

WT FINANCIAL GROUP LIMITED (ASX: WTL)

ASX Release 20 February 2020

Half-year to 31 December 2019 – Interim Result and Update

Restructure and growth deliver turnaround and return to profitability

WT Financial Group Limited (the Company or the Group) today announced that its interim results for the half-year to 31 December 2019 show a return to profitability, with continued revenue growth and further reductions in operating expenses having delivered a significant turnaround in financial performance.

Key components of the interim results, which are subject to final audit review, are provided below. All comparisons are to the prior corresponding period (PCP) of the six months to 31 December 2018.

Summary of interim results

- Revenue from Ordinary Activities up 23% over the PCP to \$6.03M
Total Revenue & Other Income up 25% over the PCP to \$6.22M
Direct Cost of Sales up 25% over the PCP to \$3.19M, in line with revenue growth
- Total Operating Expenses were down 19% overall to \$2.62M, with the most significant improvement in employment expenses which were down 31% to \$1.32M. Rental expenses were steady (down 2%) to \$446k, reflecting current contractual lease commitments (further below)
- Resulting in an EBITDA result of positive \$406k, compared to an EBITDA loss of \$821k for the PCP
- Finance costs were down 11% to \$119k, with depreciation & amortisation up 7% to \$241k
- Resulting in a net profit before tax (NPBT) of \$47k, a significant turnaround as compared to an NPBT loss of \$1.18M for the PCP
- After accounting for income tax benefit/expense, net profit after tax (NPAT) is expected to remain positive against a loss of \$855k for the PCP.

The Company expects to announce its final audit reviewed results on or before 28 February 2020 and does not anticipate any material variations to the interim results provided today.

Further revenue growth anticipated with further fixed cost reductions over time

Commenting on the interim results, the Company's CEO, Keith Cullen, said, "It's been a significant turnaround, and we anticipate further and sustainable growth in revenue, fuelled by continued expansion of our Wealth Today financial adviser dealer group."

He added, "Room for further improvement remains on the cost front also, with significant reductions in rental expenses as we exit existing surplus office accommodation".

The Company has appointed Sydney and Melbourne agents to actively market office accommodation that is now surplus to its needs. It expects to reduce its total rental expense by more than 50% over the next 12-18 months to circa \$30k per month. That is, on a proforma basis normalised rental for the restructured operations of the Group would have delivered a circa \$672k EBITDA result and around \$310k NPBT for the half year interim results.

Background to turnaround

Over the past two years the Group has undergone a transformational restructure to reduce its focus and reliance on business-to-consumer (B2C) and non-recurring revenue, to emerge as a primarily business-to-business (B2B) focused enterprise targeting predominately recurring revenue lines, which now account for around 65% of all Revenue from Ordinary Activities.

Central to its strategic transformation has been the acquisition of the Group's Wealth Today Pty Ltd (Wealth Today) subsidiary which provides a comprehensive range of "dealer group" services to financial advisers who are independent business operators acting as authorised representatives. Wealth Today adviser numbers have nearly tripled over the past 18 months and exceed 120 advisers.

WT FINANCIAL GROUP LIMITED (ASX: WTL)

ASX Release 20 February 2020

The Company's strategic transformation is enabling it to capitalise on the industry disruption created by the unravelling of institutional advice models which is providing substantial expansion opportunity, as was more fully detailed in a market update provided by the Company on 26 August 2019 (attached here as Appendix B).

Mr Cullen said, "Industry disruption is seeing literally thousands of advisers search for a new dealer group – one that will support their efforts in what is an increasingly complex regulatory environment."

"Advisers are choosing to join Wealth Today because of our commitment to adviser and consumer education and training, our significant range of client engagement and client recruitment tools, and the collaborative approach we adopt to supporting their practices", he concluded.

Comparison table for last two prior corresponding periods (PCPs)

The Company provides the attached PCP comparison of the interim results against the prior two corresponding periods (attached here as Appendix A) to underscore the significance of the turnaround through implementation of its transformational restructure.

Attachments

Appendix A: Comparison table for last two prior corresponding periods (PCPs)

Appendix B: Market update provided by the Company on 26 August 2019

ENDS

Further information:

Keith Cullen

Managing director

(02) 9248 0422

WT FINANCIAL GROUP LIMITED (ASX: WTL)**ASX Release 20 February 2020****APPENDIX A - Comparison table for last two prior corresponding periods (PCPs)**

The Company provides the following PCP comparison of the interim results against the prior two corresponding periods to underscore the significance of the turnaround in its financial performance through implementation of its transformational restructure.

Interim results are subject to final audit review. All comparisons are to the prior corresponding period of the six months to 31 December 2018. The Company expects to announce its final audit reviewed results on or before 28 February 2020 and does not anticipate any material variations to the interim results provided today.

	Interim			
	31-Dec-19	31-Dec-18	PCP	31-Dec-17
	\$	\$	Variance	\$
Revenue	6,031,487	4,917,337	23%	1,963,626
Other income	188,290	42,225	346%	1,822,108
Total Revenue & Other Income	6,219,777	4,959,562	25%	3,785,734
Direct cost of sales expenses	(3,196,109)	(2,549,951)	25%	(687,588)
Employee benefits expense	(1,317,168)	(1,900,007)	-31%	(2,978,657)
Advertising & marketing expenses	(171,136)	(184,100)	-7%	(334,140)
Consulting & professional fee expenses	(185,563)	(161,504)	15%	(184,318)
Rental expenses	(446,486)	(457,592)	-2%	(537,970)
Other operating expenses	(497,084)	(526,946)	-6%	(740,301)
Total operating expenses	(2,617,436)	(3,230,149)	-19%	(4,775,386)
EBITDA	406,233	(820,538)	-150%	(1,677,240)
Finance costs	(118,731)	(132,789)	-11%	(132,722)
Depreciation & amortisation	(240,600)	(224,224)	7%	(266,744)
Disposal of intangible assets	-	-		(852,291)
Impairment of goodwill	-	-		(1,250,000)
Write-down of intangible assets	-	-		(265,934)
Disposal of furniture & equipment	-	(2,007)		(10,057)
NPBT	46,902	(1,179,558)	-104%	(4,454,988)

WT FINANCIAL GROUP LIMITED (ASX: WTL)

ASX Release 20 February 2020

APPENDIX B: Market update provided by the Company on 26 August 2019

The following market update and investor briefing was provided to the ASX on 26 August 2019. It sets out details of the Company's strategic transformation program, which has been central to the Company's significant turnaround in financial performance.

The release was issued prior to the Company's name change to WT Financial Group Limited and was therefore issued under the previous name of Spring FG Limited and previous ASX code of SFL.

SPRING FG LIMITED - (ASX: SFL)

ASX Release 26 August 2019

Shareholder and investor briefing presentation

The attached presentation (and information) is provided to the market by Spring FG Limited (the Company) and its related subsidiaries and trading entities (collectively the Group) and reflects the content of shareholder and investor presentations and briefings to be conducted by the Company over coming weeks.

Industry disruption presents unprecedented growth opportunity for the Group

Integrated model “disintegrating”

Upheaval in the financial advice industry, fuelled in large part by the revelations and findings of last year’s Royal Commission into the industry, has seen the beginning-of-the-end of institutionally-owned advice as we have known it, creating unprecedented expansion opportunity for the Company, as detailed in the attached presentation.

Financial product manufacturers, including AMP, NAB-owned MLC and other major banks are now drastically reducing, closing or selling their advice networks.

This unwinding of networks (as further detailed in the attached) will leave thousands of highly experienced and qualified advisers and countless of their clients “homeless”. They will need a professional, efficient dealer group to support their businesses.

Summary of presentation content:

Successful implementation of transformational restructure

Shift to B2B model through Wealth Today acquisition fuels growth

Rationalisation of B2C operations dramatically reduces fixed costs

FY2019 results - key indicative highlights

Impact of restructure on revenue – Revenue from Ordinary Activities up more than 40%

Impact of restructure on costs – Operating Expenses down more than 28%

Impact of restructure on operating profit – continued intra-year improvements result in H2 FY2019 turnaround

Wealth Today adviser growth drives turnaround

Target of 100+ advisers exceeded with numbers nearly tripling in 12 months and growing monthly – benefiting from industry disruption

Restructured Group Emerges with two distinct channels with clear and complementary strategy

B2B operations highly scalable and provide engine room for sustainable, significant further growth as industry transforms

B2C operations provide competitive advantage in attracting advisers and play important role in current and future success of B2B delivery

Industry disruption presents unprecedented growth opportunity

Integrated product-advice model “disintegrating” rapidly

Snapshot of recent exit plans of institutions signals thousands of advisers to require or seek a “new home”

Listed parent-entity to change name

Current Wealth Today (B2B) and Spring (B2C) brands to be retained at operational level with new parent entity name to sit above both to better reflect transformation

Analysts, shareholders and brokers who wish to organise a presentation or request further information regarding the attached material are invited to contact the Company.

Further information:

Keith Cullen

Managing director

02 924804422

SPRING FG LIMITED - (ASX: SFL)

SFL - Shareholder and investor briefing presentation

26 August 2019

Summary of content:

1. Successful implementation of transformational restructure

*Shift to B2B model through Wealth Today acquisition fuels growth and positions Group to capitalise on industry disruption
Rationalisation of B2C operations dramatically reduces fixed costs*

2. FY2019 results - key indicative highlights

*Impact of restructure on revenue – Revenue from Ordinary Activities up more than 40%
Impact of restructure on costs – Operating Expenses down more than 28%
Impact of restructure on operating profit – continued intra-year improvements result in H2 FY2019 turnaround*

3. Wealth Today adviser growth drives turnaround

Target of 100+ advisers exceeded with numbers nearly tripling in 12 months and growing monthly – benefiting from industry disruption

4. Restructured Group Emerges with two distinct channels with clear and complementary strategy

*B2B operations highly scalable and provide engine room for sustainable, significant further growth as industry transforms
B2C operations provide competitive advantage in attracting advisers and play important role in current and future success of B2B delivery*

5. Industry disruption presents unprecedented growth opportunity

*Integrated product-advice model “disintegrating” rapidly
Snapshot of recent exit plans of institutions signals thousands of advisers to require or seek a “new home”*

6. Listed parent-entity to change name to reflect transformation

Current Wealth Today (B2B) and Spring (B2C) brands to be retained at operational level with new parent entity name to above both to better reflect transformation

7. Risks to growth

Successful implementation of transformational restructure strategy fuels growth

Over the past two years the Group has undergone a transformational restructure of its business and operations to reduce its focus and reliance on business-to-consumer (B2C) and non-recurring revenue, to emerge as a primarily business-to-business (B2B) focused enterprise targeting predominately recurring revenue lines.

Central to its strategic transformation has been the acquisition of the Group's Wealth Today Pty Ltd (Wealth Today) subsidiary. Wealth Today holds an AFSL and provides a comprehensive range of "dealer group" services to financial advisers across Australia who are independent business operators acting as authorised representatives, or corporate authorised representatives. Its services include licensing, compliance, education, training and technical support, and practice management and development services. This strategy has enabled the Group to achieve significant revenue increases and positioned it to capitalise on industry disruption created by the unravelling of institutional advice models.

Concurrently the Group has rationalised its B2C financial advice and wealth management operations conducted under the Spring Financial Group banner (that employ salaried personnel), and achieved significant reductions in fixed overheads, in particular across employment expenses, and B2C advertising & marketing costs (as summarised below).

FY2019 results - key indicative highlights

The Company anticipates releasing its preliminary FY2019 results (unaudited) by 30 August 2019, with its audited financial statements expected to be finalised and released by late September 2019. Extensive work is being undertaken throughout the accounts-preparation and audit process as the Company is implementing significant changes to its *Segment Reporting* to accurately reflect its restructured revenue and expense composition.

In the interim the Company provides the following guidance.

Impact of restructure on revenue

The Company expects its FY2019 results to reflect *Total Revenue from Ordinary Activities* as up more than 40% on the prior year to \$10.47M (FY2018 \$7.38M), with improvement ongoing throughout the year showing H2 FY2019 *Revenue from Ordinary Activities* up around 18% on the first half.

Of *Total Revenue from Ordinary Activities*, total revenue from financial planning and advice (both B2B and B2C) is expected to be up more than 90% to \$6.88M (FY2019 \$3.57M), with H2 FY2019 showing an improvement of more than 25% over the first half.

Of total financial planning and advice revenue, revenue from the Company's B2B dealer group activities will be up more than 180% year-on-year (or 42% adjusted for the fact Wealth Today was acquired mid-FY2018) to \$4.96M (FY2018 \$1.97M – or \$3.93M adjusted for full year) with strong improvement right throughout the year resulting in a 25% improvement in H2 over the first half.

Of *Total Revenue from Ordinary Activities*, recurring revenue will total \$6.59M, an increase of more than 70% on the prior year (FY2018 \$3.79M) with intra-year improvement of 25% for H2 FY2019 over the first half.

Total Revenue & Other Income (which in FY2018 included a one-off *Other Income* amount of \$1.83M from the sale of a B2C insurance risk ledger) will be up around 14% to \$10.64M (FY2018 \$9.35M), with H2 of FY2019 showing a 17.5% improvement over the first half.

Impact of restructure on costs

Successful rationalisation of B2C activities have resulted in considerable reductions of fixed overhead over the past two years, with some further improvement targeted as the Group completes its strategic transformation. Highlights are provided below.

Cost of sales increased around 60% year-on-year to \$5.32M (FY2018 \$3.28M) reflecting the significant increase in *Revenue from Ordinary Activities* and the Group's increased B2B focus (and success).

For FY2019 total operational expenses (excluding depreciation, amortisation, interest expense and tax) were down around 28% to \$6.06M (FY2018 \$8.515M), with H2 FY2019 being down nearly 10% on the first half as rationalisation measures continued to be implemented and flow through as cost reductions.

Most notably, total employment expenses were down more than 30% to \$3.48M (FY2018 \$5.1M) with H2 FY2019 down around 13% on the first half. Some recent further rationalisation will see further modest employment expense reductions, however with the anticipated significant further growth in the Group's B2B operations, employment expenses are likely to steady – before showing incremental increases linked to future growth.

Advertising and marketing expenses were down 54% to \$360K (FY2018 \$795K) with a more modest 3.5% fall for H2 measured against the first half of FY2019. Further reductions of circa 50% are expected to be achieved throughout FY2020 with a number of contracted arrangements now finalised.

Occupancy costs were down 10% on the prior year to \$927K (FY2018 \$1.03M) and steady throughout the year due to fixed-term lease commitments. The Group is actively exploring various sub-leasing and assignment opportunities as its strategic reduction in salaried advisers and associated employees has resulted in office accommodation excess to its needs. If successfully implemented, occupancy cost reductions of a further 25-35% should be achievable over the next two years.

Impact of restructure on operating profit

Continued improvements in revenue (and reductions in expenses) throughout the year indicate a second-half FY2019 operating profit (excluding depreciation, amortisation, interest expense and tax) of circa \$100k. This is a considerable turnaround on FY2018 and compares to an \$800k operating loss (excluding depreciation, amortisation, interest expense and tax) for the first half of FY2019. The Company expects this positive trend to continue across FY2020 and beyond as its B2B activities increase further, signalling a return to sustainable profitability.

Impact of restructure on balance sheet

The Company's board is finalising a review of carrying values of all intangible assets, including acquired goodwill and other intangible assets associated with its B2C operations, to ensure that its balance sheet appropriately reflects its restructured revenue composition; and reviewing occupancy-related fixed asset values in contemplation of reduced office accommodation requirements.

Wealth Today adviser growth drives turnaround – now more than 100 advisers and growing monthly

Wealth Today had just 42 advisers in its “dealer group” at the time of its acquisition by the Company in January 2018. Following an internal review, the Company initially reduced this number of advisers to around 30. The Company's early focus following the acquisition was on improving compliance systems and processes, and its adviser support mechanisms and regime, with a focus on adviser education and training – before commencing its expansion program in around June 2018 that targeted growth to 100 advisers by mid-2019.

The Company has surpassed that target, with the Wealth Today dealer group having subsequently grown to 105 as at time of writing, with more advisers in pre-vetting and application to join, and significant further growth anticipated as the Company capitalises on the industry disruption detailed below.

The Group considers its current human and infrastructure resources are capable of supporting circa 150-160 advisers, which it is targeting during FY2020. Its model can be scaled in an efficient manner, with only incremental payroll and variable cost increases required to scale to 250-300 advisers in the medium term.

In the mid-to-longer term the Company considers that it is achievable to scale (again with only relatively incremental cost increases) to well in excess of 500 advisers, as advisers and consumers continue their transformation away from advice networks dominated by banks, insurers and other financial product manufacturers.

Group emerges with two distinct channels – clear and complementary strategy

Following its transformational restructure, the Group now contains two distinct channels, being its primary B2B operations under its *Wealth Today* brand and its complementary B2C operations which will continue under its *Spring Financial Group* brand.

B2B – the engine room

The Group's Wealth Today operations provide the engine-room for its growth in both the immediate and longer term as the disruption occurring in the financial services industry presents unprecedented growth opportunities. They contributed more than 53% of *Revenue from Ordinary Activities* in FY2019, up from a 27% share the year prior.

Under the Wealth Today model, suitably qualified financial advisers are open to apply to join the group. Following extensive pre-vetting, reference checking (following ABA protocols), and induction training, those that are successful with their applications are appointed as either corporate authorised representatives (incorporated parties with one or more advisers) and/or authorised representatives (individuals). Once appointed they then pay both fixed service fees and a variable fee component linked to their turnover. This aligns Wealth Today with the success of its advisers' practice growth and appropriately links its fee revenue with requisite service and support levels.

Wealth Today provides its appointed advisers with a comprehensive range of licensing, compliance, education & training, and technical support; and practice management and development services, including extensive consumer marketing and education tools.

Importantly, Wealth Today is a B2B brand, (rather than a consumer facing brand) with its authorised representatives operating under their own company, business and brand names enabling them to build personal connection to their clients and the communities in which they operate.

Wealth Today also operates an open, or "non-aligned" APL (approved product list) enabling advisers to choose from a broad range of financial products, platforms and services to best suit their clients' goals and objectives, rather than being limited to a particular institutional product list.

Wealth Today does not accept "shelf fees" or "volume bonuses" from product providers, and importantly (other than compliance and monitoring software) does not "mandate" or dictate the use of any particular financial product, service or investment platform – nor "white label" other's products.

Wealth Today continues to innovate in the delivery of support to its advisers through comprehensive education and training programs and by making available centralised advice services under its "team-based approach" to client advice. This model enables advisers to confidently advise a broad range of client types and circumstances in an increasingly complex regulatory and legislative environment by accessing expertise and support on a pay-as-you-use fee structure. The Group is seeing advisers attracted to its real-world experience in dealing with retail clients and the value this adds to their own practices and clients.

B2C – important role in future success

The Group will continue its central B2C operations under the *Spring Financial Group* banner (in its significantly rationalised format) in both the immediate and longer term.

Through the various entities that make up the *Spring Financial Group* B2C operations the Group provides wealth management, retirement, investment and financial advice; mortgage and finance advice; real estate advice and buyers agency services. It is also the investment and asset manager of a disability housing fund; and provides accounting & tax advice and compliance services.

Maintaining these operations helps underwrite critical intellectual property, and skilled human resources experienced in the practical application of financial advice and services, regulatory and legislative compliance, and training and education, which enable the Group to provide meaningful "real world" support and insights to the growing number of advisers in its Wealth Today dealer group, which provides a competitive advantage in attracting new advisers.

The Group's B2C operations also serve as a "research and development lab" for both consumer and practice management strategies; setting it apart from dealer groups that have no exposure to the practical application of the marketing and delivery of advice to consumers on a day-to-day basis.

To rationalise compliance, audit, operational, and insurance costs, the Group has moved its primary B2C wealth management operations (now delivered through its subsidiary SFG Private Wealth Pty Ltd) from a self-licensed model to itself operating under Wealth Today as a corporate authorised representative. This process is nearing completion after which the Group will require only one AFSL (that of Wealth Today).

In addition to achieving cost reductions, this important move ensures that the Group's own B2C systems, processes, compliance, education & training, technology and "approved product lists" are aligned with the B2C operations of the advisers in the Wealth Today dealer group.

Industry disruption presents unprecedented growth opportunity

Integrated model "disintegrating"

Upheaval in the financial advice industry, fuelled in large part by the revelations and findings of last year's Royal Commission into the industry, has seen the beginning-of-the-end of institutionally-owned advice as we have known it.

Financial product manufacturers that have built and/or acquired advice networks over the past two decades to further their distribution ambitions are now drastically reducing, closing or selling those networks.

A raft of recent exit and downsize strategies formally announced by institutions will leave thousands of highly experienced and qualified advisers and countless of their clients "homeless" – in search of a new professional, efficient dealer group to support their endeavours. Additionally, those that institutions seek to retain will be likely questioning the long-term viability of retaining their clients within a vertically-integrated model.

Snapshot of recent institutional advice model exit plans

In the last month alone three of Australia's largest institutionally-owned wealth businesses, AMP, CBA and NAB-owned MLC, have each announced downsizing and/or exit strategies.

CBA announced it would close down its Financial Wisdom licensee and no longer offer dealer group services from June 2020, displacing around 350 advisers. This followed its sale of its Count Financial network of more than 400 advisers last month.

NAB's wealth arm, MLC said it would consolidate three of its dealer group brands (Apogee, Garvan and Meritum) under a single new, yet-to-be-named, umbrella - meaning around 750 advisers and their thousands of clients would be impacted by a change of name, and possibly licensee.

MLC also announced it will close its self-employed NAB Financial Planning and MLC Advice Stores displacing up to 500 advisers. It said it would retain its Godfrey Pembroke brand (of around 150 advisers) as a group focused on high-net-worth clients.

AMP advised its intention to “reduce” its number of more than 2,000 advisers while cutting its buyer-of-last-resort (BoLR) buy-out multiples it has traditionally offered advisers as “golden handcuffs” from a long-standing 4.0 times recurring revenue to just 2.5 times. Whilst AMP did not indicate specific adviser number reduction targets in its public statements - it noted that “the top 20 per cent of AMP’s advisers contribute about 60 per cent of revenue and funds under management” and outlined its desire for efficiency.

This recent upheaval comes on top of ANZ’s sale of its nearly-1,000 adviser wealth management operations to IOOF earlier this year - and Westpac’s March announcement of plans to exit advice by closing its BT Financial Planning, Securitor and Magnitude brands, which were collectively home to around 1,000 advisers.

Sub-scale groups face increasing challenge

Whilst the institutional advice model is disintegrating rapidly, at the same time the many smaller, sub-scale “dealer groups” with less than 50-100 advisers, and hundreds of self-licensed advice firms with as few as two-ten advisers, face ever-increasing compliance requirements and significant increases in demands from advisers for comprehensive internal education and training. This reduces the appeal of displaced advisers heading for “self-licensing” and potentially marginalises dozens of existing smaller dealer groups and hundreds of self-licensed practices, presenting further opportunity for growth by Wealth Today.

Listed parent-entity name to change to reflect transformation

With its transformational restructure nearing completion the Group’s ASX-listed parent company (Spring FG Limited) intends to change its name to reflect its new composition.

The Spring name and brand were created to apply to a direct-to-consumer model, and as such will continue to be used across B2C operations. However, with the Group rapidly moving to receiving the majority of its income from its B2B operations under the Wealth Today name the Company considers it important to have a new parent-entity name that sits above both these names to better reflects its composition.

The proposed name change is subject to shareholder approval (via a special resolution) which will be sought at an extraordinary general meeting (EGM) of members to be held in late September 2019. A further announcement and explanatory memorandum and proxy form will be provided in due course.

Risks to growth

Of course, there are risks to all companies that operate in an industry undergoing such upheaval as that being experienced in financial services - and the Group will not be immune to those as and when they arise.

The Company considers one of the most significant risks to growth for any business operating in the sector (including the Group) over coming years to be the potential for an adversarial regulatory environment to emerge.

There is a risk for example that media, political and consumer pressure following the Royal Commission, including the new mantra for the corporate regulator of “why not litigate” – and the Royal Commission Final Report argument that “if there are grey areas in the law – why not test them in court to settle the grey through precedent” results in over-zealous regulatory actions at both an industry and individual corporation level. There is a risk that this exposes financial services operators to significant human resource and financial costs in dealing with or defending such situations and or actions - serving as a distraction or impediment to growth, revenue and profitability. Such actions can also result in reputational damage and/or impact licensing conditions of financial services companies. There is also a risk that professional indemnity insurance premiums rise significantly.

The Royal Commission Final Report included a series of recommendations that have already resulted in legislation being drafted - with the federal government stating its intention to introduce considerably more over the course of 2019 and 2020. There can be no certainty as to exactly what this legislation will contain, nor the timing nor impact of it on the operating environment nor on associated compliance overhead.

There is also a risk that consumers do not seek advice in the same numbers they have previously, due to the reputational damage done to the industry and a lack of trust stemming from the revelations of the Royal Commission.

There are the normal Company risks that could impact the Group’s future performance also, including the risk that it is unable to attract the requisite personnel to manage its growth, and that it does not have the technology, financial and other resources to capitalise on its growth prospects and/or adequately deal with the risks outlined herein and other risks that may emerge.

Footnote on grandfathered commissions:

The Royal Commission Final Report recommended the banning of “grandfathered” commissions on investment products. Whilst such commissions were outlawed in 2013 under the FoFA reforms, arrangements that were in place prior to that time were “grandfathered”. Draft legislation, if passed in its current form, will see the payment of grandfathered commissions to advisers outlawed from 1 January 2021. For FY2019 the Company received a total of \$263,845 in grandfathered commission revenue (representing just 2.5% of *Revenue from Ordinary Activities*) across both its B2B (\$219,997) and B2C (\$43,848) operations. As such the impact of this ban, if implemented, is not considered material to the Group.