fees are inclusive of GST and will be paid by the Joint Lead Managers out of the fees payable to the Joint Lead Managers under the Underwriting Agreement.

- Crestone Wealth Management Limited and JBWere Limited have agreed to act as Co-Managers to the Offer. Each will be paid fees of 1.5% (inclusive of GST) of the value of Shares allocated to clients of that Co-Manager. All amounts payable to them are payable by the Joint Lead Managers out of the fees payable to the Joint Lead Managers under the Underwriting Agreement.

Additionally, each Platform Adviser will be paid a fee of 1.5% (inclusive of GST) of the value of Shares allotted to that Platform Adviser and its clients. All amounts payable to them are payable by the Joint Lead Managers out of the fees payable to the Joint Lead Managers under the Underwriting Agreement.

Further information on the use of proceeds and payment of expenses of the Offer is set out in [Section 7.1](#).

6.4 Corporate governance

This Section explains how the Board will oversee the management of Netwealth's business. The Board is responsible for the overall corporate governance of Netwealth. Details of the Company's key policies and practices and the charters for the Board and each of its committees will be available from Listing at www.netwealth.com.au/web/about-netwealth/shareholders.

Netwealth operates in the highly regulated superannuation and investment sectors of the financial services industry. The Board believes that sound governance is fundamental to the ongoing success and growth of the Company in the markets in which it participates. Accordingly, the Board has created a framework of Governance, Culture and Accountability for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices to meet the Group's trustee, IDPS operator and responsible entity obligations to the users of its financial products and services and to meet the Board's obligations to Shareholders. The Board recognises that the maintenance of the Group's regulatory licences is a core business competency.

The Board monitors the operational and financial position and performance of the Group and oversees its business strategy, including approving the strategic goals and considering and approving an annual business plan, including a budget. The Board is committed to implementing the highest possible standards of corporate governance, with its first priority being to act in the interests of the users of the Group's financial products and services as required by financial services laws, followed by maximising the Group's performance, generating appropriate returns to Shareholders and sustaining the growth and success of the Group. In conducting business with these objectives, the Board seeks to ensure that the Group is properly managed to protect the interests of the users of its financial

products and services and protect and enhance the interests of Shareholders, and that the Company, its Directors, officers and personnel operate in an appropriate environment of corporate governance.

The main policies and practices adopted by the Company, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Company's Constitution.

6.4.1 ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

The Company is seeking a listing on ASX. The ASX Corporate Governance Council has developed and released its third edition of the Corporate Governance Principles and Recommendations (**ASX Recommendations**) for entities listed on ASX in order to promote investor confidence and to assist companies to meet stakeholder expectations.

The ASX Recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a statement in its Corporate Governance Statement disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where the Company does not follow an ASX Recommendation, it must identify the recommendation that is not being followed and give reasons for not following it. The Company intends to comply with all of the ASX Recommendations from the time of its Listing.

6.4.2 Board appointment and composition

The Board is comprised of five Directors, comprising an independent Chairman, two Joint Managing Directors and two Non-Executive Directors (both of whom are independent).

Detailed biographies of the Board members on Listing are provided in [Section 6.1](#).

The Board considers a Director to be independent where he or she is free of any interest, position, association or relationship that might influence, or might reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the Company and its Shareholders generally. The Board reviews the independence of each Director in light of information disclosed to the Board.

The Board Charter sets out guidelines to assist in considering the independence of Directors and has adopted a definition of independence that is based on the ASX Recommendations.

The Board considers that each of Jane Tongs, Davyd Lewis and Tim Antonie are independent Directors and each is able to fulfil the role of an independent director for the purposes of the ASX Recommendations.

6–Key individuals, interests and benefits

Michael Heine and Matt Heine are not currently considered by the Board to be independent Directors, given their roles as Joint Managing Directors of the Company.

The Board has considered the Company's immediate requirements as it transitions to an ASX listed company and is satisfied that the composition of the Board reflects an appropriate range of independence, skills and experience for the Company after Listing.

6.4.3 Board charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's role and responsibilities;
- the relationship and interaction between the Board of the Company, the Board of Netwealth Investments Limited, Board Committees and management; and
- the authority delegated by the Board to management and Board committees.

The Board's role is to:

- represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance;
- protect and optimise the Company's performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and monitor compliance with the Company's values and governance framework (including establishing and observing high ethical standards); and
- ensure Shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

The management function is conducted by, or under the supervision of, the Joint Managing Directors as directed by the Board (and by other officers to whom the management function is properly delegated by the Joint Managing Directors). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate.

The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chairman or the Board as a whole.

A copy of the Board charter will be made available on the Company's website at www.netwealth.com.au/web/about-netwealth/shareholders.

6.4.4 Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The permanent standing Committees of the Board are the Audit Committee, Compliance and Risk Management Committee, Remuneration Committee and Nomination Committee. The Board may also delegate specific functions to ad hoc Committees on an 'as needs' basis.

6.4.4.1 Audit Committee

Under its charter, it is intended that this committee consist of at least three members of the Board, only independent Non-Executive Directors and an independent chair who is not Chairman of the Board. The Audit Committee will comprise:

- Tim Antonie (chair);
- Jane Tongs; and
- Davyd Lewis.

The Audit Committee's key responsibilities and functions include:

- overseeing the Company's relationship with the external auditor and the external audit function generally;
- overseeing the Company's relationship with the internal auditor and the internal audit function generally;
- undertaking an objective review of the effectiveness of the external reporting of financial information; and
- overseeing the Company's financial controls and systems.

Non-committee members, including members of management and the external auditor, may attend all or part of a meeting of the committee at the invitation of the committee chair.

6.4.4.2 Compliance and Risk Management Committee

Under its charter, it is intended that this committee consist of at least three members of the Board, a majority of independent Directors and an independent chair. The Compliance and Risk Management Committee will comprise:

- Davyd Lewis (chair);
- Jane Tongs; and
- Tim Antonie.

The Board's Compliance and Risk Management Committee also operates as the compliance and risk management committee of each subsidiary of the Company. To the extent that the Compliance and Risk Management Committee is a managed investment scheme compliance committee, it has the functions prescribed by the Corporations Act, its members have the duties and qualified privilege set out in the Corporations Act and its proceedings must be conducted in accordance with the Corporations Act.

The Compliance and Risk Management Committee has a range of compliance and risk management responsibilities under the Group's policies, plans, programs, frameworks and law. Generally, these responsibilities consist of the following:

- evaluating the adequacy and effectiveness of the Group's:
 - financial and operational risk management control systems; and
 - identification and management of economic, environmental and social sustainability risks.
- evaluating the Group's exposure to fraud and recommending to the Board any incident involving fraud or other break down of the Group's internal controls;
- evaluating and making recommendations to the Board in relation to the structure and adequacy of the Group's insurance program having regard to the Group's business and the insurable risks associated with its business; and
- overseeing the establishment and maintenance of processes to ensure that there is an adequate system of internal control, management of business risks and safeguard of assets.

At the invitation of the CRMC chair, any Board member, any invitee of the Board or CRMC, each MIS's auditor and each compliance plan auditor may attend and speak at a CRMC meeting.

6.4.4.3 Remuneration Committee

Under its charter, it is intended that this committee consist of (and whilst the Company is included in the S&P/ASX 300 Index, the committee must consist of) a minimum of three members, only Non-Executive Directors, a majority of independent Directors and an independent Director as chair who is not the chair of the Board. The Remuneration Committee will comprise:

- Davyd Lewis (chair);
- Jane Tongs; and
- Tim Antonie.

The Remuneration Committee is also a committee of the board of each subsidiary of the Company.

The responsibilities of the Remuneration Committee include:

- reviewing and making recommendations to the Board on the Remuneration Policy, including its compliance with the relevant requirements as it relates to NIL;
- annually reviewing and recommending to the Board the remuneration arrangements for the Joint Managing Directors, the Joint Managing Directors' direct reports, other persons specified by APRA and the non-executive directors of the Board;
- reviewing and recommending to the Board major changes and developments in relation to the Company's employee equity incentive plans;

- overseeing the operation of the Company's employee equity incentive plans and recommending to the Board whether offers are to be made under any or all of the Company's employee equity incentive plans in respect of a financial year;
- reviewing and making recommendations to the Board on remuneration by gender and recommending strategies or changes to address any pay gap;
- reviewing and recommending to the Board the remuneration report for inclusion in the annual Directors' report; and
- approving the appointment of remuneration consultants for the purposes of the Corporations Act (where applicable).

6.4.4.4 Nomination Committee

Under its charter, it is intended that this committee consist of a minimum of three members, a majority of independent Directors and an independent Director as chair of committee. The Nomination Committee will comprise:

- Jane Tongs (chair);
- Davyd Lewis;
- Tim Antonie;
- Michael Heine; and
- Matt Heine.

The responsibilities of the Nomination Committee include:

- assisting the Board to develop and maintain a board skills matrix;
- reviewing and recommending to the Board the size and composition of the Board including reviewing Board succession plans;
- reviewing the ongoing independence of Non-Executive Directors to ensure the requirements of APRA Prudential Standard SPS 510 for independent directors to be independent is maintained;
- reviewing and recommending to the Board the criteria for nomination as a Director and the membership of the Board more generally;
- assisting the Board in relation to the performance evaluation of the Board, its committees and individual Directors;
- ensuring that processes are in place to support Director induction and ongoing education and regularly reviewing the effectiveness of these processes;
- in accordance with the Inclusion & Diversity Policy, reviewing the measurable objectives for achieving gender diversity set by the Board on an annual basis and recommending any changes to the Board;
- reviewing the effectiveness of the Inclusion & Diversity Policy on an annual basis; and

6–Key individuals, interests and benefits

- reviewing, on an annual basis, the relative proportion of women and men on the Board, in senior executive positions and in the workforce at all levels of the Group and submitting a report to the Board outlining the Committee’s findings or if applicable, provide the Board with the Company’s most recent indicators as required by the Workplace Gender Equality Act 2012.

6.4.5 Inclusion & Diversity Policy

The Company has formally adopted an Inclusion & Diversity Policy in order to, among other matters, actively facilitate a more diverse and representative management and leadership structure and address the representation of women in senior management positions and on the Board. The Board will include in the Corporate Governance Statement each year a summary of the Company’s progress towards achieving the measurable objectives set in accordance with the Inclusion & Diversity Policy.

6.4.6 Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal Code of Conduct that outlines how Netwealth expects its employees and Directors to behave during the course of their employment in dealing with employees, suppliers, contractors and customers of the business. The key aspects of this code are:

- complying with Netwealth’s policies, procedures and regulations;
- acting with integrity and being fair in dealings with customers, shareholders, government, employees, suppliers and the community; and
- protecting Netwealth’s property and assets from unauthorised use.

6.4.7 Continuous Disclosure Policy

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. The Company is aware of its obligation to keep the market fully informed of any information the Company becomes aware of concerning the Company, which may have a material effect on the price or value of the Company’s securities, subject to certain exceptions.

The Company has adopted a continuous disclosure policy to take effect from Listing that establishes procedures aimed at ensuring the Company fulfills its obligations in relation to the timely disclosure of material price-sensitive information.

The Company also aims to communicate all important information relating to the Company to its Shareholders. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. To achieve this, the Company intends to communicate information regularly to Shareholders and other stakeholders through a range of forums and publications, including the Company website, at the annual general meeting, and through the Company’s annual report and ASX announcements.

6.4.8 Securities Trading Policy

The Company has adopted a Securities Trading Policy that is intended to explain the types of conduct in relation to dealings in securities that are prohibited by law and establish procedures for the buying and selling of securities that protect the Company, Directors and employees against the misuse of unpublished information, which could materially affect the price or value of the Company’s securities.

The policy provides that Directors, employees and their connected persons must not:

- deal in the Company’s securities when they are aware of ‘inside’ information;
- deal in the Company’s securities on a short-term trading basis; or
- hedge unvested equity remuneration or vested equity subject to holding locks.

In addition, Directors, certain restricted employees and their connected persons must not deal in the Company’s securities during any of the following blackout periods (except in exceptional circumstances with approval):

- the period from the close of trading on ASX on 30 June each year, or if that date is not a trading day, the last trading day before that day, until the day following the announcement to ASX of the full-year results;
- the period from the close of trading on ASX on 31 December each year, or if that date is not a trading day, the last trading day before that day, until the day following the announcement to ASX of the half-year results; and
- any other period that the Board specifies from time to time.

Outside of these periods, Directors and certain employees must receive prior approval for any proposed dealing in the Company’s securities (including any proposed dealing by one of their connected persons), and in all instances, buying or selling securities is not permitted at any time by any person who possesses ‘inside’ information.

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07

Details of the Offer

7.1 Description of the Offer

7.2 Terms and conditions of the Offer

7.3 Broker Firm Offer

7.4 Platform Priority Offer

7.5 General Priority Offer

7.6 Employee Offer

7.7 Institutional Offer

7.8 Underwriting arrangements

7.9 Discretion regarding the Offer

7.10 ASX listing, registers and holding statements,
and conditional and deferred settlement trading

7.11 Constitution and rights attaching to the Shares

7.12 Selling restrictions

7.1 Description of the Offer

This Prospectus relates to the offer of Shares. The Company will issue approximately 71.3 million Shares, excluding any new Shares to be issued under the Employee Offer, raising proceeds of approximately \$264.0 million at the Offer Price of \$3.70 per Share. 166.3 million Shares will also be issued to Existing Shareholders on Completion in connection with the Restructure (see [Section 10.5](#)). The Shares issued to the Existing Shareholders will be issued under this Prospectus at the Offer Price.

On Completion, 151.2 million Shares (representing approximately 63.6% of the issued Shares, excluding any new Shares to be issued under the Employee Offer) will be subject to certain voluntary escrow arrangements described in [Section 9.2](#).

The total number of Shares on issue at Completion will be 237.6 million, excluding any new Shares to be issued under the Employee Offer, and all Shares on issue will rank equally with each other. A summary of the rights attaching to the Shares is set out in [Section 7.11](#). The Company will also have the Performance Shares on issue, as described in [Section 6.3.2](#).

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

- The Retail Offer which consists of the:
 - **Broker Firm Offer:** which is open to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker;
 - **Platform Priority Offer:** which is open to:
 - » select eligible Australian Financial Intermediaries who advise clients holding Netwealth Platform accounts and who have received a Platform Priority Offer Letter (**Platform Advisers**); and
 - » Australian resident Netwealth Wrap Service and Netwealth superannuation product clients of eligible Platform Advisers who have received an allocation of Shares from their Platform Adviser (**Platform Adviser Clients**);

- **General Priority Offer:** which is open to selected investors nominated by the Company who have received a General Priority Offer Letter to apply for Shares; and
- **Employee Offer:** which is open to Eligible Employees; and
- the Institutional Offer, which consists of an offer to Institutional Investors in Australia and certain other jurisdictions around the world, made under this Prospectus.

No general public offer of Shares will be made under the Offer. The allocation of Shares between the Broker Firm Offer, Platform Priority Offer, General Priority Offer, and the Institutional Offer will be determined by the Company in agreement with the Joint Lead Managers having regard to the allocation policies outlined in [Sections 7.3](#) through [7.7](#).

The Offer is fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in [Section 9.1](#).

The Offer is made with disclosure under this Prospectus and is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.2 Purpose of the Offer

The Offer is being conducted to:

- provide the Existing Shareholders with an opportunity to realise part of their investment in Netwealth (the Offer proceeds being payable to them for their shares in NHL in connection with the Restructure);
- enhance Netwealth's financial flexibility to pursue its business strategies and identified growth opportunities;
- increase Netwealth's profile with Financial Intermediaries;
- create a liquid market for Shares; and
- provide Netwealth with access to capital markets.

7.1.3 Sources and uses of Offer proceeds

Sources of funds	\$ million	%
Cash proceeds received from the issue of new Shares by the Company	264.0	100.0
Total sources	264.0	100.0

Uses of funds	\$ million	%
Payment to Existing Shareholders to fund the cash purchase price of NHL shares under the Restructure	264.0	100.0
Total uses	264.0	100.0

7.1.4 Cost of the Offer

The costs of the Offer are expected to be approximately \$12.1 million (including advisory, legal, accounting, tax and duty, listing and administrative fees, the Joint Lead

Managers' management and underwriting fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses). These costs have been, or will be, borne by the Group, and not from the proceeds of the Offer.

7.1.5 Shareholding structure

The details of the ownership of shares in NHL immediately prior to Completion and Shares and Performance Shares on Completion are set out below:

Shareholder	Ordinary shares held in NHL prior to the Restructure		Platinum Shares held in NHL prior to the Restructure		Shares held post-Completion ¹		Performance Shares held post-Completion	
	(m)	(%)	(m)	(%)	(m)	(%)	(m)	(%)
Heine Brothers Pty Ltd as trustee for the MMH Trust (an entity controlled by Michael Heine)	135.7	57.1	–	–	125.9	53.0	–	–
Matt Heine (and entities controlled by him)	3.2	1.3	1.4	21.7	3.2	1.4	1.4	21.7
Leslie Max Heine Pty Ltd as trustee for The LMH Trust (an entity controlled by Leslie Heine) ²	81.6	34.3	–	–	22.4	9.4	–	–
Other Directors and employees	7.1	3.0	5.1	78.3	4.8	2.0	5.1	78.3
Other Existing Shareholders	10.0	4.2	–	–	9.9	4.2	–	–
New Shareholders	–	–	–	–	71.3	30.0	–	–
Total	237.6	100.0	6.5	100.0	237.6	100.0	6.5	100.0

Notes:

- Excludes any new Shares to be issued under the Employee Offer.
- This Shareholder has entered into an agreement with Michael Heine and Heine Brothers Pty Ltd under which either Michael Heine or Heine Brothers Pty Ltd (at the election of Michael Heine) is entitled to direct the voting of any Shares held by this Shareholder which are held at Completion. This agreement continues indefinitely until terminated by any party, or until this Shareholder ceases to hold the relevant Shares.

At Completion, 63.6% of the Shares will be subject to voluntary escrow arrangements, excluding any new Shares to be issued under the Employee Offer. See [Section 9.2](#) for further information.

7–Details of the Offer

7.1.6 Other information about Netwealth

Netwealth's pro forma balance sheet following Completion, including details of the pro forma adjustments, is set out in [Section 4.4](#).

Netwealth's capitalisation and indebtedness as at 30 June 2017 is set out in [Section 4.4](#).

The Company is an Australian resident public company for tax purposes. The financial year of the Company ends on 30 June annually.

The Board expects Heine Brothers Pty Ltd, a company controlled by Michael Heine, to control the Company on Completion.

7.1.7 Potential effect of the fundraising on the future of Netwealth

The Board believes that, on Completion, the Company will have sufficient funds available to fulfil the purposes of the Offer and meet its stated business objectives.

7.2 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	<ul style="list-style-type: none">• Shares (being fully paid ordinary shares in the issued capital of the Company).
What are the rights and liabilities attached to the security being offered?	<ul style="list-style-type: none">• A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.11.
What is the consideration payable for each Share?	<ul style="list-style-type: none">• The Offer Price is \$3.70 per Share.
What is the Priority Offer Period, Employee Offer Period and Broker Firm Offer Period?	<ul style="list-style-type: none">• The Key dates, including details of the Priority Offer Period, Employee Offer Period and Broker Firm Offer Period, are set out on page 7.• No securities will be issued or transferred on the basis of this Prospectus later than the Expiry Date of 13 months after the Prospectus Date.• The Key dates are indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time.• The Company, in consultation with the Joint Lead Managers, reserves the right to vary any and all of the times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Priority Offer Period, Employee Offer Period or Broker Firm Offer Period relating to any component of the Offer, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Completion, in each case without notifying any recipient of this Prospectus or any Applicants).• If the Offer is cancelled or withdrawn before Completion then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.

Topic	Summary
What are the cash proceeds to be raised under the Offer?	<ul style="list-style-type: none"> Approximately \$264.0 million will be raised under the Offer based on the Offer Price if the Offer proceeds.
Is the Offer underwritten?	<ul style="list-style-type: none"> Yes. The Offer is fully underwritten by the Joint Lead Managers. Details on the underwriting arrangements are provided in Section 9.1.
Who are the Joint Lead Managers of the Offer?	<ul style="list-style-type: none"> The Joint Lead Managers are Credit Suisse (Australia) Limited and UBS AG, Australia Branch.
What is the minimum and maximum Application size?	<p>Broker Firm Offer</p> <ul style="list-style-type: none"> The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. <p>Platform Priority Offer</p> <ul style="list-style-type: none"> The minimum Application by Applicants under the Platform Priority Offer is 450 Shares. The maximum Application size for each Platform Adviser and their Platform Adviser Clients (in aggregate) applying under the Platform Priority Offer is their reserved allocation, plus 2.5 times their reserved allocation as set out in their Platform Priority Offer Letter. <p>General Priority Offer</p> <ul style="list-style-type: none"> The minimum Application under the General Priority Offer is 450 Shares and in multiples of 150 Shares thereafter up to the reserved allocation as set out in each Applicant's General Priority Offer Letter. <p>Employee Offer</p> <ul style="list-style-type: none"> Under the Employee Offer, Eligible Employees will be offered to apply for 270 Shares at no cost.

Topic	Summary
<p>What is the allocation policy?</p>	<ul style="list-style-type: none"> • The allocation of Shares between the Broker Firm Offer, Platform Priority Offer, General Priority Offer and Institutional Offer will be determined by agreement between the Joint Lead Managers and the Company having regard to the allocation policies outlined in Sections 7.3 through 7.7. <p>Broker Firm Offer</p> <ul style="list-style-type: none"> • With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate Shares among their retail clients and they (and not the Company or the Joint Lead Managers) will be responsible for ensuring that eligible retail clients who have received an allocation from them receive the relevant Shares. <p>Platform Priority Offer</p> <ul style="list-style-type: none"> • Platform Advisers who have received an invitation to apply under the Platform Priority Offer in the form of a Platform Priority Offer Letter have been granted a reserved allocation of Shares. • The reserved allocation of Shares in the Platform Priority Offer is based on an objective criteria with reference to a Platform Adviser’s amount of funds under administration as at 1 October 2017. • Platform Advisers and their nominated Platform Adviser Clients applying under the Platform Priority Offer may also apply for additional Shares in excess of the Platform Adviser’s reserved allocation (up to a maximum of 2.5 times the reserved allocation, as set out in each Platform Adviser’s Platform Priority Offer Letter). However, there is no guarantee that Applicants will receive all or any additional Shares for which they apply and, if the Applications for additional Shares will result in the Platform Priority Offer being oversubscribed, the Company will scale back Applications received for additional Shares on a pro rata basis across all Applications made for additional Shares by each Platform Adviser. • For the underlying allocation of Shares to Platform Adviser Clients under the Platform Priority Offer, it is a matter for the Platform Advisers how they allocate their reserved allocation of Shares and any amount of additional Shares among their Platform Adviser Clients and the Platform Advisers (and not the Company or the Joint Lead Managers) will be responsible for ensuring that their Platform Adviser Clients who have been allocated a share of the respective reserved allocation and additional Shares by that Platform Adviser receive the relevant Shares. • A Platform Adviser may apply on behalf of itself and its Platform Adviser Associated Entities for up to a maximum of 2,700 Shares (approximately \$10,000 at the Offer Price). <p>General Priority Offer</p> <ul style="list-style-type: none"> • Selected investors who have received a General Priority Offer Letter have been guaranteed a minimum reserved allocation as set out in their General Priority Offer Letter, and their Application may only be up to their reserved allocation (subject to a minimum of 450 Shares and thereafter in multiples of 150 Shares). <p>Employee Offer</p> <ul style="list-style-type: none"> • As noted above, all Eligible Employees will be offered the opportunity to apply under the Employee Offer for 270 Shares at no cost. <p>Institutional Offer</p> <ul style="list-style-type: none"> • The allocation of Shares among Applicants in the Institutional Offer was determined by agreement between the Joint Lead Managers and the Company.

Topic	Summary
<p>When will I receive confirmation as to whether my Application has been successful?</p>	<ul style="list-style-type: none"> It is expected that initial holding statements will be dispatched to successful Applicants (other than those who apply under the Platform Priority Offer or General Priority Offer through their Platform accounts) by standard post on or about Monday, 27 November 2017. For successful Applicants under the Platform Priority Offer or General Priority Offer who applied through their Platform accounts, following Completion, the Shares will appear in the Platform accounts available online. Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies received from them, will be made as soon as practicable after Completion.
<p>Will the securities be quoted?</p>	<ul style="list-style-type: none"> The Company will apply to ASX within seven days of the Prospectus Date, for its admission to the Official List, and quotation of Shares by, ASX (under the code 'NWL'). Listing is conditional on ASX approving this application and on settlement under the Underwriting Agreement, allotment of Shares under the Offer and completion of the Restructure. If ASX approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. It is anticipated that quotation will initially be on a conditional and deferred settlement basis. The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.
<p>When are the securities expected to commence trading?</p>	<ul style="list-style-type: none"> It is expected that trading of the Shares on ASX will commence on or about Monday, 20 November 2017, initially on a conditional and deferred settlement basis. The contracts formed on acceptance of Applications and confirmations of allocations will be conditional on ASX approving the Company's application for its admission to the Official List and quotation of Shares by ASX and on settlement under the Underwriting Agreement, allotment of Shares under the Offer and completion of the Restructure. Conditional trading will continue until the Company has advised ASX that settlement under the Underwriting Agreement has occurred, allotment of the Shares under the Offer has been completed and the Restructure has completed. The last condition is expected to be satisfied on or about Friday, 24 November 2017. Normal settlement trading is expected to commence on or about Tuesday, 28 November 2017. If Completion has not occurred within 14 days (or such longer period as ASX allows) after the day Shares are first quoted on ASX, the Offer and all contracts arising on acceptance of the Offer and confirmations of allocations will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. Applicants under the Platform Priority Offer or General Priority Offer who apply through the Netwealth Platform will not be able to sell their Shares before the Shares appear on their Platform account. The Company, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement or before their Shares appear on their Platform account available online (for successful Applicants under the Platform Priority Offer or General Priority Offer who apply through their Platform accounts), whether on the basis of a confirmation of allocation provided by any of them, by the Netwealth Offer Information Line, by a Broker, by a Platform Adviser or otherwise.

Topic	Summary
Are there any escrow arrangements?	<ul style="list-style-type: none"> • Yes. Details of escrow arrangements are provided in Section 9.2.
Has any ASIC relief or ASX waivers been obtained or been relied on?	<ul style="list-style-type: none"> • Yes. Details are provided in Section 10.11.
Are there any tax considerations?	<ul style="list-style-type: none"> • Yes. Please refer to Section 10.9 and note it is recommended that all Shareholders consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances. • If you are in doubt as to the course you should follow, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser.
Are there any brokerage, commission or stamp duty considerations?	<ul style="list-style-type: none"> • No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. • See Section 6.3.4 for details of various fees payable by the Company to the Joint Lead Managers and by the Joint Lead Managers to the Co-Lead Managers, Co-Managers and Platform Advisers.
What should I do with any enquiries?	<ul style="list-style-type: none"> • If you require more information about this Prospectus or the Offer, call the Netwealth Offer Information Line on 1800 888 223 (within Australia) or +61 3 9655 1300 (outside Australia) from 8.30am to 6.00pm (Sydney time), Monday to Friday (Business Days only). • All enquiries in relation to the Broker Firm Offer should be directed to your Broker. • All enquiries by clients of the Platform Advisers in relation to the Platform Priority Offer should be directed to your Platform Adviser. • If you are unclear in relation to any matter or are uncertain as to whether Netwealth is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

7.3 Broker Firm Offer

7.3.1 Who can apply?

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia. If you have been offered a firm allocation by a Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

7.3.2 How to apply

Applications for Shares may only be made on a Broker Firm Application Form attached to or accompanying this Prospectus which may be downloaded in its entirety from www.netwealthipo.com.au. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Application Form with the Broker from whom you received your firm allocation. Broker Firm Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Broker Firm Application Form.

By making an Application, you declare that you were given access to this Prospectus (and any supplementary or replacement Prospectus), together with a Broker Firm Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, the Company and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of Applications) in the Broker Firm Offer which are for more than \$250,000. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Broker Firm Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Broker Firm Application Forms to the Share Registry.

The Broker Firm Offer opens at 9.00am (Sydney time) on Thursday, 2 November 2017 and is expected to close at 5.00pm (Sydney time) on Thursday, 16 November 2017. The Company and the Joint Lead Managers may elect to extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice (subject to the ASX Listing Rules and the Corporations Act). Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.3.3 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions received from their Broker.

7.3.4 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by an Applicant to the Company to apply for Shares in the amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Broker Firm Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted in respect of the full number of Shares specified on the Broker Firm Application Form or any lesser amount, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to successful Applicants conditional on the quotation of Shares on ASX and commencement of unconditional trading.

7.3.5 Broker Firm Offer allocation policy

The allocation of Shares to Brokers will be determined by agreement between the Joint Lead Managers and the Company. Shares which have been allocated to Brokers for allocation to their Australian resident retail clients will be issued or transferred to the Applicants who have received a valid allocation of Shares from those Brokers (subject to the right of the Company and the Joint Lead Managers to reject, aggregate or scale back Applications). It will be a matter for those Brokers how they allocate Shares among their retail clients, and they (and not the Company or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from them, receive the relevant Shares.

7.4 Platform Priority Offer

7.4.1 Who can apply

The Platform Priority Offer is open to Financial Intermediaries who are Australian residents, have opened up a new client account on the Netwealth Platform between 1 July 2016 and 1 October 2017 and have at least \$1 million or more of funds under administration on the Netwealth Platform as at 1 October 2017, each of which will have received a Platform Priority Offer Letter (**Platform Advisers**). Platform Advisers may invite their Australian resident Netwealth Wrap services and Netwealth superannuation product clients who held an account with Netwealth on 1 October 2017 (**Platform Adviser Clients**) to apply and may also participate themselves in the Platform Priority Offer.

7.4.2 How to apply

If you are eligible to apply under the Platform Priority Offer, your Platform Adviser should have received a letter of offer detailing the terms of the Platform Priority Offer (**Platform Priority Offer Letter**), along with details of how to go online and apply for Shares online.

The minimum Application for Applicants (being either Platform Advisers or their Platform Adviser Clients, considered individually) applying under the Platform Priority Offer is 450 Shares. Each Platform Priority Offer Letter will specify the Platform Adviser's reserved allocation, which is the guaranteed minimum number of Shares that will be allocated to the Platform Adviser and its Platform Adviser Clients. If you are a Platform Adviser Client, your Platform Adviser will communicate to you your share of their reserved allocation (if any).

Platform Advisers under the Platform Priority Offer may also apply (on behalf of themselves and their Platform Adviser Clients) for additional Shares in excess of their reserved allocation as set out in their Platform Priority Offer Letter. The total number of additional Shares (in aggregate) for which each Platform Adviser may apply (on behalf of themselves and their Platform Adviser Clients) is up to 2.5 times their reserved allocation. However,

7–Details of the Offer

there is no guarantee that a Platform Adviser and their Platform Adviser Client Applicants will receive all or any additional Shares for which they apply. If an Application or Applications for additional Shares will result in the Platform Priority Offer being oversubscribed, the Company will scale back Applications received for additional Shares on a pro rata basis across all Applications made by Platform Advisers on behalf of themselves and their Platform Adviser Clients (as relevant) for additional Shares.

A Platform Adviser must not make an Application or Applications on behalf of itself and its Platform Adviser Associated Entities in excess of 2,700 Shares in aggregate (approximately \$10,000 at the Offer Price).

7.4.2.1 Existing Netwealth Wrap service and Netwealth superannuation product clients

Applications under the Platform Priority Offer in respect of existing Netwealth Wrap service and Netwealth superannuation product clients may be submitted online through the Netwealth Platform by Platform Adviser Clients or by Platform Advisers on their behalf. Platform Advisers who are applying for Shares under the Platform Priority Offer on behalf of their Netwealth Wrap service clients and Netwealth superannuation product clients can only do so through their account on the Netwealth Platform and any Application must be made in accordance with the terms and conditions of the relevant Platform product. To make an Application through the Netwealth Platform, the Applicant must have an account in a Wrap or superannuation Platform product that permits investment in ASX listed securities. The Wealth Accelerator Core, Russell Investments Portfolio Service, Russell Investments Wealth Series Wrap Service, Super Accelerator Core and Russell Investments Super Series products (**Core and Russell Products**) do not permit such investments and Applications through those accounts cannot be accepted on the Netwealth Platform. Core and Russell Product clients of a Platform Adviser may still apply for shares under the Platform Priority Offer, but must do so in accordance with [Section 7.4.2.2](#).

The Applicant must also have an amount equal to the Application Monies classified as 'available for investment' in their Platform product cash account at the time the Application is made. If the amount classified as 'available for investment' is less than the Application Monies specified in the Application Form, the Applicant will be taken to have applied for such lower dollar amount of Shares as the number for which the amount classified as 'available for investment' at the time of the Application will pay (and to have specified that amount in their Application Form) or their Application may be rejected.

In the case of Applications made by Platform Adviser Clients, by making an Application through the Netwealth Platform, you (the Platform Adviser Client) are directing NIL, as the operator of the Netwealth Platform, to make an Application

on your behalf and you (the Platform Adviser Client) declare that you were given access to the Prospectus.

In the case of Applications made by Platform Advisers, by making an Application through the Netwealth Platform, you (the Platform Adviser) are directing NIL, as the operator of the Netwealth Platform, to make an Application on your or your client's behalf and you (the Platform Adviser) declare that you were given access to the Prospectus and that you made the Prospectus available to your clients.

Applications for Shares made through a Netwealth superannuation account cannot exceed 5% of the total account balance, in accordance with the trustee's investment limits for the Netwealth Superannuation Master Fund.

7.4.2.2 All other Applicants

Applicants under the Platform Priority Offer who are not seeking to hold Shares in an existing Netwealth Wrap service or superannuation account must make their Applications in accordance with the instructions set out in the Platform Priority Offer Letter using the online Application Form which must be downloaded in its entirety from www.netwealthipo.com.au. As part of the online Application process, Applicants will be required to enter the unique Applicant Reference Number, which was provided in the Platform Priority Offer Letter received by each Platform Adviser. The Platform Advisers will be responsible for ensuring that their Platform Adviser Clients who have received an allocation from them receive the relevant unique Applicant Reference Number to complete their Application Form.

7.4.3 How to pay

Existing Platform Adviser Clients who apply for Shares through the Netwealth Platform under the Platform Priority Offer (or whose Platform Adviser applies through the Netwealth Platform on their behalf) must ensure that they have sufficient funds in the Netwealth Platform cash account classified as 'available for investment' to pay the Application Monies at the time NIL is directed to make the Application on behalf of the Applicant account holder. As soon as the Application is made, an amount equal to the Application Monies will be reserved in the Applicant's cash account. At the end of the Priority Offer Period, the Application Monies will be debited from the Applicant's cash account.

Applicants who are not seeking to hold Shares in an existing Netwealth Wrap service or superannuation account and who are applying under the Platform Priority Offer must pay their Application Monies by BPAY in accordance with the instructions on the online Application Form accompanying the electronic version of the Prospectus, which is available at www.netwealthipo.com.au, and follow the instructions on the online Application Form (which includes the BPAY Biller Code and your unique Customer Reference Number (CRN)).

You should be aware that you will only be able to make a payment via BPAY if you are the holder of an account with an Australia financial institution which supports BPAY transactions.

You should ensure that sufficient funds are held in the relevant account(s) to cover the BPAY payment. If the BPAY payment for Application Monies is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares as the number for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

7.4.4 Acceptance of Applications

Each Platform Adviser has been set aside a reserved allocation of Shares as set out in each Platform Priority Offer Letter. Subject to the reserved allocation, the Company and the Joint Lead Managers may reject an Application, or allocate fewer Shares than the amount applied for.

Platform Advisers participating in the Platform Priority Offer (and their Platform Adviser Clients) may also apply for additional Shares in excess of their reserved allocation on behalf of themselves or their Platform Adviser Clients. The total number of additional Shares for which each Platform Adviser and its Platform Adviser Client may apply (in aggregate) can be up to a maximum of 2.5 times that Platform Adviser's reserved allocation. However, there is no guarantee that Platform Adviser and Platform Adviser Client Applicants will receive all or any additional Shares for which they apply. If an Application or Applications for additional Shares will result in the Platform Priority Offer being oversubscribed, the Company will scale back Applications received for additional Shares on a pro rata basis across all Platform Adviser and Platform Adviser Client Applications made for additional Shares.

For Applicants applying under the Platform Priority Offer through the Netwealth Platform, a lock will be placed on an amount equal to the Application Monies classified as 'available for investment' in the Applicant's Platform product cash account until the Application Monies are debited from the Platform account at the end of the Priority Offer Period. Applicants whose Applications are not accepted, or who are allocated a lesser dollar amount of Shares than the amount applied for (subject to the reserved allocation), will have that amount equal to the relevant Application Monies released from the lock on their cash accounts.

For Applicants applying under the Platform Priority Offer otherwise than through the Netwealth Platform, Application Monies received under the Platform Priority Offer will be held in a special purpose account until Shares are issued to successful Applicants. Applicants under the Platform Priority Offer whose Applications are not accepted, or who

are allocated a lesser dollar amount of Shares than the amount applied for (subject to the reserved allocation), will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing their Application Monies by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. For Applicants applying under the Platform Priority Offer no refunds pursuant solely to rounding will be provided.

If the amount classified as 'available for investment' in your Netwealth Platform cash account is less than the Application Monies specified on your Application Form, or if the amount of your BPAY payment for Application Monies is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares as the number for which your 'available for investment' amount or BPAY payment, as applicable, will pay (and to have specified that amount in your Application Form), or your Application may be rejected.

7.4.5 Allocation policy

Each Platform Adviser and their Platform Adviser Clients (in aggregate) is guaranteed the reserved allocation specified in the Platform Adviser's Platform Priority Offer Letter. For Platform Advisers who (together with their Platform Adviser Clients) have applied for additional Shares in excess of their reserved allocation, if the Platform Priority Offer is oversubscribed the Company will scale back Applications received for additional Shares on a pro rata basis across all Applications made for additional Shares by Platform Adviser and their Platform Adviser Clients.

For allocation of Shares to clients of Platform Advisers under the Platform Priority Offer, it is a matter for the Platform Advisers how they allocate Shares among their Platform Adviser Clients and they (and not the Company or the Joint Lead Managers) will be responsible for ensuring that their Platform Adviser Clients who have received an allocation from them receive the relevant Shares. A Platform Adviser may allocate Shares to itself or to its Platform Adviser Associated Entities up to a maximum of 2,700 Shares in aggregate (approximately \$10,000 at the Offer Price).

The total number of Shares reserved for Applicants invited to participate in the Platform Priority Offer has been determined by the Company, in agreement with the Joint Lead Managers.

7.5 General Priority Offer

7.5.1 Who can apply?

The General Priority Offer is open to selected investors nominated by the Company who have received a letter from the Company on or about Tuesday, 31 October 2017 inviting them to apply for Shares (**General Priority Offer Letter**). The General Priority Offer Letter specifies the number of Shares for which a selected investor who has been nominated by the Company can apply.

Platform Advisers are not eligible to participate in the General Priority Offer.

7.5.2 How to apply?

If you are eligible to apply under the General Priority Offer, you should have received a General Priority Offer Letter, along with details of how to apply for Shares online.

Your General Priority Offer Letter will specify the reserved allocation, which is the guaranteed maximum number of Shares that will be allocated to you. Applicants who have received a General Priority Offer Letter to apply for Shares under the General Priority Offer and wish to apply for all or some of those Shares must apply in accordance with the instructions provided in the General Priority Offer Letter. Applicants declare by making an Application that they were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applications under the General Priority Offer must be for a minimum of 450 Shares and in multiples of 150 Shares thereafter, up to the reserved allocation specified in your General Priority Offer Letter.

7.5.3 How to pay?

Existing Netwealth Wrap clients and Netwealth superannuation product clients who are applying for Shares through the Netwealth Platform under the General Priority Offer must ensure that they have sufficient funds in their Netwealth Platform cash account classified as 'available for investment' to pay their Application Monies at the time NIL is directed to make the Application on behalf of the Applicant account holder. As soon as the Application is made, an amount equal to the Application Monies will be reserved in the Applicant's cash account. At the end of the Priority Offer Period, the Application Monies will be debited from the Applicant's cash account.

Applicants who are not seeking to hold Shares in an existing Netwealth Wrap service or superannuation account and who are applying under the General Priority Offer must pay their Application Monies by BPAY in

accordance with the instructions on the online Application Form accompanying the electronic version of the Prospectus, which is available at www.netwealthipo.com.au and follow the instructions on the online Application Form (which includes the BPAY Biller Code and your unique Customer Reference Number (CRN)).

You should be aware that you will only be able to make a payment via BPAY, if you are the holder of an account with an Australian financial institution which supports BPAY transactions.

You should ensure that sufficient funds are held in the relevant account(s) to cover the BPAY payment. If the BPAY payment for Application Monies is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares as the number for which your cleared Application Monies will purchase (and to have specified that amount on your Application Form) or your Application may be rejected.

7.5.4 Acceptance of Applications

Investors who have received a General Priority Offer Letter have been set aside a reserved allocation of Shares as set out in each investor's General Priority Offer Letter.

For Applicants applying under the General Priority Offer through the Netwealth Platform, a lock will be placed on an amount equal to the Application Monies classified as 'available for investment' in the Applicant's Platform product cash account until the Application Monies are debited from the Platform account at the end of the Priority Offer Period. Applicants whose Applications are not accepted will have that amount equal to the relevant Application Monies released from the lock on their cash accounts.

For Applicants applying under the General Priority Offer otherwise than through the Netwealth Platform, Application Monies received under the General Priority Offer will be held in a special purpose account until Shares are issued to successful Applicants. Applicants under the General Priority Offer whose Applications are not accepted will receive a refund (without interest) of their Application Monies. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing their Application Monies by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. For Applicants applying under the General Priority Offer no refunds pursuant solely to rounding will be provided.

If the amount classified as 'available for investment' in your Netwealth Platform cash account is less than the Application Monies specified on your Application Form, or if the amount of your BPAY payment for Application Monies is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares as the number for which your 'available for investment' amount or BPAY payment, as applicable, will pay (and to have specified that amount in your Application Form), or your Application may be rejected.

7.5.5 Allocation policy

Each investor nominated by the Company to participate in the General Priority Offer is guaranteed the reserved allocation specified in their General Priority Offer Letter. The total number of Shares reserved for Applicants invited to participate in the General Priority Offer has been determined by the Company, in agreement with the Joint Lead Managers.

7.6 Employee Offer

7.6.1 Who can apply?

All Eligible Employees are entitled to participate in the Employee Offer. Eligible Employees are all permanent full-time and part-time employees of Netwealth resident in Australia who are still employed by Netwealth as at 6.00pm (Sydney time) on 23 October 2017 and who have not, at that time, given or received notice that their employment will cease.

Directors of the Company, casual employees and employees who are resident outside of Australia are not eligible to participate in the Employee Offer.

A separate offer letter, together with access to this Prospectus and the Netwealth Group Limited Employee Gift Plan Rules, will be provided to Eligible Employees, detailing the terms of the Employee Offer.

7.6.2 How to apply?

Eligible Employees should have received a letter of offer detailing the terms of the Employee Offer, together with this Prospectus and the Netwealth Group Limited Employee Gift Plan Rules. To apply to participate in the Employee Offer, Eligible Employees must complete the Employee Offer Application Form in accordance with the instructions provided on the Application Form.

Applications must be received on or before 6.00pm (Sydney time) on Tuesday, 14 November 2017.

7.6.3 Payment method

No payment is required to participate in the Employee Offer.

7.6.4 Allocation policy under the Employee Offer

Under the Employee Offer, Eligible Employees will receive an allocation of 270 Shares at no cost.

7.7 Institutional Offer

7.7.1 Invitations to bid

Under the Institutional Offer, Institutional Investors in Australia and certain other eligible jurisdictions outside the United States were invited to bid for an allocation of Shares under this Prospectus. The Joint Lead Managers separately advised the Institutional Investors of the Application procedures for the Institutional Offer.

7.7.2 Institutional Offer allocation policy

The allocation of Shares among Applicants in the Institutional Offer was determined by agreement between the Joint Lead Managers and the Company. The Joint Lead Managers and the Company had absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Completion;
- the Company's desire to establish a wide spread of institutional Shareholders;
- overall anticipated level of demand under the Broker Firm Offer, Platform Priority Offer, Employee Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- any other factors that the Company and the Joint Lead Managers considered appropriate.

7.8 Underwriting arrangements

The Offer is fully underwritten. The Joint Lead Managers and the Company have entered into an Underwriting Agreement under which the Joint Lead Managers have been appointed as managers and underwriters of the Offer. The Joint Lead Managers agree, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer. The Underwriting Agreement is subject to a number of conditions precedent and sets out a number of circumstances under which the Joint Lead Managers may terminate the Underwriting Agreement and their underwriting obligations.

A summary of certain terms of the Underwriting Agreement, including the termination provisions, is provided in [Section 9.1](#).

7.9 Discretion regarding the Offer

The Company may withdraw the Offer at any time before Completion. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest) or, in the case of Applicants under the Platform Priority Offer who apply through their Platform accounts, if the Application Monies remain in the Applicant's cash account, the relevant lock will be released.

The Company and the Joint Lead Managers also reserve the right (subject to the ASX Listing Rules and the Corporations Act) to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications generally or in particular cases, reject any Application or bid, waive or correct any errors made by any Applicant in completing an Application Form, or allocate to any Applicant fewer Shares than those applied or bid for. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

7.10 ASX listing, registers and holding statements, and conditional and deferred settlement trading

7.10.1 Application to ASX for listing and quotation of Shares

The Company will apply within seven days of the Prospectus Date for admission to the official list of ASX and quotation of the Shares on ASX. The Company's expected ASX code will be NWL.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the official list is not to be taken as an indication of the merits of Netwealth or the Shares offered for subscription or purchase.

If permission is not granted for the official quotation of the Shares on ASX within three months after the date of this Prospectus (or any later date permitted by law), all Application Monies received by the Company will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

7.10.2 CHES and issuer sponsored holdings

The Company will apply to participate in ASX's Clearing House Electronic Sub-register System (**CHES**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHES is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHES sub-register or an issuer sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHES or a Shareholder sponsored by a participant in CHES will be registered on the CHES sub-register. Netwealth is a participant in CHES. For Applicants under the Platform Priority Offer who apply through their Platform accounts, the holdings will be registered in Netwealth's name as operator of the relevant Platform product.

All other Shares will be registered on the issuer sponsored sub-register.

Following Completion, Shareholders (other than those who apply under the Platform Priority Offer through their Platform accounts) will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number for CHES holders or, where applicable, the Securityholder Reference Number of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Share certificates will not be issued. Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHES sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

For Applicants under the Platform Priority Offer who apply through their Platform accounts, following Completion, the Shares will appear in the Platform accounts available online.

7.10.3 Conditional and deferred settlement trading and selling Shares on market

It is expected that the Shares will commence trading on ASX on Monday, 20 November 2017, initially on a conditional and deferred settlement basis.

If the Offer is withdrawn after Shares have commenced trading on a conditional and deferred settlement basis, all contracts for the sale of the Shares on ASX will be cancelled and any Application Monies received will be refunded as soon as possible (without interest). Conditional and deferred settlement trading will continue until the Company has advised ASX that Completion has occurred, which is expected to be on or about Friday, 24 November 2017. If Completion has not occurred by the end of the conditional and deferred settlement trading period, the Offer will not complete and all trades conducted during the conditional and deferred settlement trading period will be invalid and will not settle. All Application Monies received will be refunded to Applicants. No interest will be paid on any Application Monies refunded as a result of the Offer not completing.

Following Completion, trading will be on an unconditional but deferred settlement basis until the Company has advised ASX that holding statements have been dispatched to Shareholders (excluding successful Applicants under the Platform Priority Offer who apply through their Platform accounts, whose Shares will appear in the Platform accounts available online). It is expected that holding statements will be dispatched by standard post on or about Monday, 27 November 2017. Normal settlement trading is expected to commence on or about Tuesday, 28 November 2017.

If Completion has not occurred within 14 days (or such longer period as ASX allows) after the day Shares are first quoted on ASX, the Offer and all contracts arising on acceptance of Applications and bids will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

After the basis for allocations has been determined, Applicants will be able to log on to the Netwealth Platform (in the case of successful Applicants who apply through their Platform accounts); call the Netwealth Offer Information Line on 1800 888 223 (toll free within Australia) or +61 3 9655 1300 (outside Australia), from 8.30am to 6.00pm (Sydney time), Monday to Friday (Business Days only); or their Broker or Platform Adviser to confirm their allocations.

It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. The Company, the Joint Lead Managers and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Netwealth Offer Information Line, by a Broker or Platform Adviser or otherwise.

Applicants under the Platform Priority Offer who apply through the Netwealth Platform will not receive holding statements, and the Shares allotted to them will appear in the Platform accounts available online.

7.11 Constitution and rights attaching to the Shares

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the official list of ASX.

If Shares are held through the Netwealth Platform, NIL will be the legal owner of the Shares and the terms and conditions of the applicable Platform product will apply. Applicants who will hold Shares through the Netwealth Platform should have regard to the Platform product's voting policy and corporate actions procedures in the terms and conditions of the applicable Platform product.

7.11.1 Meetings of members

Every Shareholder is entitled to receive notice of, attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

7.11.2 Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney and entitled to vote is entitled to one vote on a show of hands and, on a poll, one vote for each Share held by the Shareholder (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote in addition to any deliberative vote.

7.11.3 Dividends

The Board may pay interim and final dividends that, in its judgement, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and fix a record date for a dividend and method of payment. For further information in respect of the Company's proposed dividend policy, see [Section 4.9](#).

7.11.4 Transfer of Shares

Subject to the Constitution and to any restrictions attached to a Shareholder's Share, Shares may be transferred by a proper ASX Settlement and Transfer Corporation transfer (effected in accordance with the ASX Settlement Operating Rules, Corporations Regulations and ASX Listing Rules) or by a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements.

The Board may decline to register, or prevent registration of, a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the ASX Listing Rules.

7.11.5 Issue of further Shares

The Board may, subject to the Constitution, Corporations Act and ASX Listing Rules issue, allot, or grant options for, or otherwise dispose of Shares in the Company on such terms as the Board decides.

7.11.6 Preference shares

The Company may issue preference shares including preference shares which are, or at the option of the Company or a holder are, liable to be redeemed or convertible to Shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of Shareholders.

7.11.7 Winding up

If the Company is wound up, then subject to the Constitution and any rights or restrictions attached to any shares or a class of shares, shareholders will be entitled to share in any surplus property of Netwealth in proportion to the number of shares held by them.

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the shareholders whole or part of the Company's property and decide how the division is to be carried out as between shareholders or different classes of shareholders.

7.11.8 Non-marketable parcels

In accordance with the ASX Listing Rules, the Board may sell Shares that constitute less than a marketable parcel by following the procedures set out in the Constitution. A marketable parcel of Shares is defined in the ASX Operating Rules Procedures and is generally a holding of Shares with a market value of not less than \$500.

7.11.9 Variation of class rights

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. Under the Constitution, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied:

- with the written consent of the holders of 75% of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders of shares of the class.

7.11.10 Directors – appointment and retirement

Under the Constitution, the number of Directors shall be a minimum of three Directors and a maximum of nine Directors unless the Company resolves otherwise at a general meeting. Directors are elected or re-elected at general meetings of the Company.

No Director (excluding the managing director, or if there is more than one managing director, the managing director who has been nominated by the Board) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. The Board may also appoint any eligible person to be a Director, either to fill a casual vacancy on the Board or as an addition to the existing Directors, who will then hold office until the conclusion of the next annual general meeting of the Company following their appointment.

A person is eligible for election to the office of a Director at a general meeting if they are nominated or recommended by the Board or if not less than the number of Shareholders required to give notice of a resolution under the Corporations Act (subject to timing requirements) nominate a person in accordance with the Constitution.

7.11.11 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote in addition to his or her deliberative vote, unless there are only two Directors present or entitled to vote at the meeting, in which case the chairperson of the meeting does not have a second or casting vote and the proposed resolution is taken as lost.

A written resolution of the Board may be passed without holding a meeting of the Board, if all of the Directors sign or consent to the resolution.

7.11.12 Directors – remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a Director. The total aggregate amount provided to all Non-Executive Directors for their services as Directors must not exceed in any financial year the amount fixed by the Company in general meeting. The remuneration of a Director (who is not an Executive Director) must not include a commission on, or a percentage of, profits or operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is set out in [Section 6.3.1.2](#). Any change to that maximum aggregate amount needs to be approved by Shareholders.

Directors are entitled to be paid for all travelling and other expenses incurred in attending to the Company's affairs, including attending and returning from general meetings of the Company or of the Board or of committees of the Board. Any Director who performs extra services, makes any special exertions for the benefit of the Company or otherwise performs services, which, in the opinion of the Board, are outside the scope of ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by the Board) out of funds of the Company.

Directors' remuneration is discussed further in [Section 6.3.1](#).

7.11.13 Powers and duties of Directors

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the power of the Company and are not required by law or the Constitution to be done by the Company in general meeting.

7.11.14 Access to records

The Company may enter into contracts with a Director or former Director agreeing to provide continuing access, for a specified period after the Director ceases to be a Director, to Board papers, books, records and documents of the Company which relate to the period during which the Director or former Director was a Director on such terms and conditions as the Board thinks fit. The Company may procure that its subsidiaries provide similar access to board papers, books, records or documents.

7.11.15 Indemnities

The Company must indemnify each officer of the Company on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by that person as an officer of the Company or its related bodies corporate.

The Company, may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each officer of the Company against any liability incurred by that person as an officer of the Company or its related bodies corporate, including but not limited to a liability for negligence or for reasonable costs and expenses incurred in defending or responding to proceedings (whether civil or criminal and whatever the outcome).

7.11.16 Amendment

The Constitution may be amended only by special resolution passed by at least 75% of the Shareholders present (in person or by proxy, attorney or representative) and entitled to vote on the resolution at a general meeting of the Company.

7.11.17 Share capital

On Completion of the Offer, the only classes of security on issue by Netwealth will be fully paid ordinary shares and Performance Shares (as described in [Section 6.3.2](#)).

7.12 Selling restrictions

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia, and may only be distributed to persons to whom the Institutional Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, pledged or transferred directly or indirectly, in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable laws.

7–Details of the Offer

Each Applicant will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, or sold, pledged or transferred directly or indirectly, in the United States, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
- it is not in the United States;
- it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

This Prospectus does not constitute an offer or invitation to subscribe for or purchase Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

7.12.1 European Economic Area – Austria, Belgium, Denmark, Germany, Luxembourg and Netherlands

This Prospectus has been prepared on the basis that the offer of Shares will be made pursuant to an exemption under the Directive 2003/71/EC (**Prospectus Directive**), as amended and implemented in Member States of the European Economic Area (each, a **Relevant Member State**), from the requirement to publish a prospectus for offers of securities.

An offer to the public of Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in the Relevant Member State:

- to any legal entity that is authorised or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC) (**MiFID**); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

7.12.2 France

This document is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers (**AMF**). The Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

7.12.3 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents or materials issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to 'professional investors' (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

7.12.4 Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the **Prospectus Regulations**). The Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to 'qualified investors' as defined in Regulation 2(l) of the Prospectus Regulations.

7.12.5 Italy

The offering of the Shares in the Republic of Italy has not been authorised by the Italian Securities and Exchange Commission (Commissione Nazionale per le Società e la Borsa) (**CONSOB**) pursuant to the Italian securities legislation and, accordingly, no offering material relating to the Shares may be distributed in Italy and the Shares

may not be offered or sold in Italy in a public offer within the meaning of Article 1.1(t) of Legislative Decree No. 58 of 24 February 1998, as amended (**Decree No. 58**), other than:

- to qualified investors (**Qualified Investors**), as defined in Article 100 of Decree No. 58 by reference to Article 34-ter of CONSOB Regulation no. 11971 of 14 May 1999, as amended (**Regulation No. 11971**); and
- in other circumstances that are exempt from the rules on public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Shares or distribution of any offer document relating to the Shares in Italy (excluding placements where a Qualified Investor solicits an offer from the issuer) under the paragraphs above must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 (as amended) and any other applicable laws; and
- in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

Any subsequent distribution of the Shares in Italy must be made in compliance with the public offer and prospectus requirement rules provided under Decree No. 58 and the Regulation No. 11971, unless an exception from those rules applies. Failure to comply with such rules may result in the sale of such Shares being declared null and void and in the liability of the entity transferring the Shares for any damages suffered by the investors.

7.12.6 New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the **FMC Act**). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

7.12.7 Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The Shares may not be offered or sold, directly or indirectly, in Norway except to ‘professional clients’ (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

7.12.8 Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the Offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company’s shares, (ii) an ‘institutional investor’ (as defined in the SFA) or (iii) a ‘relevant person’ (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

7.12.9 Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland. The Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (**FINMA**).

This document is personal to the recipient only and not for general circulation in Switzerland.

7.12.10 United Kingdom

Neither this document nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares.

This document is issued on a confidential basis to ‘qualified investors’ (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together 'relevant persons'). The investments to which this document relates are available only to, and any offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

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Investigating Accountant's Report



Deloitte Corporate Finance Pty Limited
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Australia

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

24 October 2017

Dear Directors

INVESTIGATING ACCOUNTANT’S REPORT AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the Directors of Netwealth Group Limited (the **Company**) for inclusion in the Prospectus to be issued by the Company in respect of initial public offering of fully paid ordinary shares in the Company (the **Offer**) and subsequent listing on the Australian Securities Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 for the issue of this report.

References to the Company and other terminology used in this report have the same meaning as defined in the Glossary of the Prospectus.

Scope

Statutory Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- the statutory consolidated statements of profit or loss and other comprehensive income and statutory consolidated summarised statements of cash flows before financing, tax and dividends for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017; and
- the statutory consolidated statement of financial position as at 30 June 2017,

as set out in tables 2, 5, and 8 of the Prospectus (together the **Statutory Historical Financial Information**).

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the adopted accounting policies of Netwealth Group Limited.

The Statutory Historical Financial Information has been extracted from the financial reports of Netwealth Group Limited for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017, which were audited by ShineWing Australia and Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards. ShineWing Australia issued unmodified audit opinions on the financial years ended 30 June 2015 and 30 June 2016, and Deloitte Touche Tohmatsu issued an unmodified audit opinion on the financial report for the financial year ended 30 June 2017.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. The entity named herein is a legally separate and independent entity. In providing this document, the author only acts in the named capacity and does not act in any other capacity. Nothing in this document, nor any related attachments or communications or services, have any capacity to bind any other entity under the 'Deloitte' network of member firms (including those operating in Australia).

Member of Deloitte Touche Tohmatsu Limited

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The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- the pro forma historical consolidated statements of profit or loss and other comprehensive income and pro forma consolidated summarised statements of cash flows before financing, tax and dividends for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017; and
- the pro forma historical consolidated statement of financial position as at 30 June 2017,

as set out in tables 1, 5 and 7 of the Prospectus (together the **Pro Forma Historical Financial Information**).

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information after adjusting for the effects of pro forma adjustments described in Section 4.2.4 of the Prospectus (the **Pro Forma Adjustments**).

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Historical Financial Information and the event(s) or transaction(s) to which the Pro Forma Adjustments relate, as if those event(s) or transaction(s) had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial performance, cash flows or financial position.

The Forecast Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- the statutory forecast consolidated statement of profit or loss and other comprehensive income and the statutory forecast consolidated summarised statement of cash flows of the Company for the financial year ending 30 June 2018 as set out in tables 2 and 7 of the Prospectus (the **Statutory Forecast Financial Information**). The Directors' best-estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 4.7 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- the pro forma forecast consolidated statement of profit or loss and other comprehensive income and the pro forma forecast consolidated summarised statement of cash flows of the Company for the financial year ending 30 June 2018 as set out in tables 1 and 7 of the Prospectus (the **Pro Forma Forecast Financial Information**). The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the Pro Forma Adjustments. An audit has not been conducted on the source from which the unadjusted financial information was prepared. The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the event(s) or transaction(s) to which the Pro Forma Adjustments relate, as if those event(s) or transaction(s) had occurred as at 1 July 2017. Due to its nature the Pro Forma Forecast Financial Information does not represent the Company's actual prospective financial performance and/or cash flows for the financial year ending 30 June 2018.

(together the **Forecast Financial Information**)

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The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the financial year ending 30 June 2018. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The Directors’ best estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors’ best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks set out in Section 5 of the Prospectus.

The sensitivity analysis set out in Section 4.8 of the Prospectus demonstrates the impacts on the Pro Forma Forecast Financial Information of changes in key assumptions. The Pro Forma Forecast Financial Information are therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Pro Forma Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Directors’ Responsibility

The Directors are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information and the Pro Forma Historical Financial Information, including the selection and determination of the Pro Forma Adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information;
- the preparation of the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, including the best estimate assumptions underlying the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information and the selection and determination of the Pro Forma Adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial Information, the Pro Forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information that are free from material misstatement, whether due to fraud or error.



Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro Forma Historical Information, the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

Statutory Historical Financial Information

- a review of the extraction of Statutory Historical Financial Information from the audited financial statements of Netwealth Group Limited for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017;
- analytical procedures on the consolidated statements of profit or loss and other comprehensive income and summarised statements of cash flows before financing, tax and dividends of Netwealth Group Limited for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017 and consolidated statement of financial position of Netwealth Group Limited as at 30 June 2017;
- a consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Statutory Historical Financial Information;
- a review of work papers, accounting records and other documents of Netwealth Group Limited and its auditors, including those dealing with the extraction of Statutory Historical Financial Information from the relevant audited or reviewed financial statements of Netwealth Group Limited;
- a review of the accounting policies adopted and used by Netwealth Group Limited over the relevant periods for consistency of application; and
- enquiry of Directors, management and others in relation to the Statutory Historical Financial Information.

Pro Forma Historical Financial Information

- consideration of the appropriateness of Pro Forma Adjustments described in Section 4.2.4 of the Prospectus;
- enquiry of Directors, management, personnel and advisors;
- the performance of analytical procedures applied to the Pro Forma Historical Financial Information;

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The Forecast Financial Information

- enquiries, including discussions with management and Directors of the factors considered in determining the assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information;
- review of the accounting policies adopted and used in the preparation of the Forecast Financial Information; and
- consideration of the Pro Forma Adjustments applied to the Statutory Forecast Financial Information in preparing the Pro Forma Forecast Financial Information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2 of the Prospectus.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 4.2.4 of the Prospectus.

The Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (i) the Directors’ best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information; or
- (ii) in all material respects, the Statutory Forecast Financial Information:
 - a. is not prepared on the basis of the Directors’ best estimate assumptions as described in Section 4.7 of the Prospectus;
 - b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company, and Netwealth Group Limited and the recognition and measurement principles contained in Australian Accounting Standards;
- (iii) the Statutory Forecast Financial Information itself is unreasonable.

The Pro Forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (i) the Directors’ best estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information do not provide reasonable grounds for the Pro Forma Forecast Financial Information;
- (ii) in all material respects, the Pro Forma Forecast Financial Information:

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- a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.7 of the Prospectus; or
- b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and Netwealth Group Limited and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the Pro Forma Adjustments as if those adjustments had occurred as at 1 July 2017; or

(iii) the Pro Forma Forecast Financial Information itself is unreasonable.

Restrictions on Use

Without modifying our conclusions, we draw attention to the Important Notices of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours sincerely



Ashley Miller
Authorised Representative of Deloitte Corporate Finance Pty Limited (AFSL Number 241457)
AR number 461007

Deloitte.

August 2017

Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Deloitte Corporate Finance Pty Limited (DCF) (AFSL 241457) provides this FSG to you, so you know how we are remunerated and who to contact if you have a complaint.

Who supplies the financial services?

We provide this FSG to you where you engage us to act on your behalf when providing financial services.

Alternatively, we may provide this FSG to you because our client has provided financial services to you that we delivered to them.

The person who provides the financial service to you is our Authorised Representative (AR) and DCF authorises the AR to distribute this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

General financial product advice

We provide general advice when we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. In this situation, you should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If we provide advice to you in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

Personal financial product advice

When we give you advice that takes into account your objectives, financial situation and needs, we will give you a Statement of Advice to help you understand our advice, so you can decide whether to rely on it.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

Please contact us about a concern:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Financial Ombudsman Service (FOS). FOS provides fair and independent financial services dispute resolution free to consumers.

www.fos.org.au
1800 367 287 (free call)
Financial Ombudsman Service
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL number 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

Member of Deloitte Touche Tohmatsu Limited

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity.

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Material agreements

9.1 Underwriting Agreement

9.2 Voluntary escrow agreements

9.3 Customer contracts

9.4 Supply contracts

9.1 Underwriting Agreement

The Offer is being underwritten by the Joint Lead Managers pursuant to an underwriting agreement, dated 23 October 2017, between the Joint Lead Managers, NGS, NHL and the Company (**Underwriting Agreement**). Under the Underwriting Agreement, subject to the satisfaction of certain customary conditions, the Joint Lead Managers have agreed to arrange, manage and underwrite the Offer.

9.1.1 Commissions, fees and expenses

On Settlement, NGS must pay the Joint Lead Managers, in equal proportions, \$100,000, a management fee of 0.55% and underwriting fee of 2.20% of the Offer proceeds (excluding proceeds received from any issue of Shares to Existing Shareholders and under the Employee Offer). NGS may also pay the Joint Lead Managers a separate incentive fee, of up to 0.75% of the Offer proceeds. Payment of any incentive fee is at NGS' absolute discretion and may be split between the Joint Lead Managers in any proportion that NGS decides in its absolute discretion, including by allocating the maximum incentive fee to either one of the Joint Lead Managers.

The Joint Lead Managers' fees will be payable as a deduction from the total Offer proceeds, and NGS will then reimburse the Company for the full amount of the Joint Lead Managers' fees.

NGS has agreed to reimburse the Joint Lead Managers for reasonable costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

The Joint Lead Managers have agreed to pay the following fees out of fees payable to them:

- any fees of the Co-Lead Managers, Co-Managers or Brokers; and
- the fees of each Platform Adviser, being 1.5% of the proceeds raised through the issue of Shares under the Platform Priority Offer to each of the relevant Platform Adviser's clients.

9.1.2 Termination events not subject to materiality

A Joint Lead Manager may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement and on or before 10.00am on the date for Settlement by notice to the other parties if any of the following events occur:

- (disclosures) in the Joint Lead Manager's reasonable opinion a statement in the Prospectus or related offering documents is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from the relevant document;

- (supplementary prospectus) the Company, in the reasonable opinion of the Joint Lead Manager, is required under section 719 of the Corporations Act to lodge a supplementary prospectus or the Company lodges a supplementary prospectus in a form and substance that has not been approved by the Joint Lead Managers;
- (market fall) at any time the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at the close of trading on the day immediately prior to the date of the Underwriting Agreement and is at or below that level at the close of trading
 - for 3 consecutive Business Days during any time after the date of the Underwriting Agreement and prior to the date for Settlement; or
 - on the Business Day immediately prior to the date for Settlement;
- (restriction deed) any voluntary escrow deed described in section 9.2 is withdrawn, varied, terminated, rescinded, altered, amended or breached or failed to be complied with (other than with the prior written consent of the Joint Lead Managers);
- (forecasts):
 - in the reasonable opinion of the terminating Joint Lead Manager, there are not, or there ceases to be, reasonable grounds for any statement or estimate in the Prospectus or related offering documents which relate to a future matter; or
 - any statement or estimate in the Prospectus or related offering documents which relate to a future matter is, in the reasonable opinion of the terminating Joint Lead Manager, unlikely to be met in the projected timeframe (including in each case financial forecasts);
- (fraud) the Company or any of its directors or officers (as those terms are defined in the Corporations Act) engage, or have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;
- (listing and quotation) approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:
 - the Company's admission to the official list of ASX on or before the listing approval date; or
 - the quotation of all of the Company's Shares, including the Offer Shares, on ASX or for the Company's Shares, including the Offer Shares, to be traded through CHESS on or before Listing;or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;

- (notifications) any of the following notifications are made in respect of the Offer:
 - ASIC issues an order under section 739 of the Corporations Act and any such order becomes public and is not withdrawn within 2 Business Day of when it is made, or if it is made within 2 Business Day of the date for Settlement, it has not been withdrawn by 10am on the date for Settlement;
 - ASIC holds a hearing under section 739(2) of the Corporations Act;
 - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer, the Prospectus or a related offering document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer, the Prospectus or a related offering document and any such application, inquiry or hearing becomes public and is not withdrawn within 2 Business Day of when it is made, or if it is made within 2 Business Day of the Settlement Date, it has not been withdrawn by 10am on the Settlement Date;
 - any person (other than the Joint Lead Managers) who has previously consented to the inclusion of its name in the Prospectus withdraws that consent; or
 - any person (other than the Joint Lead Managers) gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
- (certificate not provided) the Company does not provide a closing certificate as and when required by the Underwriting Agreement;
- (material contracts) if any of the obligations of the relevant parties under any of the contracts that are material to the business of the Group or any of the material contracts summarised in section 9.4 of this Prospectus are not capable of being performed in accordance with their terms (in the reasonable opinion of the terminating Joint Lead Manager) or if all or any part of any of such contracts:
 - is terminated;
 - ceases to have effect, otherwise than in accordance with its terms; or
 - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and affect, or its performance is or becomes illegal;
- (withdrawal) the Company withdraws the Prospectus or a related offering document or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- (insolvency events) any member of the Group becomes insolvent, or there is an act or omission which is likely to result in a member of the Group becoming insolvent;
- (timetable) an event specified in the timetable set out in the Underwriting Agreement up to and including the date of Settlement is delayed by more than 2 Business Days (other than any delay agreed between the Company and the Joint Lead Managers (who must act reasonably));
- (unable to issue Shares) except for an agreed delay between the Company and the Joint Lead Managers, the Company is prevented from allotting and issuing (as applicable) the Shares within the time required by the timetable set out in the Underwriting Agreement, the Prospectus or associated offering documents, the Listing Rules, by applicable laws, an order of a court of competent jurisdiction or a governmental authority;
- (change to the Company) except as expressly disclosed in the Prospectus, the Company:
 - alters the issued capital of the Company or a member of the Group; or
 - disposes or attempts to dispose of a substantial part of the business or property of the Company or a member of the Group,
 without the prior written consent of the Joint Lead Managers (which is not to be unreasonably withheld or delayed);
- (regulatory approvals) if a regulatory body withdraws, revokes or materially amends any regulatory approvals required for the Company to perform its obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Prospectus;
- (force majeure) there is an event or occurrence, including passing of any statute, order, rule, regulation, directive or request of any governmental agency which makes it illegal for the Joint Lead Managers to satisfy any obligation under the Underwriting Agreement, or to market, promote or settle the Offer;
- (change in management):
 - any of Michael Heine, Matt Heine, Grant Boyle or Rachel Axton vacates their office; or
 - there is a change to the board of directors of the Company;
- (prosecution) any of the following occur:
 - a director named in the Prospectus of the Company is charged with an indictable offence;
 - any governmental agency commences any public action against the Company or any of its directors in their capacity as a director of the Company, or announces that it intends to take action; or
 - any director named in the Prospectus of the Company is disqualified from managing a corporation under Part 2D.6;

9–Material agreements

- (constitution) the Company varies any term of its constitution without the prior written consent (not to be unreasonably withheld or delayed) of the Joint Lead Managers; and
- (legal proceedings) any regulatory body commences any enquiry or public action against a member of the Group.

9.1.3 Termination subject to materiality

A Joint Lead Manager may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement and on or before 10.00am on the date for Settlement by notice to the other parties, if any of the following events occur and the Joint Lead Manager has reasonable grounds to believe the event: (i) has or is likely to have a material adverse effect on the success, settlement, outcome or marketing of the Offer or on the ability of the Joint Lead Manager to market or promote or settle the Offer or on the likely price at which the Shares will trade on ASX or the willingness of investors to subscribe for Shares; or (ii) will, or is likely to, give rise to a liability of the Joint Lead Manager under, or a contravention by the Joint Lead Manager or its affiliates, or the Joint Lead Manager or its affiliates being involved in a contravention of, any applicable law:

- (disclosures) in the Joint Lead Manager’s reasonable opinion a statement in any public statement made by or on behalf of Netwealth in relation to Netwealth or the Offer is or becomes misleading or deceptive or is likely to mislead or deceive;
- (new circumstances) there occurs a new circumstance that arises after the Prospectus is lodged that would have been required to be included in the Prospectus if it had arisen before lodgement;
- (material contracts) any of the contracts that are material to the business of the Group or any of the material contracts summarised in section 9.4 of this Prospectus:
 - is amended or varied without the consent of the Joint Lead Managers (acting reasonably); or
 - is breached;
- (disclosures in the due diligence materials) certain due diligence materials or any other information supplied by or on behalf of the Company to the Joint Lead Managers in relation to the Group or the Offer is, or becomes, misleading or deceptive, including by way of omission;
- (adverse change) any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company and the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the Group from those respectively disclosed in the Prospectus or other offer documents or any public statement made by or on behalf of Netwealth in relation to Netwealth or the Offer;
- (change of law) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- (breach of laws) there is a contravention by the Company or any other member of the Group of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), ASIC Act, any regulations under those acts or any other applicable law or regulation;
- (compliance with law) any of the Prospectus, other associated offering documents or any aspect of the Offer does not comply with the Corporations Act or any other applicable law or regulation;
- (representations and warranties) a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of the Company is breached, becomes not true or correct or is not performed;
- (breach) the Company defaults on 1 or more of its obligations under the Underwriting Agreement;
- (legal proceedings) the commencement of legal proceedings against the Company, any other member of the Group or any director of the Company or any other member of the Group in that capacity;
- (information supplied) any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of a member of the Group to the Joint Lead Managers in respect of the Offer or the Group is, or is found to be misleading or deceptive, or likely to mislead or deceive (including, by omission);
- (hostilities) hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, Singapore, the United Kingdom, the People’s Republic of China, any member States of the European Union or the United States or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries;
- (certificate incorrect) a statement in any closing certificate provided under the Underwriting Agreement is false, misleading, inaccurate, untrue or incorrect;

- (disruption in financial markets) any of the following occurs:
 - a general moratorium on commercial banking activities in Australia, the People’s Republic of China, Singapore, Hong Kong, the United Kingdom, the United States or a member state of the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
 - any adverse effect on the financial markets in Australia, the People’s Republic of China, Singapore, Hong Kong, the United Kingdom, the United States or a member state of the European Union, or in foreign exchange rates or any development involving a prospective change or break up in political, financial or economic conditions in any of those countries; or
 - trading in all securities quoted or listed on ASX, New York Stock Exchange, London Stock Exchange, Hong Kong Stock Exchange or the Tokyo Stock Exchange is suspended or limited in a material respect for 1 day (or a substantial part of 1 day) on which that exchange is open for trading.

9.1.4 Indemnity

The Company agrees to keep the Joint Lead Managers and the Joint Lead Manager’s affiliated parties indemnified from losses suffered in connection with the Offer, subject to customary exclusions (including gross negligence, recklessness, fraud or willful default).

9.1.5 Representations, warranties and undertakings

The Underwriting Agreement contains representations, warranties and undertakings provided by the Company and NHL and, where the context requires, NHL only, to the Joint Lead Managers.

The representations and warranties relate to matters such as the Company and NHL’s powers and capacities, information provided, insurance, litigation, the Prospectus and other offering documents, due diligence, internal controls and conduct (including relating to compliance with laws, the undertaking of the Offer and the operation of the Netwealth business).

The Company and NHL’s undertakings include that they will, from the date of the Underwriting Agreement up until 180 days after Completion of the Offer:

- not issue or agree to issue, without the prior written consent of the Joint Lead Managers (which must not be unreasonably withheld or delayed) any Shares or

other securities of the Company or any member of the Group, other than the issue of securities under the Offer or as disclosed in the Prospectus and other offering documents;

- carry on the Netwealth business in the ordinary course and, except as expressly disclosed in the Prospectus and other offering documents, not dispose of any material part of the business or the Group property and not acquire any property or business except in the ordinary course or with the prior written consent of the Joint Lead Managers (not to be unreasonably withheld or delayed);
- not alter the capital structure of the Company, amend the Company’s constitution or dispose of the Company’s business or property in whole or substantial part, except as expressly disclosed in the Prospectus and other offering documents or with the prior written consent of the Joint Lead Managers (not to be unreasonably withheld or delayed); and
- not, vary in any material respect any term of the contracts described in section 9.4 of this Prospectus without the prior written consent of the Joint Lead Managers (not to be unreasonably withheld or delayed).

9.2 Voluntary escrow agreements and holding locks

Each of the Heine Shareholders has entered into a voluntary escrow deed with the Company in relation to all of the Shares (**Escrowed Shares**) they will hold on Completion⁵⁸, for the periods set out below (the **Escrow Period**).

In aggregate, 151.2 million Shares will be the subject of these escrow arrangements, representing approximately 63.6% of the total Shares on issue immediately following Completion, excluding any new Shares to be issued under the Employee Offer. A table setting out the Heine Shareholders and the Shares they hold following Completion is set out below.

Under the voluntary escrow deeds for Michael Heine and Matt Heine (and entities controlled by them), they each agree, subject to limited exceptions, not to deal in:

- 100% of their Shares held at Completion, from Completion until the date the audited financial report of the Company for FY2018 is provided to ASX; and
- 50% of their Shares held at Completion, from the date the audited financial report of the Company for FY2018 is provided to ASX until the date the audited financial report of the Company for FY2019 is provided to ASX.

58. This excludes 325,584 Shares held on Completion by Leslie Heine through a Netwealth superannuation product which will not be subject to escrow arrangements due to legal restrictions relating to the manner in which they are held. These Shares represent 0.1% of the total number of Shares on issue at Completion, and 1.5% of the holding by Leslie Heine (and entities controlled by him) at Completion.

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Under the voluntary escrow deed for Leslie Heine (and entities controlled by him), Leslie Heine agrees, subject to limited exceptions, not to deal in 100% of Shares held following Completion⁵⁹ until the date the audited financial report of the Company for FY2018 is provided to ASX.

The restriction on dealing is broadly defined and includes, among other things, selling, transferring or otherwise disposing of any interest in the Shares, encumbering or granting a security interest over the Shares, doing, or omitting to do, any act where the act or omission would have the effect of transferring effective ownership or control of any the Shares or agreeing to do any of those things.

The Heine Shareholders may be released early from these escrow obligations to enable a dealing that arises as a result of:

- the Heine Shareholder accepting an offer under a bona fide third party takeover bid under Chapter 6 of the Corporations Act in relation to its Shares, provided that the holders of at least half of the Shares the subject of the bid that are not the Heine Shareholders have accepted the takeover bid;
- the Shares held by the Heine Shareholders being transferred or cancelled as part of a merger by a scheme of arrangement under Part 5.1 of the Corporations Act, provided that, in each case, if for any reason any or all Escrowed Shares are not transferred or cancelled in accordance with such a takeover bid or scheme of arrangement, then the holder of such Escrowed Shares agrees that the restrictions applying to the Escrowed Shares will continue to apply; or
- a requirement of applicable law.

Heine Shareholders	Number of Escrowed Shares (on Completion) (m)	Escrowed Shares (as a percentage of Shares on issue on Completion ¹)
Heine Brothers Pty Ltd as trustee for the MMH Trust (an entity controlled by Michael Heine)	125.9	53.0
Matt Heine (and entities controlled by him)	3.2	1.4
Leslie Max Heine Pty Ltd as trustee for The LMH Trust (an entity controlled by Leslie Heine) ²	22.1	9.3
Total	151.2	63.6

1. Excludes any new Shares to be issued under the Employee Offer.

2. This Shareholder has entered into an agreement with Michael Heine and Heine Brothers Pty Ltd under which either Michael Heine or Heine Brothers Pty Ltd (at the election of Michael Heine) is entitled to direct the voting of any Shares held by this Shareholder which are held at Completion. This agreement continues indefinitely until terminated by any party, or until this Shareholder ceases to hold the relevant Shares.

In addition to the voluntary escrow arrangements, certain Shares received by Existing Shareholders under the Restructure will have holding locks placed on them from Completion. These Shares will be received by the Existing Shareholders in exchange for ordinary shares in NHL, which those Existing Shareholders received on conversion of their A Class shares in NHL to ordinary shares in NHL (as described in [Section 4.2.2](#)), and which were purchased by them using loans provided by NGS. In total, 3,476,603 Shares will be subject to the holding locks at Completion, and the holding locks will be released once the relevant Existing Shareholder pays the amount outstanding on the loan in relation to the relevant Shares.

9.3 Customer contracts

9.3.1 Key customer contracts

Netwealth has entered into various contractual arrangements with its customers depending on the nature of the customer and the product or services provided. While these contractual arrangements vary, this is a summary of the key characteristics of those contractual arrangements.

59. This excludes 325,584 Shares held on Completion by Leslie Heine through a Netwealth superannuation product which will not be subject to escrow arrangements due to legal restrictions relating to the manner in which they are held. These Shares represent 0.1% of the total number of Shares on issue at Completion, and 1.5% of the holding by Leslie Heine (and entities controlled by him) at Completion.

9.3.2 Nature of customer contracts

Netwealth's customer contracts can broadly be categorised as:

- agreements relating to the provision of access to the Netwealth Platform and to Netwealth financial products and services for clients who use those products (**Platform Client Agreements**). Platform Client Agreements are set out in product disclosure statements (**PDSs**) and IDPS Guides for Netwealth's products and account for the majority of Netwealth's revenue;
- agreements for the provision of bespoke services, such as co-branding of Netwealth products, development and hosting of customer branded websites, specialised product structures, and funds management agreements (**Bespoke Service Agreements**); and
- agreements with third parties for products and services to be made available to Netwealth's clients through the Netwealth Platform, such as agreements with model managers, insurance providers and fund managers (**Intermediary Service Agreements**).

9.3.3 Revenue

Under the Platform Client Agreements, Netwealth generates revenue by charging fees to clients as described in the PDS or IDPS Guide for the relevant product. These fees are deducted at regular intervals from clients' accounts and investments and include:

- administration fees for administration of Platform accounts and cash holdings;
- investment fees applying to certain investment options available through the Platform;
- transaction fees in relation to certain investment transactions undertaken through the Platform, including asset transfer fees on termination;
- insurance administration fees for provision of life insurance through the Platform; and
- management fees on managed funds and managed models where Netwealth acts as the Responsible Entity.

Under the Bespoke Service Agreements, Netwealth generates revenue in ways that vary depending on the nature and extent of the contracted services. Some arrangements that include the provision of co-branded products include ongoing asset-based fees or ongoing fees per account, charged to the contracting customer. Other arrangements are supported by revenues generated under Platform Client Agreements that result from provision of the bespoke services.

Under the Intermediary Service Agreements, Netwealth generates revenue by charging third party suppliers fees for Netwealth to offer their products through its Platform, including:

- insurance fees — Netwealth receives an administration fee from insurers who provide life insurance to Netwealth's clients through the Netwealth Platform;
- model manager fees — Netwealth charges third parties whose models are made available to clients through the Netwealth Platform a fee per model; and
- fund manager fees — Netwealth charges investment managers an annual fee per investment option for use of the Netwealth Platform as well as a quarterly fee for certain products (and in some instances percentage asset-based fees, under 'grandfathered' arrangements).

Netwealth also has agreements with financial intermediaries which are supported by revenues generated under Platform Client Agreements from clients of those intermediaries.

9.3.4 Term and termination

Platform Client Agreements

The Platform Client Agreements do not have defined terms and continue until terminated by the client. A client may request at any time for their funds to be transferred out of a Netwealth Platform account or product, thereby terminating the contract. Netwealth must (or will) generally complete the transfer within a relatively short period and typically within 30 days, unless an investment is illiquid or redemption restrictions apply.

Bespoke Service Agreements and Intermediary Service Agreements

The Bespoke Service Agreements and Intermediary Service Agreements typically do not have defined terms and continue until terminated by either party on 30 to 60 days' written notice, or 'for cause', with immediate effect. 'For cause' events typically include:

- unremedied material contractual breaches;
- insolvency;
- an investigation by a financial regulator or another act that could reasonably be expected to cause reputational damage; and
- Netwealth ceasing to hold an AFSL.

Where an agreement is terminated, Netwealth is generally entitled to any outstanding fees and to any fees associated with services provided beyond the effective date of termination. In some cases, Netwealth may be obliged to refund to the customer any fees paid by the customer in advance and not used as at the effective date of termination.

9–Material agreements

Some of Netwealth’s contractual arrangements with third party insurance suppliers have initial terms of two to five years, and continue thereafter until the relevant insurance policies are no longer in force or the agreement is terminated. The insurance arrangements vary in termination rights. Some of the agreements may be terminated by the insurance supplier without cause, on 90 days’ to six months’ written notice, and some allow termination ‘for cause’, generally on the events identified above.

9.3.5 Liability regimes

Clients who use Netwealth’s Platform generally indemnify Netwealth against claims resulting from the client’s appointment of their own financial adviser as their representative to carry out transactions on their behalf or from dealings made at the instruction or request of their adviser, including purported dealings where Netwealth reasonably believes an adviser is acting within their authority.

Netwealth is liable to the extent that it acts negligently or wrongfully or for loss suffered as a result of Netwealth breaching its legal obligations or a defect in Netwealth’s product disclosure statements. Under some of Netwealth’s customer contracts, such as the fund administration agreement, Netwealth’s liability is limited to the fees or commissions that it receives in providing the services.

9.4 Supply contracts

Netwealth has entered into contractual arrangements for the licensing of third party software that is integral to the Netwealth Platform. The key contractual relationships are:

- the agreement and licence for use of IRESS’ Acurity software, which provides back end administration for the Netwealth Platform (IRESS Software Licence, Support and Consulting Agreement); and
- the agreement and licence for use of OpenText Case 360 software, a workflow management tool (Case 360 Software Licence and Maintenance Agreement).

Sections 9.4.1 and 9.4.2 summarise the key aspects of these contractual relationships.

Netwealth has also entered into contractual arrangements with Australia and New Zealand Banking Group Limited (ANZ) for an agreed interest rate on pooled cash held by Netwealth in ANZ at call deposit products on behalf of clients of the Netwealth Platform. This arrangement is described in Section 9.4.3.

9.4.1 IRESS Software Licence, Support and Consulting Agreement

Netwealth has an agreement in place with Financial Synergy Pty Ltd (acquired by IRESS Wealth Management Pty Ltd in 2016) for the granting of a non-exclusive, non-transferable software licence, as well as customer support and maintenance services and certain consulting services, including advisory services, client specific modification and enhancement services, project management services and training services. The software licensed from IRESS under this agreement includes Acurity, software specifically designed for the superannuation and investment industry.

Netwealth pays an upfront licence fee as well as ongoing quarterly licence maintenance fees and monthly consulting and on-call fees.

Term and termination

The IRESS Software Licence, Support and Consulting Agreement was entered into on 12 May 2003. The agreement has no defined term and remains on foot unless and until terminated by either party ‘for cause’. ‘For cause’ termination events include:

- a breach of the agreement and failure to take reasonable steps to correct the breach within 30 days of written notice of breach being provided;
- an insolvency event; and
- for Netwealth’s termination only, if the software carries a defect which has remained uncorrected for more than one month.

The agreement may also be terminated by Netwealth without cause on 90 days’ written notice. The agreement may not be terminated by IRESS without cause. However, IRESS may terminate any work orders on 30 days’ written notice if the main agreement is terminated. IRESS will be entitled to payment of all non-cancellable costs or liabilities incurred in performing or preparing to perform a work order.

If the IRESS Software Licence, Support and Consulting Agreement is terminated, Netwealth must deliver to IRESS or, if requested to do so, destroy the software within 30 days after termination.

9.4.2 Case 360 Software Licence and Maintenance Agreement

Netwealth has a software licence and maintenance agreement in place with Global 360 (Australia) Pty Ltd (acquired by OpenText Corp in 2011) for the granting of a non-exclusive, non-transferable licence to Global 360 software and maintenance services.

Netwealth has paid an upfront licence fee, and must continue to pay an annual maintenance fee.

Term and termination

The Case 360 Software Licence and Maintenance Agreement was entered into on 24 June 2010. The agreement has no defined term and remains on foot unless and until terminated by either party in the circumstances set out below. Maintenance is provided under a maintenance program which is automatically renewed in increments of 12 months.

Either party may terminate the agreement and any licence granted under it with 30 days' written notice to the other party if the party breaches any term of the agreement and fails to cure the breach within a 30 day notice period. If the licence is terminated, Netwealth must immediately cease use of and return all licensed software.

Netwealth may also discontinue the maintenance program services by providing at least 30 days' written notice prior to the annual renewal date.

9.4.3 ANZ Interest Rate Agreements

Netwealth has entered into contractual arrangements with ANZ for an agreed interest rate on pooled cash held by Netwealth in ANZ at call deposit products on behalf of clients of the Netwealth Platform (**Interest Rate Agreements**).

There are three Interest Rate Agreements currently in place with ANZ, each for a Netwealth account related to a different Platform product:

- an agreement relating to Netwealth's account for clients invested in netcash (**Netcash Agreement**);
- an agreement relating to Netwealth's account for Wrap clients invested in Netwealth's investor directed portfolio service (**Wrap Service Agreement**); and
- an agreement relating to Netwealth's account for clients invested in the Netwealth Superannuation Master Fund (**Master Fund Agreement**).

The negotiated interest rate is uniform across the three Interest Rate Agreements at the ANZ Official Cash Rate plus a margin (**Interest Rate**). The ANZ Official Cash Rate is an interest rate determined independently by ANZ but directly indexed to the Reserve Bank of Australia's cash rate target.

Term and termination

The three Interest Rate Agreements were entered into on 1 March 2017 and have initial terms of two years. Following the expiry of this initial term, the agreements will remain in place and the Interest Rate will continue to apply until terminated or varied in accordance with their terms.

Netwealth may terminate the Master Fund Agreement at any time without cause on 12 months' written notice and may terminate the Netcash Agreement and Wrap Service Agreement without cause from 1 March 2018 on 12 months' notice (so that termination occurs outside of the initial term).

ANZ cannot terminate the Interest Rate Agreements without cause; however, ANZ may terminate an Interest Rate Agreement if, in its sole discretion, it considers that any of the representations or warranties provided by Netwealth are incorrect or if Netwealth advises ANZ that any of the representations or warranties in the agreement will become incorrect (**Warranty Breach**). There is no notice period specified in the agreements for ANZ terminating for Warranty Breach.

The Interest Rate cannot be varied by ANZ without cause during the Initial Term. However, from 1 March 2018, ANZ may vary the Interest Rate without cause and at its sole discretion on 12 months' written notice, so that a new interest rate applies after the initial term.

ANZ may also vary the Interest Rate to a rate it determines, with immediate effect, if any of the following events occur:

- where Netwealth has terminated the agreement without cause, upon expiry of the 12 months' notice period;
- where ANZ has terminated the agreement for Warranty Breach;
- where Netwealth has failed to comply with its obligations under the agreement; or
- where ANZ is no longer able to treat the deposited funds as retail deposits for the purposes of APRA Prudential Standard APS 210.

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Additional information

10.1 Registration

10.2 Company tax status

10.3 Corporate structure

10.4 Participation in issues of securities

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10.1 Registration

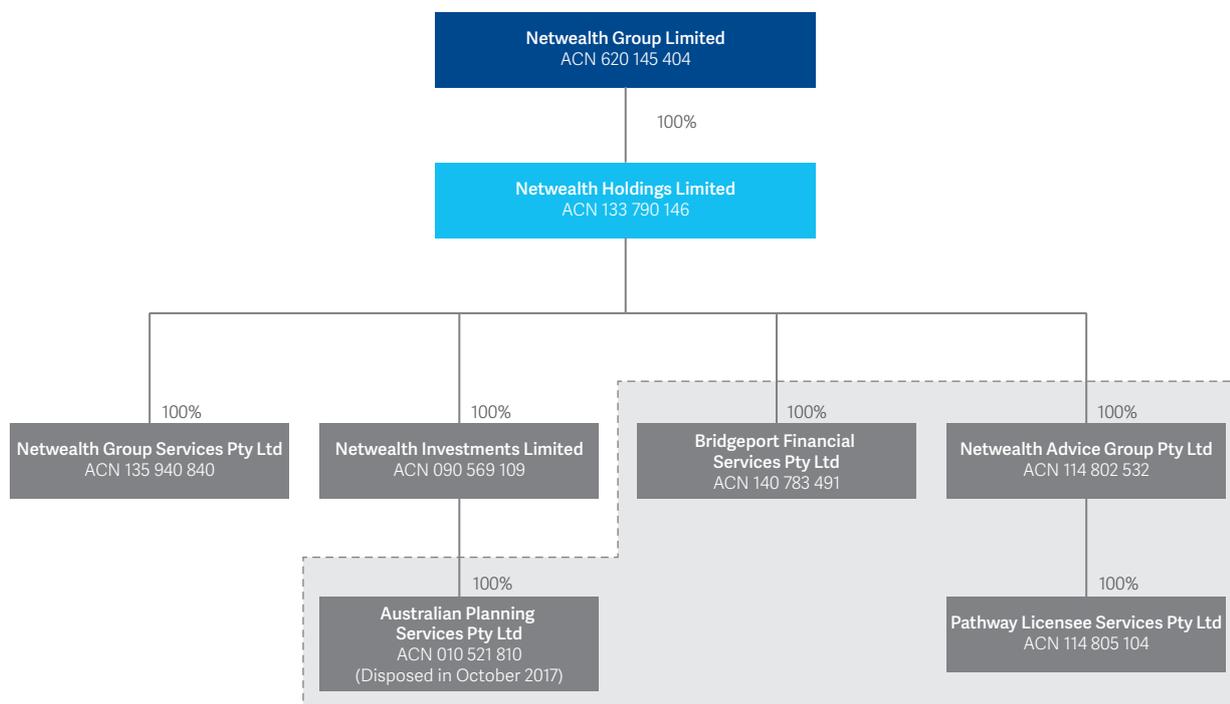
The Company was registered in Victoria, Australia on 30 June 2017 as a public company limited by shares.

10.2 Company tax status

The Company will be taxed as an Australian resident public company in Australia for the purposes of Australian income tax law. The Company will be subject to tax at the Australian corporate tax rate. The Company’s tax year ends on 30 June.

10.3 Corporate structure

The following diagram represents the corporate structure of the Group following completion of the Restructure but prior to the Divestments. Unless stated otherwise, each entity is 100% owned, directly or indirectly, by the Company and incorporated in Victoria, Australia, and operates in the financial services industry.



As described in Section 10.5 below, the shares in or assets of each of Bridgeport, Pathway, APS and NAG (shown in the shaded area above) have been, or are proposed to be, divested or otherwise disposed of by the Group prior to or following Completion and the Restructure. Where assets of the entity are disposed of, it is intended to wind up the entity as soon as practicable.

10.4 Participation in issues of securities

Except as described in this Prospectus, the Company has not granted, or proposed to grant any rights to any person, or to any class of person, to participate in an issue of the Company’s securities.

10.5 The Restructure, Divestments and acquisition

10.5.1 Restructure

As at the Prospectus Date, Netwealth Holdings Limited ACN 133 790 146 (NHL) is the ultimate holding company of Netwealth, and the Company does not own NHL.

In connection with the Offer, Netwealth will be restructured to superimpose the Company as the holding company of NHL, and ultimate holding company of Netwealth (the Restructure).

The Company and Existing Shareholders (including holders of Platinum Shares discussed in Section 6.3.2) have entered into a share sale agreement to implement the Restructure, under which the Company has agreed to buy all of the issued share capital of NHL from the Existing Shareholders in exchange for a combination of Shares and the proceeds of the Offer as consideration. Only title and capacity warranties have been given by the shareholders of NHL to the Company under the share sale agreement.

Completion of the Restructure is subject to Listing. The Restructure is scheduled to take effect on Friday, 24 November 2017. Completion of the Restructure is a condition to the commencement of unconditional and deferred settlement trading. If the Restructure does not complete, the Offer will not proceed.

10.5.2 Divestments and acquisition

In addition to the Restructure, Netwealth has already or intends to divest its interests held in non-core businesses Bridgeport Financial Services Pty Ltd (**Bridgeport**), Pathway Licensee Services Pty Ltd (**Pathway**), Australian Planning Services Pty Ltd (**APS**) and Netwealth Advice Group Pty Ltd (**NAG**) (the **Divestments**). The Divestments will enable Netwealth to dedicate its resources to matters that are central to its operations, rather than a range of businesses which, despite positive earnings, are not material to the overall profitability of Netwealth.

Netwealth is also considering the acquisition of a book of predominantly Wrap clients from another Platform operator. The purchase price will be dependent on the value of the recurring revenue generated by the transferring clients over a period to be agreed between Netwealth and the seller. If completed, it is anticipated that the purchase price will be approximately \$3 million. Discussions in relation to this transaction are at a very early stage, and there is no guarantee as to whether this transaction will proceed.

10.5.2.1 Bridgeport

Bridgeport is a corporate authorised representative of APS and provides financial planning advice to retail clients under the APS AFSL. Bridgeport employs only salaried advisers and has over 5,000 retail clients with more than \$500 million in funds under advice.

Netwealth proposes to dispose of the majority of the assets and liabilities of Bridgeport. It is proposed Bridgeport sells the majority of its assets in consideration of an upfront payment, a further payment approximately one year following completion and a final payment approximately two years following completion, with each payment being linked to the actual or expected revenue earned in the 12 months prior to the payment and subject to adjustments. Based on information available as at the Prospectus Date, the payments are anticipated to be \$5.1 million, \$5.3 million and \$2.7 million respectively. Completion of the sale of the assets is anticipated to occur by 31 December 2017.

It is anticipated that, under the agreement, Netwealth may provide standard warranties, and any warranty claim will be subject to monetary and time based limitations.

Netwealth intends to wind up Bridgeport once the asset sale has been completed, the warranty period has passed and the deferred payment period described above has passed.

10.5.2.2 Pathway and NAG

Pathway provides financial planning software support and professional development services to Licensees and their authorised representatives, including APS and Bridgeport.

Netwealth is currently in discussions with multiple potential purchasers of Pathway, and proposes to enter into a binding agreement to dispose of all of the shares or assets of Pathway and possibly NAG. NAG, which is the holding company of Pathway, does not undertake any operations and has no other assets or liabilities and will be wound up if it is not sold with Pathway. Netwealth anticipates it will sell all of its shares or assets in Pathway (or possibly NAG) in consideration of an expected amount of approximately \$1 million (subject to certain adjustments), with 60% of this amount being received as a cash payment from the purchaser at completion with the balance being payable 12 months from completion, but contingent on the achievement of certain specified revenue targets during the 12 months. Completion of this agreement is anticipated to occur by 31 December 2017.

It is anticipated that, under the agreement, Netwealth will provide certain standard warranties, and any warranty claim must be made by the purchaser within a specified period from completion, to be agreed between the parties. Liability for breach of warranties is anticipated to be capped at the sale price.

10.5.2.3 APS

On 19 September 2017, Netwealth entered into a binding, non-conditional agreement disposing of all of the issued share capital in APS to an entity associated with Michael Heine for \$1. Completion occurred on 20 October 2017. Under the agreement, Netwealth has provided certain limited warranties, including in relation to its ability to undertake the sale, its ownership of the sale shares and the capital structure of APS. It has not provided warranties in relation to the liabilities of APS or litigation against APS. There is no time limit or monetary cap on warranty claims.

10–Additional information

Under the sale agreement, the purchaser acknowledges that it is aware that APS has in the past been subject to substantial claims in relation to financial services advice provided by its authorised representatives and that APS is currently subject to claims and may be subject to future claims. The purchaser further acknowledges that Netwealth is not liable for any past claims, and the purchaser will not make any claim and will procure that APS will not make any claim against Netwealth for compensation in connection with any future claim.

Under the sale agreement, Netwealth has agreed that it will, at its expense, assist APS in the processing of claims, including by providing the resources and access to information reasonably required to respond to claims. Additionally, given the close association of Netwealth and APS in the financial services industry and the importance of Netwealth's reputation in its business activities, NIL has agreed to indemnify APS in respect of claims, up to an amount of \$1 million and for a period commencing on 30 June 2017 and ending three years from completion of the sale of APS (unless the amount or time period is increased by NIL in its absolute discretion). Under the indemnity, APS must take all commercially reasonable actions to mitigate against any claim. If APS does not do so and mitigation would have reduced the claim, NIL will not be liable for the amount by which the loss would have been reduced.

Further, the purchaser has agreed to procure that APS pays all compensation, damages and other liabilities in connection with any claims against it, and must ensure that APS has sufficient financial resources to pay claims, including by contributing additional funding to APS, up to a limit of \$2 million for a period of two years from completion of the sale of APS and, following that, for a further period of one year, up to a limit of the lesser of (a) \$1 million or (b) the portion of the \$2 million which has not been contributed by the purchaser in the first two year period. For example, if the purchaser contributes \$1.75 million in the first two years, it only has to contribute up to \$250,000 in the third year or, if the purchaser contributes \$500,000 in the first two year period, it has to contribute up to \$1 million in the third year or, if the purchaser contributes \$2 million in the first two year period, it does not have to contribute anything further in the third year. APS is entitled to rely on the indemnity from NIL up to the limit of \$1 million before the purchaser is required to contribute funds in this manner to meet any further liabilities above \$1 million. Under the sale agreement, Michael Heine has agreed to procure that the purchaser comply with the agreement.

In connection with the sale, a service agreement has been entered into between NGS and APS for the provision of human resources, financial, accounting, operations, administration and management services from NGS to APS. It is intended that this will enable APS to process any continuing or future claims and to provide services necessary for APS as a Licensee to support Bridgeport for

so long as Bridgeport provides financial services on behalf of APS, in order for APS to meet certain obligations it has under a corporate authorised representative's agreement with Bridgeport. For so long as Bridgeport remains an authorised representative of APS, APS will pay NGS an amount equal to the cost of providing those services and will receive fees from Bridgeport (without any margin) for the relevant services. Once Bridgeport is no longer an authorised representative of APS, APS will pay NGS a nominal fee of \$1 per month in relation to the services, which are anticipated to relate primarily to APS claims. This agreement can be terminated by either party on 90 days' notice.

10.5.3 Preparation of Prospectus

Unless otherwise specified, this Prospectus has been prepared as if the Restructure and Divestments have already occurred. For example, the Investment Overview in [Section 1](#), the Company Overview in [Section 3](#) and the Financial Information in [Section 4](#), each describe the Group after the Restructure and Divestments.

The corporate structure of Netwealth after completion of the Restructure but prior to the completion of the Divestments is contained in [Section 10.3](#).

10.6 Litigation and claims

As at the Prospectus Date, so far as the Board is aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or Governmental prosecutions of a material nature involving Netwealth which is likely to have a material adverse impact on the business or financial position of Netwealth.

10.7 Description of syndicate

The Joint Lead Managers to the Offer are Credit Suisse (Australia) Limited and UBS AG, Australia Branch.

The Co-Lead Managers to the Offer are Bell Potter Securities Limited and Ord Minnett Limited.

The Co-Managers to the Offer are Crestone Wealth Management Limited and JBWere Limited.

10.8 Consents to be named and inclusion of statements and disclaimers of responsibility

Each of the parties referred to below (each a **Consenting Party**) has given and has not, before the lodgement of the Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named, but has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for, any statements in or omissions from this Prospectus, and has not made

any statement that is included in this Prospectus or any statement on which a statement which is made in this Prospectus is based, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below:

- UBS and Credit Suisse each as Joint Lead Managers to the Offer;
- Bell Potter Securities Limited and Ord Minnett Limited as Co-Lead Managers to the Offer;
- Crestone Wealth Management Limited and JBWere Limited as Co-Managers to the Offer;
- Herbert Smith Freehills as Australian legal adviser (except in relation to taxation, stamp duty and the Divestments) to the Company in relation to the Offer;
- Deloitte Corporate Finance Pty Limited as Investigating Accountant to the Company and to the inclusion in this Prospectus of its Investigating Accountant's Report in the form and context in which it is included;
- ShineWing Australia Pty Ltd as taxation adviser to the Company;
- Deloitte Touche Tohmatsu as auditor to the Company; and
- Link Market Services Limited as the Company's Share Registry.

10.9 Australian taxation considerations

This Section provides a general overview of certain Australian tax consequences for investors who acquire Shares through the Offer.

The following tax comments are based on the tax law in Australia in force as at the Prospectus Date. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor. During the period of ownership of the Shares by investors, the taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal will depend upon each investor's specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares.

The following information is a general summary of the Australian income tax implications for:

- Australian resident:
 - individuals;
 - complying superannuation entities;
 - trusts;
 - partnerships; and
 - corporate entities; and

- non-Australian tax resident:
 - individuals; and
 - corporate entities.

This information does not apply to investors that hold Shares on revenue account, investors who hold their shares as trading stock, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the Income Tax Assessment Act 1997 (Cth), which have made elections for the fair value or reliance on financial reports methodologies. Taxation issues, such as (but not limited to) those covered by this Section are just one of the matters an investor needs to consider when deciding about a financial product. Investors should consider taking advice from someone who holds an Australian Financial Services Licence before making such a decision.

10.9.1 Dividends paid on Shares

Dividends may be paid to Shareholders by the Company. The Company may 'attach' franking credits to such dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

It should be noted that the concept of a dividend for Australian income tax purposes is very broad and is not just limited to the circumstances where a dividend is paid in accordance with the Corporations Act.

10.9.1.1 Australian resident individuals and complying superannuation entities

Dividends paid by the Company on a Share will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend (some superannuation funds may be exempt in relation to Shares to the extent that they are held to support current pension liabilities). Such investors should, subject to the satisfaction of certain integrity measures discussed below, be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income, investors should be entitled to a tax refund.

To the extent that the dividend is unfranked, the investor will generally be taxed at the investor's applicable tax rate on the dividend received with no tax offset.

10.9.1.2 Australian resident corporate investors

Corporate investors are also required to include both the dividend and the associated franking credit in their assessable income. They are then allowed a tax offset up to the amount of the franking credit on the dividend.

An Australian resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit on the distribution received. This will allow the corporate investor to pass on the benefit of the franking credits to its own investor(s) on the payment of dividends.

Excess franking credits received, being those that exceed the tax payable by the company for the year, cannot generally give rise to a refund for a company taxpayer but will be converted into a tax loss that may be carried forward.

10.9.1.3 Australian resident trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships will be required to include the amount of the dividend together with any franking credit in determining the net income of the trust or partnership for the income year in which the dividend is received. The rules surrounding the treatment of dividends, particularly franked dividends, for trusts and partnerships are complex. Provided that certain conditions are satisfied, both the liability to pay tax on the dividend (and any franking credits) and the tax offset provided by any franking credits can flow through to the trust beneficiaries or partners (provided that they are Australian residents).

10.9.1.4 Non-Australian resident individuals and corporate investors

Dividends paid to a non-resident of Australia should not be subject to Australian dividend withholding tax to the extent that the dividends have been franked or, if unfranked, the dividends have been declared to be conduit foreign income.

To the extent that a dividend is unfranked and has not been declared to be conduit foreign income, Australian dividend withholding tax will be required to be withheld by the Company on behalf of the non-Australian tax resident investor at a rate not exceeding 30%. Dividend withholding tax may be reduced under an applicable Double Taxation Treaty Australia has with certain treaty countries.

10.9.1.5 Shares held at risk

The benefit of franking credits can be denied where an investor is not a 'qualified person'. In these circumstances, the investor will not include an amount for the franking credits in their assessable income but will not be entitled to a tax offset.

Broadly, for an investor to be a 'qualified person', two tests must be satisfied, namely the holding period rule and the related payments rule.

Under the holding period rule, an investor is required to hold shares 'at risk' for more than 45 days continuously (which is measured as the period commencing the day after the shares were acquired and ending on the 45th day after the shares become ex-dividend) in order to qualify for franking benefits, including franking credits. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000. Special rules apply to trusts and beneficiaries.

Under the related payments rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the shares at risk for the continuous 45 day period as above but within the limited period commencing on the 45th day before, and ending on the 45th day after, the day the shares become ex-dividend.

Investors should seek professional advice to determine whether these requirements, as they apply to them, have been satisfied.

10.9.1.6 Dividend washing

Dividend washing is a practice through which taxpayers seek to claim two sets of franking credits by selling shares held on ASX and then effectively purchasing an equivalent parcel of shares on a special ASX trading market. The timing of this transaction occurs after the taxpayer becomes entitled to the dividend on the original parcel of shares but before the official record date for dividend entitlements. Where applicable, no tax offset is available (nor is an amount required to be included in your assessable income) for a dividend received on the parcel of shares purchased on the special ASX trading market.

Investors should consider the impact of these rules having regard to their own personal circumstances.

10.9.2 Disposal of Shares

10.9.2.1 Australian tax resident Shareholders

Australian tax resident Shareholders who hold their Shares on capital account will be required to consider the impact of the Australian capital gains tax (CGT) provisions in respect of the disposal of their Shares.

Where the capital proceeds received on disposal of the Shares exceed the CGT cost base of those Shares, Australian tax resident Shareholders will be required to recognise a capital gain. The CGT cost base of the Shares should generally be equal to the issue price or acquisition price of the Shares plus, among other things, incidental costs associated with the acquisition and disposal of the Shares. The CGT cost base of the Shares may be reduced as a result of receiving non-assessable distributions from the Company, such as returns of capital.

Conversely, Australian tax resident Shareholders may recognise a capital loss on the disposal of Shares where the capital proceeds received on disposal are less than the reduced CGT cost base of the Shares.

All capital gains made by an Australian tax resident Shareholder for an income year are added together, and all capital losses made for that year are subtracted. To the extent that a net gain remains, such Shareholders should be able to reduce the gain by the amount of any net capital losses carried forward from previous income years (provided certain loss recoupment tests are satisfied). Any remaining net gain will then be required to be included in the Australian tax resident Shareholder's assessable income (subject to the comments below in relation to the availability of the CGT discount concession) and will be taxable at the Shareholder's applicable rate of tax. If a net capital loss is recognised, the loss will only be available to reduce future capital gains, and will be carried forward. Net capital losses are capable of being carried forward indefinitely provided the relevant loss recoupment tests are satisfied.

Non-corporate Shareholders may be entitled to a concession which discounts the amount of the capital gain that is assessed. Broadly, the concession is available where the Shares have been held for at least 12 months prior to disposal. The concession results in a 50% reduction in the assessable amount of a capital gain for an individual Shareholder or trust, and a one third reduction of a capital gain for an Australian tax resident complying superannuation entity Shareholder. If available, the reduction is applied after the application of any current year capital losses or carried forward net capital losses, and only to the portion of the capital gain on the Shares remaining after applying those losses. The concession is not available to corporate Shareholders.

In relation to trusts, the rules surrounding capital gains and the CGT discount are complex, but the benefit of the CGT discount may flow through to relevant beneficiaries, subject to certain requirements being satisfied.

10.9.2.2 Non-Australian tax residents

Broadly, non-Australian tax resident investors who hold Shares on capital account should not be subject to Australian income tax in relation to a future disposal of these Shares unless:

- the investor (together with its associates) directly holds 10% or more of the issued share capital of the Company at the time of the disposal, or throughout a continuous period of 12 months within the two years before the disposal; and

- at the time of the disposal, more than 50% of the Company's assets (by market value) are 'taxable Australian real property'.

The definitions of the terms 'associates' and 'taxable Australian real property' for Australian tax purposes are complex. It is recommended that non-Australian tax resident investors seek their own advice as to how these expressions may apply to their circumstances.

10.9.3 Tax file numbers

A Shareholder is not obliged to quote a tax file number (TFN), or where relevant, Australian Business Number (ABN), to the Company. However, if a TFN or ABN is not quoted and no exemption is applicable, income tax is required to be deducted by the Company at the highest marginal rate (currently 45%) plus Medicare levy (currently 2%) from certain dividends paid.

The withholding requirement does not apply to the franked part (if any) of a dividend paid by the Company on the Shares.

10.9.4 Stamp duty

No duty should be payable by a Shareholder on the issue or acquisition of Shares pursuant to the Offer. Further, under current duty legislation, duty would not ordinarily be payable on any subsequent acquisition of Shares by a Shareholder provided the Company remains listed on ASX and the Shareholder does not hold 90% or more of the issued Shares (alone or with associates) after a subsequent acquisition.

10.9.5 Australian Goods and Services Tax (GST)

Under current Australian law, GST should not be payable in respect of the issue, acquisition or transfer of Shares. Investors will generally not be entitled to claim full input tax credits for GST included in any costs associated with acquiring, holding or disposing of Shares.

10.10 Ownership restrictions

10.10.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company, either themselves or through an associate.

10.10.2 Foreign Acquisition and Takeovers Act

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) (**FATA**) applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates (**substantial interest**), or 40% or more by two or more unassociated foreign persons and their associates (**aggregate substantial interest**). Where a foreign person holds a substantial interest in the Company or foreign persons hold an aggregate substantial interest in the Company, the Company itself will be a ‘foreign person’ for the purposes of the FATA.

Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer, and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Commonwealth Government’s Foreign Investment Policy (**Policy**) or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

In addition, in accordance with the Policy, acquisitions of a direct investment in an Australian company by foreign governments and their related entities should be notified to the Foreign Investment Review Board for approval, irrespective of value. According to the Policy, a ‘direct investment’ will typically include any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company but may also include investment of less than 10% where the investor is building a strategic stake in the target or obtains potential influence or control over the target investment.

10.10.3 Treasury Legislation Amendment (Improving Accountability and Member Outcomes in Superannuation) Bill 2017

On 26 July 2017, the Federal Government released for consultation draft legislation that proposes to amend the Superannuation Industry (Supervision) Act 1993 (Cth) to require a person to apply to APRA for approval to hold a ‘controlling stake’ in an RSE licensee prior to them obtaining ownership of an RSE licensee. Consistent with the Financial Sector (Shareholdings) Act 1998 (Cth), a controlling stake is a stake of more than 15% of the RSE licensee. A person’s stake in an RSE licensee is a person’s shareholding (including the shareholdings of their associates) and votes associated with that shareholding. The holding of a controlling stake in an RSE licensee without APRA approval is a strict liability offence, which incurs a penalty of 400 penalty units per day.

APRA must make a decision on the application for approval within 90 days after receiving the application or within 90 days after the applicant has provided further information requested by APRA. In addition, APRA can extend the period for deciding on an application by up to 30 days. A decision by APRA to refuse an application for a change in ownership or control is reviewable in the Administrative Appeal Tribunal. These amendments also provide APRA with the power to give a direction to a person to relinquish control of an RSE licensee if there has been, is or is likely to be interference with the ability of the RSE licensee to satisfy its obligations in relation to a superannuation entity.

The consultation period for this draft legislation closed on 11 August 2017.

10.11 ASX waivers and ASIC relief

10.11.1 ASIC exemptions and relief

The Company has received certain exemptions from, modifications to, and relief from, the following provisions of the Corporations Act:

- an exemption from ASIC from the pre-prospectus advertising and publicity rules in section 734(2) of the Corporations Act to permit the provision of information relating to the Offer to the Group’s employees prior to lodgement of the Prospectus;
- relief so that the takeover provisions of the Corporations Act will not apply to certain relevant interests that the Company would otherwise acquire in the Heine Shareholders’ Escrowed Shares by reason of the voluntary escrow arrangements in relation to those Shares, as described in [Section 9.2](#);
- relief from section 259C of the Corporations Act so that Shares in the Company can be held through the Netwealth Platform in superannuation accounts (this relief has been granted in principle by ASIC and the formal instrument of relief is expected to be finalised and executed shortly after the Prospectus Date); and
- an exemption from compliance with section 1020B(2) of the Corporations Act relating to the prohibition of certain short sales of securities on behalf of all persons who sell or offer to sell Shares during the period of conditional trading on ASX.

10.11.2 ASX confirmations

The Company has received from ASX an in principle ASX Listing Rule confirmation that the Company may undertake conditional and deferred settlement basis trading of the Shares, subject to certain conditions to be approved by ASX.

The Company has received from ASX an in principle ASX Listing Rule confirmation that the proposed terms of the Performance Shares are appropriate and equitable for the purpose of Listing Rule 6.1.

10.12 Cost of the Offer

The costs of the Offer are expected to be approximately \$12.1 million (including advisory, legal, accounting, tax and duty, listing and administrative fees, the Joint Lead Managers' management and underwriting fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses). These costs have been, or will be, borne by the Group, and not from the proceeds of the Offer.

10.13 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in Victoria, Australia, and each Applicant and bidder submits to the exclusive jurisdiction of the courts of Victoria, Australia.

10.14 Statement of Directors

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of the Prospectus and issue of the Prospectus and has not withdrawn that consent.



Appendix A: Glossary

Appendix A: Glossary

A Class Shares	'A' class shares in the capital of NHL.
AAS or the Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board.
AASB	Australian Accounting Standards Board.
AFSL	Australian Financial Services Licence.
Appendix	an appendix to this Prospectus.
Applicant	a person who submits an Application.
Application	an application for Shares under the Offer.
Application Form	an application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility).
Application Monies	the amount of money submitted or made available by an Applicant in connection with an Application.
APRA	Australian Prudential Regulation Authority ABN 79 635 582 658.
APS	Australian Planning Services Pty Ltd ABN 55 010 521 810.
ASFA	the Association of Superannuation Funds of Australia ABN 29 002 786 290.
ASIC	Australian Securities and Investments Commission ABN 86 768 265 615.
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i> (Cth).
ASX	ASX Limited ABN 98 008 624 691 or the securities exchange that it operates, as the context requires.
ASX Recommendations	the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition).
ASX Settlement	ASX Settlement Pty Limited ABN 49 008 504 532.
ASX Settlement Operating Rules	the settlement operating rules of ASX Settlement.
AUD, A\$ or \$	Australian dollar.
Bespoke Service Agreements	agreements for the provision of bespoke services, such as co-branding of Netwealth products, development and hosting of customer branded websites, specialised product structures, and funds management agreements.
Board or Board of Directors	the board of directors of the Company.
bps	a basis point is a financial unit of measure, where 1% is equal to 100 basis points.
Bridgeport	Bridgeport Financial Services Pty Ltd ABN 99 140 783 491.
Broker	any ASX participating organisation selected by the Joint Lead Managers and Netwealth to act as a broker to the Offer.
Broker Firm Application Form	an application form attached to or accompanying this Prospectus (including any electronic form provided by an online application facility) in respect of the Broker Firm Offer.

Broker Firm Offer	the offer of Shares under this Prospectus to Australian resident retail clients of Brokers who have received an invitation to participate from their Broker.
Broker Firm Offer Period	the period during which the Broker Firm Offer is open, being from 8.30am on Thursday, 2 November 2017 to 5.00pm on Thursday, 16 November 2017.
Business Day	a day on which ASX is open for trading securities, and banks are open for general banking business in Sydney.
CAGR	compound annual growth rate.
Capital Reorganisation	has the meaning given in Section 4.2.2 .
CGT	capital gains tax.
Chairman	Chairman of the Board.
CHESS	Clearing House Electronic Subregister System operated in accordance with the Corporations Act.
Co-Lead Managers	Bell Potter Securities Limited and Ord Minnett Limited.
Co-Managers	Crestone Wealth Management Limited and JBWere Limited.
Company	Netwealth Group Limited ACN 620 145 404.
Completion	completion of the Restructure and the issue and transfer of Shares pursuant to the Offer.
Consenting Party	has the meaning given in Section 10.8 .
Constitution	the constitution of the Company.
Core and Russell Products	has the meaning given in Section 7.4.2.1 .
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Credit Suisse	Credit Suisse (Australia) Limited ABN 94 007 016 300.
Director	a member of the Board.
Divestment Businesses	Bridgeport, Pathway, APS and NAG.
Divestments	the divestment of interests held by Netwealth in non-core businesses Bridgeport, Pathway, APS and NAG.
EBIT	earnings before interest and tax.
EBITDA	earnings before interest, tax, depreciation and amortisation.
Eligible Employees	all permanent full-time and permanent part-time employees of the Company resident in Australia who are employed by Netwealth as at 5.00pm (Sydney time) on 23 October 2017 and have not given or received notice at this date that their employment will cease. Directors, casual employees and employees resident outside of Australia are not eligible to participate in the Employee Offer.
Employee Offer	has the meaning given in Section 7.6 .
Employee Offer Period	the period during which the Employee Offer is open, being from 8.30am on Thursday, 2 November 2017 to 6.00pm on Tuesday, 14 November 2017.
eop	end of the period, being 30 June of the respective financial year.

Appendix A: Glossary

EPS	earnings per share.
Escrow Period	the periods for which Shares are subject to voluntary escrow arrangements as set out in Section 9.2 .
Escrowed Shares	the Shares which are subject to voluntary escrow arrangements as set out in Section 9.2 .
Existing Shareholders	the shareholders of NHL prior to the Restructure, including the Heine Shareholders, Directors, members of management and others.
Expiry Date	13 months after the Prospectus Date.
Exposure Period	the seven day period commencing after lodgement of this Prospectus with ASIC during which no Applications may be accepted, which may be extended by ASIC for up to an additional seven days.
Financial Information	the Historical Financial Information together with the Forecast Financial Information.
Financial Intermediaries	Persons or businesses who hold an AFSL or who are authorised representatives of an AFSL holder, who provide financial advice to clients or arrange financial products for clients. Financial Intermediaries can include financial advisers, investment advisers, stockbrokers, managed discretionary account providers, private wealth managers, accountants and firms servicing high net wealth individuals and families.
FOFA	Future of Financial Advice reforms.
Forecast Financial Information	the Statutory Forecast Financial Information together with the Pro Forma Forecast Financial Information.
Foundation Shares	foundation shares in the capital of NHL.
FTE	full-time equivalent staff members.
FUA	Funds under administration (FUA) is taken to mean the value of assets administered within a particular Platform product or group of Platform products, including superannuation and non-superannuation Platform products. When used in the context of Netwealth, FUA includes the value of assets administered within the Netwealth Superannuation products and the Netwealth IDPS products.
FUM	Funds under management (FUM) is taken to mean the amount of funds subject to investment management in various financial products including managed funds, managed accounts and non-Platform superannuation funds, as the context requires. When used in the context of Netwealth, FUM includes the value of assets managed within the Netwealth managed funds and Netwealth Managed Account.
FUMA	Funds under management and administration (FUMA) is taken to mean the amount of FUA within a Netwealth Platform product or products plus the amount of FUM managed within the Netwealth managed funds and Netwealth Managed Account. In other words, \$1 invested in a Netwealth managed fund or Netwealth Managed Account through a Platform counts as \$2 of FUMA.
FY2015	the financial year ended 30 June 2015.
FY2016	the financial year ended 30 June 2016.
FY2017	the financial year ended 30 June 2017.
FY2018	the financial year ending 30 June 2018.

General Priority Offer	the offer of Shares under this Prospectus to selected investors nominated by the Company who have received a General Priority Offer Letter to apply for Shares in the Offer.
General Priority Offer Letter	a letter of offer detailing the terms of the General Priority Offer and sent on or about Tuesday, 31 October 2017 to each selected investor nominated by the Company.
Glossary	this glossary.
Government	the Government of the Commonwealth of Australia.
Group	As the context requires: <ul style="list-style-type: none"> • NHL and its wholly-owned subsidiaries; or • Netwealth Group Limited and its wholly-owned subsidiaries.
GSS Funds	eleven managed fund managed investment schemes of which NIL is the responsible entity and which are collectively referred to as the Global Specialist Series.
GST	goods and services tax imposed in Australia.
Heine Shareholders	Michael Heine, Matt Heine and Leslie Max Heine and entities controlled by one or more of them.
Historical Financial Information	the Statutory Historical Financial Information together with the Pro Forma Historical Financial Information.
IASB	International Accounting Standards Board.
IDPS	investor directed portfolio services.
IFRS	International Financial Reporting Standards.
Institutional Investors	investors who are: <ul style="list-style-type: none"> • persons in Australia who are wholesale clients under section 761G of the Corporations Act and either 'professional investors' or 'sophisticated investors' under sections 708(11) and 708(8) of the Corporations Act; or • institutional investors in certain other jurisdictions, as agreed by Netwealth and the Joint Lead Managers, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any Government agency (except one with which Netwealth is willing in its discretion to comply), <p>provided that in each case such investors are not in the United States or are 'Eligible US Fund Managers' (as defined by the Joint Lead Managers) in transactions exempt from or not subject to the registration requirements of the US Securities Act in reliance on Regulation S thereunder.</p>
Institutional Offer	the invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.7 .
Intermediary Service Agreements	agreements with third parties for products and services to be made available to Netwealth's clients through the Netwealth Platform.
Investigating Accountant	Deloitte Corporate Finance Pty Limited ABN 19 003 833 127.
Investigating Accountant's Report	the Investigating Accountant's Report and financial services guide prepared by the Investigating Accountant and set out in Section 8 .
IPO	the initial public offering of Shares under this Prospectus and Listing.

Appendix A: Glossary

Joint Lead Managers or JLMs	Credit Suisse and UBS.
Licensee	a person or business that holds an AFSL and has appointed Financial Intermediaries as authorised representatives to provide services to clients under that AFSL.
Listing	admission of the Company to the Official List and quotation of the Shares.
Listing Rules or ASX Listing Rules	the rules of ASX that govern the admission, quotation and removal of securities from the Official List.
NAG	Netwealth Advice Group Pty Ltd ABN 68 114 802 532.
netcash	a managed investment scheme called 'netcash', of which NIL is the responsible entity and which invests in a deposit with an Australian bank.
Netwealth	means: <ul style="list-style-type: none"> • before completion of the Restructure, NHL and its controlled entities, and the business carried on by them; and • after completion of the Restructure, the Company and its controlled entities and the business carried on by them.
Netwealth Managed Account	a managed account managed investment scheme of which NIL is the responsible entity, called 'Netwealth Managed Account'.
Netwealth Offer Information Line	<ul style="list-style-type: none"> • within Australia: 1800 888 223; or • outside Australia: +61 3 9655 1300, and in each case, open from 8.30am to 6.00pm (Sydney time), Monday to Friday during the Broker Firm Offer Period (Business Days only).
Netwealth Superannuation Master Fund	Netwealth Superannuation Master Fund ABN 94 573 747 704.
New Shareholders	Shareholders issued Shares as part of the Offer.
NGS	Netwealth Group Services Pty Ltd ABN 89 135 940 840.
NHL	Netwealth Holdings Limited ACN 133 790 146.
NIL	Netwealth Investments Limited ABN 85 090 569 109 AFSL 230975.
NPAT	net profit after tax.
NSW	New South Wales, Australia.
Offer	the offers of securities under this Prospectus.
Offer Price	\$3.70 per Share.
Official List	the official list of entities that ASX has admitted and not removed.
Open Application Programming Interfaces	a set of functions and procedures that allow the creation of applications which access the features or data of an operating system, application or other service.
Operational Risk Financial Requirement or ORFR	a requirement imposed on trustees of superannuation funds to have adequate financial resources to address losses arising from operational risks that may affect a fund. This may be achieved in a number of different ways, including the establishment and maintenance of an Operational Risk Financial Requirement Reserve.

Operational Risk Financial Requirement Reserve	under the APRA prudential requirements, Netwealth must ensure that it has access to sufficient funds to meet the ORFR. Netwealth meets the ORFR with a combination of an operational risk reserve amount held within the fund and operational risk trustee capital that Netwealth holds specifically for that purpose.
Pathway	Pathway Licensee Services Pty Ltd ABN 13 114 805 104.
PBT	profit before tax.
PDS	product disclosure statement.
Performance Shares	has the meaning given in Section 6.3.2 .
Platform	includes IDPSs and IDPS-like schemes, as well as superannuation master trusts and certain other superannuation funds that provide Financial Intermediaries and clients with an efficient and transparent way to acquire, hold and administer a range of investments, commonly including domestic and international securities, managed funds, cash and term deposits. Netwealth's Platform comprises both an IDPS and a superannuation master trust, and where used in relation to a statement made by a third party source referred to in this Prospectus, has the meaning given by the relevant third party source.
Platform Adviser	Financial Intermediaries who are clients of Netwealth and have received a Platform Priority Offer Letter inviting them to participate (along with their Platform Adviser Clients who have accounts on the Netwealth Platform) in the Platform Priority Offer.
Platform Adviser Associated Entity	<p>Any person who is sufficiently connected with a Platform Adviser such that receipt by that person of Offer Shares may confer a benefit on that Platform Adviser (other than a commercial arms' length benefit derived as a result of the relationship between the Platform Adviser and an ordinary client), and,</p> <ul style="list-style-type: none"> • in the case of a Platform Adviser that is a body corporate, includes its 'Related Entities' as the term is defined in the Corporations Act; and • in the case of a Platform Adviser that is a natural person, includes any body corporate of which the Platform Adviser is a Related Entity (as the term is defined in the Corporations Act) and any relatives (as defined in the Corporations Act) of the Platform Adviser.
Platform Adviser Clients	Existing Netwealth Wrap service and Netwealth superannuation product clients of a Platform Adviser who are Australian residents.
Platform Client Agreements	agreements relating to the provision of access to the Netwealth Platform and to Netwealth financial products and services for clients who use those products.
Platform Priority Offer	the offer of Shares under this Prospectus to Platform Advisers and their Platform Adviser Clients.
Platform Priority Offer Letter	a letter of offer detailing the terms of the Platform Priority Offer and sent on or about Tuesday, 24 October 2017 to each Platform Adviser.
Platform Revenue	includes administration, management, transaction and ancillary fees.
Platform Services	Netwealth's reportable segment under AASB 8 'Operating Segments'.
Platinum Shares	has the meaning given in Section 6.3.2 .
Priority Offer Period	the period during which the Platform Priority Offer and General Priority Offer are open, being from 8.30am on Thursday, 2 November 2017 to 5.00pm on Tuesday, 14 November 2017.
Privacy Act	<i>Privacy Act 1988</i> (Cth).

Appendix A: Glossary

Pro Forma Forecast Cash Flow Statement	the pro forma forecast consolidated summarised statement of cash flows for FY2018.
Pro Forma Forecast Financial Information	the Pro Forma Forecast Income Statement together with the Pro Forma Forecast Cash Flow Statement.
Pro Forma Forecast Income Statement	the pro forma forecast consolidated statement of profit or loss and other comprehensive income for FY2018.
Pro Forma Historical Balance Sheet	the pro forma historical consolidated statement of financial position as at 30 June 2017.
Pro Forma Historical Cash Flow Statements	the pro forma historical consolidated summarised statements of cash flows before financing, tax and dividends for FY2015, FY2016 and FY2017.
Pro Forma Historical Financial Information	the Pro Forma Historical Income Statements together with the Pro Forma Historical Cash Flow Statements and the Pro Forma Historical Balance Sheet.
Pro Forma Historical Income Statements	the pro forma historical consolidated statements of profit or loss and other comprehensive income for the financial years FY2015, FY2016 and FY2017.
Prospectus	this document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document.
Prospectus Date	the date on which a copy of this Prospectus was lodged with ASIC, being Tuesday, 24 October 2017.
Restructure	the corporate restructure undertaken in connection with the Offer, as described in Section 10.5 .
Retail Offer	the Broker Firm Offer, the Platform Priority Offer, the General Priority Offer and the Employee Offer.
RIML	Russell Investment Management Ltd ABN 53 068 338 974 AFSL 247185.
RITC	Reduced Input Tax Credit.
RSE licence	Registrable Superannuation Entity licence.
Section	a section of this Prospectus.
Settlement	the process by which the Offer Price must be paid and the Shares distributed to the successful Applicants.
Share	a fully paid ordinary share in the capital of Netwealth Group Limited.
Share Registry	Link Market Services Limited ABN 54 083 214 537.
Shareholder	a holder of Shares from time to time.
Shareholding	a holding of Shares.
SIS Act	Superannuation Industry (Supervision) Act 1993.
SMART	Netwealth's proprietary end-to-end, real-time modelling and rebalancing system for models created and maintained by Financial Intermediaries.
SMSF	self-managed superannuation fund.
Specialist Platform Provider	Platform providers whose primary business activity is providing a Platform, such as Netwealth and other companies including HUB24, OneVue and Praemium.

Statutory Forecast Cash Flow Statement	the statutory forecast consolidated summarised statement of cash flows for FY2018.
Statutory Forecast Financial Information	the Statutory Forecast Income Statement together with the Statutory Forecast Cash Flow Statement.
Statutory Forecast Income Statement	the statutory forecast consolidated statement of profit or loss and other comprehensive income for FY2018.
Statutory Historical Balance Sheet	the statutory historical consolidated statement of financial position as at 30 June 2017.
Statutory Historical Cash Flow Statements	the statutory historical consolidated summarised statements of cash flows before financing, tax and dividends for FY2015, FY2016 and FY2017.
Statutory Historical Financial Information	the Statutory Historical Income Statements together with the Statutory Historical Cash Flow Statements and the Statutory Historical Balance Sheet.
Statutory Historical Income Statements	the statutory historical consolidated statements of profit or loss and other comprehensive income for FY2015, FY2016 and FY2017.
Sydney time	the official time in Sydney, Australia.
TFN	tax file number.
UBS	UBS AG, Australia Branch.
Underwriting Agreement	the underwriting agreement described in Section 9.1 .
US Securities Act	United States Securities Act of 1933, as amended.
VIC	Victoria, Australia.
Wrap	refers to non-superannuation Platform products.



Appendix B: Significant accounting policies

1. Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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 (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and

any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2. 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.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established 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 (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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.

4. Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

5. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. All revenue is stated net of the amount of goods and services tax (GST).

Revenue comprises platform fees received by the Group for the following services rendered; administration, management and transaction services in its capacity as the operator of an investor directed portfolio service called the 'Netwealth Wrap Service' and as the Trustee of a Superannuation Fund called the 'Netwealth Superannuation Master Fund'. Revenue is recognised when the underlying activities have been completed. Revenue is deferred when management fees are received upfront but where associated activities are yet to be performed.

Revenue also comprises fees from the provision of financial planning and advice services, compliance consulting services and dealership services. Revenue is recognised when services are rendered.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

6. Income tax

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. 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 generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Appendix B: Significant accounting policies

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

7. Property and equipment

Each class of property and equipment is carried at cost or fair value as indicated less, where applicable, 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. In the event the carrying amount of leasehold improvement is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in the profit and loss account. A formal assessment of recoverable amount is made when impairment indicators are present.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are 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, including buildings and capitalised lease assets but excluding freehold land, 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. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. 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%
Plant and 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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

8. Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

9. Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions to the financial instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Appendix B: Significant accounting policies

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on FVTPL equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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 considered to be impaired 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity

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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which AASB 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with AASB 137; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

10. Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives, which range from 10 to 15 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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

11. 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 (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

12. Employee benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

The Group classifies employees' long service leave as other long-term employee benefits, as they are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for the Group's obligation for other long-term employee benefits, which is measured at the present value of the expected future payments to be made to employees and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds. Upon the measurement of obligations for employee benefits, the net change in obligation is recognised in profit or loss as part of employee benefits expense.

The Group's obligations for long-term employee benefits 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 (9.5% of the employee's average ordinary salary during the financial year) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employee's defined contribution entitlement is limited to its obligations for any unpaid superannuation guarantee contribution at the end of the reporting period.

All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as a part of current trade and other payables in the Group's statement of financial position.

13. Share-based payment arrangements

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.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

14. 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 a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is

the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

15. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less (including products managed via the Netwealth Platform), and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

16. 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 receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST component which is recoverable from or payable to the ATO is included in the cash flows arising from investing and financing activities. The GST component of operating cash flows included in receipts from customers or payments to suppliers.

17. Comparative figures

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



Appendix C: Netwealth Group Limited Performance Share Terms

1. Definitions and interpretation

1.1 Definitions

In these terms, unless the context otherwise requires, the following terms and expressions will have the following meanings:

Acquisition Price means, in respect of a Performance Share, the amount payable (if any) for that Performance Share.

ASX means ASX Limited (ABN 98 008 624 691) trading as the Australian Securities Exchange or the securities exchange operated by that entity, as appropriate.

Board means the board of directors of the Company, a committee appointed by the board of directors of the Company as constituted from time to time, or, in respect of a particular matter, any person who is provided with delegated authority by the board of directors of the Company in respect of that particular matter from time to time.

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Melbourne, Australia.

Change of Control Event means a change in the Control of the Company such that the person or entity that Controlled the Company as at the date of issue of the Performance Shares, or any other person or entity that Controls the Company immediately prior to the time that the applicable change occurs, ceases to Control the Company after that change occurs.

Company means Netwealth Group Limited (ACN 620 145 404).

Constitution means the constitution of the Company.

Control has the meaning given to that term in section 50AA of the Corporations Act and in the case of a company, includes the power (whether it is legally enforceable or not) to control, whether directly or indirectly, the composition of the board of directors of that company, the voting rights of the majority of the voting shares of the company or the management of the affairs of the company; and Controlled has a corresponding meaning.

Corporations Act means the *Corporations Act 2001* (Cth).

Group means the Company and its Subsidiaries.

Liquidity Event means:

- (a) a Trade Sale; or
- (b) any other event determined by the Board in its absolute discretion to constitute a "Liquidity Event" for the purposes of these terms.

Ordinary Share means a fully paid ordinary share in the capital of the Company.

Participant means a holder of a Performance Share.

Performance Share means a "Performance" class performance share in the Company held by a Participant (including, where the context requires, any Ordinary Share in relation to which it has converted) pursuant to these terms.

Subsidiary has the same meaning as in Division 6 of Part 1.2 of the Corporations Act.

Trade Sale means the sale of all or substantially all of the:

- (a) business and assets of the Company to a third party; or
- (b) issued shares in the Company to a third party and whether or not such a sale occurs as part of one or more transactions,

but does not include any internal restructure under which the composition of the shareholders of the Company do not materially change.

Vesting Condition means any conditions to vesting of Performance Shares that are set out in Schedule 1.

1.2 Interpretation

In these terms, unless otherwise stated or the contrary intention appears:

- (a) the singular includes the plural and vice versa;
- (b) a gender includes all genders;
- (c) a reference to a document, agreement, plan or rules includes that document, agreement, plan or rules as novated, altered, supplemented, replaced or amended from time to time;
- (d) headings are for convenience only and do not affect the interpretation of these terms;
- (e) a reference to any thing (including any amount) includes any part of that thing and a reference to a group of things or persons includes each thing or person in that group;
- (f) a reference to any legislation includes any modification or replacement of it and all regulations and statutory instruments issued under it and a reference to any provision of any legislation includes any modification or substitution of it;
- (g) a reference to these terms includes all recitals, annexures, addendums and schedules to these terms;
- (h) a reference to a person includes a reference to the person's executors, administrators and successors or a body corporate including any person taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (i) the expression "person" includes an individual, the estate of an individual, the legal personal representative of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (j) a monetary amount is a reference to Australian Dollars;

- (k) in these terms any reference to include means to include without limitation; and
- (l) where any word is given a defined meaning, any other part of speech or other grammatical form in respect of such word or phrase has a corresponding meaning.

2. Rights and features of Performance Shares

- (a) A Performance Share:
 - (i) is not transferrable;
 - (ii) does not confer on its holder the right to:
 - (A) receive dividends;
 - (B) participate in new issues of securities such as bonus issues or entitlement issues;
 - (C) a return of capital, whether in a winding up, upon a reduction of capital or otherwise; or
 - (D) participate in the surplus profit or assets of the Company upon a winding up; and
 - (iii) confers on its holder the right to receive notices of general meetings of the Company but not to attend or to vote at general meetings of the Company.
- (b) Subject to these terms, if all Vesting Conditions have been met in respect of any Performance Shares, those Performance Shares will automatically convert, by way of variation of the terms of the Performance Shares and change of name, to Ordinary Shares on a 1:1 basis, on the day that is 2 Business Days following the day the Vesting Conditions have been met.
- (c) Subject to these terms, if at any time any Vesting Condition is not been met by the date specified for satisfaction of that Vesting Condition in respect of any Performance Shares on issue on that date, those Performance Shares will automatically be compulsorily divested (by way of an Employee Share Scheme Buy-Back (as defined in the Corporations Act)) for the Acquisition Price on the day that is 2 Business Days following the date on which the relevant Vesting Condition failed to be met.
- (d) Subject to clause 2(e), if the Board determines before 31 December 2020 in its absolute discretion that a Liquidity Event or Change of Control Event will or is likely to occur, the Board may convert any Performance Share to an Ordinary Share on a 1:1 basis, and that converted Ordinary Share may participate and/or benefit from any transaction arising from or in connection with the Liquidity Event or the Change of Control Event.

- (e) If the Board determines in its discretion to convert Performance Shares to Ordinary Shares under clause 2(d), the number of Ordinary Shares into which the Performance Shares convert must not exceed 10% of the Company's issued ordinary capital as at the date of conversion.
- (f) If any Vesting Conditions have not been met by 31 October 2022, each Performance Share on issue at that date will automatically be compulsorily divested (by way of an Employee Share Scheme Buy-Back (as defined in the Corporations Act)) for the Acquisition Price on the day that is 2 Business Days following 31 October 2022.
- (g) In the event that the Ordinary Shares on issue are sub-divided or consolidated into a larger or smaller amount, the Performance Shares will be sub-divided or consolidated (as the case may be) by the same ratio such that they represent the same proportion of the issued capital of the Company following the sub-division or consolidation of the Performance Shares as they did prior to the sub-division or consolidation of Ordinary Shares.

3. Compulsory divestiture

3.1 Fraudulent or dishonest actions

Unless varied by prior written agreement with the Board, where, in the opinion of the Board, a holder of a Performance Share:

- (a) acts fraudulently or dishonestly; or
- (b) has wilfully breached his or her obligations to any member of the Group,

then the Board may deem any Performance Shares held by the holder to be compulsorily divested – in which event the holder is deemed to have agreed to sell those Performance Shares to the Company pursuant to an Employee Share Scheme Buy-Back (as defined in the Corporations Act) at the Acquisition Price.

3.2 Insolvency

Unless otherwise determined by the Board, a Performance Share held by a Participant in accordance with these terms will be compulsorily divested (by way of an Employee Share Scheme Buy-Back (as defined in the Corporations Act)) immediately on the date that the Participant becomes insolvent under administration (as defined in section 9 of the Corporations Act).

3.3 Application of Part 2D.2 Division 2 of the Corporations Act

- (a) This clause 3.3 applies to all termination payments to which Part 2D.2 Division 2 of the Corporations Act applies.
- (b) Notwithstanding any other provision of these terms, in the absence of shareholder approval, the Company is not required to provide, or procure the provision, of any benefit under these terms which is not permitted by Part 2D.2 Division 2 of the Corporations Act.
- (c) Any benefits required to be provided to a Participant in accordance with these terms will, by operation of this clause, be reduced to ensure compliance with Part 2D.2 of the Corporations Act and the provision of such reduced benefit shall constitute full satisfaction of the obligations of each member of the Group. In the event of overpayment to a Participant, the Participant must, on receiving written notice from the Board, immediately repay any monies or benefits specified in such notice to ensure compliance with Part 2D.2 of the Corporations Act.
- (d) Where clause 3.3(b) applies the Company may seek or not seek shareholder approval in its discretion.

4. Effect of Compulsory Divestiture

4.1 Compulsory Divestiture of Performance Shares

In order to effect a compulsory divestiture of a Participant's Performance Shares under these terms, the Participant is deemed to have undertaken one or several of the following methods of compulsory divestiture at the discretion of the Board:

- (a) agreed to a buy-back of the relevant Performance Shares by the Company for an amount equal to the Acquisition Price of those Performance Shares (**Compulsory Divestiture Value**); and
- (b) otherwise agreed to deal with those Performance Shares in the manner required by the Board in its discretion provided that the consideration for the relevant Performance Shares shall be an amount in aggregate equal to the Compulsory Divestiture Value, and the Participant must take all necessary steps (and sign all necessary documents) to give effect to the relevant method(s) of compulsory divestiture.

5. Buy-Back

5.1 General buy-back

The Company may undertake a buy-back of Performance Shares in the following circumstances:

- (a) as provided for in these terms (including, without limitation, following a conversion by the Board in its absolute discretion to Ordinary Shares pursuant to clause 2(d), or pursuant to clause 4).

- (b) as otherwise agreed from time to time by the Company and the Participant,

provided that at all times the buy back is undertaken in accordance with applicable laws and regulations.

5.2 Further actions

- (a) The Company may do such things and enter such arrangements with the Company's share registry or otherwise as it considers necessary to implement any buy-back under this clause 5.
- (b) Each Participant agrees to do and procure all things the Company considers necessary in order to fully implement a buy-back under this clause 5, insofar as it relates to Performance Shares held by that Participant.

6. Cancellation

- (a) Where the Performance Shares are to be cancelled by the Company, the Company may do such things and enter such arrangements with the Company's share registry or otherwise as it considers necessary to implement any such cancellation.
- (b) Each Participant agrees to do and procure all things as the Company considers necessary in order to fully effect a cancellation under this clause 6, insofar as it relates to Performance Shares held by that Participant.

7. Restrictions on and amendments to the terms

7.1 Compliance with applicable laws and regulations

Notwithstanding these terms, no Performance Share may be transferred or vested if to do so would contravene the any applicable laws or regulations.

7.2 Amendment of these terms

- (a) Subject to clause 7.2(b), the Board may:
 - (i) at any time amend any provisions of these terms; and
 - (ii) determine that any amendments to these terms be given retrospective effect, immediate effect or future effect.
- (b) Notwithstanding clause 7.2(a), no amendment to any provision of these terms may be made, other than an amendment which:
 - (i) does not have a material effect on the terms of the Performance Shares or the rights or obligations of a holder of Performance Shares; or
 - (ii) is introduced primarily:
 - (A) for the purposes of complying with or conforming to present or future legislation governing or regulating these terms;

- (B) to correct any manifest error or mistake;
- (C) to enable these terms or any member of the Group to comply with its constituent documents or any other applicable laws and regulations; and/or
- (D) to take into consideration possible adverse taxation implications in respect of these terms including changes to applicable taxation legislation or the interpretation of that legislation by a court of competent jurisdiction or any rulings from taxation authorities administering such legislation.

(c) As soon as reasonably practicable after making any amendments to any provisions of these terms, the Board will give notice of the amendment to each Participant affected by the amendment. Failure by the Board to notify a Participant of any amendment will not invalidate the amendment as it applies to that Participant.

8. Miscellaneous

8.1 Governing law

- (a) These terms are governed by the laws of Victoria, Australia.
- (b) Each Participant submits to the non-exclusive jurisdiction of the courts of Victoria, Australia, and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought in connection with these terms.

Schedule 1 – Vesting Conditions of Performance Shares

Your Performance Shares are subject to the Vesting Conditions set out below. These Vesting Conditions must be fulfilled or waived by the Board before Your Performance Shares vest.

Condition 1 – continuous service

You must be either:

- (a) continuously employed by; or
- (a) hold office continually with,
 - one or more members of the Group until 31 December 2020.

Condition 2 – performance ratings

In each of the four financial years starting with the year commencing on 1 July 2016 and ending with the year ending on 30 June 2020 (the Relevant Period), You must achieve performance ratings of 'Achieving' (or equivalent if the performance rating categories are changed) or higher. (As at the date that Participants received an invitation to apply for Performance Shares, 'Achieving' is defined as 'Valued staff member who is competent and capable in all aspects of their role. Achieves expected standards in all performance areas.')

Condition 3 – behaviour ratings

In each of the four financial years in the Relevant Period, You must achieve behaviour ratings of 'Effectively displays' (or equivalent if the behaviour ratings are changed) or higher. (As at the date that Participants received an invitation to apply for Performance Shares, 'Effectively displays' is defined as 'Consistently displays the expected level of behaviour and skills in all aspects of Netwealth's values; has developed all behaviours to the expect level, has a positive impact on others and behaviour is aligned to Netwealth's Values.')

Condition 4 – Company financial performance

The Company must achieve specified levels of financial performance in the year ending 30 June 2020, measured in Earnings Per Share, and the proportion of Your Performance Shares that vest is dependent on the Earnings Per Share of the Company in the year ending 30 June 2020. The levels of financial performance and the proportion of Your Performance Shares that vest is set out below.

Earnings Per Share	Proportion of Your Performance Shares that vest
\$0.1571 or more	100%
\$0.1414 or more but less than \$1.1571	90%
\$0.1271 or more but less than \$0.1414	80%
\$0.1143 or more but less than \$0.1271	70%
less than \$0.1143	Nil

Performance Shares that do not vest will be compulsorily divested at a price of \$0.6143 per Performance Share.

In this condition 4, 'Earnings Per Share' (EPS) is determined as follows:

$$EPS = P/S$$

where:

- P is the 'Profit for the Year' as disclosed in the 'Consolidated Statement of Profit and Loss and Other Comprehensive Income for the year ended 30 June 2020' of the Company*; and
- S is the total number of Ordinary Shares of the Company on issue for the year ended 30 June 2020.

* The 'Profit for the Year' is effectively the net profit after tax attributable to members of the Company as disclosed in the audited consolidated financial statements of the Company adjusted for extraordinary items and discontinued operations. If the Australian Accounting Standards are changed so as to provide for a different measure of net profit after tax, the Board will adopt the amount disclosed in the statutory accounts for the year ending 30 June 2020 which is believes most closely represents net profit after tax.

Appendix C: Netwealth Group Limited Performance Share Terms

Changes to capital structure

If, during the Relevant Period there is one or more changes to the capital structure of the Company that in the reasonable opinion of the Board may affect EPS, the Board must, acting reasonably adjust the manner in which EPS is calculated for the purposes of determining whether the targets in the above table have been met so that the value of the Performance Shares remain the same as it would have been prior to the one or more changes to the capital structure. For example if considered appropriate by the Board in the circumstances, and without limiting the above, in the event there is one of the following changes to the capital structure of the Company during the period without any other change:

1. Bonus issue, then the number of issued shares used to calculate the EPS shall exclude any shares issued pursuant to the bonus issue;
2. Share division or consolidation, then the number of issued shares used to calculate the EPS shall disregard the share division or consolidation; or
3. Rights Issue at a discount, then the number of issued shares used to calculate the EPS shall exclude the number of shares calculated pursuant to the following formula, on the basis that these shares have been issued for no value:

$$A = B \times C/D \times E$$

Where:

A the number of Ordinary Shares excluded from the calculation of EPS

B the number of Ordinary Shares which were entitled to participate in the rights issue

C/D is the ratio of the number of Ordinary Shares a holder of Ordinary Shares is entitled to subscribe for under the rights issue for a set number of Ordinary Shares (eg a 1 new share for 5 existing shares rights issue would be 1/5)

E the percentage discount at which Ordinary Shares were issued under the rights issue when compared to closing price of Ordinary Shares on the day prior to announcement of the rights issue

Leave of absence / work less than usual full time working hours

If You take leave of absence (as approved and determined by the Company) in the Relevant Period, then all the percentages in the table in condition 4 will be scaled back in accordance with the following formula:

$$SB = \frac{TWD - DLA}{TWD}$$

where:

SB is the scale back;

TWD is the total number of working days in the Relevant Period; and

DLA is the total number of working days taken as days of leave of absence in the Relevant Period.

For example, if You take a total of 20 working days as days of leave of absence in the Relevant Period and there are 1000 working days in the Relevant Period, and if the Earnings Per Share is \$0.1271 or more but less than \$0.1414, the scale back will be:

$$\frac{1000 - 20}{1000} = 0.98$$

and the percentage of Performance Shares that vest will be $80\% \times 0.98 = 78.4\%$ (with the actual number of shares to vest to be rounded down to the nearest whole number).

If at any time during the Relevant Period You work less than usual full time working hours, then the percentages in this condition 4 will be scaled back based on the weighted average of Your part time employment hours compared to usual full time employment hours.

For example, if there are 1000 working days in the Relevant Period and if you work the equivalent of a four working day week for 800 days and usual full time working hours for 200 days, the weighted average of Your part time employment hours compared to usual full time employment hours will be:

$$\text{Weighted average} = [4/5 \times 800/1000] + [5/5 \times 200/1000] = 0.64 + 0.20 = 0.84$$

and therefore, if the Earnings Per Share is \$0.1271 or more but less than \$0.1414, the scale back will be 0.84 and the percentage of Performance Shares that vest will be $80\% \times 0.84 = 67.2\%$ (with the actual number of shares to vest to be rounded down to the nearest whole number).

If You take leave of absence (as approved and determined by the Company) and work less than usual full time working hours, both scale backs will apply.

No scale back applies for agreed periods of annual leave that exceed the usual annual leave entitlements.

Condition 5 – repayment of loan

Repayment, by 31 October 2022, of any loan made by Netwealth Group Services Pty Ltd (ACN 135 940 840). (or any other entity nominated by the Company) to a Participant to enable the Participant to fund the aggregate Acquisition Price for the relevant Performance Shares.



Grid for Broker Code

Grid for Adviser Code

Broker Firm Offer Application Form

This is an Application Form for Shares in Netwealth Group Limited ("Company") under the Broker Firm Offer on the terms set out in the Prospectus dated 24 October 2017. ("Prospectus"). This Application Form should be read in conjunction with the Prospectus. Capitalised words and certain terms used in this Application Form and not otherwise defined have the same meaning given to them in the Prospectus. You may apply for a minimum of 450 Shares and multiples of 150 thereafter. This Application Form and your cheque or bank draft must be received by your Broker in accordance with their instructions.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

Shares applied for, Price per Share (A\$3.70), Application Monies (B A\$)

(minimum 450, thereafter in multiples of 150)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant #1

Surname/Company Name

Grid for Applicant #1 Surname/Company Name

Title First Name Middle Name

Grid for Applicant #1 Title, First Name, Middle Name

Joint Applicant #2

Surname

Grid for Joint Applicant #2 Surname

Title First Name Middle Name

Grid for Joint Applicant #2 Title, First Name, Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

Grid for Designated account

TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

Joint Applicant #3

Grid for TFN/ABN/Exemption Code

TFN/ABN type - if NOT an individual, please mark the appropriate box Company Partnership Trust Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c-)/Property name/Building name (if applicable)

Grid for PO Box/RMB/Locked Bag/Care of (c-)/Property name/Building name

Unit Number/Level Street Number Street Name

Grid for Unit Number/Level, Street Number, Street Name

Suburb/City or Town State Postcode

Grid for Suburb/City or Town, State, Postcode

Email address (only for purpose of electronic communication of shareholder information)

Grid for Email address

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

Grid for CHESS HIN (F X)

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

Telephone Number where you can be contacted during Business Hours Contact Name (PRINT)

Grid for Telephone Number and Contact Name

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

Cheque or Bank Draft Number BSB Account Number

Grid for Cheque or Bank Draft Number, BSB, Account Number

Total Amount A\$

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Shares of the Company. Further details about the Shares are contained in the Prospectus dated 24 October 2017 issued by the Company. The Prospectus will expire 13 months after the Prospectus Date. While the Prospectus is current, the Company will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request to any Broker Firm Offer Applicant until the end of the Offer Period.

The Corporations Act and the Australian Securities and Investments Commission requires that a person who provides access to an Application Form must provide access, by the same means and at the same time, to the relevant Prospectus and any supplementary document. This Application Form is included in the hard copy version of the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 450 Shares and thereafter in multiples of 150. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shareholders. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title. Application Forms containing the wrong form of names may be rejected.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, the Company will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from the Company and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHESSE participant or sponsored by a CHESSE participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESSE for this HIN is different to the details given on this form, your Shares will be issued to the Company's issuer sponsored subregister, and you will be allotted a Securityholder Reference Number (SRN).
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

ACCEPTANCE OF THE OFFER

By returning this Application Form with your Application Monies to your Broker in accordance with their instructions:

- you represent and warrant that you have read and understood the Prospectus to which this Application Form relates in full, you declare that this Application is completed and lodged according to the Prospectus and subject to the declarations, statements and acknowledgements on this Application Form and you make the warranties, representations and acknowledgements contained in the Prospectus and this Application Form;
- you represent and warrant that all details and statements made are complete and accurate;
- you declare that each Applicant, if a natural person, is at least 18 years old;
- you declare that you are not in the United States or other place outside Australia;
- you declare that you are an Australian resident;
- you declare that you were given access to the Prospectus together with this Application Form and you represent and warrant that the laws of any other place do not prohibit you from being given the Prospectus and any supplementary or replacement prospectus or making an application on this Application Form or being issued with Shares;
- you agree to be registered as the holder of Shares issued to you and agree to be bound by the Constitution of the Company and the Prospectus;
- you provide authorisation for the Company and the Joint Lead Managers to do anything on your behalf necessary for Shares to be allocated to you;
- you acknowledge that the information contained in the Prospectus (or any supplementary or replacement prospectus) is not investment advice or a recommendation that Shares are suitable for you, given your investment objectives, financial situation or particular needs;
- you acknowledge that your Application to subscribe for Shares is irrevocable and may not be varied or withdrawn except as allowed by law;
- you acknowledge that an Application may be rejected without giving any reason, including where this Application Form is not properly completed or where a cheque or bank draft submitted with this Application Form is dishonoured or for the wrong amount; and
- you acknowledge that if you are not issued any Shares or you are issued fewer Shares than the number that you applied and paid for as a result of a scale back, all or some of your Application Monies (as applicable) will be refunded to you (without interest) in accordance with the Corporations Act as soon as practicable after the date Shares are issued.

LODGEMENT INSTRUCTIONS

If you are a Broker Firm Offer Applicant, you must return your Application Form and Application Monies to your Broker (unless your Broker instructs you otherwise). The Offer Period for the Broker Firm Offer opens on Thursday, 2 November 2017 and is expected to close at 5:00pm (AEST) on Thursday, 16 November 2017. Your Application must be received by your Broker before 5:00pm (AEST) before the Offer Period closes or any earlier date as determined by your Broker. You must not return this Application Form to the Share Registry. Neither Link Market Services Limited nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means. If you have any enquiries concerning your Application Form, please contact your Broker.

PERSONAL INFORMATION COLLECTION NOTIFICATION STATEMENT

Personal information about you is held on the public register in accordance with Chapter 2C of the Corporations Act 2001. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.



Grid for Broker Code

Grid for Adviser Code

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If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

Shares applied for [] at Price per Share A\$3.70 Application Monies B A\$ []

(minimum 450, thereafter in multiples of 150)

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Grid for Applicant #1 Surname/Company Name

Title First Name Middle Name

Grid for Applicant #1 Title, First Name, Middle Name

Joint Applicant #2

Surname

Grid for Joint Applicant #2 Surname

Title First Name Middle Name

Grid for Joint Applicant #2 Title, First Name, Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

Grid for Designated account

TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

Joint Applicant #3

Grid for TFN/ABN/Exemption Code

TFN/ABN type – if NOT an individual, please mark the appropriate box Company Partnership Trust Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c-)/Property name/Building name (if applicable)

Grid for Address Line 1

Unit Number/Level Street Number Street Name

Grid for Address Line 2

Suburb/City or Town State Postcode

Grid for Address Line 3

Email address (only for purpose of electronic communication of shareholder information)

Grid for Email address

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

F X []

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Telephone Number where you can be contacted during Business Hours Contact Name (PRINT)

G [] []

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

Cheque or Bank Draft Number BSB Account Number

H [] [] - []

Total Amount A\$ []

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- you represent and warrant that all details and statements made are complete and accurate;
- you declare that each Applicant, if a natural person, is at least 18 years old;
- you declare that you are not in the United States or other place outside Australia;
- you declare that you are an Australian resident;
- you declare that you were given access to the Prospectus together with this Application Form and you represent and warrant that the laws of any other place do not prohibit you from being given the Prospectus and any supplementary or replacement prospectus or making an application on this Application Form or being issued with Shares;
- you agree to be registered as the holder of Shares issued to you and agree to be bound by the Constitution of the Company and the Prospectus;
- you provide authorisation for the Company and the Joint Lead Managers to do anything on your behalf necessary for Shares to be allocated to you;
- you acknowledge that the information contained in the Prospectus (or any supplementary or replacement prospectus) is not investment advice or a recommendation that Shares are suitable for you, given your investment objectives, financial situation or particular needs;
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CORRECT FORMS OF REGISTRABLE NAMES

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Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

Corporate directory

Company's Registered Office

Netwealth Group Limited

Level 8, 52 Collins Street
Melbourne, VIC 3000, Australia

Joint Lead Managers

Credit Suisse (Australia) Limited

Level 31, Gateway, 1 Macquarie Place
Sydney, NSW 2000, Australia

UBS AG, Australia Branch

Level 16, Chifley Tower, 2 Chifley Square
Sydney, NSW 2000, Australia

Co-Lead Managers

Bell Potter Securities Limited

Level 38, Aurora Place, 88 Phillip Street
Sydney, NSW 2000, Australia

Ord Minnett Limited

Level 8, NAB House, 255 George Street
Sydney, NSW 2000, Australia

Co-Managers

Crestone Wealth Management Limited

Level 32, Chifley Tower, 2 Chifley Square
Sydney, NSW 2000, Australia

JBWere Limited

Level 16, 101 Collins Street
Melbourne, VIC 3000, Australia

Australian Legal Adviser

Herbert Smith Freehills

Level 42, 101 Collins Street
Melbourne, VIC 3000, Australia

Australian Taxation Adviser

ShineWing Australia Pty Ltd

Level 10, 530 Collins Street
Melbourne, VIC 3000, Australia

Investigating Accountant

Deloitte Corporate Finance Pty Limited

550 Bourke Street
Melbourne, VIC 3000, Australia

Auditor

Deloitte Touche Tohmatsu

550 Bourke Street
Melbourne, VIC 3000, Australia

Share Registry

Link Market Services Limited

Level 12, 680 George Street
Sydney, NSW 2000, Australia

Netwealth Offer Information Line

Toll free within Australia

1800 888 223

Outside Australia

+61 3 9655 1300

Offer Website

www.netwealthipo.com.au

Corporate Website

www.netwealth.com.au

Level 8, 52 Collins Street
Melbourne, VIC 3000

PO Box 336
South Melbourne, VIC 3205

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

