

# Netwealth Group Limited and Controlled Entities Half Year Report 1H 2019

ACN: 620 145 404

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## Appendix 4D

Report for the half year ended 31 December 2018 (1H 2019)

Netwealth Group Limited  
ABN: 84 620 145 404

### 1. Details of the reporting period

Report for the half year ended 31 December 2018 (1H 2019)

(Previous corresponding period half year ended 31 December 2017 (1H 2018))

### 2. Results for announcement to the market

	1H 2019 \$'000	1H 2018 \$'000	Increase/ (Decrease)	VAR %
Revenue from ordinary activities	48,208	40,495	7,713	19.0%
Profit from ordinary activities before tax attributable to members	23,316	8,063	15,253	189.2%
Net profit for the period attributable to members	16,259	4,818	11,441	237.5%

#### Brief explanation of the figures reported

The profit from ordinary activities before tax and net profit for the period increased primarily due to the growth in revenue from increased Funds Under Administration and the previous period including a one off \$12.1M (pre-tax) cost of listing on the Australian Stock Exchange (ASX).

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

### 3. Net tangible assets per ordinary security

	1H 2019	1H 2018
Net tangible assets as per ordinary security	24.6 cents	16.8 cents

#### Brief explanation of the figures reported

The increase in net tangible assets per ordinary security is a result of the disposal of non-core business which occurred in 2H 18. This has resulted in tangible assets previously excluded in 1H 2018, being converted to cash and Financial Assets in 1H 2019.

## 4. Dividends information

	Amount per share (cents)	Franked amount per share (cents)	% Franked	Tax rate for franking credit
Final 2018 dividend per share (paid 27 Sep 2018)	5.38	2.31	100%	30%
Special 2018 dividend per share (paid 27 Sep 2018)	5.18	2.22	100%	30%
Interim 2019 dividend per share (to be paid 28 Mar 2019)	5.50	2.36	100%	30%

### Interim dividend dates

Ex-dividend date	25 February 2019
Record date	26 February 2019
Payment date	28 March 2019

For the half year, Netwealth Group Limited declared an interim dividend of \$13.1M, payable on 28 March 2019. There is no Dividend Reinvestment Plan (DRP).

### Brief explanation of the figures reported

The Final 2018 dividend relates to the Net Profit After Tax from the listing date, 20 November 2017 to 30 June 2018. If the Final 2018 dividend was distributed on the same basis, it would have been 4.42 cents per share.

## 5. Control gained/loss over entities

Not applicable.

## 6. Details of associates and joint venture entities

Not applicable.

## 7. Compliance statement

This report is based on the consolidated financial statements for the half year ended 31 December 2018 which were subject to a review by the Group's auditors, Deloitte Touche Tohmatsu with the review report attached.



**Michael Heine**  
Joint Managing Director  
18 February 2019

## Corporate highlights

Netwealth has continued to experience growth in the half year to December 2018, some highlights for the half year were (comparative period being half year to December 2017):



**NPAT \$17.0M<sup>(1)</sup>**

Growth \$3.0M (+21.2%)  
Statutory NPAT \$16.3M



**EBITDA \$24.8M<sup>(1)</sup>**

Growth \$4.3M (+21.2%)  
Statutory EBITDA \$23.7M



**#1 Platform<sup>(2)</sup>**

Overall platform functionality & client satisfaction



**FUA net inflows \$1.9B**

Growth \$0.1B (+4.8%)



**FUA \$19.0B**

Growth \$3.6B (+23.0%)



**FUM \$3.1B**

Growth \$0.7B (+29.4%)



**Operating cashflow  
pre-tax \$25.1M<sup>(1)</sup>**

Statutory Operating Cashflow  
pre-tax \$25.6M



**Recurring platform  
revenue 94.1%<sup>(3)</sup>**



**Dividend per share  
5.50 cents**

(1) Underlying NPAT, EBITDA and Operating cashflow have been prepared by excluding the impact of non-recurring costs. Reconciliation provided on page 11.

(2) Investment Trends – December 2017 Platform Competitive Analysis and Benchmarking Report & Mat 2018 Planner technology report

(3) Recurring platform revenue is based on 31 December 2018 expected future revenue streams excluding insurance transitions fees and transaction fees

## Directors' report

The directors present their report on Netwealth Group Limited (the "Company" or "Netwealth") and its controlled entities for the half year ended 31 December 2018 (1H 2019). The consolidated entity is referred to as "the Group". In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

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

- Jane Tongs (Chairman)
- 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.

### Company overview

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

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

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

Netwealth's award-winning platform is currently rated Australia's Number 1 Platform for overall functionality and overall satisfaction providing wealth professionals with the technology required to efficiently manage and add value to their clients.

### Corporate governance

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

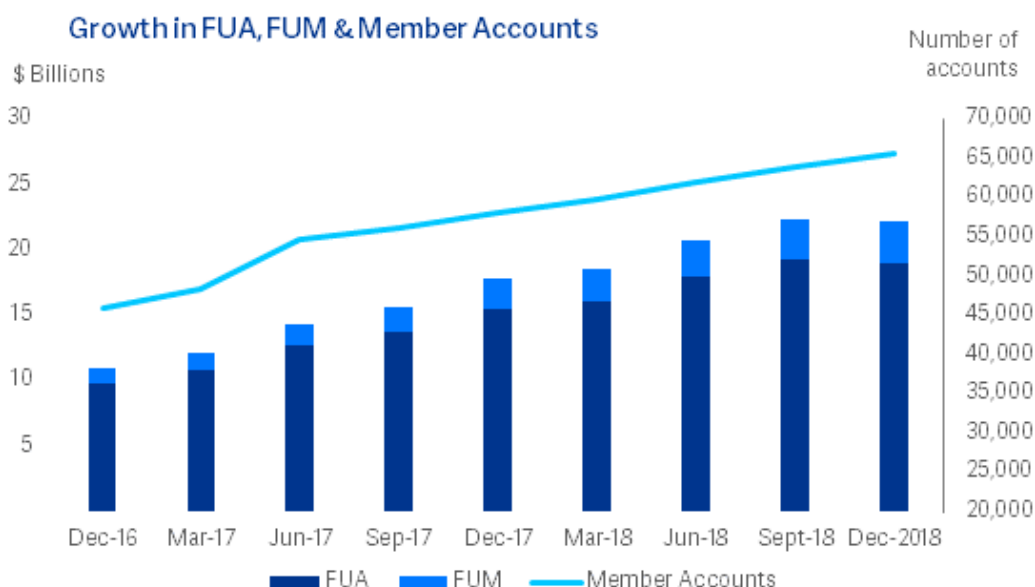
### Diversity strategy

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

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

## Review of operations

As at 31 December 2018 Netwealth had \$19.0B Funds Under Administration (FUA) and \$3.1B of Funds Under Management (FUM) across 65,688 accounts.



Netwealth continued to deliver FUA growth of 5.7% (\$1.0B) for 1H 2019 and 23.0% (\$3.6B) for calendar year ended 31 December 2018. The Net Inflows were \$1.9B for 1H 2019 and \$4.3B for calendar year ended 31 December 2018.

Fee Paying FUA decreased from 65.2% at 31 December 2017 to 61.6% at 30 June 2018. In FY2019, the Fee Paying FUA has increased to 62.3%.

The Managed Account achieved strong growth during 1H 2019, with \$2.1B under management as at 31 December 2018. For 1H 2019 Managed Account grew by \$0.3B, an increase of 15.2%.

Netwealth is a leader in its industry for technology functionality and customer satisfaction<sup>1</sup>, attracting new members and financial intermediaries onto the platform. Netwealth was confirmed as the winner for 'Best platform overall' in 2017 by Investment Trends for the third year in a row.

In 1H 2019, Netwealth increased its member accounts by 6% and for calendar year ended 31 December 2018, Netwealth added 7,676 new member accounts.

Financial intermediaries using the platform also continued to grow with 2,393 on our platform as at 31 December 2018, up 5.4% in 1H 2019.

<sup>1</sup> Ranked No.1 in 2017 for best platform overall by Investment Trends & joint No.1 in 2017 for overall satisfaction by Investment Trends

## Review of financial results

Netwealth recorded platform revenue of \$47.1M and total revenue of \$48.2M for 1H 2019. Total revenue increased by 19.0% compared to 1H 2018.

Employee benefits expenses were \$16.0M for 1H 2019, which was an increase of 17.7% compared to 1H 2018. The Group's policy is that all employee expenditure is expensed in the period it is incurred and not capitalised. This includes the IT and product development departments. We will continue to increase our investment in sales, product development, technology, compliance and operations teams, to ensure we maintain our market leading platform functionality and service levels.

Expenses for 1H 2019 included Non-Recurring costs of \$1.1 million. Netwealth conducted a comprehensive review going back to the date of the granting of our Registrable Superannuation Entity (RSE) licence. This review was in relation to current and historical processes and undertaken with reference to changes in the Financial Services environment, including, but not limited to, evidence given in the hearings and findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission). These reviews, which have been completed, identified client rectification costs and legal expenses of \$1.1 million, booked in 1H 2019 and payable during 2H 2019. Note prior comparative period non-recurring expenses were in relation to the IPO transaction costs.



## Statutory results

The table below sets out a summary of Netwealth's statutory statement of profit for 1H 2019 and 1H 2018.

	Consolidated Group for half year ended			
	31 December 2018 \$'000	31 December 2017 \$'000	Variance \$'000	Variance %
<b>Income</b>				
Platform revenue	47,066	39,822	7,244	18.2%
Other income	1,142	673	469	69.7%
<b>Total income</b>	<b>48,208</b>	<b>40,495</b>	<b>7,713</b>	<b>19.0%</b>
<b>Expenses</b>				
Employee benefits expenses	(16,040)	(13,630)	2,410	17.7%
Other costs and expenses	(8,477)	(18,472)	(9,995)	(54.1%)
<b>Total expenses</b>	<b>(24,517)</b>	<b>(32,102)</b>	<b>(7,585)</b>	<b>(23.6%)</b>
<b>EBITDA on continuing operations</b>	<b>23,691</b>	<b>8,393</b>	<b>15,298</b>	<b>182.3%</b>
EBITDA margin	49.1%	20.7%	-	-
Depreciation and Amortisation	(375)	(330)	45	13.6%
<b>NPBT on continuing operations</b>	<b>23,316</b>	<b>8,063</b>	<b>15,253</b>	<b>189.2%</b>
Income tax expense	(7,057)	(2,451)	4,606	187.9%
<b>NPAT on continuing operations</b>	<b>16,259</b>	<b>5,612</b>	<b>10,647</b>	<b>189.7%</b>
<b>NPAT margin</b>	<b>33.7%</b>	<b>13.9%</b>	<b>-</b>	<b>-</b>

## Reconciliation of underlying adjustments to the consolidated statement of profit or loss and other comprehensive income

	Consolidated Group for half year ended			
	31 December 2018 \$'000	31 December 2017 \$'000	Variance \$'000	Variance %
<b>Statutory EBITDA on continuing operations</b>	<b>23,691</b>	<b>8,393</b>	<b>15,298</b>	<b>182.3%</b>
Add back: IPO transaction costs	-	12,075	(12,075)	(100.0%)
Add back: Legal expenses and compensation	1,121	-	1,121	100.0%
<b>Underlying EBITDA on continuing operations</b>	<b>24,812</b>	<b>20,468</b>	<b>4,344</b>	<b>21.2%</b>
Underlying EBITDA margin	51.5%	50.5%	-	-
Depreciation and Amortisation	(375)	(330)	45	13.6%
<b>Underlying NPBT on continuing operations</b>	<b>24,437</b>	<b>20,138</b>	<b>4,299</b>	<b>21.3%</b>
Income tax expense	(7,393)	(6,074)	1,319	21.7%
<b>Underlying NPAT on continuing operations</b>	<b>17,044</b>	<b>14,064</b>	<b>2,980</b>	<b>21.2%</b>
<b>Underlying NPAT margin</b>	<b>35.4%</b>	<b>34.7%</b>	<b>-</b>	<b>-</b>

## Underlying results

Set out in the table below is the Underlying statement of profit for 1H 2019 and 1H 2018.

	Consolidated Group for half year ended			
	31 December 2018 \$'000	31 December 2017 \$'000	Variance \$'000	Variance %
<b>Income</b>				
Platform revenue	47,066	39,822	7,244	18.2%
Other income	1,142	673	469	69.7%
<b>Total income</b>	<b>48,208</b>	<b>40,495</b>	<b>7,713</b>	<b>19.0%</b>
<b>Expenses</b>				
Employee benefits expenses	(16,025)	(13,630)	2,395	17.6%
Other costs and expenses	(7,371)	(6,397)	974	15.2%
<b>Total expenses</b>	<b>(23,396)</b>	<b>(20,027)</b>	<b>3,369</b>	<b>16.8%</b>
<b>Underlying EBITDA on continuing operations</b>	<b>24,812</b>	<b>20,468</b>	<b>4,344</b>	<b>21.2%</b>
Underlying EBITDA margin	51.5%	50.5%	-	-
Depreciation and Amortisation	(375)	(330)	75	22.7%
<b>Underlying NPBT on continuing operations</b>	<b>24,437</b>	<b>20,138</b>	<b>4,299</b>	<b>21.3%</b>
Income tax expense	(7,393)	(6,074)	1,319	21.7%
<b>Underlying NPAT on continuing operations</b>	<b>17,044</b>	<b>14,064</b>	<b>2,980</b>	<b>21.2%</b>
<b>Underlying NPAT margin</b>	<b>35.4%</b>	<b>34.7%</b>	<b>-</b>	<b>-</b>
<b>Underlying EPS (cents per share)<sup>1</sup></b>	<b>6.98</b>	<b>5.76</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Underlying EPS has been calculated based on the ordinary and performance shares held post completion of the IPO. During the half year, 49,500 performance shares were cancelled.

## Key platform statistics

	Consolidated Group for half year ended			
	31 December 2018	31 December 2017	Variance	Variance %
FUA (EOP) (\$ million)	18,988	15,436	3,552	23.0%
FUM (EOP) (\$ million)	3,139	2,426	713	29.4%
Net FUA flows (\$ million)	1,936	1,847	89	4.8%
Net FUM flows (\$ million)	419	692	(273)	(39.5%)
Annualised platform revenue/average FUA (bps)	49.3 bps	56.5 bps	(7.2 bps)	(12.7%)
Annualised platform revenue/average number of accounts (\$)	1,461	1,406	55	3.9%

### Significant changes in the state of affairs

There were no other significant changes in the state of affairs for Netwealth Group Limited during the half year.

### Dividends

During the half year, the Company declared on 27 August 2018 and paid on 27 September 2018 a fully franked final dividend of 5.38 cents per share, representing total dividend of \$12,790,000. In addition to the fully franked final dividend, a special dividend of 5.18 cents per share, representing a total dividend of \$12,300,000 was paid on 27 September 2018. There is no DRP.

### Options and shares

There are no remaining options and no new shares were issued.

### Events subsequent to the end of the reporting period

On 18 February 2019, the Directors declared a fully franked interim dividend of 5.50 cents per share (total dividend of \$13,072,000). The interim dividend is payable on 28 March 2019.

There are no matters or circumstances that have arisen since the end of the half 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.

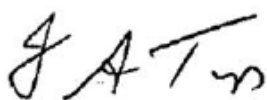
### Auditor's independence declaration

A copy of the auditor's independence declaration as required under s 307C of the Corporations Act 2001 is set out on page 14.

### Rounding of amounts

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

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



Director

**Jane Tongs**

Chairman

18 February 2019

## Auditor's independence declaration

# Deloitte.

Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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Melbourne VIC 3000  
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Melbourne VIC 3001 Australia

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[www.deloitte.com.au](http://www.deloitte.com.au)

18 February 2018

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

Dear Directors,

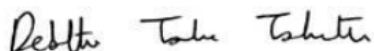
### Auditor's independence declaration to Netwealth Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Netwealth Group Limited, regarding the half-year consolidated financial report for Netwealth Group Limited.

As lead audit partner for the review of the financial statements of Netwealth Group Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Brown  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

# Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2018.

		Consolidated group for half year ended	
	Note	31 December 2018 \$'000	31 December 2017 \$'000
Continuing operations			
Income			
Revenue		47,066	39,822
Other income		1,142	673
Total income	3	48,208	40,495
Expenses			
Employee benefits expenses		(16,040)	(13,630)
Other operating expenses		(5,946)	(4,299)
Occupancy expenses		(829)	(810)
IT and communication expenses		(1,702)	(1,288)
Cost associated with the Group's Initial Public Offering		-	(12,075)
Depreciation		(326)	(295)
Amortisation		(49)	(35)
Total expenses		(24,892)	(32,432)
Profit before income tax		23,316	8,063
Income tax expense		(7,057)	(2,451)
Profit for the period from continuing operations		16,259	5,612
Discontinued operations			
Loss for the period from discontinued operations	8	-	(794)
Profit for the period		16,259	4,818
Total comprehensive income for the period		16,259	4,818
Total comprehensive income attributable to:			
Members of the parent entity		16,259	4,818
Earnings per share			
From continuing and discontinued operations:			
Basic (cents per share)		6.84	6.19
Diluted (cents per share)		6.84	6.19
From continuing operations:			
Basic (cents per share)		6.84	7.21
Diluted (cents per share)		6.84	7.21

The accompanying notes form part of these financial statements

# Consolidated statement of financial position

As at 31 December 2018.

		Consolidated Group as at	
	Note	31 December 2018 \$'000	30 June 2018 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		45,076	52,669
Trade and other receivables		7,959	5,959
Other current assets		2,720	2,510
Financial assets	5	5,947	5,606
Assets classified as held for sale		-	52
<b>Total current assets</b>		<b>61,702</b>	<b>66,796</b>
<b>Non-current assets</b>			
Property, plant and equipment		2,600	2,859
Intangible assets		294	343
Financial assets	5	2,227	2,227
Deferred tax assets	6	6,112	6,526
<b>Total non-current assets</b>		<b>11,233</b>	<b>11,955</b>
<b>Total assets</b>		<b>72,935</b>	<b>78,751</b>
<b>Current liabilities</b>			
Trade and other payables		8,598	4,290
Provisions		3,013	3,490
Current tax liabilities		1,982	2,916
Liabilities directly associated with assets classified as held for sale		-	60
<b>Total current liabilities</b>		<b>13,593</b>	<b>10,756</b>
<b>Non-current liabilities</b>			
Provisions		630	583
<b>Total non-current liabilities</b>		<b>630</b>	<b>583</b>
<b>Total liabilities</b>		<b>14,223</b>	<b>11,339</b>
<b>Net assets</b>		<b>58,712</b>	<b>67,412</b>
<b>Equity</b>			
Issued capital	7	23,365	23,259
Reserves		812	778
Retained earnings		34,535	43,375
<b>Total equity</b>		<b>58,712</b>	<b>67,412</b>

The accompanying notes form part of these financial statements



## Consolidated statement of changes in equity

For the half year ended 31 December 2018.

Consolidated Group	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 1 July 2017</b>	<b>20,205</b>	<b>712</b>	<b>30,478</b>	<b>51,395</b>
Shares issued during the period	2,752	-	-	2,752
Total comprehensive income for the period	-	-	4,818	4,818
Amounts recognised on issue of employee shares	237	35	-	272
Dividend paid or provided for	-	-	(8,300)	(8,300)
<b>Balance at 31 December 2017</b>	<b>23,194</b>	<b>747</b>	<b>26,996</b>	<b>50,937</b>
<b>Balance at 1 July 2018</b>	<b>23,259</b>	<b>778</b>	<b>43,375</b>	<b>67,412</b>
Share fully paid during the period	106	-	-	106
Total comprehensive income for the period	-	-	16,259	16,259
Amounts recognised on issue of employee shares	-	34	-	34
Dividend paid or provided for	-	-	(25,099)	(25,099)
<b>Balance at 31 December 2018</b>	<b>23,365</b>	<b>812</b>	<b>34,535</b>	<b>58,712</b>

The accompanying notes form part of these financial statements.

## Consolidated statement of cash flows

For the half year ended 31 December 2018.

	Note	Consolidated Group for half year ended	
		31 December 2018 \$'000	31 December 2017 \$'000
Cash flows from operating activities			
Receipts from customers		50,463	47,072
Payments to suppliers and employees		(25,204)	(40,025)
Dividends received		11	16
Interest received		378	279
Income tax paid		(7,635)	(4,739)
Net cash generated by operating activities		18,013	2,603
Cash flows from investing activities			
Purchase of property, plant and equipment		(321)	(622)
Proceeds from sale of investments		982	216
Purchase of investments		(1,274)	(417)
Net cash used in investing activities		(613)	(823)
Cash flows from financing activities			
Proceeds from issue of shares		106	2,756
Dividends paid		(25,099)	(8,082)
Net cash used in financing activities		(24,993)	(5,326)
Net decrease in cash held		(7,593)	(3,546)
Cash and cash equivalents at beginning of period		52,669	34,989
Cash and cash equivalents at end of period		45,076	31,443

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## 1. Significant accounting policies

### Basis of preparation

This consolidated interim financial report for the half year reporting period:

- is for the consolidated entity consisting of Netwealth Group Limited and its controlled entities (trading on the ASX under the symbol 'NWL');
- is presented in Australian dollars, with all values rounded to the nearest thousand dollars, or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investment Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001;
- does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Netwealth Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001;
- comply with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
- has accounting policies and methods of computation which are consistent with the most recently published full year accounts, unless otherwise stated in this interim financial report.

### Principles of Consolidation

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

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

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

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

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

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

#### **Adoption of new and revised Australian Accounting Standards and Interpretation**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) which are mandatorily applicable to the current interim period. Disclosures required by these standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

#### **AASB 9 – Financial Instruments (applicable to annual reporting periods beginning on or after 1 January 2018)**

From 1 July 2018, the Group has adopted the retrospective approach to AASB 9 Financial Instruments and did not restate prior period comparatives. The application of AASB 9 introduces an expected credit loss model to assess impairment of financial instruments and a new Business Model test to combine with Solely Payments of Principal and Interest (SPPI) test in classifying financial instruments.

For Netwealth, this involve assessing the following financial instruments;

- Trade Debtors;
- Intercompany Loans; and
- Listed Redeemable Notes.

As part of implementing the credit loss model, management has determined that for the trade debtors the probabilities for bad debts are:

<b>Aging Category</b>	<b>Bad Debt Probability</b>
Current	0.10%
1 – 30 Days overdue	0.50%
31 – 60 Days overdue	0.75%
61 – 90 Days overdue	1.00%
Over 90 Days overdue	3.00%

These probabilities have been determined by a combination of assessing the historical trends on bad debt across the Group with known probable bad debts provisioned for.

Based on the risk assessment of the Group's financial instruments under AASB 9, the Directors determined that adoption of the new standard has no material changes in classification and measurement of its financial assets and the financial impact to the Group is immaterial.

#### **AASB 15 – Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018)**

From 1 July 2018, the Group has adopted the full retrospective approach to AASB 15 Revenue from Contracts with Customers. From the initial application of the standards, the cumulative impact to the opening balance of retained earnings is nil, as the timing of revenue recognition from contracts that were in progress at 1 July 2018 has not changed.

The Group has conducted a detailed review of its revenue contract and their respective services delivered to customers. As a result, the Group has recognised the following separate performance obligations on the platform as:

- Services provided to investors which include administration and management of their investments; and
- Services provided to fund managers which include listing financial products issued by fund managers on the platform.

Under AASB 15, revenue recognition for each of the revenue streams is as follows:

Revenue Stream	Performance Obligation	Timing of recognition
Services provided to investors which include administration and management of their investments	Platform Services on Netwealth's Platform	Over time as the customer simultaneously receives and consumes the benefits of accessing the platform and the services utilised. Revenue is calculated based on the daily Funds Under Administrations (FUA) and the services utilised by the investor.
Services provided to fund managers which include listing financial products issued by fund managers on the platform.	Listing Fund/Model Services on Netwealth's Platform	Over time as services are provided. Revenue is calculated based on the number of funds/models listed, proportion to the duration the service has been rendered.

Revenue from providing Platform Services is recognised in the accounting period in which the services are rendered.

For fixed-price Listing Fund/Model Services, revenue is recognised based on the actual service provided to the end of the reporting period over the duration of the agreed contractual period.

The Group's Platform Services also includes rebates under certain circumstances (family linked accounts). This is where clients can receive a partial rebate on the Platform Administration services for bringing family linked accounts onto the Platform. This was recognised under the 'expected value' methodology, which is based on a probability methodology.

During the half year, revenue of the contracts is summarised below:

Revenue stream	Revenue Recognition	\$'000
Platform Services	Over time	45,918
Listing Fund/Model Services	Over time	1,148
Total Platform Revenue		47,066

### **New and revised Australian Accounting Standards and Interpretation on issue but not yet effective**

New and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) which are not mandatory for the 31 December 2018 reporting period have not yet been applied in these financial statements. The Group's assessment of the impact of these new Standards and Interpretations are as below:

#### **AASB 16 – Leases (applicable to annual reporting period beginning on or after 1 January 2019)**

As at 31 December 2018, the Group has non-cancellable lease commitments of \$4.8M and is not required to recognise the lease liability of future payments or measure the right of use of an asset, as it continues to account for its leases under AASB 117.

A preliminary assessment of the transition to AASB 16 has identified that Netwealth's only type of lease commitment is premises lease.

At 31 December 2018, Netwealth has no other contracts that would be classified as a lease, has no sub-lease contracts with any 3rd parties and has assessed the lease term of each lease.

Netwealth will initially apply AASB 16: Leases on the 1 July 2019, using the modified retrospective approach. Under AASB 16, Netwealth's leases will be deemed financial leases and recognised on the Statement of Financial Position over the period of the lease. The cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 with no restatement of comparative information.

NPAT is not expected to materially change, however, EBITDA will be impacted as the operating lease expense associated with these leases will no longer be recognised in the Income statement and will be replaced by a depreciation charge on the right of use of an asset and an interest expense charge on the lease liability. These expenses will not be available for income tax deductions.

As NPAT is used by Netwealth to measure profitability and reward financial performance, there will be an immaterial impact on KMP remuneration. As profit attributable to Shareholders is measured from NPAT, there will be an immaterial impact on distributions to shareholders.

The Group is intending to report under the new leasing standard for the full year ending 30 June 2020 (interim financial report 31 December 2019).

## 2. 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 (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 the Group's operations are based in Australia.

## 3. Revenue

### Revenue and Other Income

	Consolidated Group	
	31 December 2018 \$'000	31 December 2017 \$'000
<b>Revenue</b>		
Platform Revenue	47,066	39,822
<b>Total platform revenue</b>	<b>47,066</b>	<b>39,822</b>
<b>Other Income</b>		
Net gain on disposal of investments	69	36
Unrealised investments gains/(loss)	(20)	6
Dividends and distributions received	11	16
Interest received	377	276
Cost of capital recovery	704	300
Other Income	1	39
<b>Total other income</b>	<b>1,142</b>	<b>673</b>
<b>Total income</b>	<b>48,208</b>	<b>40,495</b>

## 4. Dividends

Dividends paid or declared by the Company in the half year ended 31 December 2018 were:

	Cents Per Share	Total Amount \$'000	% Franked	Date of Payment
<b>2018</b>				
Final 2018 ordinary	5.38	12,790	100%	27 Sep 2018
Special 2018 ordinary	5.18	12,300	100%	27 Sep 2018
<b>Total dividends</b>	<b>10.56</b>	<b>25,090</b>		

### Franking credits

Franking credits available to shareholders of the Company amount to \$19,381,879 (Jun 2018: \$22,503,257) at the 30 percent (Jun 2018: 30 percent) corporate tax rate.

### Subsequent Events

Since the end of the half year, the Company declared the following dividend on 18 February 2019. The dividend has not been provided for as at 31 December 2018 and there are no tax consequences.

	Cents Per Share	Total Amount \$'000	% Franked	Date of Payment
Interim 2019 ordinary	5.50	13,072	100%	28 March 2019

## 5. Financial Assets

	31 December 2018 \$'000	30 June 2018 \$'000
FVTPL* financial assets	8,174	7,833
<b>Total Financial Assets</b>	<b>8,174</b>	<b>7,833</b>
Current	5,947	5,606
Non-current	2,227	2,227
<b>Total Financial Assets</b>	<b>8,174</b>	<b>7,833</b>

	31 December 2018 \$'000	30 June 2018 \$'000
FVTPL* financial assets comprise at fair value:		
Netwealth Managed funds	16	16
Netwealth Wrap and Super Accounts	1,091	750
Other Investments	7,067	7,067
<b>Total FVTPL financial assets</b>	<b>8,174</b>	<b>7,833</b>

\* Fair Value through Profit or Loss (FVTPL)



## 6. Income Taxes

	Consolidated Group	
	31 December 2018 \$'000	31 December 2017 \$'000
a) The components of tax expense(income) comprise:		
Current Tax	7,470	658
Deferred Tax	(414)	1,808
Under/(Over) provision from prior years	1	(15)
	<b>7,057</b>	<b>2,451</b>
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% (Jun 2018: 30%):	6,995	2,419
Other non-allowable/assessable items	62	32
Non-deductible impairment	-	-
<b>Income tax expense attributable to entity</b>	<b>7,057</b>	<b>2,451</b>

	Consolidated Group	
	31 December 2018 \$'000	30 June 2018 \$'000
c) The components of deferred tax assets comprise:		
Tax Losses	-	820
Expenditure deductible over 5 years	4,281	4,838
Temporary differences	2,406	1,727
	<b>6,687</b>	<b>7,385</b>
d) The components of deferred tax liabilities comprise:		
Property, Equipment and Intangible Assets	505	623
FVTPL	39	203
Temporary differences	31	33
	<b>575</b>	<b>859</b>

	Opening Balance \$'000	Charged to Income \$'000	Charged Directly to Equity \$'000	Transferred to assets held for sale \$'000	Closing Balance \$'000
<b>Deferred Tax Assets/Liabilities</b>					
Expenditure deductible over 5 years	2,431	2,407	-	-	4,838
Provision	1,508	(12)	-	-	1,496
Tax Losses	-	820	-	-	820
Property, Plant & Equipment and Intangible Assets	-	(623)	-	-	(623)
FVTPL Financial Assets	-	(203)	-	-	(203)
Other temporary difference	187	11	-	-	198
<b>Balance at 30 June 2018</b>	<b>4,126</b>	<b>2,400</b>	<b>-</b>	<b>-</b>	<b>6,526</b>
Expenditure deductible over 5 years	4,838	(557)	-	-	4,281
Provision	1,496	(230)	-	-	1,266
Tax Losses	820	(820)	-	-	-
Property, Plant & Equipment and Intangible Assets	(623)	118	-	-	(505)
FVTPL Financial Assets	(203)	164	-	-	(39)
Other temporary differences	198	911	-	-	1,109
<b>Balance at 31 December 2018</b>	<b>6,526</b>	<b>(414)</b>	<b>-</b>	<b>-</b>	<b>6,112</b>

## 7. Issued capital

Issued capital comprised:

	Consolidated Group	
	31 December 2018 \$'000	30 June 2018 \$'000
237,679,816 Fully Paid Ordinary Shares (June 2018: 237,679,816)	879,415	879,415
6,408,000 Performance Shares (June 2018: 6,457,500)	3,045	3,095
<b>Total share capital</b>	<b>882,460</b>	<b>882,510</b>
Restricted shares	(3,587)	(3,743)
Reorganisation reserve	(855,508)	(855,508)
<b>Issued capital</b>	<b>23,365</b>	<b>23,259</b>

	Consolidated group	
	31 December 2018 Number	30 June 2018 Number
<b>Fully Paid Ordinary Shares</b>		
At the beginning of the reporting period	237,679,816	29,662,249
Shares issued during the half year	-	-
Converted from Partly Paid Ordinary Shares	-	3,000,000
Converted from Class 'A' Shares	-	352,869
Converted from Foundation Shares	-	890,000
Exercised option to convert	-	40,000
Splitting of shares at IPO (seven shares for every one share)	-	203,670,708
Employee share gift issued at IPO	-	63,990
<b>At the end of the reporting period</b>	<b>237,679,816</b>	<b>237,679,816</b>
<b>Shares with value</b>	<b>234,538,737</b>	<b>233,930,359</b>
<b>Restricted shares</b>	<b>3,141,079</b>	<b>3,749,457</b>

	Consolidated group	
	31 December 2018 Number	30 June 2018 Number
<b>Performance Shares</b>		
At the beginning of the reporting period	6,457,500	937,500
Shares issued during the half year	-	-
Shares cancelled during the half year	(49,500)	(15,000)
Splitting of shares at IPO (seven shares for every one share)	-	5,535,000
<b>At the end of the reporting period</b>	<b>6,408,000</b>	<b>6,457,500</b>
<b>Restricted shares</b>	<b>6,408,000</b>	<b>6,457,500</b>

The Company has issued share capital amounting to 237,679,816 Ordinary shares (Jun 2018: 237,679,816 shares) of no par value and 6,408,000 Performance shares (Jun 2018: 6,457,500 shares) of no par value. As part of the capital reorganisation, each share on issue was split into seven shares.

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. Performance shares are not entitled to vote and do not participate in dividends. Restricted Shares have no value until the employee loan associated with the Share Based Payment arrangement has been fully repaid.

## 8. Divestments and discontinued operations

### 8.1 Disposal of non-core businesses

The Group previously divested its interests held in non-core businesses Bridgeport Financial Services Pty Ltd (BFS), Pathway Licensee Services Pty Ltd (PLS), Netwealth Advice Group Pty Ltd (NAG) and Australian Planning Services (APS). Collectively, they were recognised as the Group's Discontinued Operations as at 31 December 2017. No revenue was generated from the Group's Discontinued Operations in the half year ended 31 December 2018.

### 8.2 Analysis of profit for the year from discontinued operations

	Half year ended 31 December 2018 \$'000	Half year ended 31 December 2017 \$'000
<b>Profit for the half year from discontinued operations</b>		
Revenue	-	4,417
Other income	-	171
<b>Total income</b>	<b>-</b>	<b>4,588</b>
Impairment	-	(900)
Other expenses	-	(4,055)
<b>Total expenses</b>	<b>-</b>	<b>(4,955)</b>
<b>Profit/(loss) before tax</b>	<b>-</b>	<b>(367)</b>
Attributable income tax expense	-	(427)
<b>Profit/(Loss) after tax</b>	<b>-</b>	<b>(794)</b>
<b>Profit/(Loss) for the half year from discontinued operations (attributable to owners of the Company)</b>	<b>-</b>	<b>(794)</b>

## 9. Events occurring after reporting date

On the 18th of February the Directors declared a fully franked interim dividend of 5.50 cents per share. The interim dividend is payable on 28 March 2019.

In the opinion of the Directors, there are no other matters or circumstances which have arisen between 31 December 2018 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs for the Group in subsequent financial periods.

## 10. Contingent liabilities and commitments

The directors are currently not aware of any new contingent liabilities or commitments that the Group may be exposed to, other than what was disclosed in the most recent annual Financial Statement.

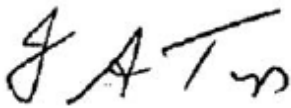
## Directors' declaration

The directors declare that:

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

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'J A Tongs', with a stylized flourish at the end.

Director

**Jane Tongs**

Chairman

18 February 2019

## Independent Auditor's Review Report



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

We have reviewed the accompanying half-year financial report of Netwealth Group Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year.

#### *Responsibility of the Directors for the Half-Year Financial Report*

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Auditor's Independence Declaration*

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

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited



#### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to be a stylized "N" followed by a horizontal line.

Neil Brown  
Partner  
Chartered Accountants  
Melbourne, 18 February 2018



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