



Netwealth Investments Limited

ABN 85 090 569 109

**Financial Report
for the Financial Year Ended 30 June 2021**

Directors' Report

The directors (Directors) present their report on Netwealth Investments Limited (the Company or Netwealth) for the financial year ended 30 June 2021.

Directors

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

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

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

Review of Operations

The after-tax profit of the Company for the financial year amounted to \$52,799,950 which is a 22% increase as compared with that of the previous year (2020: \$43,186,952). Funds under administration achieved significant growth as a result of positive net inflows and combined with the increase in trading volumes and other ancillary revenues. This led to a 17% increase in total revenue compared to the previous year.

COVID-19 Impact

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

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

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

Significant Changes in the State of Affairs

No other significant changes in the Company's state of affairs occurred during the financial year.

Principal Activities

The principal activities of the Company are to provide investors and/or financial advisers with financial services including managed funds, an investor directed portfolio service, a superannuation master fund, separately managed accounts and a self-managed superannuation administration service. The Company also acted in the capacity as the trustee for the Netwealth Superannuation Master Fund until 30 June 2021, and acts as operator of the investor directed portfolio services and responsible entity of 17 managed investment schemes, which are registered under the Corporations Act 2001, for which the Company receives fees.

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

Directors' Report

Likely Developments and Expected Results of Operations

Likely developments in the operations of the Company 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.

Dividends

During the year, the Company paid dividends of \$51,589,806 (2020: \$41,346,000) to its sole shareholder and parent entity, Netwealth Holdings Limited.

Environmental Regulation

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

Non-audit services

During the year, Deloitte Touche Tohmatsu, the Company's auditor has performed GS007 assurance services in addition to its statutory duties. Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out in Note 19 to the financial statements. The Directors, in accordance with advice received from the Audit Committee, are satisfied that the provision of those non-audit services during the year did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

Options

No options were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Events Subsequent to the End of the Reporting Period

From 1 July 2021, the Company was replaced as the trustee for Netwealth Superannuation Master Fund (NSMF) by Netwealth Superannuation Services Pty Ltd, a related party of the Company. The Company retains its capacity as custodian and platform operator for the NSMF. Consequently, the Company was no longer required to retain operational risk trustee capital required under the APRA Prudential Standard SPS114 and has completed a \$40,500,000 return of capital at \$1 per share to its parent company, Netwealth Holdings Limited.

On 18 August, the Company declared a final dividend for FY2021 of 23.52 cents per share (making a total final dividend of \$13,976,653) which is payable on 18 August 2021.





There are no other matters or circumstances that have arisen since the end of the year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company other than those set out above.

Indemnification of Officers

A related body corporate of 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.

Directors' Report (continued)

Information on Directors:

Name and title	Profile
 <p>Timothy Antonie Independent Non-Executive Director Chairman</p>	<ul style="list-style-type: none">• Timothy has been a Director of Netwealth since November 2015 and was appointed as the independent Chairman of Netwealth (and its related entities) from 17 February 2021.• Timothy commenced his career at Price Waterhouse (now Pricewaterhouse Coopers) and subsequently worked at several investment banks, including UBS Investment Bank as a Managing Director, where he advised major Australian companies in large scale mergers, acquisitions, sales and restructures and equity transactions, as well as day-to-day equity market facing matters. Timothy is now a principal of Stratford Advisory Group providing independent financial advice to Australian and international corporations.• Timothy is currently a director of Breville Group Limited and Premier Investments Limited. Timothy was previously a director of Village Roadshow Limited from November 2010 until December 2019.• Timothy holds a Bachelor of Economics (majoring in Accounting) from Monash University and is a qualified chartered accountant.• Timothy is a member of the Group Remuneration and Culture Committee, the Group Nomination Committee and the Netwealth Investments Limited (NIL) Investment Committee.
 <p>Michael Heine Joint Managing Director</p>	<ul style="list-style-type: none">• Michael has been a Director of Netwealth since its establishment in 1999.• Michael was instrumental in the establishment of Netwealth in 1999. Michael acted as sole Managing Director from 1999 to 2014 and has acted as Joint Managing Director together with his son Matthew since January 2015.• Michael has experience in Australian and European financial markets, including commodity trading, international financing, mortgage lending and property development. Michael was instrumental in the establishment of the Heine Brothers funds management business in 1982 and was its Managing Director from 1982 to 1999 when the company was acquired by ING (then Mercantile Mutual).• Michael is a member of NIL Investment Committee.
 <p>Matthew Heine Joint Managing Director</p>	<ul style="list-style-type: none">• Matthew joined Netwealth in July 2001 and was appointed a Director in March 2004. He was appointed Joint Managing Director in January 2015.• Matthew has been instrumental in the development of the Netwealth platform and products as well as the distribution, branding and marketing of Netwealth Group Limited and its subsidiaries (Group). Matthew's role and experience in the sales, marketing and strategy field brings a firsthand understanding of the industry and client base. In his executive capacity, Matthew has the Product, Technical, Sales and Marketing teams reporting to him.• Matthew holds a Diploma of Financial Services and an Advanced Diploma of Management.
 <p>Davyd Lewis Independent Non-Executive Director</p>	<ul style="list-style-type: none">• Davyd has been a Director of Netwealth since July 2009.• Davyd was a partner of Mallesons Stephen Jaques for 20 years until his retirement in 2008. Davyd's role included Partner in Charge of the Melbourne Centre, Managing Partner Practice of Mergers & Acquisitions, Property and Construction, Dispute Resolution and Intellectual Property, National Practice Team Leader of the Mergers & Acquisitions Group and responsibility for supervising the relationship with 50 of the firm's biggest clients.• Davyd holds a Bachelor of Economics, a Bachelor of Laws and a Master of Laws (majoring in securities markets and takeovers).

Name and title**Profile**

- Davyd is a member of the Group Audit Committee and Group Nomination Committee. Davyd is the Chair of the Group Compliance and Risk Management Committee, the Group Remuneration and Culture Committee and the Netwealth Due Diligence Committee.
-

**Sally Freeman**

Independent
Non-Executive Director

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

**Kate Temby**

Independent
Non-Executive Director

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

**Jane Tongs**

Independent
Non-Executive Chairman
(Retired on 17 February
2021)

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

Directors' Report (continued)

Information on Company Secretaries



Grant Boyle

Chief Financial Officer and
Joint Company Secretary

- Grant joined Netwealth in May 2017.
- Grant has more than 30 years' experience in financial services and the accounting profession. Most recently the Chief Financial Officer of EMR Capital, Grant has held several Chief Financial Officer and Chief Operating Officer roles within financial services, including at BlackRock, Powerwrap and Phillip Capital.
- Prior to entering the funds/Platform space. Grant was a finance manager with ANZ Group Finance and a manager in the Corporate Recovery and Insolvency division of Ernst & Young.
- Grant holds a Bachelor of Business (Accounting) from Latrobe University and is a member of Chartered Accountants Australia & New Zealand.



Rachel Axton

General Manager, Legal,
Risk and Compliance and
Joint Company Secretary

- Rachel joined Netwealth in February 2016.
- Rachel has 20 years of experience in financial services working across a range of wealth management providers, specialising in superannuation and investment services. Prior to joining Netwealth, Rachel managed the Colonial First State Custom Solutions Risk and Compliance team. Rachel contributes to Netwealth's strategic direction as part of the executive team.
- Rachel is a Fellow of the Association of Super Funds of Australia. Rachel holds a Graduate Diploma in Superannuation Management and a Bachelor of Business (Economics).

Directors Meetings

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

	Directors' Meetings		Compliance and Risk Management Committee		Due Diligence Committee		Investment Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Directors								
Jane Tongs	14	14	6	6	-	-	6	6
Michael Heine	21	21	-	-	-	-	10	9
Matthew Heine	21	21	-	-	-	-	-	-
Davyd Lewis	21	21	10	10	20	19	-	-
Tim Antonie	21	21	6	6	-	-	10	10
Sally Freeman	21	20	10	10	-	-	-	-
Kate Temby	8	8	5	5	-	-	4	3

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 part 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.

Directors' Report (continued)

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 8.

No officer of the Company is or has been a partner/director of any auditor of the Company.

Rounding of Amounts

The Company 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:



Chairman
Timothy Antonie

Dated 18 August 2021

18 August 2021

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

Dear Directors

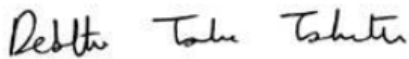
Auditor's Independence Declaration to Netwealth Investments Limited

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 Investments Limited.

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

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

Contents

Description	Page
Statement of Profit or Loss and Other Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14
Directors' Declaration	39
Independent Auditor's Report	40

Notes to Financial Statements

Note	Description	Page
1	General information	14
2	Basis of accounting, adoption of new accounting standards and significant accounting policies	14
3	Revenue & Other Income	20
4	Income Tax	21
5	Dividends	22
6	Key Management Personnel Compensation	22
7	Trade and Other Receivables	23
8	Other Assets	24
9	Financial Assets	24
10	Property and Equipment	25
11	Intangible Assets	25
12	Trade and Other Payables	26
13	Provisions	27
14	Issued Capital	28
15	Cash Flow Information	29
16	Related Party Transactions	30
17	Financial Risk Management	32
18	Fair Value Measurements	36
19	Auditors' Remuneration	38
20	Events after the Reporting Date	38

Statement of Profit or Loss and Other Comprehensive Income for the Financial Year ended 30 June 2021

	Note	2021 \$'000s	2020 \$'000s
INCOME			
Revenue	3	141,982	121,346
Other Income	3	2,848	2,481
TOTAL INCOME		144,830	123,827
EXPENSES			
Admin & Operating Expenses		(501)	(1,557)
Intercompany recharges - Employee benefits expenses		(50,499)	(41,578)
Intercompany recharges - Admin & operating expenses		(12,548)	(14,453)
Intercompany recharges - IT and communication expenses		(5,779)	(4,379)
Depreciation and amortisation		(75)	(151)
TOTAL EXPENSES		(69,402)	(62,118)
PROFIT BEFORE INCOME TAX		75,428	61,709
Income tax expense	4	(22,628)	(18,522)
PROFIT FOR THE YEAR		52,800	43,187
PROFIT FOR THE PERIOD			
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		52,800	43,187
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Members of the Parent Entity		52,800	43,187

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2021

	Note	2021 \$'000s	2020 \$'000s
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents		65,809	49,505
Trade and Other Receivables	7	12,121	10,314
Other Current Assets	8	6,299	1,472
Financial Assets	9	87	10,453
TOTAL CURRENT ASSETS		84,316	71,744
NON-CURRENT ASSETS			
Property and Equipment	10	-	15
Intangible Assets	11	120	180
Deferred Tax Assets	4	105	710
TOTAL NON CURRENT ASSETS		225	905
TOTAL ASSETS		84,541	72,649
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	12	1,381	2,265
TOTAL CURRENT LIABILITIES		1,381	2,265
NON CURRENT LIABILITIES			
Deferred Tax Liabilities	4	36	58
Provisions	13	-	212
TOTAL NON CURRENT LIABILITIES		36	270
TOTAL LIABILITIES		1,417	2,535
NET ASSETS		83,124	70,114
EQUITY			
Issued Capital	14	69,146	57,346
Retained Earnings		13,978	12,768
TOTAL EQUITY		83,124	70,114

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Financial Year ended 30 June 2021

	Issued Capital	Retained Earnings	Total
	\$'000s	\$'000s	\$'000s
Balance at 30 June 2019	51,346	10,927	62,273
Ordinary Shares issued during the period ¹	6,000	-	6,000
Profit attributable to members of the parent entity	-	43,187	43,187
Dividends paid or provided for	-	(41,346)	(41,346)
Balance at 30 June 2020	57,346	12,768	70,114
Ordinary Shares issued during the period ²	11,800	-	11,800
Profit attributable to members of the parent entity	-	52,800	52,800
Dividends paid or provided for	-	(51,590)	(51,590)
Balance at 30 June 2021	69,146	13,978	83,124

The accompanying notes form part of these financial statements.

¹ \$6M ordinary shares were issued in FY2020 with the capital received reserved for the purpose of meeting the ORFR.

² \$11.8M ordinary shares were issued in FY2021 with the capital received reserved for the purpose of meeting the ORFR.

Statement of Cash Flows for the Financial Year ended 30 June 2021

	Note	2021 \$'000s	2020 \$'000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		148,446	130,377
Payments to suppliers and employees		(81,147)	(70,347)
Dividends/Distributions received		4	33
Interest received		385	533
Income Tax paid		(22,045)	(17,822)
NET CASH PROVIDED BY OPERATING ACTIVITIES	15	45,643	42,774
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		(19)	1,115
Purchase of Investments		(4)	(12)
Proceeds from related parties & intercompany loans		10,474	(16,952)
NET CASH (USED IN) / PROVIDED BY INVESTING ACTIVITIES		10,451	(15,849)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends Paid		(51,590)	(41,346)
Proceeds from Issue of Shares		11,800	6,000
NET CASH USED IN FINANCING ACTIVITIES		(39,790)	(35,346)
NET INCREASE IN CASH HELD		16,304	(8,421)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		49,505	57,926
CASH AND CASH EQUIVALENTS AT END OF YEAR		65,809	49,505

The accompanying notes form part of these financial statements.

1. General information

Netwealth Investments Limited (the Company) is a public company limited by shares, incorporated and domiciled in Australia. The parent entity of Netwealth Investments Limited is Netwealth Holdings Limited. The addresses of its registered office and principal place of business are as follows:

Registered office of the Company:

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

Principal place of business:

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

The principal activities of the Company are to provide investors and/or financial advisers with financial services including managed funds, an investor directed portfolio service, a superannuation master fund, separately managed accounts and a self-managed superannuation administration service. The Company also acted in the capacity as the trustee for the Netwealth Superannuation Master Fund until 30 June 2021, and acts as operator of the investor directed portfolio services and responsible entity of 17 managed investment schemes, which are registered under the Corporations Act 2001, for which the Company receives fees.

The financial statements were authorised for issue on 18 August 2021 by the Directors of the Company.

2. Basis of accounting, adoption of new accounting standards and significant accounting policies

2.1 Statement of Compliance

This financial report for the year reporting period:

- has been prepared as a going concern basis using historical costs in accordance with Australian Accounting Standards (AASBs) and Interpretations issued by the Australian Accounting Standards Board, and the Corporations Act 2001;
- complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- has accounting policies and methods of computation which are consistent for all periods presented, unless stated.

2.2 Basis of Preparation

The financial statements have been prepared on the historical cost basis except for certain properties and 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.

2. Basis of accounting, adoption of new accounting standards and significant accounting policies (continued)

2.3 Rounding of amounts

The Company's financial statements are 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 Investments Commission Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191.

2.4 Accounting Policies

(a) Revenue recognition

As per AASB 15, revenue is measured by reviewing each revenue contract and their respective services to customers to determine its performance obligation while allocating the transaction price to each performance obligation either over time or a point in time. All revenue is stated net of the amount of goods and services tax (GST).

The performance obligations identified are:

Platform Revenues

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

2. Basis of accounting, adoption of new accounting standards and significant accounting policies (continued)

Other Income

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

(b) Income Tax

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company 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.

Tax consolidated group

Netwealth Group Limited and its wholly-owned subsidiaries have formed an income tax consolidated group (the consolidated group) under the tax consolidation legislation since 30 June 2018. The Company is a member of the tax consolidated group with the Netwealth Group Limited as the head entity.

The tax consolidated group entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. Amounts payable or receivable under the tax-funding arrangement between the entities in the tax consolidated group are determined using the 'standalone taxpayer method' approach for allocation of the tax contributions payable or receivable by each member of the tax-consolidated group. This approach results in the tax effect of transactions being recognised in the legal entity where the transaction occurred.

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

2. Basis of accounting, adoption of new accounting standards and significant accounting policies (continued)

(c) Property and Equipment

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

Leasehold Improvements

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

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

Depreciation

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

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	10%

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

Gains or losses on disposal

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

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

(d) 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. The estimated useful life and amortisation method are reviewed at the end of each reporting period. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with either indefinite useful lives or not yet available for use are tested for impairment at least annually.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

2. Basis of accounting, adoption of new accounting standards and significant accounting policies (continued)

Amortisation

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

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

Class of Fixed Asset	Depreciation Rate
Non-Contractual Customer Relationship	20%

(e) Financial Instruments

Initial recognition and measurement

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

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

Financial assets

As per AASB9, financial assets are required to be subsequently measured at amortised cost, Fair Value Through Profit and Loss (FVTPL) or Fair Value Through Other Comprehensive Income (FVTOCI).

Debt instruments

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

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

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

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

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

Impairment of financial assets

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

2. Basis of accounting, adoption of new accounting standards and significant accounting policies (continued)

Expected Credit Losses (ECL)

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

Trade and Other receivables, Intercompany Loans and Listed Investments are assessed for ECL on a collective basis. A credit loss model is applied and using historical trend management has determined the Expected Loss Probability.

Derecognition of financial assets

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(f) Provisions

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

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

(g) Cash and Cash Equivalents

Cash and cash equivalents include:

- cash on hand; and
- deposits held at-call with banks.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included as part of trade and other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST component of operating cash flows is included in receipts from customers or payments to suppliers.

2. Basis of accounting, adoption of new accounting standards and significant accounting policies (continued)

(i) Comparative Figures

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

(j) Critical Accounting Estimates & Judgments

In the application of the Company's accounting policies, 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.

(k) COVID-19 Impact

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

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

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

3. Revenue & Other Income

	Note	2021 \$'000s	2020 \$'000s
REVENUE			
Administration, management & other services		141,982	121,346
TOTAL REVENUE		141,982	121,346
OTHER INCOME			
Net gain/(loss) on disposal of investments		(24)	8
Dividends and distributions		7	33
Interest		385	533
Cost of capital recovery		2,480	1,907
TOTAL OTHER INCOME		2,848	2,481
TOTAL INCOME		144,830	123,827

4. Income Tax

	2021 \$'000s	2020 \$'000s
a. The components of tax expense/(income) comprise:		
– Current Tax	23,218	17,831
– Deferred Tax	(583)	700
– (Over) Provision from previous years	(7)	(9)
	22,628	18,522
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax expense as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2021: 30%):	22,628	18,513
Add/less tax effect of:		
– other assessable/(non-allowable) items	-	9
INCOME TAX ATTRIBUTABLE TO ENTITY	22,628	18,522
c. The components of deferred tax assets comprise:		
Expenditure deductible over 5 years	97	557
Temporary differences	8	153
	105	710
d. The components of deferred tax liabilities comprise:		
Leasehold assets	-	1
Temporary differences	36	57
	36	58
The applicable effective tax rates are as follows:	30%	30%

	Opening Balance	Charged to Income	Closing Balance
Expenditure deductible over 5 years	1,294	(737)	557
Provision	43	17	60
Property, Plant & Equipment and Intangible Assets	(80)	25	(55)
FVTPL Financial Assets	-	-	-
Other temporary differences	95	(5)	90
Balance at 30 June 2020	1,352	(700)	652
Expenditure deductible over 5 years	557	(460)	97
Provision	60	(60)	-
Property, Plant & Equipment and Intangible Assets	(55)	17	(38)
FVTPL Financial Assets	-	-	-
Other temporary differences	90	(80)	10
Balance at 30 June 2021	652	(583)	69

5. Dividends

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

	Cents per Share	Total Amount \$'000	Date of Payment
2021			
Final 2020 dividend	18.10	10,122	25 Aug 2020
Interim 2021 dividend	21.12	12,551	28 Oct 2020
Interim 2021 dividend	28.95	17,204	17 Feb 2021
Interim 2021 dividend	19.71	11,713	28 Apr 2021
Total dividends	87.88	51,590	
2020			
Final 2019 Dividend	19.54	10,440	19 Sep 2019
Interim 2020 dividend	17.41	9,736	14 Nov 2019
Interim 2020 dividend	17.82	9,966	18 Feb 2020
Interim 2020 dividend	20.04	11,204	04 Jun 2020
Total dividends	74.81	41,346	

Subsequent Events

Since the end of the financial year, the Company declared on 18 August 2021 the following final dividend in respect of the financial year ended 30 June 2021 to be paid to the shareholder on 18 August 2021. The dividend has not been provided for as at 30 June 2021.

	Cents Per Share	Total Amount \$'000	Date of Payment
Final 2021 dividend	23.52	13,977	18 Aug 2021

6. Key Management Personnel Compensation

	2021 \$'000s	2020 \$'000s
Short-term employee benefits	2,084	1,694
Post-employment benefits	129	84
Share-based payment expense	99	111
KEY MANAGEMENT PERSONNEL COMPENSATION	2,313	1,889

The amounts represent remuneration paid to key management personnel (KMP) of the Group by Netwealth Group Services Pty Ltd (NGS), a related entity of the Company. The KMP of the Group are the directors and Chief Financial Officer of the Group and the Company. The Company paid a fee to NGS as a recharge for the services rendered by these KMP. For more details on amounts paid to related parties, refer to Note 16.

7. Trade and Other Receivables

	Note	2021 \$'000s	2020 \$'000s
Product Account Receivables		11,723	9,996
Trade Receivables		398	318
TOTAL TRADE AND OTHER RECEIVABLES	18	12,121	10,314
TRADE AND OTHER RECEIVABLES CLASSIFIED AS FINANCIAL ASSETS		12,121	10,314

Credit Risk

The Company 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 18. The main source of credit risk to the Company is considered to relate to the class of assets described as “trade and other receivables” and “loans”.

The following table details the Company’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 Company 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 Company.

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

	Amount \$'000s	Past due but not Impaired (days overdue)			Within initial trade Terms \$'000s	Past due And Impaired \$'000s
		31 - 60 \$'000s	61 - 90 \$'000s	>90 \$'000s		
2021						
Trade and term receivables	398	145	9	9	235	-
Other receivables	11,723	-	-	-	11,723	-
TOTAL	12,121	145	9	9	11,958	-
2020						
Trade and term receivables	318	17	2	24	275	-
Other receivables	9,996	-	-	-	9,996	-
TOTAL	10,314	17	2	24	10,271	-

8. Other Assets

	2021	2020
	\$'000s	\$'000s
CURRENT		
Accrued Income	2,299	1,472
Deposit	4,000	-
TOTAL OTHER CURRENT ASSETS	6,299	1,472

9. Financial Assets

	Note	2021	2020
		\$'000s	\$'000s
CURRENT			
FVTPL financial assets	9a	87	77
Loans and receivables	9b	-	10,376
TOTAL CURRENT FINANCIAL ASSETS		87	10,453

(a) FVTPL financial assets comprise at fair value:

	Note	2021	2020
		\$'000s	\$'000s
Netwealth Managed Funds		16	16
Netwealth Wrap & Super Accounts		13	6
Other Investments		58	55
Total FVTPL financial assets	17,18	87	77

FVTPL financial assets include investments in managed funds with no fixed returns or fixed maturity dates held in Netwealth products. Held to maturity investments and loans and other receivables have fixed terms and fixed interest rates.

(b) Loan receivables comprise at amortised cost:

	Note	2021	2020
		\$'000s	\$'000s
Related Entity Loans	17,18, 19	-	10,376
Total Loans and receivables		-	10,376

10. Property and Equipment

	Note	2021 \$'000s	2020 \$'000s
Leasehold Improvements			
Leasehold Improvements at Cost		513	513
Less Accumulated Depreciation		-	(498)
Less Disposals		(513)	-
Total Leasehold Improvements	10a	-	15

(a) **Movements in Carrying Amounts**

Movement in the carrying amounts for each class of Property and Equipment

	2021 \$'000s	2020 \$'000s
Leasehold Improvements		
Balance at beginning of reporting period	15	106
Depreciation expense	(15)	(91)
Balance at end of reporting period	-	15

11. Intangible Assets

	Note	2021 \$'000s	2020 \$'000s
Non-Contractual Customer Relationship			
Customer Relationship at Cost		300	300
Add Additions			
Less Accumulated Amortisation		(180)	(120)
Total Non-Contractual Customer Relationship	11a	120	180

11. Intangible Assets (continued)

a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of Intangible Assets

	2021 \$'000s	2020 \$'000s
Non-Contractual Customer Relationship		
Balance at beginning of reporting period	180	240
Amortisation Expense	(60)	(60)
Balance at end of reporting period	120	180

12. Trade and Other Payables

	Note	2021 \$'000s	2020 \$'000s
CURRENT			
Unsecured Liabilities:			
Trade Payables		1,283	2,259
Loan Payable		98	-
Sundry Payables		-	6
Total Current Unsecured Liabilities	12a, 12b	1,381	2,265
TOTAL TRADE & OTHER PAYABLES		1,381	2,265

(a) Financial Liabilities at amortised cost classified as trade and other payables

	Note	2021 \$'000s	2020 \$'000s
Trade and Other Payables:			
Total Current		1,381	2,265
Total Trade and Other Payables		1,381	2,265
Less:			
GST Payable		956	761
Total Financial Liabilities as Trade and Other Payables	17,18	425	1,504

12. Trade and Other Payables (continued)

(b) Loan Payables

	Note	2021 \$'000s	2020 \$'000s
Related Entity Loans	17,18	98	-
Total Loans		98	-

13. Provisions

	2021 \$'000s	2020 \$'000s
NON CURRENT		
Provisions (make good provision)	-	212
Total Provisions	-	212

	Other Provisions \$'000s	Total Provisions \$'000s
Analysis of Provisions		
Opening balance at 1 July 2020	212	212
Amount used or reversed during the year	(212)	(212)
Balance at 30 June 2021	-	-

14. Issued Capital

	2021	2020
	\$'000s	\$'000s
70,326,064 Fully Paid Ordinary Shares (2020: 58,526,964)	68,664	56,864
890,000 Foundation Shares (2020: 890,000)	255	255
Contribution resulting from Group Share Transactions	227	227
TOTAL ISSUED CAPITAL	69,146	57,346

The Company has issued share capital amounting to 70,326,064 Ordinary Shares of no par value and 890,000 Foundation Shares of no par value.

(a) Movements in Issued Capital

	2021	2020
	No.	No.
Fully Paid Ordinary Shares		
At the beginning of the reporting period	58,526,064	52,526,064
Shares issued during the year	11,800,000	6,000,000
At the end of the reporting period	70,326,064	58,526,064
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

\$11.8M Ordinary Shares were issued at \$1 per share during the financial year with the capital received reserved for the purpose of meeting the increase in ORFR in accordance with APRA Prudential Standard SPS114. At the end of the financial year, \$40.5M of Ordinary Shares are on issue at \$1 per share with the capital received reserved to meet ORFR.

Ordinary Shares and Foundation Shares participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of shares held.

14. Issued Capital (continued)

(b) Capital Management

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

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

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

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

Under the RSE licence granted by APRA, the Company was required to maintain sufficient level of capital known as Operational Risk Financial Requirement to cover operational risk. At 30 June 2021, this ORFR requirement was \$42.1M. Combined with ASIC's RG166 capital requirements for Australian Financial Services Licensees, the Company was also required to maintain an additional \$12.2M in net tangible assets as at 30 June 2021. The Company satisfied both of these requirements at all times during the year.

15. Cash Flow Information

Reconciliation of cash flow from operations with profit after income tax

	2021	2020
	\$'000s	\$'000s
Profit for the year	52,800	43,187
Adjusted for:		
Income tax recognised in the Profit or Loss	22,628	18,522
Depreciation & amortisation	75	151
Unrealised gains on investments	(3)	-
Adjustments to make good provisions	-	6
Net gain/(loss) on disposal of investments	24	(8)
	75,524	61,858
Changes in working capital		
Increase in Trade & Other Receivables	(1,613)	(1,565)
Increase in Prepayments	(4,829)	(95)
Increase/(decrease) in Trade & Other Payables	(1,182)	398
Decrease in Provisions	(212)	-
Cash generated from operations	67,688	60,596
Income tax paid	(22,045)	(17,822)
NET CASH PROVIDED BY OPERATING ACTIVITIES	45,643	42,774

16. Related Party Transactions

The Company's main related parties are as follows:

(a) Entities exercising control over the Company

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

(b) Key management personnel

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

For details of disclosures relating to key management personnel, refer to Note 6: Key Management Personnel Compensation.

(c) Entities that are subject to common control outside the Company

Entities that are subject to common control outside the Company are those entities over which the Company's immediate parent or the ultimate parent entity exercise control. These entities are deemed "sister" entities (fellow subsidiaries) of the reporting entity.

(d) Controlled entities

Controlled entities are entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. Because inter-entity transactions and balances involving controlled entities are eliminated on consolidation, controlled entities are considered as related parties only in the case of the parent entity's separate financial statements.

(e) 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 immediate family members.

Transactions with related parties

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

The following transactions and outstanding balances occurred with related parties:

RELATED COMPANIES

The Company received a loan repayment from its parent company during the year:

	Note	2021 \$	2020 \$
Loans Receivable– Unsecured Interest Free:			
Netwealth Holdings Limited	9b	-	10,375,883

The Company borrowed from its parent company during the year:

	Note	2021 \$	2020 \$
Loans Payable – Unsecured Interest Free:			
Netwealth Holdings Limited	12b	98,515	-

16. Related Party Transactions (continue)

The Company paid fees to its related company during the year as follows:

	2021	2020
	\$	\$
Shared Services Management Fees:		
<i>Netwealth Group Services Pty Ltd</i>	3,279,679	3,842,817
Shared Services Recharges:		
<i>Netwealth Group Services Pty Ltd</i>	65,545,321	56,567,183

The Company outsourced its business and administration operations to NGS which performs the obligations as set out in the service agreement between the Company and NGS. In return, the Company received fees as disclosed above.

RELATED PARTIES

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

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

The Company also holds units in some of these managed investment schemes through which distributions are paid:

	2021	2020
	\$	\$
Management Fees:		
Management Fee Revenue	10,202,176	6,686,765
Distributions:		
Distribution Income	925	1,246

The Company holds units in the managed investment schemes in its capacity as custodian of the Netwealth Wrap Service and trustee (up to 30 June 2021) or custodian (after 30 June 2021) 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 Company.

16. Related Party Transactions (continue)

The Company holds investments in Netwealth products as follows:

	2021	2020
	\$	\$
FVTPL financial assets		
Netwealth Managed Funds	18,699	16,623
Netwealth Wrap and Super Accounts	203,875	167,102

17. Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, local money market investments, short-term investments, accounts receivable and payable and loans to subsidiaries.

The totals for each category of financial instruments, measured in accordance with AASB 9 Financial Instruments: Recognition and Measurement as detailed in the accounting policies to these financial statements, are as follows:

	Note	2021 \$'000s	2020 \$'000s
Financial Assets			
Cash and Cash Equivalents		65,809	49,505
Trade and Other Receivables	7	12,121	10,314
FVTPL financial assets	9a	87	77
Loan Receivables	9b	-	10,376
Total Financial Assets		78,017	70,272
Financial Liabilities			
Trade and Other Payables	12a	425	1,504
Loan Payables	12b	98	-
Total Financial Liabilities		523	1,504

Financial Risk Management Policies

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

Senior executives meet on a regular basis to analyse financial risk exposure in the context of the most recent economic conditions and forecasts.

Specific Financial Risk Exposures and Management

The main risks the Company 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.

17. Financial Risk Management (continued)

(a) Credit Risk

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 Company. The Company's objective in managing credit risk is to minimise the credit losses incurred, mainly on trade and other receivables and loans. There is no significant credit risk exposure on fair value through profit and loss (FVTPL) financial assets and held to maturity investments.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual customer 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 Company has no significant concentrations of credit risk with any single counterparty or group of counterparties. Loan agreements are in place for all loans between the Group and its subsidiaries. Funds are advanced and borrowed when it is considered that it is in the best interests of the Group and its subsidiaries to do so. Details with respect to credit risk of trade and other receivables are provided in Note 9.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 9.

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.

(b) Liquidity Risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company 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.

17. Financial Risk Management (continued)

Financial Liability and Financial Asset Maturity Analysis

	Note	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
		\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Financial Liabilities due for payment									
Trade and Other Payables	12a	425	1,504	-	-	-	-	425	1,504
Loan Payable	12b	98	-	-	-	-	-	98	-
Total Expected Outflows		523	1,504	-	-	-	-	523	1,504
Financial Assets – Cash Flows realisable									
Cash and Cash Equivalents		65,809	49,505	-	-	-	-	65,809	49,505
Trade and Other Receivables	7	12,121	10,314	-	-	-	-	12,121	10,314
Financial Assets	9a	87	77	-	-	-	-	87	77
Total Anticipated Inflows		78,017	59,896	-	-	-	-	78,017	59,896
Net inflow on financial instruments		77,494	58,392	-	-	-	-	77,494	58,392

17. Financial Risk Management (continued)

(c) Market Risk

i. Interest Rate Risk

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

The Company 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 Company's exposure to securities price risk arises mainly from FVTPL financial assets.

Sensitivity analysis

The following table illustrates sensitivities to the Company'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 variable is independent of other variables.

	Profit \$000	Equity \$000
Year ended 30 June 2021		
+/-0.1% in interest rates (interest income)	+3,127/-3,127	+2,189/-2,189
Year ended 30 June 2020		
+/-0.1% in interest rates (interest income)	+2,502/-2,502	+1,751/-1,751

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

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

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

18. Fair Value Measurements

Fair Values

Fair value estimation

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.

	Note	Footnote	Net Carrying Value		Net Fair Value	
			2021 \$'000s	2020 \$'000s	2021 \$'000s	2020 \$'000s
Financial Assets						
Cash & Cash Equivalents		i	65,809	49,505	65,809	49,505
Trade & Other Receivables	7	i	12,121	10,314	12,121	10,314
FVTPL financial assets	9a	ii	87	77	87	77
Loan Receivables	9b	iii	-	10,376	-	10,376
Total Financial Assets			78,017	70,272	78,017	70,272
Financial Liabilities						
Trade & Other Payables	12a	i	425	1,504	425	1,504
Total Financial Liabilities			425	1,504	425	1,504

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

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

18. Fair Value Measurements (continued)

Financial Instruments Measured at Fair Value

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

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

	Level 1 \$'000s	Level 2 \$'000s	Level 3 \$'000s	Total \$'000s
2021				
Financial Assets				
<i>FVTPL financial assets:</i>				
Unlisted Investments	-	-	87	87
Total Financial Assets	-	-	87	87
2020				
Financial Assets				
<i>FVTPL financial assets:</i>				
Unlisted Investments	-	-	77	77
Total Financial Assets	-	-	77	77

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

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

Level 3 inputs are unobservable inputs for the asset or liability.

Expected credit losses (ECL)

The table below presents the gross exposure and related expected credit losses allowance for assets, subject to impairment requirements of AASB 9.

	2021		2020	
	Gross Exposure \$'000	ECL Allowance \$'000	Gross Exposure \$'000	ECL Allowance \$'000
Trade Receivables [^]	14,130	5	10,191	4
Intercompany Loans [~]	-	-	10,376	10
Other [#]	-	-	-	-
Total	14,130	5	20,567	14

* ECL Allowance were introduced under AASB 9 effective from FY2019.

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

[~] The Company does not have any Intercompany loans receivable in FY2021

[#] Consists of investments held to collect contractual cash flows.

19. Auditors' Remuneration

Remuneration of the auditor of the Company is as follows:

	2021	2020
	\$'000s	\$'000s
Fees payable for audit and review of financial reports		
Company	23	22
Statutory assurance services	19	19
Total fees paid to company Auditor	42	41

Audit and Taxation fees are borne by a related party and recharged to the Company, refer to Note 16.

20. Events occurring after reporting date

From 1 July 2021, the Company was replaced as the trustee for Netwealth Superannuation Master Fund (NSMF) by Netwealth Superannuation Services Pty Ltd, a related party of the Company. The Company retains its capacity as custodian and platform operator for the NSMF. Consequently, the Company was no longer required to retain operational risk trustee capital required under the APRA Prudential Standard SPS114 and has completed a \$40,500,000 return of capital at \$1 per share to its parent company, Netwealth Holdings Limited.

On 18 August 2021, the Company declared a final dividend for FY2021 of 23.52 cents per share (total dividend of \$13,976,653). The final dividend is payable on 18 August 2021.

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

Directors' Declaration

The Directors declare that:

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

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

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



Chairman
Timothy Antonie
Dated 18 August 2021

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

Report on the Audit of the Financial Report

Opinion

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

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

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company 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 (including Independence Standards)* (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 Company's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company 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.

Deloitte.

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, 18 August 2021