Netwealth Group Limited
and controlled entities

ABN 57 133 790 146

Financial Report
for the year ended 30 June 2017

Directors' Report

Your directors present their report on Netwealth Group Limited (the "company" or "Netwealth") and its controlled entities for the financial year ended 30 June 2017. 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
Timothy Antonie

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

Review of Operations
The consolidated after-tax profit of the Group for the financial year amounted to $13.554 million, which is a 48% increase as compared with that of the previous year (2016: $9.148 million).

A review of the operations of the Group during the financial year and the results of those operations found that funds under administration 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 $1 million (2016: $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 financial intermediaries and clients with financial services including managed funds, an investor directed portfolio service, a superannuation master fund and separately managed accounts.

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.

Netwealth is currently investigating the possibility of a listing of the Group on the Australian Stock Exchange prior to 31 December 2017.

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 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 $4.555 million (2016: $3.761 million) was declared and paid during the year.
- No dividends were declared or recommended but not paid during the financial year.

Options and Shares
No options were exercised during the current or previous financial year. A further 40,000 options remain exercisable, each of which entitles the holder, on payment of $1.00, 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 887,500 'Platinum' shares in the company were issued at $3.30 per share and 50,000 at $4.30 per share as compensation to nominated personnel of the Group. Previously nominated personnel departing from the Group resulted in forfeiture of 15,000 Platinum shares at $3.30. In addition 38,462 Ordinary shares were issued to an employee on acceptance of an offer of employment.

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 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 detailed 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)

Timothy Antonie 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, restructures and equity transactions as well as day to day equity market facing matters. Timothy is a non-executive director of Premier Investments Limited, Village Roadshow Limited and Breville Group Limited. Timothy 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 joint Company Secretaries

Bruce MacDougall resigned as Company Secretary and all other positions held within the Group on 30 April 2017. 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 in 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.

Grant Boyle joined Netwealth on 1 May 2017 as Chief Financial Officer and Company Secretary. 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 CFO/COO roles within financial services, including 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 has a Bachelor of Business and is a Chartered Accountant.

Rachel Axton 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 Compliance and Risk Management Committees.

Directors' Report (continued)

Directors Meetings
During the financial year, 28 Group meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Board of Directors' Meetings		Audit Committee		Remuneration Committee		Nomination Committee [1]	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Directors								
Jane Tongs	18	18	7	7	3	3	-	-
Michael Heine	18	18	-	-	-	-	-	-
Matthew Heine	18	14	-	-	-	-	-	-
Davyd Lewis	18	18	7	7	3	3	-	-
Timothy Antonie	18	17	7	7	3	3	-	-

(1) Meetings called on an as needed basis

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 ASIC Corporations (Rounding in Financial/Directors' Reports) 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 J A Tong.
Jane A Tongs

Dated this 31st August 2017

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

31 August 2017

Dear Directors

Netwealth Group Limited

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

As lead audit partner for the audit of the financial statements of Netwealth Group Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

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Notes to Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017

	Note	Consolidated Group	
		2017 $000s	2016 $000s
CONTINUING OPERATIONS			
INCOME			
Revenue	5	60,637	48,323
Other Income	5	614	709
TOTAL INCOME		61,251	49,032
EXPENSES			
Employee benefits expenses	5	24,799	19,011
Other operating expenses		8,862	6,314
Occupancy expenses		1,530	1,276
IT and communication expenses		1,848	1,520
Depreciation		541	489
Amortisation		79	273
TOTAL EXPENSES		37,659	28,883
PROFIT BEFORE INCOME TAX	5	23,592	20,149
Income Tax Expense	7	(7,266)	(5,836)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		16,326	14,314
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	9	(2,772)	(5,166)
PROFIT FOR THE YEAR		13,554	9,148
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		13,554	9,148
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Members of the Parent Entity		13,554	9,148
EARNINGS PER SHARE	10		
From continuing and discontinued operations			
Basic (cents per share)		43.38	29.43
Diluted (cents per share)		43.13	29.13
From continuing operations			
Basic (cents per share)		52.26	46.04
Diluted (cents per share)		51.96	45.59

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
As at 30 June 2017

	Note	Consolidated Group	
		2017	2016
		$000s	$000s
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	12	34,340	27,652
Trade and other receivables	13	5,398	7,001
Other current assets	14	1,242	1,413
Financial assets	15	912	1,841
Assets classified as held for sale	9	14,757	-
TOTAL CURRENT ASSETS		56,649	37,907
NON CURRENT ASSETS			
Property and equipment	16	2,613	2,200
Intangible assets	17	107	15,355
Deferred tax assets	7	4,168	4,698
TOTAL NON CURRENT ASSETS		6,888	22,253
TOTAL ASSETS		63,537	60,160
CURRENT LIABILITIES			
Trade and other payables	18	5,225	3,371
Provisions	19	3,494	9,939
Current tax liabilities		710	1,613
Liabilities directly associated with assets classified as held for sale	9	2,242	-
TOTAL CURRENT LIABILITIES		11,671	14,923
NON CURRENT LIABILITIES			
Provisions	19	429	761
Deferred tax liability	7	42	1,340
TOTAL NON CURRENT LIABILITIES		471	2,101
TOTAL LIABILITIES		12,142	17,024
NET ASSETS		51,395	43,136
EQUITY			
Issued capital	20	20,205	21,086
Reserves	21	712	571
Retained earnings		30,478	21,479
TOTAL EQUITY		51,395	43,136

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2017

Consolidated Group	Issued capital	Reserves	Retained Earnings	Total
	$000s	$000s	$000s	$000s
Balance at 1 July 2015	20,881	526	16,093	**37,500**
Shares issued during the year	329	-	-	**329**
Shares buy-back and cancelled during the year	(124)	-	-	**(124)**
Total comprehensive income for the year	-	-	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	**21,086**	**571**	**21,479**	**43,136**
Balance at 1 July 2016	21,086	571	21,479	**43,136**
Shares issued during the year	(881)	-	-	**(881)**
Total comprehensive income for the year	-	-	13,554	**13,554**
Amounts recognised on issue of employee shares	-	141	-	**141**
Dividend paid or provided for	-	-	(4,555)	**(4,555)**
Balance at 30 June 2017	**20,205**	**712**	**30,478**	**51,395**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
For the year ended 30 June 2017

	Note	Consolidated Group	
		2017 $000s	2016 $000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		77,005	62,834
Payments to suppliers and employees		(56,634)	(46,464)
Dividends received		33	32
Interest received		434	463
Income Tax Paid		(8,011)	(7,161)
Interest Paid		-	-
NET CASH GENERATED BY OPERATING ACTIVITIES	**26**	**12,827**	**9,704**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(1,126)	(1,316)
Proceeds from sale of investments		115	174
Purchase of investments		-	(82)
Purchase of intangibles		-	(535)
Proceeds from loan repayments		-	106
NET CASH USED IN INVESTING ACTIVITIES		**(1,011)**	**(1,653)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	10
Loans to employees		-	(144)
Dividends paid		(4,479)	(3,485)
Proceeds from borrowings		-	51
NET CASH USED IN FINANCING ACTIVITIES		**(4,479)**	**(3,568)**
NET INCREASE IN CASH HELD		**7,337**	**4,483**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**27,652**	**23,169**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**12**	**34,989**	**27,652**

The accompanying notes form part of these financial statements.

1. General information

The Financial Report of Netwealth Group Limited covers the company as an individual entity (disclosed in note 30) and its controlled entities (together referred to as the Group) for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 31 August 2017 and covers the company as an individual entity as well as the consolidated entity consisting of the company and its subsidiaries as required by the Corporations Act 2001. The company is limited by shares and incorporated and domiciled in Australia.

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

Registered office of the company:
Netwealth Group Limited
Level 8, 52 Collins Street
MELBOURNE VIC 3000

Principle place of business:
Netwealth Group Limited
Level 8, 52 Collins Street
MELBOURNE VIC 3000

The principal activities of the Group are to provide financial advisors and 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.

2. Summary of significant accounting policies

2.1 Statement of Compliance
The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report comprises the consolidated financial statements of the Consolidated Entity. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

2.2 Basis of Preparation
The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

2. Summary of significant accounting policies (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Rounding of amounts
The Company is of a kind referred to in ASIC Legislative Instrument, ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission dated 24 March 2016 and, in accordance with that Legislative Instrument, the amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest one thousand dollars.

2.3 Accounting Policies

(a) 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 noncontrolling 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.

(b) 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 Noncurrent 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.

(c) 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.

(d) 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.

2. Summary of significant accounting policies (continued)

(e) 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.

(f) 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 statement of profit or loss and other comprehensive income/ statement of profit or loss 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.

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.

2. Summary of significant accounting policies (continued)

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.

(g) Property and Equipment
Each class of property and equipment is carried at cost 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 (refer to Note 2(k) 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 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%
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 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.

(h) 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.

2. Summary of significant accounting policies (continued)

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.

(i) 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 time frame 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.

2. Summary of significant accounting policies (continued)

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. Fair value is determined in the manner described in note 23.

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.

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 re-organisation; 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.

2. Summary of significant accounting policies (continued)

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.

2. Summary of significant accounting policies (continued)

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 AASB 139 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. Fair value is determined in the manner described in note 23.

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.

(j) 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 between 10 and 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.

2. Summary of significant accounting policies (continued)

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.

(k) 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.

(l) 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.

2. Summary of significant accounting policies (continued)

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.

(m) 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. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 24.

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.

(n) 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).

2. Summary of significant accounting policies (continued)

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.

(o) 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.

(p) 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.

(q) Comparative Figures
Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

3. Application of new and revised Australian Accounting Standards (AASBs)

3.1 Amendments to Accounting Standards that are mandatorily effective for the current year
The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2016.

Amendments to AASB 101 Disclosure Initiative
The Group has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an AASB if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in AASB is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other Accounting Standards:
(a) will not be reclassified subsequently to profit or loss; and
(b) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not resulted in any impact on the financial performance or financial position of the Group.

3. Application of new and revised Australian Accounting Standards (continued)

Amendments to AASB 116 and AASB 138 Clarification of Acceptable Methods of Depreciation and Amortisation
The Group has applied these amendments for the first time in the current year. The amendments to AASB 116 Property, Plant and Equipment prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to AASB 138 Intangible assets introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:
(a) when the intangible asset is expressed as a measure of revenue; or
(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Group already uses the straight-line method for depreciation and amortisation for its property and equipment, and intangible assets respectively, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
The Group has applied these amendments for the first time in the current year. The amendments impact various Accounting Standards, which are summarised below:
• The amendments to AASB 5 Non-current Assets Held for Sale and Discontinued Operations introduce specific guidance in AASB 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in AASB 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued
• The amendments to AASB 7 Financial Instruments: Disclosures remove the requirement to provide disclosures relating to offsetting financial assets and financial liabilities in interim financial reports and provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets
• The amendments to AASB 119 Employee Benefits clarify that the rate used to discount post employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead
• The amendments to AASB 134 Interim Financial Reporting make provision for disclosures required by the Standard to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The application of these amendments has had no effect on the Group's consolidated financial statements.

3. Application of new and revised Australian Accounting Standards (continued)

3.2 New and revised Australian Accounting Standards in issue but not yet effective

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments. The Group will adopt this standard from 1 July 2018.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

i. identify the contract(s) with a customer;
ii. identify the performance obligations in the contract(s);
iii. determine the transaction price;
iv. allocate the transaction price to the performance obligations in the contract(s); and
v. recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue. The directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's financial statements. The directors do not intend to early apply the standard and intend to use the full retrospective method upon adoption. The Group will adopt this standard from 1 July 2018.

3. Application of new and revised Australian Accounting Standards (continued)

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

i. recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
ii. depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
iii. variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
iv. by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components an d instead account for all components as a lease; and
v. additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Financial Statements do not consider the effect of the new standards as the new standards are not yet effective. Furthermore, the potential effects of the revised standards have not been disclosed in Financial Statements as the Directors and management have not yet completed their assessment of the impact on the company.

Amendments to AASB 2 Classification and Measurement of Share-based Payment Transactions
(applicable to annual reporting periods beginning on or after 1 January 2018)

The amendments clarify the following:

i. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
ii. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
iii. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: (i) the original liability is derecognised; (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements as the Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted.
The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

4. Critical accounting estimates and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the directors of the company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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. When the relevant assets are recognised as held-for-sale assets, a subsequent impairment valuation is completed with the assets valued at the lower of carrying value and fair value less cost to sell (FVLCS) using an estimated sale price and costs based on non-binding offers received or initial interests shown by prospective buyers.

Key judgements – Share based payments
The fair value of performance share options at grant date have incorporated the assumptions regarding:

- tenure,
- performance and behaviour conditions and
- EPS hurdles being achieved.

This involves the exercise of judgement regarding the likelihood and magnitude of future outcome of events.

Key estimates and judgements – Legal provision/contingent liabilities
By their nature, legal claims and contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of legal claims and contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the likelihood and magnitude of future outcome of events.

5. Revenue and expenses from continuing operations

(a) Revenue and Other Income

	Note	Consolidated Group 2017 $000s	Consolidated Group 2016 $000s
REVENUE			
Platform fees		60,637	48,323
TOTAL REVENUE		60,637	48,323
OTHER INCOME			
Net gain on disposal of investments		106	147
Unrealised investment gains		36	(9)
Dividend and distributions received		33	33
Interest received		434	463
Other income		6	75
TOTAL OTHER INCOME		614	709
TOTAL INCOME		61,251	49,032

(b) Employee benefits expenses

	Note	Consolidated Group 2017 $000s	Consolidated Group 2016 $000s
Salaries and wages (including payroll tax)		20,182	15,213
Contributed superannuation		2,405	2,063
Share-based payment expenses		141	45
Other employee benefits expenses		2,071	1,690
		24,799	19,011

(c) Administrative expenses

	Note	Consolidated Group 2017 $000s	Consolidated Group 2016 $000s
Loss on disposal of fixed assets		161	176
Adjustment to make good provision		7	8
Rental Expenses on Operating Leases:			
Lease Payments		738	872

6. Segment information

The consolidated entity is organised into one reportable operating segment.

The reportable operating segment is based on the internal reports that are reviewed and used by the Board of Directors and the executive management team (identified as the Chief Operating Decision Makers hereafter CODM) in assessing performance and in determining the allocation of resources. The CODM reviews segment profits (Segment EBITDA) on a monthly basis. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

All of the Group's operations are based in Australia.

7. Income Taxes relating to continuing operations

		Consolidated Group 2017 $000s	Consolidated Group 2016 $000s
a.	The components of tax expense/(income) comprise:		
	– Current Tax	7,603	8,307
	– Deferred Tax	(266)	(2,253)
	– Under/(Over) provision from prior years	(71)	(218)
		7,266	5,836
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% (2016: 30%):	7,077	6,044
	Add tax effect of:		
	– other non-allowable / assessable items	(189)	(208)
	– non-deductible impairment	-	-
	INCOME TAX EXPENSE ATTRIBUTABLE TO ENTITY	7,266	5,836

		Consolidated Group 2017 $000s	Consolidated Group 2016 $000s
c.	The components of deferred tax assets comprise:		
	— tax losses	-	11
	— temporary differences	4,168	4,687
		4,168	4,698
d.	The components of deferred tax liabilities comprise:		
	— property, equipment and intangible assets	-	1,286
	— other temporary differences	42	54
		42	1,340

	Opening Balance $'000s	Charged to Income $'000s	Charged Directly to Equity $'000s	Transferred to assets held for sale $'000s	Closing Balance $'000s
Deferred Tax Assets/Liabilities					
Balances related to legal claims	1,327	2,235			3,562
Other temporary differences	(747)	543			(204)
Carried forward Tax losses	524	(524)	-	-	-
Balance at 30 June 2016	1,104	2,253	-	-	3,358
Balances related to legal claims	3,562	(831)		-	2,731
Other temporary differences	(204)	1,097		502	1,395
Balance at 30 June 2017	3,358	266	-	502	4,126

8. Key Management Personnel Compensation

	Consolidated Group	
	2017	2016
	$000s	$000s
Short term employee benefits	1,257	3,598
Post-employment benefits	90	84
Share based payments	17	27
KEY MANAGEMENT PERSONNEL COMPENSATION	1,364	3,709

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 company. Details of other transactions with KMP are in Note 25: Related Party Transactions.

The short term employee benefits amount above for 2016 includes $2.3 million compensation paid to Senior Managers which are no longer considered to be KMPs.

9. Discontinued operations

9.1 Plan to dispose of non-core businesses

On 30 June 2017, the directors approved a plan to dispose of the Group's non-core businesses operated by Australian Planning Services Pty Ltd, Pathway Licensee Services Pty Ltd and Bridgeport Financial Services Pty Ltd. The disposal is consistent with the Group's long-term strategy to focus its activities on the platform business of Netwealth Investment Limited and to maintain a simpler corporate structure to achieve process efficiencies. The Group is actively seeking buyers for these operations with interests having been received from prospective buyers. The Group expects to complete these sales by 30 June 2018. The Group recognised an impairment loss of $2.3 million in respect of the Pathway Licensee Services business when the assets and liabilities of the operation were reclassified as held for sale. The held-for-sale assets were valued at the lower of carrying value and fair value less cost to sell (FVLCS) using an estimated sale price based on expressions of interest or non-binding offers received for each business. Based on the lower range of offers, and as the businesses were profitable, in management's best estimate, no further impairment is required.

9.2 Analysis of profit for the year from discontinued operations

The combined results of the discontinued operations included in the profit for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	Consolidated Group	
	2017	2016
	$000s	$000s
Profit for the year from discontinued operations		
Revenue	9,382	9,791
Other income	846	1,841
	10,228	11,632
Expenses	13,309	18,851
Profit/(loss) before tax	(3,081)	(7,219)
Attributable income tax expense	309	2,053
	(2,772)	(5,166)
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS (ATTRIBUTABLE TO OWNERS OF THE COMPANY)	(2,772)	(5,166)

9. Discontinued operations (continued)

	Consolidated Group	
	2017	2016
	$000s	$000s
Cash flows for the year from discontinued operations		
Net cash inflows from operating activities	(6,070)	(3,591)
Net cash in/(out)flows	(6,070)	(3,591)

9.3 Assets and liabilities associated with discontinued operations held for sale

	Consolidated Group
	2017
	$000s
Assets related to the disposal of non-core businesses	14,757
Liabilities associated with assets held for sale	2,242

The major classes of assets and liabilities of these businesses at the end of the reporting period are as follows:

	Consolidated Group
	2017
	$000s
Intangible assets	11,840
Deferred tax assets	877
Other current assets	320
Trade and other receivables	1,070
Cash and cash equivalents	650
Assets held for sale	14,757
Trade payables	447
Provisions	300
Current tax liabilities	117
Deferred tax liabilities	1,378
Liabilities associated with assets held for sale	2,242
NET ASSETS OF BUSINESSES CLASSIFIED AS HELD FOR SALE	12,515

10. Earnings per share

	Consolidated Group	
	2017 Cents per share	2016 Cents per share
Basic earnings per share		
From continuing operations	52.26	46.04
From discontinued operations	(8.88)	(16.62)
Total basic earnings per share	43.38	29.43
Diluted earnings per share		
From continuing operations	51.96	45.59
From discontinued operations	(8.83)	(16.45)
Total diluted earnings per share	43.13	29.13

10. Earnings per share (continued)

10.1 Basic earnings per share

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

	Consolidated Group 2017 $000s	Consolidated Group 2016 $000s
Profit for the year attributable to owners of the Company	13,554	9,148
Earnings used in the calculation of basic earnings per share	13,554	9,148
Loss for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	2,772	5,166
Earnings used in the calculation of basic earnings per share from continuing operations	16,326	14,314

	2017 Number	2016 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	31,242,718	31,089,509

10.2 Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows

	Consolidated Group 2017 $000s	Consolidated Group 2016 $000s
Earnings used in the calculation of diluted earnings per share	13,554	9,148
Loss for the year from discontinued operations used in the calculation of diluted earnings per share from discontinued operations	2,772	5,166
Earnings used in the calculation of diluted earnings per share from continuing operations	16,326	14,314

The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows.

	2017 Number	2016 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	31,242,718	31,089,509
Shares deemed to be issued for no consideration in respect of:		
- unvested A class shares	168,400	293,400
- employee options	12,210	17,391
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	31,423,238	31,400,300

The potential effect of the platinum performance shares are considered anti-dilutive and were not included in the computation of diluted EPS.

11. Dividends

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

	2017 $000s	2016 $000s
Dividends recognised as distribution and paid during the period: Declared fully franked dividend of 15.16 cents per share fully franked at the tax rate of 30% (2016: 11.81 cents per share)	4,555	3,761
Total dividends	4,555	3,761

Dividends are paid on Fully paid up Ordinary shares, Foundation shares, A class shares and Partially Paid Ordinary shares (pro-rata to amount paid).

Franking credits
Franking credits available to shareholders of the Company amount to $16,104,446 (2016: $10,066,429) at the 30 percent (2016: 30 percent) corporate tax rate.

12. Cash and Cash Equivalents

	Note	Consolidated Group 2017 $000s	Consolidated Group 2016 $000s
CASH AT BANK AND ON HAND		34,340	27,652
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 at bank and on hand		34,340	27,652
Cash and bank balances included in assets held for sale		650	-
CASH AND CASH EQUIVALENTS		34,989	27,652

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

13. Trade and Other Receivables

	Note	Consolidated Group 2017 $000s	Consolidated Group 2016 $000s
CURRENT			
Product Account Receivables		4,668	4,057
Trade and Sundry Receivables		730	2,944
TOTAL CURRENT RECEIVABLES		5,398	7,001
TOTAL TRADE AND OTHER RECEIVABLES		5,398	7,001
TRADE AND OTHER RECEIVABLES CLASSIFIED AS FINANCIAL ASSETS		5,398	7,001

14. Other Current Assets

	Consolidated Group 2017 $000s	Consolidated Group 2016 $000s
Accrued Income	250	210
Prepayments	992	1,203
TOTAL OTHER CURRENT ASSETS	**1,242**	**1,413**

15. Financial Assets

	Note	Consolidated Group 2017 $000s	Consolidated Group 2016 $000s
CURRENT			
FVTPL* financial assets		912	884
Loans receivable		-	957
TOTAL CURRENT FINANCIAL ASSETS		**912**	**1,841**

FVTPL* financial assets comprise at fair value:

	2017	2016
Netwealth Managed Funds	16	16
Netwealth Wrap and Super Accounts	845	818
Other Investments	51	50
Total FVTPL financial assets	912	884

* Fair Value through Profit or Loss (FVTPL)

16. Property and Equipment

	Note	Consolidated Group 2017 $000s	Consolidated Group 2016 $000s
Carrying amounts of:			
Leasehold Improvements		1,988	1,551
Equipment		625	649
TOTAL PROPERTY and EQUIPMENT		**2,613**	**2,200**

	Leasehold Improvements $000s	Equipment $000s	Total $000s
COST			
Balance at 1 July 2015	1,775	1,392	3,167
Additions	906	410	1,316
Disposals	(176)	(2)	(178)
Balance at 30 June 2016	2,505	1,800	4,305
Additions	790	333	1,123
Disposals	(220)	(170)	(390)
Balance at 30 June 2017	**3,075**	**1,963**	**5,038**
ACCUMULATED DEPRECIATION			
Balance at 1 July 2015	(731)	(875)	(1,606)
Depreciation expense	(223)	(276)	(499)
Balance at 30 June 2016	(954)	(1,151)	(2,105)
Disposals	120	105	225
Depreciation expense	(253)	(292)	(545)
Balance at 30 June 2017	**(1,087)**	**(1,338)**	**(2,425)**
NET CARRYING AMOUNT			
At 30 June 2016	**1,551**	**649**	**2,200**
At 30 June 2017	**1,988**	**625**	**2,613**

17. Intangible Assets

	Note	Consolidated Group 2017 $000s	Consolidated Group 2016 $000s
Carrying amounts of:			
Goodwill		-	7,659
Non-contractual customer relationships		-	7,200
Trademarks		-	293
Software and website development costs		107	203
TOTAL INTANGIBLES		107	15,355

	Goodwill $000s	Customer relationships $000s	Trademarks $000s	Software and website $000s	Total $000s
COST					
Balance at 1 July 2015	9,837	11,624	293	5,253	27,007
Additions	-	496	-	40	536
Disposals					
Balance at 30 June 2016	9,837	12,120	293	5,293	27,543
Additions					
Transfer to assets held for sale	(9,837)	(12,120)	(293)	(4,900)	(27,150)
Balance at 30 June2017	-	-	-	393	393
ACCUMULATED AMORTISATION AND IMPAIRMENT					
Balance at 1 July 2015	(2,178)	(3,917)	-	(4,817)	(10,912)
Amortisation	-	(1,003)	-	(273)	(1,276)
Balance at 30 June 2016	(2,178)	(4,920)	-	(5,090)	(12,188)
Amortisation	-	(997)	-	(79)	(1,075)
Impairment		(2,331)			(2,331)
Transfer to assets held for sale	2,178	8,248	-	4,883	15,308
Balance at 30 June 2017	-	-	-	(286)	(286)
NET CARRYING AMOUNT					
At 30 June 2016	7,659	7,200	293	203	15,355
At 30 June 2017	-	-	-	107	107

18. Trade and Other Payables

	Note	Consolidated Group 2017 $000s	Consolidated Group 2016 $000s
CURRENT			
Financial Liabilities measured at Amortised Cost:			
Trade Payables		4,916	3,131
GST Payable		268	232
Other Payables		41	8
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		**5,225**	**3,371**
Financial Liabilities at amortised costs classified as trade and other payables			
Total Financial Liabilities at amortised cost		5,225	3,371
Less:			
GST Payable		268	232
TOTAL FINANCIAL LIABILITIES AS TRADE AND OTHER PAYABLES		**4,957**	**3,139**

19. Provisions

	Consolidated Group 2017 $000s	Consolidated Group 2016 $000s
Employee benefits	2,631	2,522
Legal and other associated costs	1,000	7,896
Other provisions	292	282
	3,923	10,700
CURRENT	3,494	9,939
NON CURRENT	429	761
	3,923	10,700

	Employee Benefits $000s	Legal and Other Associated Costs $000s	Other Provisions $000s	Total Provisions $000s
Analysis of Provisions				
Consolidated Group				
Opening balance at 1 July 2016	2,522	7,896	282	10,700
Additional amounts raised during the year	2,213	1,266	10	3,489
Amount used or reversed during the year	(1,804)	(8,162)	-	(9,966)
Transferred to assets held for sale	(300)			(300)
Balance at 30 June 2017	2,631	1,000	292	3,923

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 amounts accrued for long service leave is a pro-rata amount accrued based on current years of service, adjusted for an assumed rate of salary increase and discounted to allow for when the leave is expected to be taken.
Based on 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 2017 $000s	Consolidated Group 2016 $000s
Current		
Annual leave	1,207	1,244
Long service Leave	995	800
	2,202	2,044
Non-current		
Long-service leave	429	478
	429	478
Total employee provisions	2,631	2,522

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. Refer to contingent liabilities disclosed in note 28.

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 2.

20. Issued Capital

Issued capital comprises:

	Consolidated Group	
	2017	2016
	$000s	$000s
29,662,249 Fully Paid Ordinary Shares (2016: 29,633,787)	19,824	19,775
3,000,000 Partly Paid Ordinary Shares (2016: 3,000,000)	506	506
352,869 Class 'A' Shares (2016: 352,869)	550	550
890,000 Foundation Shares (2016: 890,000)	255	255
937,500 Platinum Shares (2016: nil)	3,095	-
TOTAL SHARE CAPITAL	24,231	21,086
RESTRICTED SHARES	(4,026)	-
ISSUED CAPITAL	20,205	21,086

In the current year the Group changed the way it presents loans provided to employees on the issue of shares under the Share Based Payment arrangements. Previously this was recorded as an employee loan however in the current period the Company changed its accounting treatment and now recognises these as Restricted Shares and netted off against Issued Capital. Restricted Shares have no value until the employee loan associated with the Share Based Payment arrangement has been fully repaid. Prior years have not been restated as the amount of employee loans at 30 June 2016 ($0.957 million) is deemed not material.

	Consolidated Group	
	2017	2016
	No.	No.
Fully Paid Ordinary Shares		
At the beginning of the reporting period	29,623,787	29,581,756
Shares issued during the year	38,462	81,094
Converted from Partly-Paid Shares	-	-
Shares cancelled following share buy-back during the year	-	(39,063)
At the end of the reporting period	29,662,249	29,623,787
SHARES WITH VALUE	29,155,794	-
RESTRICTED SHARES	506,455	-
Partly Paid Ordinary Shares		
At the beginning of the reporting period	3,000,000	3,000,000
Shares issued during the year	-	-
Converted to Fully-Paid Shares	-	-
At the end of the reporting period	3,000,000	3,000,000
Class 'A' Shares		
At the beginning of the reporting period	352,869	346,458
Shares issued during the year	-	35,334
Shares cancelled following share buy-back during the year	-	(28,923)
At the end of the reporting period	352,869	352,869
RESTRICTED SHARES	352,869	
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

20. Issued Capital (continued)

	Consolidated Group 2017 No.	Consolidated Group 2016 No.
Platinum Shares		
At the beginning of the reporting period	-	-
Shares issued during the year	937,500	-
At the end of the reporting period	937,500	-
RESTRICTED SHARES	937,500	

The Company has issued share capital amounting to 29,662,249 Ordinary shares of no par value, 352,869 A class shares of no par value, 890,000 foundation shares of no par value, 3,000,000 Partly Paid Ordinary shares and 937,500 Platinum Performance shares of no par value.

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. Platinum shares are not entitled to vote and do not participate in dividends.

In the current year the Group changed the way it presents loans provided to employees on the issue of shares granted under the Share Based Payment arrangements. Previously this was recorded as an employee loan however in the current period the Company changed its accounting treatment and now recognises these as Restricted Shares and netted off against Issued Capital. Restricted shares have no value until the employee loan associated with the Share Based Payment arrangement has been fully repaid. Prior years have not been restated as the amount at 30 June 2016 is deemed not material.

21. Reserves

	Note	Consolidated Group 2017 $000s	Consolidated Group 2016 $000s
Options reserve		712	571

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

22. Controlled Entities

Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned 2017 %	Percentage Owned 2016 %
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
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.

23. Financial Instruments

(a) Capital management

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

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

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

There have been no changes in the strategy adopted by management to control the capital of the Group during the financial year, however legislated reforms from 1 July 2015 stipulated that the Group will now need to meet the capital requirements of both Australian Securities and Investments Commission (ASIC) and Australian Prudential Regulation Authority (APRA) separately.

Under the RSE License granted by APRA, the parent entity is required to maintain sufficient level of capital, known as the Operational Risk Financial Requirement (ORFR) to cover operational risk. Combined with ASIC's RG166 capital requirements for Australian Financial Services Licensees, the parent entity was required to maintain a minimum of $21 million in net tangible assets as at 30 June 2017 the Group satisfied these requirements at all times during the year.

(b) Categories of financial instruments

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	
		2017	2016
		$000s	$000s
Financial Assets			
Cash and Cash Equivalents	12	34,340	27,652
Trade and Other Receivables	13	5,398	7,001
Financial assets	15	912	1,841
Total Financial Assets		40,650	36,494
Financial Liabilities			
Trade and Other Payables	19	5,225	3,371
Total Financial Liabilities		5,225	3,371

(c) Financial risk management objectives

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

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

The policies are approved by the Board of Directors. These include credit risk policies and future cash flow requirements.

23. Financial Instruments (continued)

Specific Financial Risk Exposures and Management

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

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

(d) Market risk

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

For the year ended 30 June 2017 if the Bank Bill Swap (BBSW) interest rate had been 1% higher, profit for the year at the reporting date would have been $322K higher for the consolidated group and equity would have been $226K higher. If the BBSW interest rate had been 1% lower, profit for the year at the reporting date would have been $322K and equity $226K lower for the consolidated group. This sensitivity assumes that the movement in interest rates is independent of other variables.

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

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

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

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

	Consolidated Group	
	Profit (before tax) $000	Equity $000
Year ended 30 June 2017		
+/-1% in interest rates (interest income)	+322/-322	+226/-226
Year ended 30 June 2016		
+/-1% in interest rates (interest income)	+206/-206	+144/-144

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.

23. Financial Instruments (continued)

(d) Credit risk management

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

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

Credit Risk Exposures

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

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically mentioned within Note 13. The main source of credit risk to the Group is considered to relate to the class of assets described as "trade and other receivables" and "loans".

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

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

Consolidated Group	Amount	Past due but not impaired (days overdue)			Within initial trade Terms	Past due And Impaired
		31 - 60	61 - 90	>90		
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
2017						
Trade and term receivables	730	243	181	122	184	-
Other receivables	4,668	-	-	-	4,668	-
TOTAL	**5,398**	**243**	**181**	**122**	**4,852**	**-**
2016						
Trade and term receivables	2,944	300	92	120	2,432	-
Other receivables	4,057	-	-	-	4,057	-
						-
TOTAL	**7,001**	**300**	**92**	**120**	**6,489**	**-**

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

23. Financial Instruments (continued)

(e) Liquidity risk management

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

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

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

23. Financial Instruments (continued)

Consolidated Group		Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	Note	2017	2016	2017	2016	2017	2016	2017	2016
		$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Financial Liabilities due for payment									
Trade & Other Payables	19	4,957	3,139	-	-	-	-	4,957	3,139
Total Expected Outflows		4,957	3,139	-	-	-	-	4,957	3,139
Financial Assets – Cash Flows realisable									
Cash and Cash Equivalents	12	34,340	27,652	-	-	-	-	34,340	27,652
Trade and Other Receivables	13	5,398	7,001	-	-	-	-	5,398	7,001
Financial Assets	15	912	1,841	-	-	-	-	912	1,841
Total anticipated inflows		40,652	36,494	-	-	-	-	40,652	36,494
Net (outflow)/inflow on financial instruments		35,693	36,494	-	-	-	-	35,693	36,494

23. Financial Instruments (continued)

(f) Fair value of financial instruments

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

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

Consolidated Group	Footnote	Net Carrying Value		Net Fair Value	
		2017 $'000s	2016 $'000s	2017 $'000s	2016 $'000s
Financial Assets					
Cash & Cash Equivalents	i	34,340	27,652	34,340	27,652
Trade & Other Receivables	i	5,398	7,001	5,398	7,001
FVTPL financial assets	ii	912	884	912	884
Loans & Receivables	iii	-	957	-	957
Total Financial Assets		**40,650**	**36,494**	**40,650**	**36,494**
Financial Liabilities					
Trade & Other Payables	19	4,957	3,139	4,957	3,139
Total Financial Liabilities		**4,957**	**3,139**	**4,957**	**3,139**

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

i. Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts relating to the provision of annual leave and deferred revenue which is outside the scope of AASB 139.
ii. For listed FVTPL, closing quoted bid prices at the end of the reporting period are used. In determining the fair values of the unlisted available-for-sale financial assets, the directors have used inputs that are observable either directly (as prices) or indirectly (derived from prices).
iii. 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.

Financial Instruments Measured at Fair Value

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

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

23. Financial Instruments (continued)

Consolidated Group	Level 1 $'000s	Level 2 $'000s	Level 3 $'000s	Total $'000s
2017				
Financial Assets				
FVTPL financial assets:				
Listed Investments	663	-	-	663
Unlisted Investment	-	-	249	249
Total FVTPL Financial Assets	**663**	**-**	**249**	**912**
2016				
Financial Assets				
FVTPL financial assets:				
Listed Investments	637	-	-	637
Unlisted Investment	-	-	247	247
Total FVTPL Financial Assets	**637**	**-**	**247**	**884**

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

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

Level 3 inputs are unobservable inputs for the asset or liability. The unlisted investments have been valued based on the amount reasonably expected to be received on disposal of the asset.

24. Share Based Payments

(a) Details of the employee share option plans of the Company

Netwealth Employee share loan plan

The company currently has the Netwealth Employee share loan plan as its share-based payment scheme. This plan has been effective since 2013.

The company, from time to time grants shares as compensation to nominated personnel of the company and its subsidiaries under a limited recourse loan arrangement between employee and the company.

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

Platinum shares

All options issued to employee's as Platinum Shares are subject to vesting conditions set by the Board of Director's prior to the date of the grant in respect of tenure, individual performance and behaviour ratings and the Group's Earnings Per Share performance and are issued at an exercise price which the Board of Director's determined to be their value as at the Grant Date. Under the current plan the number of shares vesting on expiry of a three year performance period shall be determined by the following Earnings Per Share target. All shares currently on issue as Platinum Shares were granted under this Board of Directors policy.

24. Share Based Payments (continued)

Earnings Per Share	Proportion of Platinum Shares that vest
$1.10 or more	100%
$0.99 or more but less than $1.10	90%
$0.89 or more but less than $0.99	80%
$0.80 or more but less than $0.89	70%
less than $0.80	Nil

Options expire 10 years after the grant date. Employees are entitled to keep their shares after termination of employment – subject to the basis of termination.

937,500 Platinum Shares were issued during the current financial year. No shares were issued under this plan during the 2016 financial year.

A shares

Options issued to employee's as A shares vest two years after grant date and expire 10 years after grant date. The exercise price of the options equals the Board of Director's determined value as at the Grant Date.

The shares carry no voting rights but are entitled to receive dividends. Employees are entitled to keep their shares after termination of employment – subject to the basis of termination.

The first shares under this arrangement were issued in the 2014 financial year. No shares were issued in the current year (2016: 83,334).

Ordinary shares

Options issued under this arrangement vest immediate and carry voting rights and right to receive dividends. Employees are entitled to keep their shares after termination of employment – subject to the basis of termination. Options expire 10 years after grant date.

The first shares under this arrangement were issued in the 2014 financial year. 38,462 shares were issued in the current year (2016: nil).

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

Series	Grant date	Number	Plan	Expiry date	Exercise price	Fair value at grant date
Series 7	30 October 2015	50,000	A shares	31 October 2025	$3.00	$1.00
Series 8	13 November 2015	16,667	A shares	30 November 2025	$3.00	$1.02
Series 9	13 November 2015	16,667	A shares	30 November 2025	$3.00	$1.02
Series 10	11 August 2016	887,500	Platinum shares	8 November 2026	$3.30	$0.31
Series 11	20 March 2014	38,462	Ordinary shares	20 March 2024	$1.30	$0.49
Series 12	26 April 2017	25,000	Platinum shares	8 November 2026	$4.30	$0.39
Series 13	19 May 2017	25,000	Platinum shares	8 November 2026	$4.30	$0.36

24. Share Based Payments (continued)

(b) Fair value of share options granted during the year

The weighted average fair value of the share options granted during the financial year is $3.35 (2016: $3.00). Options were priced using a binominal option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and performance and behavioural considerations. Expected volatility is estimated with reference to market observations for selected comparable companies.

Inputs into the model

Options series	Grant date share price	Vesting probability	Exercise price	Expected volatility	Vesting term	Dividend yield	Risk-free interest rate
2017							
Series 10	$3.30	100%	$3.30	42%	4 years	49%	1.51%
Series 11	$1.25	100%	$1.30	36%	2 years	n/a	3.60%
Series 12	$4.30	100%	$4.30	30%	3.5 years	69%	1.96%
Series 13	$4.30	100%	$4.30	28%	3.5 years	65%	1.82%
2016							
Series 7	$3.00	100%	$3.00	35%	18.5 months	n/a	2.03%
Series 8	$3.00	100%	$3.00	35%	18 months	n/a	2.38%
Series 9	$3.00	100%	$3.00	35%	19 months	n/a	2.38%

(c) Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the year	924,587	$1.58	909,239	$1.42
Granted during the year	975,962	$3.35	83,334	$3.00
Vested during the year	-	-	-	-
Forfeited during the year	(15,000)	$3.30	(67,986)	$1.30
Exercised during the year	-	-	-	-
Balance at end of the year	1,885,549	$2.48	924,587	$1.58
Exercisable at the end of the year	764,794	$2.42	411,926	$1.60

(d) Share options exercised during the year

There were no options exercised during the year (2016: nil).

(e) Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of $2.47 (2016: $1.58), and a weighted average remaining contractual life of 8.2 years (2016: 8.5 years).

25. 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**
For details of disclosures relating to key management personnel, refer to Note 8: 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. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidations and are not disclosed in this note.

	Consolidated Group	
	2017	2016
	$	$
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	13,570	29,900

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

25. Related Party Transactions (continued)

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

	Consolidated Group	
	2017	2016
	$	$
Management Fees:		
Management Fee Revenue	2,157,080	1,647,810
Distributions:		
Distribution Income	1,084	2,083

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:

FVTPL financial assets		
Netwealth Managed Funds	14,804	16,373
Netwealth Wrap and Super Accounts	960,592	921,995

26. Cash flow note

Reconciliation of cash flow from operations with profit after income tax

	2017	2016
	$'000s	$'000s
Profit for the year	13,554	9,148
Income tax expense recognised in profit or loss	6,957	3,782
Depreciation & amortisation	1,621	1,777
Impairment of Goodwill	2,332	-
Share based payment expense	141	45
Unrealised (gain)/loss on investments	(36)	9
Adjustments on make good provision	7	8
Loss on disposal of assets	161	176
Gain on disposal of investments	(106)	(147)
	24,631	14,798
Movements in working capital		
(Increase)/decrease in trade & other receivables	450	(2,003)
(Increase)/decrease in other assets	(109)	(7)
Increase/(decrease) in trade & other payables	2,342	(97)
Increase/(decrease) in provisions	(6,477)	4,173
Cash generated from operations	20,838	16,866
Income tax paid	(8,011)	(7,161)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**12,827**	**9,704**

27. Capital and Leasing Commitments

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

	Consolidated Group	
	2017	2016
	$000s	$000s
Payables – minimum lease payments:		
Not later than 12 months	1,234	734
Between 12 months and 5 years	4,217	4,841
Total Operating Lease Payables	**5,451**	**5,575**

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.

Capital Commitments
The group had no capital commitments as at 30 June 2017 and 30 June 2016.

28. 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 (less payments made from 1 July 2017 to the date of the agreement) as at the balance sheet date for a period up to three years.

A provision of $1million (2016: $7.9 million) has been made to cover probable outflows in relation to these claims in the financial statements of the parent and consolidated entities respectively.

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.

29. Parent entity disclosures

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

29. Parent entity disclosures (continued)

STATEMENT OF FINANCIAL POSITION	PARENT ENTITY	
	2017 $000s	2016 $000s
ASSETS		
Cash and cash equivalents	7,076	54
Current Assets	13,399	12,599
Non Current Assets	17,008	19,339
TOTAL ASSETS	37,482	31,992
LIABILITIES		
Current Liabilities	11,564	10,647
TOTAL LIABILITIES	11,564	10,647
NET ASSETS	25,918	21,345
EQUITY		
Issued Capital	20,205	21,086
Reserves	227	227
Retained Earnings	5,486	32
TOTAL EQUITY	25,918	21,345
STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME		
Total Profit / (Loss) for the Year	11,601	3,501
Total Comprehensive Profit / (Loss) for the Year	11,601	3,501

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 2017, the parent entity had not entered into any contractual commitments for the acquisition of property and equipment or any operating leases (2016: nil).

Contingent liabilities: At 30 June 2017, the parent entity does not have any contingent liabilities (2016: nil).

30. Auditor's remuneration

	Consolidated Group	
	2017 $000s	**2016 $000s**
Fees payable for audit and review of financial reports		
Current auditors	225	-
Previous auditors	-	243
Fees payable for other services		
Taxation		
Previous auditor	283	277
Other		
Current auditor	20	-
Previous auditor	94	-
TOTAL FEES PAID TO GROUP AUDITOR	**622**	**520**

31. Events after the Reporting Date

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.

Netwealth is currently investigating the possibility of a listing of the Group on the Australian Stock Exchange prior to 31 December 2017.

Directors' Declaration

The directors of the company declare that:

1) The financial statements and notes, as set out on pages 7 to 52, are in accordance with the *Corporations Act 2001* and:

   a) Comply with Australian Accounting Standards which as stated in the accounting policy note to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRSs); and

   b) Give a true and fair view of the financial position as at 30 June 2017 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 31st August 2017

Deloitte.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Netwealth Group Limited (the "Company") and controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, other information and the declaration by the directors.

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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Directors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Melbourne, 31 August 2017