netwealth

Netwealth Group Limited
and controlled entities

ABN 57 133 790 146

Financial Report
for the Financial Year Ended 30 June 2016

Directors' Report

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2016. The consolidated entity is referred to as "the Group".

Directors

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

Jane Tongs (Chairman)
Michael Heine
Matthew Heine
Davyd Lewis
Katherine Mulligan (resigned 22/03/2016)
Tim Antonie (appointed 7/12/2015)

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

Review of Operations

The consolidated after-tax profit of the Group for the financial year amounted to $9,147,259, which is a 55% increase as compared with that of the previous year (2015: $5,913,005).

A review of the operations of the Group during the financial year and the results of those operations found that funds under management continue to achieve significant growth as a result of positive netflows leading to a significant increase in revenue. However, Australian Planning Services Pty Ltd ("APS") incurred further legal claims for which a provision of $7.9 million has been provided at year end.

Significant Changes in the State of Affairs

There have been no other significant changes in the consolidated group state of affairs.

Principal Activities

The principal activities of the company and its controlled entities are to provide investors with financial services including managed funds, an investor directed portfolio service, a superannuation master fund, separately managed accounts, a self managed superannuation administration service, financial planning services, financial planning dealership services, compliance consulting, and licensee services.

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

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely Developments and Expected Results of Operations

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

Environmental Regulation

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

Directors' Report (continued)

Dividends

Dividends paid or declared since the start of the financial year are as follows:
- A fully franked dividend of $3,760,930 (2015: $7,815,195) was declared and paid during the year.
- No dividends were declared or recommended but not paid during the financial year.

Options and Shares

10,000 options were exercised during the financial year (2015: 85,000). A further 40,000 options remain, each of which entitles the holder, on payment of $1.00 per share, to one share in the company. These options expire within 1 year of the holder ceasing to be employed by the Group. Option-holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity. No options were granted during or since the end of the financial year. During the year, 35,334 class 'A' shares in the company were issued at $3.00 per share as compensation to nominated personnel of the Group. Previously nominated personnel departing from the Group resulted in forfeiture of 39,063 ordinary shares and 28,923 class 'A' shares via a buyback and cancellation of shares at $2.39 and $1.06 respectively.

Indemnification of Officers

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

Information on Directors

Jane Anne Tongs is the independent Chairman of the company and its subsidiary. Prior to 1999, Jane was a partner at PricewaterhouseCoopers specialising in the financial services sector. She has had significant experience with insurance, funds management and superannuation entities. Jane holds a Bachelor of Business degree from RMIT and a Master of Business Administration degree from the University of Melbourne. Jane is currently a Non-Executive Director of Catholic Church Insurances Ltd, Warakirri Asset Management Pty Ltd, Australian Energy Market Operator Limited, Brighton Grammar School and Cromwell Property Group. Jane is also chairman of NIL Investment Committee and a member of NIL and APS Compliance and Risk Management Committees, Group Audit Committee, Group Nomination Committee and Group Remuneration Committee.

Michael Max Heine is the Joint Managing Director of the Group. Michael has extensive experience in international trading of bulk raw materials and extensive exposure to Australian and European financial markets. His experience includes international trade finance, mortgage lending and property development through the privately owned Heine Brothers organisation. His involvement in public unit trusts commenced in 1982 when Heine Investment Management Limited ("Heine") was established. Heine was sold in October 1999 for more than $115 million when it had almost $3 billion funds under management. Michael then established Netwealth. Michael is also a member of the NIL and APS Investment Committees and Group Nomination Committee.

Matthew Alexander Max Heine is the Joint Managing Director of the Group. Matt joined Netwealth in July 2001. He has been instrumental in the development of the, distribution and marketing of the Group since that time. Matt's role and experience in the sales, marketing and strategy field brings a "hands on" understanding of the industry and client base. Matt holds a Diploma of Financial Services. Matt is also a member of the APS Investment Committee.

Davyd Charles Lewis Lewis was a partner of Mallesons Stephen Jaques (now King & Wood Mallesons) for 20 years until his retirement in 2008. Davyd's roles included Partner in Charge of the Melbourne Centre, Managing Partner Practice of M&A, Property and Construction, and IP / Telecommunications, National Practice Team Leader of the M&A Group and responsibility for supervising the relationship with 50 of the firm's biggest clients. Davyd was awarded a Bachelor of Economics, a Bachelor of Laws and a Master of Laws (majoring in securities markets and takeovers). Davyd is chairman of the Compliance and Risk Management Committees, the Due Diligence Committees and the Group Remuneration Committee. Davyd is also a member of the Group Audit Committee.

Directors' Report (continued)

Katherine Anne Mulligan (Resigned 22/03/2016) has over eighteen years' experience in senior leadership roles in the financial services industry. She was appointed Managing Director on the boards of Advance and Ventura/All Star Funds management, where she successfully created a boutique funds manager. She is also a Non-Executive Director of the Australian Payments Clearing Association (APCA). She has chaired the Disclosure and Retirement Incomes Committees for the industry body, now the Financial Services Council, and is a qualified practising solicitor. She is also Managing Director of King Irving Consulting Group, which provides services to the financial services industry. Katherine was a member of the NIL and APS Investment Committees, the Compliance and Risk Management Committees and the Group Remuneration Committee. She was also the chairman of the Group Audit Committee.

Tim Antonie (Appointed 07/12/2015) commenced his career at PWC 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 and led major Australian companies in large scale mergers, acquisitions, sales and restructure and equity transactions as well as day to day equity market facing matters. Tim is a non-executive director of Premier Investments Limited, Village Roadshow Limited and Breville Group Limited. Tim is the Chairman of Netwealth's Group Audit Committee and is a member of the Group Remuneration Committee, Group Nomination Committee, the NIL Investment Committee and the Compliance and Risk Management Committees.

Information on Company Secretary
Sam Magee resigned as Company Secretary and all other positions held within the Group on 5 February 2016. He holds a LLB, BSc, Grad Dip AppFin and Dip AICD and has extensive experience in funds management and structuring, mergers and acquisitions, business case development, project management and property development. Prior to joining the Group in 2014, he worked for nine years as Commercial Director at IFM Investors leading and managing teams in respect of listed and unlisted transactions totalling in excess of A$20 billion in Australia, UK, USA, Europe and New Zealand. He also has general corporate and commercial experience gained as a Senior Associate at Baker & McKenzie and a lawyer at Mallesons Stephen Jaques (now King & Wood Mallesons).

Bruce MacDougall joined Netwealth Investments Ltd in July 2015 and was appointed Company Secretary on 1st February 2016 replacing Sam Magee. He has over 30 years' experience in the financial services sector. Bruce headed up the Finance function and was part of the Executive team at Colonial First State Custom Solutions for 10 years prior to joining Netwealth as Chief Financial Officer on 2 July 2015. Over that period the CFS FUA grew from around $2 billion to over $20 billion. Prior to that Bruce was GM Finance at Summit (AXA's wrap platform) and was a member of the Executive team there. Bruce has a degree in Business and is a CPA.

Rachel Axton joined Netwealth Investments Ltd in February 2016 as General Manager – Risk & Compliance and was appointed joint Company Secretary on 4th March 2016. She 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 was responsible for heading up the Risk and Compliance function for Colonial First State Custom Solutions and contributed to the company's strategic direction as part of the executive team. Rachel is a well-respected risk and compliance professional with strong industry associations including being a Fellow of ASFA, part of the organising committee for Women in Compliance and 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). Rachel is a member of the Group Audit Committee, the Compliance and Risk Management Committees and the Due Diligence Committees.

Directors' Report (continued)

Directors Meetings
During the financial year, 20 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Remuneration Committee		Nomination Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Directors								
Jane Tongs	9	9	5	5	6	6	-	-
Michael Heine	9	8	-	-	-	-	-	-
Matthew Heine	9	9	-	-	-	-	-	-
Davyd Lewis	9	9	5	5	6	6	-	-
Katherine Mulligan*	7	7	4	3	4	4	-	-
Tim Antonie**	4	4	2	2	2	2	-	-

*Resigned 22 March 2016 ** Appointed 7 December 2015

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

Auditor's Independence Declaration
A copy of the auditor's independence declaration as required under s 307C of the Corporations Act 2001 is set out on page 5. No officer of the company or Group is or has been a partner / director of any auditor of the Group.

Rounding of Amounts
The company is an entity to which Legislative Instrument 2016/191 applies and, accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars.

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

Director ....
Jane A Tongs

Dated this 23rd September 2016

ShineWing Australia
Accountants and Advisors
Level 10, 530 Collins Street
Melbourne VIC 3000
T +61 3 8635 1800
F +61 3 8102 3400
shinewing.com.au

Auditor's Independence Declaration under Section 307c of the Corporations Act 2001 to the Directors of Netwealth Group Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been:

(i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Rami Eltchelebi
Partner

Melbourne, 27 September 2016

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Notes to Financial Statements

Statement of Profit or Loss for the Financial Year ended 30 June 2016

	Note	Consolidated Group	
		2016 $000s	2015 $000s
INCOME			
Revenue	2	58,283	51,040
Other Income	2	2,380	553
TOTAL INCOME		**60,663**	**51,593**
EXPENSES			
Advertising and Marketing Expenses		2,036	1,842
Adviser Fees		1,636	1,722
Compliance and Due Diligence		66	416
Computer Expenses		157	101
Consulting Fees		697	617
Legal and Associated Costs		8,371	4,314
Custodial Expenses		398	322
Depreciation and Amortisation		1,953	1,860
Employee Benefits		24,171	21,543
Finance Costs		8	19
Financial Product Expenses		508	835
Insurance		1,064	930
Other Administration and Overhead Expenses		873	559
Printing, Stationery and Office Expense		425	394
Ratings and Research Expenses		189	207
Rent and Occupancy Expenses		1,276	1,141
Resale Product Expenses		2,757	1,946
Telephone and Internet Expenses		207	244
Impairment Loss		-	2,178
Website and Administration System Expenses		941	960
TOTAL EXPENSES		**47,733**	**42,150**
PROFIT BEFORE INCOME TAX	4	**12,930**	**9,443**
Income Tax Expense	3	(3,782)	(3,530)
PROFIT FOR THE YEAR		**9,148**	**5,913**
PROFIT ATTRIBUTABLE TO			
Members of the Parent Entity		**9,148**	**5,913**

The accompanying notes form part of these financial statements

Statement of Comprehensive Income for the Financial Year ended 30 June 2016

	Note	Consolidated Group 2016 $000s	Consolidated Group 2015 $000s
PROFIT FOR YEAR		**9,148**	**5,913**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**9,148**	**5,913**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Members of the Parent Entity		9,148	5,913

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2016

	Note	Consolidated Group 2016 $000s	Consolidated Group 2015 $000s
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	27,652	23,169
Trade and Other Receivables	7	7,001	4,935
Other Current Assets	8	1,413	1,435
Financial Assets	9	1,841	1,889
TOTAL CURRENT ASSETS		**37,907**	**31,428**
NON CURRENT ASSETS			
Property, Plant and Equipment	11	2,200	1,561
Intangible Assets	12	15,355	16,095
Deferred Tax Assets	3	4,698	2,678
TOTAL NON CURRENT ASSETS		**22,253**	**20,334**
TOTAL ASSETS		**60,160**	**51,762**
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	13	3,371	3,438
Provisions	15	9,939	5,999
Current Tax Liabilities		1,613	2,737
TOTAL CURRENT LIABILITIES		**14,923**	**12,174**
NON CURRENT LIABILITIES			
Provisions	15	761	515
Deferred Tax Liability	3	1,340	1,573
TOTAL NON CURRENT LIABILITIES		**2,101**	**2,088**
TOTAL LIABILITIES		**17,024**	**14,262**
NET ASSETS		**43,136**	**37,500**
EQUITY			
Issued Capital	16	21,086	20,881
Reserves	19	571	526
Retained Earnings		21,479	16,093
TOTAL EQUITY		**43,136**	**37,500**

The accompanying notes form part of these financial statements

Statement of Changes in Equity for the Financial Year ended 30 June 2016

Consolidated Group	Fully Paid Ordinary	Part Paid Ordinary	Class A	Foundation	Reserves	Retained Earnings	Total
	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Balance at 1 July 2014	17,245	844	425	255	359	17,995	37,123
Shares issued during the year	2,400	(338)	50	-	-	-	2,112
Profit attributed to members of the parent entity	-	-	-	-	-	5,913	5,913
Amounts recognised on issue of employee shares	-	-	-	-	167	-	167
Dividend paid or provided for	-	-	-	-	-	(7,815)	(7,815)
Balance at 30 June 2015	19,645	506	475	255	526	16,093	37,500
Shares issued during the year	223	-	106	-	-	-	329
Shares buy-back and cancelled during the year	(93)	-	(31)				(124)
Profit attributed to members of the parent entity	-	-	-	-	-	9,148	9,148
Amounts recognised on issue of employee shares	-	-	-	-	45	-	45
Dividend paid or provided for	-	-	-	-	-	(3,761)	(3,761)
Balance at 30 June 2016	19,775	506	550	255	571	21,479	43,136

The accompanying notes form part of these financial statements

Statement of Cash Flows for the Financial Year ended 30 June 2016

	Note	Consolidated Group 2016 $000s	Consolidated Group 2015 $000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		62,834	54,427
Payments to suppliers and employees		(46,464)	(37,711)
Dividends received		32	31
Interest received		463	495
Income Tax Paid		(7,161)	(3,646)
Interest Paid		-	(11)
NET CASH PROVIDED BY OPERATING ACTIVITIES		**9,704**	**13,585**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,316)	(268)
Proceeds from sale of Investments		174	2,024
Purchase of Investments		(82)	(821)
Purchase of intangibles		(535)	(2,609)
Proceeds from loan repayments		106	46
NET CASH USED IN INVESTING ACTIVITIES		**(1,653)**	**(1,628)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		10	1,722
Dividends paid		(3,485)	(7,380)
Proceeds from borrowings		51	380
Loans to employees		(144)	(230)
Repayment of borrowings		-	(761)
NET CASH USED IN FINANCING ACTIVITIES		**(3,568)**	**(6,269)**
NET INCREASE IN CASH HELD		**4,483**	**5,688**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**23,169**	**17,481**
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**27,652**	**23,169**

The accompanying notes form part of these financial statements

The consolidated financial statements and notes represent those of Netwealth Group Limited and Controlled Entities (the "Consolidated Group" or "Group").

The separate financial statements of the parent entity, Netwealth Group Limited have not been presented within this financial report as permitted by the Corporation Act 2001

The financial statements were authorised for issue on 23rd September 2016 by the directors of the company.

1. Summary of significant accounting policies

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for the cash flow information have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts in the financial statements have been rounded to the nearest thousand dollars.

Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of Netwealth Group Limited and entities controlled by Netwealth Group Limited at the end of the reporting period. A controlled entity is any entity over which Netwealth Group Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 10 to the financial statements.

In preparing the consolidated financial statements, all intra-group balances and transactions between entities in the Group have been eliminated in full on consolidation.

1. Summary of significant accounting policies (continued)

(b) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are recognised as expenses in profit or loss.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, which represents the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(c) Income Tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities / (assets) are measured at the amounts expected to be paid to / (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense / (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

1. Summary of significant accounting policies (continued)

(c) Income Tax (continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where (a) a legally enforceable right of set-off exists, and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment 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 plant and equipment 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 (refer to Note 1(g) for details of impairment).

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.

1. Summary of significant accounting policies (continued)

(d) Property, Plant and Equipment (continued)

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.

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.

(e) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(f) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the 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 (ie. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are recognised immediately as expenses in profit or loss.

1. Summary of significant accounting policies (continued)

(f) Financial Instruments (continued)

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less repayments made and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount value with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar investments and option pricing model.

The Group does not designate any interests in subsidiaries as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) **Financial assets at fair value through profit or loss**

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value included in profit or loss.

(ii) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

1. Summary of significant accounting policies (continued)

(f) Financial Instruments (continued)

(iv) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current.

(v) **Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment of Financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a 'loss event') has occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the assets is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

1. Summary of significant accounting policies (continued)

(f) **Financial Instruments (continued)**

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(g) **Impairment of Non-Financial Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where 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.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(h) **Intangibles other than Goodwill**

i) **Client Relationships**

Client relationships are recognised at cost of acquisition if purchased separately and at fair value if acquired as part of a business combination. Client relationships have a finite life and are carried at cost less accumulated amortisation and any impairment loss. Client relationships are tested annually for impairment if there are indications of impairment, and are amortised on a straight line basis over their useful life estimated at no more than fifteen years.

ii) **Trademarks**

Trademarks are recognised at cost of acquisition if purchased separately and at fair value if acquired as part of a business combination. Trademarks are words, names, symbols or other devices used in trade to indicate the source of the product or service and to distinguish the product or service from the source of others. Trademarks are deemed to have an indefinite life and are carried at cost. Trademarks are tested annually for impairment.

iii) **Software and website development costs**

Software and website development costs are capitalised only when the group identifies that the project will deliver future economic benefits and these benefits can be measured reliably. Software development costs have a finite life and are amortised on a straight line basis over their useful lives estimated at three or five years. Amortisation begins when the software becomes operational.

1. Summary of significant accounting policies (continued)

(i) **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 and annual leave entitlements 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.

(j) **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) **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.

1. Summary of significant accounting policies (continued)

(l) Revenue and Other Income

Revenue comprises management, brokerage and other fees received by the Group as trustee, responsible entity and administrator. 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.

Deferred fee income is recognised as amounts that reflect known income that is collectable by the Group over a deferred period of between one and four years.

All revenue is stated net of the amount of goods and services tax (GST).

(m) Trade and Other Receivables

Trade and other receivables represent the assets for goods and services sold by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current asset with the amounts normally paid within 30 days of recognition of the asset.

(n) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) 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.

(p) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, consideration is given to preparing an additional statement of financial position as at the beginning of the earliest comparative period.

1. Summary of significant accounting policies (continued)

(q) **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates – impairment of assets

The group assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. The recoverable amount is based on multiple of earnings of the respective asset with the multiples taken from current and historical industry averages.

Key estimates – useful life of customer relationship assets

The group assesses the useful life of its customer relationship assets by evaluating the economic benefit expected to flow to it from the customer relationship assets. At the end of each reporting period the group reviews whether the current estimate is still appropriate based on observation and performance of the customer relationship assets.

(r) **Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

"Fair value" is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. To the extent possible, market information is extracted from the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, market information is extracted from the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use. The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted. Where this value is significant this information is detailed in the respective note to the financial statements.

2. Revenue and Other Income

	Note	Consolidated Group 2016 $000s	Consolidated Group 2015 $000s
REVENUE			
Management and other fees		54,944	46,577
Trail income and dealer fees		3,339	4,463
TOTAL REVENUE		**58,283**	**51,040**
OTHER INCOME			
Net gain on disposal of investments		147	5
Unrealised investment gains		(9)	(90)
Dividend and distributions received		32	31
Interest received		460	493
Cost recovery income		250	114
Settlement income from insurer		1,500	-
TOTAL OTHER INCOME		**2,380**	**553**
TOTAL INCOME		**60,663**	**51,593**

3. Tax

		Consolidated Group	
		2016	2015
		$000s	$000s
a.	The components of tax expense/(income) comprise:		
	– Current Tax	6,180	5,106
	– Deferred Tax	(2,180)	(1,551)
	– Under/(Over) provision from prior years	(218)	(25)
		3,782	**3,530**
b.	The prima facie tax on profit before income tax is reconciled to income tax as follows:		
	Prima facie tax before income tax at 30% (2015: 30%):	3,879	2,833
	Add tax effect of:		
	– other non-allowable / assessable items	(97)	44
	– non-deductible impairment	-	653
	INCOME TAX EXPENSE/ (INCOME) ATTRIBUTABLE TO ENTITY	**3,782**	**3,530**
c.	The components of deferred tax assets comprise:		
	— tax losses	11	540
	— temporary differences	4,687	2,138
		4,698	**2,678**
d.	The components of deferred tax liabilities comprise:		
	— property, plant & equipment and intangible assets	1,286	1,455
	— other temporary differences	54	118
		1,340	**1,573**

4. Profit Before Income Tax

	Consolidated Group	
	2016	2015
	$000s	$000s
Expenses		
Depreciation of Property, Plant and Equipment	499	580
Loss on disposal of Property, Plant and Equipment	178	5
Amortisation of Software Development Costs	273	349
Amortisation of Client Relationships	1,003	921
Impairment of Goodwill	-	2,178
Fair value adjustment	8	8
Interest Paid to Related Parties	-	11
Superannuation contributions made	2,063	1,771
Rental Expenses on Operating Leases:		
Minimum Lease Payments	872	1,023

5. Key Management Personnel Compensation

	Consolidated Group	
	2016	2015
	$000s	$000s
KEY MANAGEMENT PERSONNEL COMPENSATION	3,709	3,583

The totals represent the remuneration paid to key management personnel (KMP) of the Group during the year, being paid by netwealth Group Services Pty Ltd, a subsidiary of the Parent Entity. Details of other transactions with KMP are in Note 17: Related Party Transactions.

6. Cash and Cash Equivalents

	Note	Consolidated Group	
		2016	2015
		$000s	$000s
CASH AT BANK AND ON HAND		27,652	23,169
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are reconciled to items in the statement of financial position as follows:			
CASH AND CASH EQUIVALENTS	14	27,652	23,169

There are no restrictions with respect to access to the cash and cash equivalent balances shown.

7. Trade and Other Receivables

	Note	Consolidated Group	
		2016	2015
		$000s	$000s
CURRENT			
Product Account Receivables		4,057	3,378
Trade and Sundry Receivables		2,944	1,557
TOTAL CURRENT RECEIVABLES		7,001	4,935
TOTAL TRADE AND OTHER RECEIVABLES		7,001	4,935
TRADE AND OTHER RECEIVABLES CLASSIFIED AS FINANCIAL ASSETS	14	7,001	4,935

8. Other Current Assets

	Consolidated Group	
	2016	2015
	$000s	$000s
Accrued Income	210	239
Prepayments	1,203	1,196
TOTAL OTHER CURRENT ASSETS	**1,413**	**1,435**

9. Financial Assets

	Note	Consolidated Group	
		2016	2015
		$000s	$000s
CURRENT			
Available for sale financial assets	9a	884	839
Loans receivables	9b	957	1,050
TOTAL CURRENT FINANCIAL ASSETS		**1,841**	**1,889**

(a) Available for sale financial assets comprise at fair value:

Netwealth Managed Funds		16	13
Netwealth Wrap and Super Accounts		818	826
Other Investments		50	-
Total Available for Sale financial assets	14	**884**	**839**

(b) Loans receivables comprise at amortised cost:

Employee Loans		957	944
Other Loans		-	106
Total Loans and receivables	14	**957**	**1,050**

10. Controlled Entities

Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned 2016 %	Percentage Owned 2015 %
Subsidiaries of Netwealth Group Limited			
netwealth Investments Limited	Australia	100	100
Netwealth Group Services Pty Ltd	Australia	100	100
Bridgeport Financial Services Pty Ltd	Australia	100	100
Netwealth Advice Group Pty Ltd	Australia	100	100
Dealer 2 Pty Ltd (deregistered on 13/01/2016)	Australia	100	100
Subsidiaries of netwealth Investments Limited			
Australian Planning Services Pty Ltd	Australia	100	100
Subsidiaries of Netwealth Advice Group Pty Ltd			
Pathway Licensee Services Pty Ltd	Australia	100	100

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

11. Property, Plant and Equipment

	Note	Consolidated Group 2016 $000s	Consolidated Group 2015 $000s
Leasehold Improvements			
Leasehold Improvements at Cost		2,125	1,775
Less Accumulated Depreciation		(574)	(731)
Total Leasehold Improvements	**11a**	**1,551**	**1,044**
Plant and Equipment			
Plant and Equipment at Cost		1,345	1,392
Less Accumulated Depreciation		(696)	(875)
Total Plant and Equipment	**11a**	**649**	**517**
TOTAL PROPERTY, PLANT and EQUIPMENT		**2,200**	**1,561**

11. Property, Plant and Equipment (continued)

(a) **Movements in Carrying Amounts**

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year

	Consolidated Group $000s
Leasehold Improvements	
Balance at 1 July 2015	**1,044**
Additions	906
Disposals	(176)
Depreciation Expense	(223)
Balance at 30 June 2016	**1,551**
Plant and Equipment	
Balance at 1 July 2015	**517**
Additions	410
Disposals	(2)
Depreciation Expense	(276)
Balance at 30 June 2016	**649**

12. Intangible Assets

	Note	Consolidated Group 2016 $000s	Consolidated Group 2015 $000s
Goodwill			
At Cost		9,837	9,837
Accumulated Impairment Losses		(2,178)	(2,178)
Net Carrying Amount of Goodwill	12a	7,659	7,659
Non Contractual Customer Relationships			
At Cost		12,120	11,624
Less Accumulated Amortisation		(4,920)	(3,917)
Total Non Contractual Customer Relationships	12a	7,200	7,707
Trademarks			
At Cost		293	293
Total Trademarks	12a	293	293
Software and Website Development Costs			
Website Development		3,438	3,438
Less Accumulated Amortisation		(3,438)	(3,438)
Software Capitalisation		1,855	1,815
Less Accumulated Amortisation		(1,652)	(1,379)
Net carrying amount of Software and Website Development Costs	12a	203	436
TOTAL INTANGIBLES		15,355	16,095

(a) **Movements in Carrying Amounts**
Movement in the carrying amounts for each class of intangible assets

	Consolidated Group $000s
Goodwill	
Balance at 1 July 2015	7,659
Impairments	-
Additions	-
Balance at 30 June 2016	7,659
Non-Contractual Customer Relationships	
Balance at 1 July 2015	7,707
Amortisation	(1,003)
Additions	496
Disposals	-
Balance at 30 June 2016	7,200

Trademarks	
Balance at 1 July 2015	**293**
Amortisation	-
Additions	-
Balance at 30 June 2016	**293**
Software and Website Development Costs	
Balance at 1 July 2015	**436**
Amortisation	(273)
Disposals	-
Additions	40
Balance at 30 June 2016	**203**

13. Trade and Other Payables

	Note	Consolidated Group	
		2016	**2015**
		$000s	**$000s**
CURRENT			
Financial Liabilities measured at Amortised Cost:			
Trade Payables		3,131	2,963
GST Payable		232	214
Other Payables		8	6
Total Financial Liabilities measured at Amortised Cost	**14**	**3,371**	**3,183**
Other:			
Deferred Revenue		-	255
Total Other		**-**	**255**
TOTAL CURRENT TRADE AND OTHER PAYABLES		**3,371**	**3,438**

14. Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market investments, short-term investments, accounts receivable and payable. The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group	
		2016	2015
		$000s	$000s
Financial Assets			
Cash and Cash Equivalents	6	27,652	23,169
Trade and Other Receivables	7	7,001	4,935
Available-for-sale financial assets	9	884	839
Loans and Receivables	9	957	1,050
Total Financial Assets		**36,494**	**29,993**
Financial Liabilities			
Trade and Other Payables	13	3,371	3,183
Total Financial Liabilities		**3,371**	**3,183**

15. Provisions

	Consolidated Group	
	2016	2015
	$000s	$000s
CURRENT		
Provisions	9,939	5,999
NON CURRENT		
Provisions	761	515
Total Provisions	**10,700**	**6,514**

	Employee Benefits	Legal and Other Associated Costs	Other Provisions	Total Provisions
	$000s	$000s	$000s	$000s
Analysis of Provisions				
Consolidated Group				
Opening balance at 1 July 2015	2,091	4,149	274	6,514
Additional amounts raised during the year	1,959	8,371	8	10,338
Amount used or reversed during the year	(1,528)	(4,624)	-	(6,152)
Balance at 30 June 2016	**2,522**	**7,896**	**282**	**10,700**

15. Provisions (continued)

Provision for employee benefits
Provision for employee benefits represents amounts accrued for annual leave and long service leave. The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months.

	Consolidated Group	
	2016	**2015**
	$000s	**$000s**
Current		
Annual leave	1,244	1,083
Long service Leave	800	767
	2,044	**1,850**
Non-current		
Long-service leave	478	241
	478	**241**
Total employee provisions	**2,522**	**2,091**

Provision for Legal and other Associated Costs
A provision has been recognised for legal and associated costs including claims against Australian Planning Services Pty Ltd.

Other Provisions
A provision has been recognised for the cost to make good premises that the company has an obligation under existing lease commitments. The measurement and recognition criteria for make good provision has been included in Note 1.

16. Issued Capital

	Consolidated Group	
	2016	2015
	$000s	$000s
29,633,787 Fully Paid Ordinary Shares (2015: 29,581,756)	19,775	19,645
3,000,000 Partly Paid Ordinary Shares (2015: 3,000,000)	506	506
352,869 Class 'A' Shares (2015: 346,458)	550	475
890,000 Foundation Shares (2015: 890,000)	255	255
TOTAL SHARE CAPITAL	**21,086**	**20,881**

The Company has authorised share capital amounting to 32,633,787 ordinary shares of no par value, 352,869 A class shares of no par value, and 890,000 foundation shares of no par value.

	Consolidated Group	
	2016	2015
	No.	No.
Fully Paid Ordinary Shares		
At the beginning of the reporting period	29,581,756	27,373,891
Shares issued during the year	81,094	207,865
Converted from Partly-Paid Shares	-	2,000,000
Shares cancelled following share buy-back during the year	(39,063)	-
At the end of the reporting period	29,623,787	29,581,756
Partly Paid Ordinary Shares		
At the beginning of the reporting period	3,000,000	5,000,000
Shares issued during the year	-	-
Converted to Fully-Paid Shares	-	(2,000,000)
At the end of the reporting period	3,000,000	3,000,000
Class 'A' Shares		
At the beginning of the reporting period	346,458	326,926
Shares issued during the year	35,334	19,532
Shares cancelled following share buy-back during the year	(28,923)	-
At the end of the reporting period	352,869	346,458
Foundation Shares		
At the beginning of the reporting period	890,000	890,000
Shares issued during the year	-	-
At the end of the reporting period	890,000	890,000

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

17. Related Party Transactions

The Group's main related parties are as follows:

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

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

For details of disclosures relating to key management personnel, refer to Note 5: Key Management Personnel Compensation.

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

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

	Consolidated Group	
	2016	**2015**
	$	**$**
RELATED COMPANIES		
Netwealth Group Limited has made loans to its subsidiaries and related companies during the year as follows:		
Loans – Unsecured Interest Free:		
Australian Planning Services Pty Ltd	-	310,558
Bridgeport Financial Services Pty Ltd	12,117,754	12,935,562
Pathway Licensee Services Pty Ltd	946,896	1,383,371
Netwealth Group Limited borrowed from its subsidiary and related companies during the year as follow:		
Loans – Unsecured Interest Free:		
netwealth Investments Limited	9,967,372	10,765,415
Netwealth Group Services Pty Ltd	648,282	1,366,236
Australian Planning Services Pty Ltd	31,332	-

17. Related Party Transactions (continued)

	Consolidated Group	
	2016	2015
	$	$
Netwealth Investments Limited paid fees to its subsidiary and related companies during the year as follows:		
Shared Services Management Fees:		
Netwealth Group Services Pty Ltd	1,767,531	3,077,818
Shared Services Cost Recovery Charges:		
Netwealth Group Services Pty Ltd	25,232,468	20,922,182
Administration & Marketing Fees and Cost Recovery Charges:		
Pathway Licensee Services Pty Ltd	500,00	400,000
Australian Planning Services Pty Ltd	352,744	370,156
netwealth Investments Limited declared and paid dividends during the year as follows:		
Dividends Declared and Paid:		
Netwealth Group Limited	3,500,000	-
netwealth Group Services Pty Ltd declared and paid dividends during the year as follows:		
Dividends Declared and Paid:		
Netwealth Group Limited	-	3,000,000
Australian Planning Services Pty Ltd received fees from a related company during the year as follows:		
AFSL Dealer Fees and Other Charges:		
Bridgeport Financial Services Pty Ltd	233,000	503,984
Australian Planning Services Pty Ltd paid fees to a related company during the year as follows:		
Xplan Charges and Other Fees:		
Pathway Licensee Services Pty Ltd	303,433	407,893
Netwealth Group Services Pty Ltd received shared services fees from related companies during the year as follows:		
Shared Services Fees		
Bridgeport Financial Services Pty Ltd	3,097,110	4,015,182
Australian Planning Services Pty Ltd	63,687	621,209
netwealth Investments Limited	25,232,468	20,922,182
Pathway Licensee Services Pty Ltd	1,966,737	2,235,053
DIRECTOR RELATED ENTITIES		
netwealth Investments Limited has incurred costs for services provided by director related entities in relation to the provision of air travel during the year as follows:		
Air Travel:		
Netjets Pty Ltd	29,900	37,260

17. Related Party Transactions (continued)

	Consolidated Group	
	2016	2015
	$	$

RELATED PARTIES

Netwealth Investments Limited is the Responsible Entity and receives management fees for managing the operations of managed investment schemes. The 13 managed investment schemes that Netwealth Investments Limited is the Responsible Entity for:

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

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

	2016 $	2015 $
Management Fees:		
Management Fee Revenue	1,647,810	1,072,476
Distributions:		
Distribution Income	2,083	603

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

Netwealth Investments Limited holds investments in Netwealth products as follows:

	2016 $	2015 $
Available for sale financial assets		
Netwealth Managed Funds	16,373	12,913
Netwealth Wrap and Super Accounts	921,995	924,430

18. Share Based Payments

The following Netwealth Group Limited shares were granted, vested and forfeited during the year to nominated personnel under the Netwealth Employee Loan share plan:

Date	Number
30 Oct 2015	Granted 50,000 Class 'A' Shares
30 Oct 2015	Vested 48,000 Class 'A' Shares
30 Oct 2015	Forfeited 28,923 Class 'A' Shares
13 Nov 2015	Granted 33,334 Class 'A' Shares
15 Mar 2016	Forfeited 39,063 Ordinary Shares

The shares granted were issued as compensation to nominated personnel of the Group under a limited recourse loan arrangement. These arrangements give rise to an option, which has been accounted for as a share-based payment. Class 'A' shares do not afford the same entitlements relative to the Ordinary Shares; in particular, they do not provide voting rights for holders.

The options vest over 0-2 year period. The options are exercisable, subject to vesting, on or before December 2025 by the nominated personnel by settling the associated loans. 48,000 Class 'A' shares were vested whilst 28,923 Class 'A' shares and 39,063 Ordinary shares were forfeited during the year.

The weighted average remaining contractual life of options outstanding is 8.5 years.

The fair values of the options granted range between $1.000 – $1.018 per option. The total fair value of the options granted were $83,000. These values were calculated using the binomial option pricing model applying the following inputs:

Stock Price	$3.00
Exercise Price	$3.00
Estimated volatility	35%
Risk free interest rate	2%
Expected life	5 years

The Netwealth share loan participants are entitled to receive dividends; accordingly, dividends are not incorporated into the option pricing inputs.

Estimated volatility was determined with reference to market observations for selected comparable companies.

Included under employee benefits expense in the statement of profit or loss is $45,000 which relates to equity-settled share-based payment transactions (2015: $167,000).

19. Reserves

Options Reserve

The Options Reserve records the fair value of vested share options granted via Share-based Payment transactions.

20. Capital and Leasing Commitments

Operating Lease Commitments
Non-cancellable operating leases contracted for but not capitalised in the financial statements

	Consolidated Group	
	2016	2015
	$000s	$000s
Payables – minimum lease payments:		
Not later than 12 months	734	734
Between 12 months and 5 years	4,841	347
Total Operating Lease Payables	**5,575**	**1,081**

The consolidated property leases are non-cancellable leases with terms of up to five years. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by either the Consumer Price Index (CPI) or defined per annum. Options exist over various leases to renew the lease at the end of the five-year term for an additional term of five years. Various leases also allow for subletting of lease areas.

21. Contingent Liabilities

As at the end of the reporting period, the Group had received complaints or claims from clients of authorised representatives which had not been finalised by the end of the reporting period. The Group has in place professional indemnity insurance for such claims. The Board of Netwealth Investments Limited has resolved to indemnify Australian Planning Services Pty Ltd against all claims that may be brought or made against it limited in amount to the sum of the claims provision net of monies received from third parties and for claims made on or before 6 May 2017.

The Group has made a provision of $7.9 million to cover probable outflows in relation to these claims.

It is not possible to reliably predict the potential outcome of any further complaints and claims or any potential liability the Group may be exposed to. Additional disclosure could seriously prejudice the position of the Group.

22. Fair Value Measurements

The Group has the following assets, as set out in the table below, that are measured at fair value on a recurring basis after their initial recognition. The Group does not subsequently measure any liabilities at fair value on a recurring basis and has no assets or liabilities that are measured at fair value on a non-recurring basis.

	Consolidated Group	
	2016	2015
	$000s	$000s
Recurring fair value measurements		
Financial assets		
Available for sale financial assets:		
- Listed investments	637	631
	637	**631**

For investments in listed shares, the fair values have been determined based on closing quoted bid prices at the end of the reporting period.

23. Parent Entity Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

STATEMENT OF FINANCIAL POSITION		
	2016	2015
	$000s	$000s
ASSETS		
Current Assets	12,653	14,292
Non Current Assets	19,339	19,342
TOTAL ASSETS	31,992	33,634
LIABILITIES		
Current Liabilities	10,647	12,234
Non Current Liabilities	-	-
TOTAL LIABILITIES	10,647	12,234
NET ASSETS	21,345	21,400
EQUITY		
Issued Capital	21,086	20,881
Reserves	227	227
Retained Earnings	32	292
TOTAL EQUITY	21,345	21,400
STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME		
Total Profit / (Loss) for the Year	1	17
Total Comprehensive Profit / (Loss) for the Year	1	17

23. Parent Entity Information (continued)

Guarantees: The parent entity has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contractual commitments: At 30 June 2016, the parent entity had not entered into any contractual commitments for the acquisition of property, plant and equipment or any operating leases (2015: nil).

Contingent liabilities: At 30 June 2016, the parent entity does not have any contingent liabilities (2015: nil).

24. Events after the Reporting Date

The directors are not aware of any significant events since the end of the reporting period.

25. Company Details

The registered office of the company is:

Netwealth Group Limited
Level 8, 52 Collins Street
MELBOURNE VIC 3000

Directors' Declaration

The directors of the company declare that:

1) The financial statements and notes, as set out on pages 7 to 39, are in accordance with the *Corporations Act 2001* and:

    a) Comply with Australian Accounting Standards - Reduced Disclosure Requirements; and

    b) Give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated group.

2) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director ....
Jane A Tongs

Dated this 23rd September 2016

ShineWing Australia
Accountants and Advisors
Level 10, 530 Collins Street
Melbourne VIC 3000
T +61 3 8635 1800
F +61 3 8102 3400
shinewing.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NETWEALTH GROUP LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying financial report of Netwealth Group Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2016 and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial period.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion the financial report of Netwealth Group Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and

b) complying with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Rami Eltchelebi
Partner

Melbourne, 27 September 2016