FIIG Holdings Limited
Annual Report: 30 June 2021

FIIG | The fixed income experts

Contents

FIIG Holdings Limited
Level 31, 1 Eagle Street, BRISBANE QLD 4000
ABN: 66 626 344 723

Workplace Gender Equality Agency (WGEA)

The Agency was created by the *Workplace Gender Equality Act 2012* to promote and improve gender equality in Australian workplaces.

FIIG Holdings Limited is pleased to confirm it received a 'Notice of Compliance' with the Act from WGEA on 27 August 2021, for the period 1 April 2020 to 31 March 2021. FIIG is committed to improving gender equality outcomes in the workplace.

Great Place To Work (GPTW)

In May this year, employees were invited to complete the GPTW Trust Index, a research-backed employee experience survey.

Following completion of the survey, FIIG Securities is proud to be officially certified as a Great Place To Work®, as validated by our employees.

As a proud Australian business, we strongly believe that our people make us what we are.

Why do our people say FIIG is a Great Place To Work?
The flexibility, autonomy, independence and responsibility.

FIIG is 'rewarding', 'challenging' and 'fun'.

We are proud to announce that FIIG Securities is officially certified as a

Great Place To Work®

Validated by Employees

FIIG The fixed income experts

Great Place To Work® Certified MAY 2021 – MAY 2022 AUS ™

01 Our Purpose

Purpose

We exist to enable clients to confidently access direct fixed income investments.

Vision

We want to be the firm responsible for the creation of an environment in Australia where the entire spectrum of the fixed income asset class is well understood, easily accessed and actively traded by all potential stakeholders.

Values

Client focus. We focus on the client in everything we do

Integrity. We are open, genuine and honest

Collaboration. We seek what is best for FIIG as one team

Forward thinking. We provide innovative and sustainable solutions to deliver for the long term

Excellence. We aspire to be the best

02 Chairman's Letter

Philip Anthon, Chairman

"As I settle into the Chairman's role I have been struck by the level of activity and projects that have been delivered across FIIG in recent times."

Dear Shareholders,

As I settle into the Chairman's role I have been struck by the level of activity and projects that have been delivered across FIIG in recent times. This activity has two distinct themes, reflecting business improvement initiatives and managing the people and business impacts stemming from the seemingly never-ending challenges that Australia faces from addressing COVID-19 related state lockdowns, work-from-home requirements and the adverse impacts of these actions on the financial markets.

The most notable of the business improvement initiatives is the reconfiguration of the IT delivery platform through the OneFIIG project. Operational delivery of OneFIIG appears to have been challenging throughout FY 2020 and during the first half of FY 2021. However, with implementation now completed the technology stack will provide FIIG with a highly scalable delivery platform capable of improving the customer experience and supporting future growth.

The level of enthusiasm for the FIIG business that I have noticed among staff – even while they themselves are dealing with the mental fatigue of rolling lockdowns, working from home and never-ending zoom calls – gives me proof positive that when Australia returns to the 'new abnormal' post COVID-19 lockdowns, that FIIG will thrive.

Commentary on the 2021 financial year performance can be found in the Managing Director's Report.

FIIG's Annual General Meeting on 21 October 2021 will be convened electronically by a Zoom video conference meeting, and I encourage you to attend. Details of the Zoom videoconferencing login will be included in the Notice of Annual General Meeting.

Your faithfully,

Philip Anthon

Chairman
21 September 2021

03

Managing Director's Report

Jim Stening, Managing Director

"Management is looking forward to being able to focus on growing its reach within the fixed income market place and delivering the required performance metrics to you – our shareholders."

Dear Shareholders,

The 2021 financial year was a challenging period for FIIG. The business reported a small profit for the year – well below our targeted outcome. Revenue from our core income stream, secondary trading, remained unchanged in the 2021 financial year compared to the 2020 financial year and is up marginally from the 2019 financial year.

Overall revenue was lower due largely to the impact of sustained disruption from the COVID pandemic on our Debt Capital Markets high-yield issuance pipeline. The Debt Capital Markets business has historically delivered a significant contribution to FIIG's total revenue. Our expectations are for an improved performance from this part of the business over the 2022 financial year and beyond as markets and pipelines continue to regenerate.

In October 2021 we successfully implemented our One FIIG IT replacement project after significant and costly delays. This new system provides FIIG with a scalable, secure platform to deliver and enhance our service to new and existing clients and distribution channels. It is now fully operational and has delivered immediate benefits for the business and for our clients, a good example being the launch of our new foreign exchange service.

We have continued to actively pursue cost savings during the year and have had good success on this front. In particular, we negotiated a surrender of the Sydney office lease with the landlord from 30 June 2021 resulting in an ongoing rent saving of $2m per annum. The changeover of our Sydney premises will deliver significant savings to the business from the beginning of the 2022 financial year. We have also paid down 50% ($7,500,000) of the 8% coupon, FIIG notes issued in 2017 which mature on 31 October 2022.

The management team and staff have tackled all of the challenges presented during the year including various lockdowns, working from home, One FIIG project completion and business as usual. Many have contributed above and beyond what is expected, which is greatly appreciated, and I thank them for their ongoing commitment to the business.

As you know we have recently communicated the changes to our governance structure and Board. I look forward to working with Philip Anthon, our new Chairman and with Douglas Bates during the year ahead.

FIIG is now well placed to focus on growth initiatives with:

- a lower cost base;
- limited capital expenditure requirements over the medium term;
- a new operating system; and
- a sound balance sheet (including cash and bond holdings of $19 million as at 30 June 2021).

Management is looking forward to being able to focus on growing its reach within the fixed income market place and delivering the required performance metrics to you – our shareholders.

Yours faithfully,

Jim Stening
Managing Director
21 September 2021

04

Overview of FIIG Holdings Limited

FIIG Holdings Limited (“FHL”) is a public unlisted company. It is the holding company of FIIG Securities Limited (“FSL”) the main operating subsidiary (together referred to as “FIIG”).

FIIG was established in 1998 and has offices in Sydney, Melbourne, Brisbane and Perth. The specialist fixed income sales team services over 7,000 clients, providing expert knowledge of bonds, deposits and cash products along with a dedicated fixed income research team.

FIIG provides investors with direct access to fixed income and cash investments they can trust through either direct ownership via our DirectBonds service or a managed portfolio through our Managed Income Portfolio service and provides corporate issuers with access to debt capital. The Company provides general financial advice and facilitates fixed income investments in the areas of government bonds, corporate bonds, securitised assets and private debt, as well as short-term money market products.

FIIG has undergone a fundamental change over recent years with the replacement of its entire IT infrastructure. The Group has moved from a reliance on a home-made solution to global gold standard with the new core operating system Dimension.

This new system will enable FIIG to efficiently scale its current offerings and to pursue new opportunities and partnerships to grow our market share.

The digitisation of service delivery to clients has an undeniable momentum and we are well placed to embrace this at FIIG with the right partnerships.

In the current economic environment, investors are seeking income from sources other than the traditional deposit products. This presents an exceptional opportunity for credible alternative products and service providers to develop market share. FIIG is well placed with a long track record and a demonstrable, consistent client focus culture.

FIIG holds an Australian Financial Services Licence (regulated by ASIC) and provides general financial product advice and custodial services to wholesale and retail investors. FIIG is a licensed custodian (regulated by ASIC) and has appointed JPMorgan as a sub-custodian to settle with Austraclear and Euroclear. FIIG undertakes an independent assurance report on internal controls relating to FIIG’s custody service (GS007 type 2), which is an international standard to which Global Custodians adhere.

FIIG has met this standard since the commencement of this audit in 2012.

FIIG provides comprehensive fixed income investment services and solutions for a wide variety of investors throughout Australia across four major sectors:

- private clients: high net worth investors
- intermediaries: financial advisers and planners, brokers, accountants, family offices and SMSF administration platforms
- middle markets: companies, not-for-profit and charitable organisations, semi-government and government authorities
- institutions: major financial institutions, fund managers and major corporations throughout Australia, as well as working with institutional counterparties internationally through the Asia-Pacific, USA, UK and Europe.

FIIG arranges and distributes corporate bonds for issuers of debt capital securities and private debt instruments.

FIIG provides investors with direct access to fixed income and cash investments they can trust and provides issuers with access to debt capital.

The core products and services offered by FIIG include:

Secondary Trading

- FIIG provides direct access to bond markets for high net worth, corporate and institutional investors
- Access to a large number of bonds including fixed, floating, inflation linked and foreign currency bonds as well as securitised investments
- Minimum account balance of $250,000 (with bond parcel sizes down to $10,000)
- Beneficial ownership remains with the investor
- FIIG provides ongoing support in terms of custodial services, coupon and maturity payments and reporting.

Managed Income Portfolio Service (MIPS)

- MIPS combines the benefits of directly owning fixed income securities with the expertise of a professional investment management team
- MIPS offers three standard investment programs – Core Income, Conservative Income and Income Plus – plus a fully customised program for investments over $5 million
- From $500,000 per standard MIPS investment program or $5 million for a customised program.

Custodial Services

- FIIG provides licensed custodial services to clients that don't have their own custody arrangements
- Clients' fixed income investments can be held in custody by FIIG
- FIIG's custodial services include corporate actions, settlements, foreign currency conversion, online access as well as balance and transaction reporting.

  Interest, sale and maturity proceeds are paid to clients' nominated bank accounts.

Debt Arrangement and Placements

- FIIG arranges and distributes corporate bonds for issuers into Australia's debt capital markets
- The offer includes fixed or floating, secured or unsecured bonds, available in a range of terms and structures
- FIIG has successfully arranged and distributed over $2.7 billion and has co-arranged or distributed a further $1.4+ billion in primary issues for mid-cap and unrated companies, investment grade issuers and other issuers of debt securities such as infrastructure funds and asset securitisation vehicles.

Private Debt

- FIIG arranges high-yield debt solutions for corporate and property borrowers and provides investment opportunities to institutional funds and professional investors
- The business addresses the market gap created by the changing landscape for banks in the wake of Basel III capital reforms, regulatory changes and the Hayne Royal Commission
- Opportunities are typically offered as structured debt, both senior and mezzanine, and convertible notes, delivering returns of 10%+.

Short-Term Money Markets

- A term deposit service providing choice, control and direct ownership for deposits of $1 million or more
- Clients invest directly with their chosen bank or institution – FIIG assists with the process, paperwork and reporting
- Instant comparison of specially negotiated term deposit and at-call rates
- Online services including portfolio reporting, market intelligence and research
- Ongoing one-on-one investor support from a team of dedicated deposit specialists.

Research and Education

- Daily market commentary, analysis and insights
- Issuer research
- Sample portfolios
- Educational material such as guides, reference books and videos
- Fixed income seminars and webinars

Access and Transparency

FIIG has invested significantly in world-class technology and systems to provide clients with comprehensive access to their investments, including reporting of balances and transactions.

FIIG provides detailed transparency reporting of volumes and prices across the over-the-counter bond market via its daily rate sheet.

05 Board of Directors


P. Anthon


D. Bates


J. Stening

Philip Anthon, Chairman and Independent Non-Executive Director

Philip Anthon has been a Director of FHL and FSL since 3 August 2021. Philip has more than 35 years' experience in the legal and financial service sectors. He has extensive experience in the regulatory risk management and compliance arena across asset management, trustee services, wealth management and natural resources enterprises.

Philip has held senior executive roles at Perpetual Trustees Australia, executive management and executive director roles at the investment management and superannuation divisions of Suncorp Metway Limited with a particular focus on risk governance and regulatory compliance across the entire wealth management product suite. Philip advises well-known Australian financial services entities on enterprise risk management, regulatory compliance and governance requirements.

Philip is currently a Non-Executive Director of a range of Australian-based corporate subsidiaries of global fund managers. He is also a Director of FIIG Securities Limited and FIIG Investment Management Limited.

Douglas Bates, Non-Executive Director

Douglas has been a Non-Executive Director of FHL and FSL since 31 July 2021. Previously, he was Chairman of FHL from establishment on 23 May 2018 and of FSL from November 2000 until 31 July 2021 and involved with the development of the FIIG Group and its businesses for over 20 years. He practised as a barrister and has experience as a legal practitioner from 1986 to 2009 in London, Hong Kong and Brisbane, primarily in financial services, corporate and commercial law.

Douglas is also a Non-Executive Director of FIIG Securities Limited and FIIG Investment Management Limited.

Douglas has a Bachelor of Laws, a Master of Laws and is a Fellow of the Australian Institute of Company Directors.

Jim Stening, Managing Director

Jim was appointed Managing Director of FHL on 23 May 2018 and is also the founder and Managing Director of FSL. Jim has held the role of FSL Managing Director since inception, except for a period between September 2012 and January 2017, where he held a Non-Executive Director position.

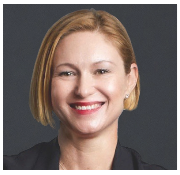
Jim has extensive knowledge of fixed income, cash and derivative markets fostered by more than 35 years' experience in financial markets, interest rate product development and international fixed income trading including, prior to founding FSL in 1998, senior roles with firms including Merrill Lynch, Banco Santander (Singapore) and National Australia Bank. Jim is currently Non-Executive Director of Queensland Treasury Corporation (QTC) and Chairman of Funding and Markets Committee for the QTC Board. He is also a Director of FIIG Securities Limited and FIIG Investment Management Limited.

Jim is a Fellow of the Australian Institute of Company Directors and holds a Diploma of Financial Services.

06 Leadership Team


J. Ricciotti


J. Prickett


D. Wilson

John Ricciotti, Executive General Manager – Fixed Income

John joined FIIG in July 2014 as Head of the Debt Capital Markets business and was appointed Executive General Manager – Fixed Income in June 2018. John has more than 20 years' experience working across global banking, investment management and professional services industries.

Prior to joining FIIG, John was most recently with Lloyds Bank where he held the position of Managing Director, responsible for the Corporate, Project Finance and Financial Institution business. John's corporate finance experience also includes senior roles within JPMorgan and Deloitte, as well as investment management experience with the Treasury Group and the Victor Smorgon Group.

John holds a Bachelor's and postgraduate degree in accounting and finance from the University of Melbourne. He is a member of the Institute of Chartered Accountants and the Institute of Company Directors.

John Prickett, Chief Operating Officer

John joined FIIG in 2010 as Chief Financial Officer and was appointed to the position of Chief Operating Officer in November 2016. John has over 25 years of experience in accounting and finance, including 13 years working for investment banks in London, Zurich, New York, Singapore and Sydney. John's experience in Brisbane has seen him work on a number of significant infrastructure projects.

John has a Bachelor of Commerce degree in accounting from the University of Canberra and is a member of the Australian Society of Certified Practising Accountants.

Dominique Wilson, Chief Human Resources & Communications Officer

Dominique joined FIIG in March 2020 as Chief Human Resources & Communications Officer with her focus on optimising talent, leadership, performance, learning and development, capability and culture.

Dominique has over 20 years of senior HR, talent and remuneration experience at local, regional and global levels, mostly in greenfield environments within financial services and pharmaceuticals leading people, culture and organisational development initiatives.

Prior to joining FIIG, Dominique held the role of Human Resources Director at Apotex, Australia's largest generic pharmaceutical company, where she established and led the people and culture strategy. Dominique's HR and remuneration experience includes global and regional roles with Babcock & Brown, UBS and Sanofi.

Dominique holds a Masters in Human Resources from MGSM and a Bachelor of Business from Griffith University.

07

Directors’ Report, Financial Report & Independent Auditor’s Report

Directors' Report

for the year ended 30 June 2021

Your Directors present their report on the consolidated entity consisting of FIIG Holdings Limited ("FHL" or "Company") and the entities it controlled at the end of, or during, the year ended 30 June 2021. Throughout the report the consolidated entity is referred to as "the Group".

1. Principal activities

FHL is a public unlisted company. It is the parent entity of FIIG Securities Limited ("FSL") and FIIG Investment Management Limited ("FIML").

FHL's main subsidiary, FSL, is a participant in the Australian financial services market providing fixed income products and solutions to clients. The principal activities of FSL during the financial year were those of a specialist fixed income dealer and broker, arranger and distributor of debt capital issues, and provider of custodial services and managed portfolio services, with offices in Sydney, Melbourne, Brisbane and Perth. FSL provides fixed income research and education services. FSL owns and operates the fixed income portal www.fiig.com.au. FSL holds Australian Financial Services Licence ("AFSL") No. 224659 issued by the Australian Securities and Investments Commission ("ASIC").

2. Business review

Operating results

The Group's consolidated results for the year ended 30 June 2021 was a profit after income tax of $557,357 (2020: $2,187,948).

Dividends paid or recommended

The Group declared and paid fully franked dividends of 2 cents per share totalling $546,640 (2020: 2 cents per share totalling $575,040).

Review of operations

During the 2021 financial year, the Group maintained its position as a major participant in the Australian financial services market providing fixed income products and solutions to clients. The Group's strategy for the 2022 financial year is to further the presence of FSL as a leader in the Australian fixed income market.

Financial position

The net assets of the Group as at 30 June 2021 were $24,724,724 (2020: $24,436,694).

The Group held cash and bonds as at 30 June 2021 of $18,962,137 (2020: $26,386,452).

During the 2021 financial year, the Group repaid $7,500,000 of bond borrowings early to noteholders leaving $7,500,000 of bond borrowings outstanding at the end of the financial year (2020: $15,000,000) with a maturity date of 30 October 2022.

The Directors believe that the Group is in a strong and stable financial position to expand and grow its current operations.

Significant change in state of affairs

There were no significant changes in the state of affairs of the entities in the Group during the year.

Environmental regulation and managing climate change

Climate change is a global challenge and the Group recognises that changes to the environment can influence its operations and is committed to identifying and managing climate-related risks. The Group encourages staff to be aware of their potential impact on the climate such as limiting travel and printing. The Group will ensure that where operations are subject to any particular and significant environmental regulation under a law of Australia, these are identified and appropriately addressed. To date, the Group has complied with all the requirements and there have not been any significant environmental regulations under a law of Australia that the Group is in breach. The Group's Audit, Risk and Compliance Committee's governance objectives includes having business policies in place, control and risk management systems and managing all risks, including those which encompass climate change and environmental regulations. The Group monitors specific sectors that are relevant to the Group's clients or potential clients who require capital markets funding, and under the guidance of the Group's credit committee, makes decisions on behalf of the Group as to whether FIIG should actively engage with any potential clients in those sectors which are considered higher risk to the environment.

Impact of the Coronavirus (COVID-19) pandemic

The 2020 and 2021 financial years have been marked by the impact of the Coronavirus (COVID-19) pandemic, both in the tragic loss of human life and the effect on public health systems, economies and livelihoods. Governments have responded to this crisis with unprecedented fiscal stimulus to support economies and those most impacted, while businesses have had to adapt to changing circumstances.

Directors' Report

for the year ended 30 June 2021

2. Business review continued

The Group's priority during this time has been to ensure the health and safety of the Group's employees and to ensure that the Group maintains its ability to service clients and hold assets in safe custody. During the year, the Board has continued to monitor the business operations, cash flow and working-from-home arrangements to ensure clients were well serviced, staff were able to execute their roles and responsibilities from remote locations, and all business obligations were complied with. The Group is well positioned to weather the ongoing impacts of the COVID-19 crisis.

The Group was enrolled in the JobKeeper government assistance program and recognised $2,100,000 (2020: $1,014,900) as a subsidy against employee benefits expense in the statement of comprehensive income for the year ended 30 June 2021.

Events since the end of the financial year

In accordance with AASB 110 *Events after the Reporting Date*, the Group has considered whether events after the reporting period would have any impact on the financial statements at the reporting date.

On 3 August 2021, the Company declared and on 9 August 2021 paid a fully franked dividend of 4 cents per share totalling $1,093,280 out of retained profits and a positive net asset balance to is shareholders.

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

Likely developments

There were no other likely developments in the operations of the Group at the date of this report.

Performance rights

On 1 January 2021, the Group implemented an Employee Performance Rights Plan with 2,220,000 performance rights issued. There were 2,125,000 performance rights outstanding at the end of the financial year. During the period 1 January 2021 to 30 June 2021, there was a decrease of 95,000 performance rights as a result of forfeited performance rights. No rights vested or were exercised during the financial year.

Employee Share Scheme shares

There were nil (2020: 1,420,000) ordinary shares issued under the Employee Share Scheme held in FHL at the end of the financial year.

On 12 February 2021, the Employee Share Scheme was terminated, and all remaining shares were subject to a share buy-back with all proceeds applied to the non-recourse Employee Share Scheme loans.

3. Directors

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

Names	Position	Appointed	Resigned
Philip David Anthon	Chairman and Non-Executive Director	3 August 2021	
Stephen James Stening	Managing Director	23 May 2018	
Douglas Deshon Bates	Non-Executive Director*	23 May 2018	
Adam Winston Lewis	Non-Executive Director	23 May 2018	18 July 2021
Christine Anne Feldmanis	Non-Executive Director	23 May 2018	18 July 2021
Stephen William Knight	Non-Executive Director	23 May 2018	18 July 2021

*Douglas Bates was Chairman from 23 May 2018 to 31 July 2021 and Non-Executive Director since 31 July 2021.

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

Directors' Report

for the year ended 30 June 2021

3. Directors continued

Information on Directors

Philip David Anthon	Chairman and Independent Non-Executive Director (appointed 3 August 2021)
Qualifications	LLB, GAICD
Experience	Philip Anthon has been a Director of FHL and FSL since 3 August 2021. Philip has more than 35 years' experience in the legal and financial service sectors. He has extensive experience in the regulatory risk management and compliance arena across asset management, trustee services, wealth management and natural resources enterprises. Philip has held senior executive roles at Perpetual Trustees Australia, executive management and executive director roles at the investment management and superannuation divisions of Suncorp Metway Limited with a particular focus on risk governance and regulatory compliance across the entire wealth management product suite. Philip advises well-known Australian financial services entities on enterprise risk management, regulatory compliance and governance requirements. Philip is currently a Non-Executive Director of a range of Australian-based corporate subsidiaries of global fund managers. He is also a Director of FIIG Securities Limited and FIIG Investment Management Limited.
Special responsibilities	Chairman of the Board (appointed 3 August 2021) Chair of the Audit, Risk and Compliance Committee (appointed 3 August 2021)

Stephen James Stening	Managing Director
Qualifications	Dip Financial Services, FAICD
Experience	Jim Stening was appointed Managing Director of FHL on 23 May 2018 and is also the founder and Managing Director of FSL. Jim has held the role of FSL Managing Director since inception, except for a period between September 2012 and January 2017 where he held a Non-Executive Director position. Jim has extensive knowledge of fixed income, cash and derivative markets fostered by more than 35 years' experience in financial markets, interest rate product development and international fixed income trading including, prior to founding FSL in 1998, senior roles with firms including Merrill Lynch, Banco Santander (Singapore) and National Australia Bank. Jim is currently Non-Executive Director of Queensland Treasury Corporation (QTC) and Chairman of the Funding and Markets Committee for the QTC Board. He is also a Director of FIIG Securities Limited and FIIG Investment Management Limited.

Directors' Report

for the year ended 30 June 2021

3. Directors continued

Douglas Deshon Bates	Non-Executive Director
Qualifications	LLB, LLM, FAICD
Experience	Douglas Bates has been Non-Executive Director of FHL and FSL since 31 July 2021. Previously, he was Chairman of FHL from establishment on 23 May 2018 and FSL from November 2000 until 31 July 2021 and involved with the development of the FIIG Group and its businesses over the past 20 years. Douglas practised as a barrister and has experience as a legal practitioner from 1986 to 2009 in London, Hong Kong and Brisbane, primarily in financial services, and corporate and commercial law. Douglas is also a Non-Executive Director of FIIG Securities Limited and FIIG Investment Management Limited.
Special responsibilities	Chairman of the Board (resigned 31 July 2021) Member of the Audit, Risk and Compliance Committee Member of the Nominations and Remuneration Committee (Committee dissolved on 31 July 2021)

Adam Winston Lewis	Independent Non-Executive Director (resigned 18 July 2021)
Qualifications	MBA, BEng (Electronics)
Experience	Adam Lewis was a Director of FHL from 23 May 2018 to 18 July 2021 and FSL from 1 July 2015 to 18 July 2021. He was formerly a member of the FIIG Securities Limited Advisory Council. Adam is an alumnus of McKinsey & Company where he spent 20 years as an adviser to major firms and governments in Australia and New Zealand, Asia, Europe and North America. At McKinsey, Adam was a Partner for 14 years, Director (Senior Partner) for nine years, Managing Partner Australia & New Zealand for seven years and a member of McKinsey's Asia Council, and Global Director Election Committees. Adam is Chairman of Southern Innovation, Palette Pty Ltd, Deep Blue Company and Cast Professional Services Pty Ltd. He is a former Chairman of Aconex Limited and Message Media Pty Ltd. He is a Director of Chop Wood Pty Ltd.
Special responsibilities	Chair of the Nominations and Remuneration Committee (resigned 18 July 2021)

Christine Anne Feldmanis	Independent Non-Executive Director (resigned 18 July 2021)
Qualifications	BCom, MAppFin, FAICD, SFFINSIA, TFASFA, CPA
Experience	Christine Feldmanis was a Director of FHL from 23 May 2018 to 18 July 2021 and FSL from 15 October 2017 to 18 July 2021. Christine has more than 30 years' experience in the financial arena spanning both the private and government sectors. She has extensive experience in investment management, finance, accounting and risk management, legal and regulatory compliance, governance and business building for both listed and unlisted financial markets, products and entities. Christine formerly held senior executive roles at Bankers Trust Australia and NSW TCorp and was Managing Director at Treasury Group Investment Services Ltd delivering strategic, product, operations and advisory business solutions. Christine is currently a Non-Executive Director and Chair of the Audit and Risk Committee of Omni Bridgeway Ltd (ASX: OBL). Christine is also a Non-Executive Director of Bell Financial Group Ltd (ASX: BFG), Bell Asset Management Ltd, RaboBank Australia Ltd and Foodbank NSW & ACT Limited.
Special responsibilities	Chair of the Audit, Risk and Compliance Committee (resigned 18 July 2021)

Directors' Report

for the year ended 30 June 2021

3. Directors continued

Stephen William Knight	Independent Non-Executive Director (resigned 18 July 2021)
Qualifications	BA, FAICD
Experience	Stephen Knight was a Director of FHL from 23 May 2018 to 18 July 2021 and FSL from 15 October 2017 to 18 July 2021. Stephen's career spans more than 40 years in senior executive and non-executive roles across both private and public sector organisations. His executive roles covered financial markets, banking, funds management and government finance. Stephen was CEO of NSW Treasury Corporation (TCorp) for 10 years until 2015, responsible for debt issuance and investment activities for the NSW Government and its constituent entities. His previous roles included Head of Treasury and Capital Markets for UBS Australia, and Executive Treasurer Global Treasury for ANZ Banking Group. Stephen is currently Chair and Non-Executive Director of ASX Clearing & Settlement Boards, a Non-Executive Director of Hall & Wilcox, and Sydney Financial Forum. He is Chair of the Audit Committee for the Australian Office of Financial Management (AOFM) and a member of the Investment Committee for Primary Ethics. Stephen is the Independent Chair of the Bond Due Diligence and Issuance Committee for the National Housing Finance and Investment Corporation (NHFIC), having chaired the Commonwealth Government's Affordable Housing Implementation Taskforce.
Special responsibilities	Member of the Audit, Risk and Compliance Committee (resigned 18 July 2021) Member of the Nominations and Remuneration Committee (resigned 18 July 2021)

Company Secretary

The following persons held the position of Company secretary at the end of the financial year and remain in office unless otherwise stated:

- Graeme Blackett from Company Matters Pty Ltd was appointed Company Secretary on 3 August 2021.
- Douglas Bates was appointed Company Secretary on 30 April 2021 and resigned on 3 August 2021.
- Matthew Bowman was appointed Company Secretary on 1 May 2019 and resigned on 30 April 2021

Information on Company Secretary

Graeme Blackett	Company Secretary (appointed 3 August 2021)
Qualifications	BA, LLB, GradDipCSP, FGIA, FCG
Experience	Graeme holds a Bachelor of Arts, a Bachelor of Laws, a Graduate Diploma in Company Secretarial Practice, is admitted as a Solicitor in NSW and is a Fellow of the Governance Institute of Australia and of the Chartered Governance Institute. He has been a Senior Company Secretary with Company Matters Pty Ltd for over 3 years, and has been a Chartered Secretary for over 25 years, including holding company secretarial and governance roles with the (former) NRMA Group, Reckon Limited, the (former) Westfield Group, AMP Limited, ASIC and the National Australia Bank.

Directors’ Report

for the year ended 30 June 2021

3. Directors continued

Matthew Patrick Bowman	Company Secretary (resigned 30 April 2021)
Qualifications	BCom, LLB
Experience	Matthew Bowman was appointed Company Secretary of FHL on 1 May 2019 and resigned on 30 April 2021. Matthew joined FSL in April 2015 as Senior Legal Counsel and became Head of Legal and Compliance in 2019. Matthew has a combined 15 years’ experience across a variety of roles encompassing accounting, commercial, financial, legal, and management consultancy related areas. Prior to joining FSL, Matthew worked at both leading international accounting and law firms and ASX200 Listed Companies. He is dual qualified in both finance and law from the University of Queensland.

Meetings of Directors

The number of Directors’ meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Group during the financial year are:

	Directors’ Meetings		Audit, Risk and Compliance Committee		Nominations and Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Philip David Anthon	–	–	–	–	–	–
Stephen James Stening	10	10	6*	6*	2*	2*
Douglas Deshon Bates	10	10	6	6	2	2
Adam Winston Lewis	10	10	–	–	2	2
Christine Anne Feldmanis	10	10	6	6	2*	2*
Stephen William Knight	10	9	6	6	2	2

*While the Director is not a member of the relevant committee, the Director attended a number of committee meetings during the year.

Directors' Report

for the year ended 30 June 2021

4. Insurance of officers and indemnities

During the financial year the Group entered into agreements and paid premiums of $562,261 (2020: $480,421) under a policy of insurance which includes indemnification of all Directors of the Group named in this report and current officers of the Group against all liabilities to persons (other than the Group) which arise out of the performance of their normal duties as a Director or an officer.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and officers in their capacity as Directors and officers of the Group, and any other payments arising from liabilities incurred by the Directors and officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the Directors and officers or their improper use by the Directors and officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

No indemnification has been obtained for the auditors of the Company.

5. Proceedings on behalf of Company

No person has applied to the court under section 237 of the *Corporations Act 2001* to bring proceedings on behalf of FHL, or intervene in any proceedings to which FHL is a party, for the purpose of taking responsibility on behalf of FHL for all or any part of those proceedings.

No proceedings have been brought or intervened in, on behalf of FHL, with leave of the court under section 237 of the *Corporations Act 2001*.

6. Corporate governance

The Board of Directors is responsible for the overall corporate governance of the Group. This includes approving appropriate policies and procedures designed to ensure that the Group is properly managed to protect and enhance the interests of stakeholders, including those of clients, shareholders, employees and regulators. The Board is ultimately responsible for the overall direction of the Group with oversight and review of the management, administration and governance of the Group. The Group recognises the eight Principles of Australian Securities Exchange ("ASX") Corporate Governance Council being:

- Lay solid foundations for management and oversight
- Structure the Board to be effective and add value
- Instil a culture of acting lawfully, ethically and responsibly
- Safeguard the integrity of corporate reports
- Make timely and balanced disclosures
- Respect the rights of security holders
- Recognise and manage risk
- Remunerate fairly and responsibly

The Board has established the following committees to assist it in discharging its functions:

- Audit, Risk and Compliance Committee; and
- Nominations and Remuneration Committee.

The Nominations and Remuneration Committee was dissolved on 31 July 2021 and the responsibilities of the Committee have been retained by the Board.

The Board and the committees each have a charter that sets out the objectives, composition, duties and responsibilities of the Board and each of the committees and their responsibilities in relation to the Group.

The Audit, Risk and Compliance Committee assists the Board in achieving its governance objectives in relation to:

- finance reporting;
- the applicability of accounting policies;
- business policies and practices;
- legal and regulatory compliance; and
- internal control and risk management systems.

The Nominations and Remuneration Committee assists the Board to achieve its governance objectives to ensure that the Group:

- has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties and to bring transparency, focus and independent judgement to decisions regarding the composition of the Board;
- has coherent remuneration policies and practices to attract and retain senior executives and Directors who will create value for shareholders; and
- fairly and responsibly rewards senior executives having regard to the performance of the Group, the performance of the executives and the general external pay environment.

Directors' Report

for the year ended 30 June 2021

7. Auditor

There are no former partners or directors of the Group's Auditor or former Auditor who are or were at any time during the financial year an officer of FHL.

8. Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001*, requires FHL's Auditor, KPMG, to provide the Directors with a written Independence Declaration in relation to the audit of this financial report for the year ended 30 June 2021. The Auditor's Independence Declaration is attached and forms part of the Directors' Report.

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

Philip David Anthon
Chairman

Stephen James Stening
Managing Director

Dated this 21st day of September 2021

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of FIIG Holdings Limited and Controlled Entities

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of FIIG Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of FIIG Holdings Limited for the financial ended 30 June 2021 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Brendan Twining
Partner
Sydney
21 September 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Note	2021 $	2020 $
Revenue	2.1	34,927,584	38,370,306
Finance income		39,691	123,882
Total income		34,967,275	38,494,188
Employee benefits expense	2.2	(18,361,827)	(19,654,821)
Depreciation and amortisation expense	2.2	(5,022,023)	(4,001,788)
Finance costs	2.2	(1,771,341)	(2,009,536)
Impairment loss on trade receivables	2.2	438	(5,143)
Other expenses	2.2	(9,028,551)	(9,045,148)
Total expenses		(34,183,304)	(34,716,436)
Profit before income tax		783,971	3,777,752
Income tax expense	2.3(a)	(226,614)	(1,589,804)
Profit for the year		557,357	2,187,948
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		557,357	2,187,948
Profit attributable to shareholders of the Company		557,357	2,187,948
Total comprehensive income attributable to shareholders of the Company		557,357	2,187,948

Year ended 2020 comparatives have been revised for changes in accounting policy (refer to Note 1.6).

Consolidated Statement of Financial Position

as at 30 June 2021

	Note	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	3.1	18,342,836	24,666,815
Trade and other receivables	3.4	57,161,218	46,832,147
Financial assets at fair value through profit or loss	3.3(a)	619,301	1,719,637
Current tax receivables	2.3(b)	65,598	–
Other assets	3.5	2,053,648	733,821
Total current assets		78,242,601	73,952,420
Non-current assets			
Property, plant and equipment	3.6	240,400	339,475
Right-of-use assets	3.7	5,680,747	11,615,743
Intangible assets	3.8	14,081,392	14,453,785
Deferred tax assets	2.3(d)	823,071	835,920
Other assets	3.5	700,612	2,004,151
Total non-current assets		21,526,222	29,249,074
Total assets		99,768,823	103,201,494
LIABILITIES			
Current liabilities			
Trade and other payables	3.9	56,967,740	47,107,634
Borrowings	3.10	100,274	202,192
Current tax liabilities	2.3(c)	–	807,182
Employee benefit obligations	3.13	1,716,852	1,362,739
Lease liabilities	3.11	1,745,853	2,582,796
Other liabilities	3.12	1,140,812	1,071,996
Total current liabilities		61,671,531	53,134,539
Non-current liabilities			
Borrowings	3.10	7,500,000	15,000,000
Employee benefit obligations	3.13	436,012	525,401
Lease liabilities	3.11	5,203,547	9,518,303
Other liabilities	3.12	233,009	586,557
Total non-current liabilities		13,372,568	25,630,261
Total liabilities		75,044,099	78,764,800
Net assets		24,724,724	24,436,694
EQUITY			
Contributed equity	3.15(a)	23,033,147	23,033,147
Reserves	3.15(b)	277,313	26,153
Retained earnings		1,414,264	1,377,394
Total equity		24,724,724	24,436,694

Year ended 2020 comparatives have been revised for changes in accounting policy (refer to Note 1.6).

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2021

	Note	Contributed equity $	Reserves $	Retained earnings $	Total $
Balance at 1 July 2020		23,033,147	26,153	1,377,394	24,436,694
Profit for the year		–	–	557,357	557,357
Other comprehensive income for the year		–	–	–	–
Total comprehensive income for the year		–	–	557,357	557,357
Total transactions with owners of the Company					
Dividends provided for and paid	3.16	–	–	(546,640)	(546,640)
Share-based payment – Employee Share Scheme		–	(26,153)	26,153	–
Share-based payment – performance rights		–	277,313	–	277,313
Total transactions with owners of the Company		–	251,160	(520,487)	(269,327)
Balance at 30 June 2021		23,033,147	277,313	1,414,264	24,724,724

	Note	Contributed equity $	Reserves $	Retained earnings $	Total $
Balance at 1 July 2019		23,033,147	26,153	534,734	23,594,034
Restatement due to change in accounting policy		–	–	(799,313)	(799,313)
Balance at 1 July 2019 restated		23,033,147	26,153	(264,579)	22,794,721
Profit for the year		–	–	2,187,948	2,187,948
Other comprehensive income for the year		–	–	–	–
Total comprehensive income for the year		–	–	2,187,948	2,187,948
Transactions with owners of the Company					
Dividends provided for and paid	3.16	–	–	(546,640)	(546,640)
Adjustments for translation of foreign controlled entities		–	–	665	665
Total transactions with owners of the Company		–	–	(545,975)	(545,975)
Balance at 30 June 2020		23,033,147	26,153	1,377,394	24,436,694

Year ended 2020 comparatives have been revised for changes in accounting policy (refer to Note 1.6).

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Receipts from contracts with customers		14,913,458	18,511,894
Receipts with customers for securities trading		21,322,810	22,892,040
Payments to suppliers and employees		(28,096,569)	(30,563,539)
Payments of cash for settlement related to securities trading	3.1	(328,266)	(3,401,249)
Interest received		39,692	403,993
Income taxes paid		(1,086,545)	(165,303)
Payments on sales of government bond futures contracts		–	(39,554)
Receipts for other assets		–	5,673
Net cash inflow from ordinary operating activities		6,764,580	7,643,955
Movement of corporate bonds	3.3(a)	1,100,336	7,317,766
Net cash inflow from operating activities	3.1(a)	7,864,916	14,961,721
Cash flows from investing activities			
Proceeds from sale of plant and equipment		7,586	–
Payments for property, plant and equipment		(42,929)	(29,372)
Payments for intangible assets		(1,597,749)	(5,017,090)
Net cash outflow from investing activities		(1,633,092)	(5,046,462)
Cash flows from financing activities			
Borrowing costs paid	3.10	(1,200,000)	(1,200,000)
Payment of lease liabilities	3.11	(3,239,262)	(3,114,162)
Repayment of borrowings	3.10	(7,500,000)	–
Dividends paid	3.16	(546,640)	(546,640)
Other finance costs paid		(9,341)	–
Net cash outflow from financing activities		(12,495,243)	(4,860,802)
Net (decrease)/increase in cash and cash equivalents held		(6,263,419)	5,054,457
Cash and cash equivalents at beginning of year		24,666,815	19,708,780
Effect of cash rates on cash held in foreign currencies		(60,560)	(96,422)
Cash and cash equivalents at end of financial year	3.1	18,342,836	24,666,815

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

1. Basis of preparation

1.1 Reporting entity

FIIG Holdings Limited ("the Group" or "FHL") is a for-profit company limited by shares, incorporated and domiciled in Australia. The Group's registered office is Level 31, 1 Eagle Street, Brisbane QLD 4000.

The consolidated financial statements of the Group for the financial year ended 30 June 2021 comprise the consolidated entity, being the Group and its controlled entities.

1.2 Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

The consolidated financial statements and notes thereto also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorised for issue by the Directors on 21 September 2021.

1.3 Going concern

The Directors of the Company consider it probable that the Group will continue to fulfil all obligations as and when they fall due for the foreseeable future and accordingly consider that the Group's financial statements are prepared on a going concern basis.

The Board considered the impacts of COVID-19 pandemic on the Group including consideration of the broader economic environment and concluded none of these cast doubt upon the Group's ability to continue as a going concern.

1.4 Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following:

- financial assets and liabilities at fair value through profit or loss (including derivative instruments).

1.5 New accounting standards

(a) New standards and interpretations not yet adopted

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group's assessment of the new and amended pronouncements are that they are not relevant to the Group.

(b) Adoption of new and revised accounting standards

The AASB has issued new and amended accounting standards and interpretations that are effective from 1 July 2020. The Group's assessment of the new and amended pronouncements are that they are not relevant to the Group and no material effect on the Group's financial statements.

1.6 Changes in accounting policies

In April 2021, the IFRS Interpretations Committee ("IFRC") published an agenda decision addressing on how customers are to account for configuration and customisations of cloud-based software in that it is not to be considered an intangible asset. In the fact pattern presented, the supplier (not customer) controls the cloud-based application software to which the customer has access. As such, any configuration or customisation costs incurred by the customer do not create a resource controlled by the customer that is separate from the software.

As a result, the Group has changed its accounting policy to recognise configuration and customisation costs for cloud-based software as expenses when incurred.

The change in accounting policy resulted in the following adjustments to the Group's consolidated financial statements:

Notes to the Consolidated Financial Statements

1. Basis of preparation continued

1.6 Changes in accounting policies continued

Consolidated Statement of Profit of Loss and Other Comprehensive Income

	Reported 2020 $	Adjustment $	Restated 2020 $
Total income	38,494,188	–	38,494,188
Depreciation and amortisation expense	(4,193,821)	192,033	(4,001,788)
Total expenses	(34,908,469)	192,033	(34,716,436)
Profit before income tax	3,585,719	192,033	3,777,752
Income tax expense	(1,565,916)	(23,888)	(1,589,804)
Profit for the year	2,019,803	168,145	2,187,948

Consolidated Statement of Financial Position

	Reported 2020 $	Adjustment $	Restated 2020 $
ASSETS			
Total current assets	73,952,420	–	73,952,420
Intangible assets	15,382,288	(928,503)	14,453,785
Deferred tax assets	817,948	17,972	835,920
Total non-current assets	30,159,605	(910,531)	29,249,074
Total assets	104,112,025	(910,531)	103,201,494
LIABILITIES			
Current tax liabilities	1,086,545	(279,363)	807,182
Total current liabilities	53,413,902	(279,363)	53,134,539
Total non-current liabilities	25,630,261	–	25,630,261
Total liabilities	79,044,163	(279,363)	78,764,800
Net assets	25,067,862	(631,168)	24,436,694
EQUITY			
Retained earnings	2,008,562	(631,168)	1,377,394
Total equity	25,067,862	(631,168)	24,436,694

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

1. Basis of preparation continued

1.7 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements and have been applied consistently across the Group.

(a) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Refer to Note 5.4 for a listing of the interests in subsidiaries.

(b) Foreign currency translations and balance

Functional and presentation currency

The functional currency of the Group is measured using the currency of the primary economic environment in which the Group operates. The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end spot exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income.

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST (Australia), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as an expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST receivable or payable. The net amount of GST receivable from or payable to the ATO is included with other receivables and payables in the consolidated statement of financial position.

Cash flows are presented in the consolidated statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

1.8 Significant estimates and judgements

The preparation of consolidated financial statements requires that management may from time to time make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Given there remains significant uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the downturn and the speed of economic recovery, the judgements and estimates applied in the preparation of these consolidated financial statements may change in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

The areas involving significant estimates and judgements are disclosed in the following notes to the consolidated financial statements:

- Expected Credit Loss assessment in Notes 3.4 and 4.3(a)
- Fair value of financial instruments in Note 4.1(d)
- Share-based payments in Note 5.1

Notes to the Consolidated Financial Statements

2. Financial results

2.1 Revenue

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue as it completes each of its contractual performance obligations.

Revenue is recognised for the major business activities using the methods outlined below:

Commission income

The Group facilitates clients' direct investments into term deposits and at-call deposits. Revenue from term deposits is recognised upfront on completion of the execution of application lodgements when performance obligations have been met. The performance obligations on at-call deposits are recognised as earned on a straight-line basis over the currency of the deposit.

Arrangement and distribution fees

The Group arranges and distributes the primary issue of bonds and bespoke financial facilities for corporate and other issuers. Revenue for arranging and distributing corporate bonds and financing facilities is generated as an arrangement and distribution fee on issuance of a bond or establishment of a financing facility. The arrangement and distribution fees on issuance of the bond is recognised on the trade date as that completes the performance obligation. The arrangement and distribution fees on a financing facility is recognised when the Group has completed its performance obligation in establishing the facility.

Management fees

The Group receives management fees for the portfolio management of customers' accounts in the Managed Income Portfolio Service. The Group also receives management fees for management services to issuers and borrowers in relation to the outstanding notes or facilities.

Management fees earned are recognised when the service has been performed and the revenue can be measured reliably.

Custodial service fees

The Group receives custodial service fees for those customers requiring custodial services for financial instruments traded through the Group.

Fees charged for custodial services are recognised when the service has been performed and the revenue can be measured reliably.

Other revenue

Other revenue includes any revenue from operating activities other than those described above and arising from activities incidental to the principal business activities of the Group.

Other revenue earned is recognised when the service has been performed and the revenue can be measured reliably.

Net income from financial instruments at fair value through profit or loss

Revenue is recognised for the major business activities using the methods outlined below:

Securities trading income

The Group operates as a fixed income dealer trading in bonds whereby the Group (trading as principal) sells bonds to, or buys from, its clients and the fixed income market. Securities trading income is recognised on the trade date as earned. Interest income for bonds held for sale is recognised as securities trading income when the right to receive payment is established.

FX trading income

The Group performs FX trading for its clients to facilitate clients' purchases of bonds, sale of bonds, and the repatriation of principal payments and coupon payments, for foreign-denominated transactions upon clients' instructions. FX trading income is recognised on the FX trade date as earned.

Gain/(loss) on derivatives

Gains or losses are recognised on derivatives the Group enters into for the purpose of hedging exposure to market movements in securities held.

Notes to the Consolidated Financial Statements

2. Financial results continued

2.1 Revenue continued

	2021 $	2020 $
Revenue from contracts with customers		
Commission income	1,001,028	2,129,166
Arrangement and distribution fees	3,956,315	5,965,880
Management fees	3,080,422	3,297,054
Custodial services fees	4,418,898	4,889,311
Other revenue	7,286	2,503
Total revenue from contracts with customers	12,463,949	16,283,914
Net income from financial instruments at fair value through profit or loss		
Securities trading income	21,917,839	22,119,046
FX trading income	545,796	–
Loss on derivatives	–	(32,654)
Total net income from financial instruments at fair value through profit or loss	22,463,635	22,086,392
Total revenue	34,927,584	38,370,306

Receivables from contracts with customers

The following table provides information about receivables from contracts with customers:

	2021 $	2020 $
Receivables included in ‘Trade and other receivables’	1,010,311	1,632,765

Notes to the Consolidated Financial Statements

2. Financial results continued

2.2 Breakdown of expenses by nature

	2021 $	2020 $
Employee benefits expense		
Employee benefits expense	20,222,014	20,732,221
Government subsidy – JobKeeper	(2,100,000)	(1,014,900)
Government subsidy – Cash Flow Boost	(37,500)	(62,500)
Equity-settled share-based payments expense	277,313	–
Total employee benefits expense	18,361,827	19,654,821
Depreciation and amortisation expense		
Depreciation on property, plant and equipment	141,072	200,853
Depreciation on right-of-use assets	2,910,809	2,910,809
Amortisation on intangible assets	1,970,142	890,126
Total depreciation and amortisation expense	5,022,023	4,001,788
Finance costs		
Interest expense – financial liabilities measured at amortised cost	948,082	1,200,000
Interest on lease liabilities	656,466	802,517
Interest on makegood provision	7,452	7,019
Finance expense for early repayment of borrowings	150,000	–
Other finance costs	9,341	–
Total finance costs	1,771,341	2,009,536
Impairment loss on trade receivable		
Impairment loss on trade receivable	(438)	5,143
Total impairment loss on trade receivable	(438)	5,143
Other expenses		
Information technology and communication	2,094,165	1,532,979
Securities transaction and administration fees	1,445,056	1,330,584
Securities information and communication fees	1,363,595	1,625,788
Insurance	574,135	477,424
Accounting and audit fees	372,730	293,445
Marketing and advertising	367,501	646,324
Legal fees	266,747	19,661
Travel costs	41,224	326,287
Other expenses	2,503,398	2,792,656
Total other expenses	9,028,551	9,045,148
Total expenses	34,183,304	34,716,436

Year ended 2020 comparatives for depreciation and amortisation expense have been revised for changes in accounting policy (refer to Note 1.6).

2. Financial results continued

2.3 Income tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit). Current income tax expense charged to the consolidated statement of profit or loss and other comprehensive income is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense/(benefit) is charged or credited outside the consolidated statement of profit or loss and other comprehensive income when the tax relates to items that are recognised outside the consolidated statement of profit or loss and other comprehensive income.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

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

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

Notes to the Consolidated Financial Statements

2. Financial results continued

2.3 Income tax continued

Tax consolidation

The tax consolidation legislation was adopted by the Group as of 1 July 2018. As a consequence, FHL and its wholly owned subsidiaries are taxed as a single entity.

FHL and the controlled entities in the tax consolidated group account for their own current and deferred taxes. These tax amounts are measured as if each entity in the tax consolidated group continued to be a stand-alone entity in their own right.

(a) Income tax expense

	2021 $	2020 $
Current tax expense	213,765	1,128,405
Deferred tax expense	12,849	461,399
Total income tax expense	226,614	1,589,804

The prima facie tax on profit differs from the income tax provided in the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 $	2020 $
Total profit before income tax	783,971	3,777,752
At the statutory income tax rate of 26.00% (2020: 27.50%)	203,833	1,038,882
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
– share-based payments expense	72,101	–
– entertainment expenses	10,472	5,041
– effective tax losses from subsidiary	–	67,707
– depreciation and amortisation	–	490,123
Tax effect of amounts which are assessable in calculating taxable income:		
– Employee Share Scheme interest	(95,638)	5,238
– government subsidy – Cash Flow Boost	(9,750)	(17,187)
Tax effect of change in corporate tax rate	45,596	–
Income tax expense	226,614	1,589,804
The applicable weighted average effective tax rates are as follows:	29%	42%

The tax rate applicable to the Group for the year ended 2021 was 26.00% (2020: 27.50%), based on the company tax rate applied to base rate entities with an aggregated turnover of less than $50 million.

The year ended 2021 had an income tax expense adjustment of $45,596 from restatement of deferred tax asset balances due to the change in corporate tax rate to 26.00% (2020: 27.50%).

The year ended 2020 had an income tax expense adjustment of $490,123 which resulted from an allocable cost amount calculation adjustment on resetting the tax base of intangible assets as a result of implementing the tax consolidated group.

Year ended 2020 comparatives have been revised for changes in accounting policy (refer to Note 1.6).

2. Financial results continued

2.3 Income tax continued

(b) Current tax assets

	2021 $	2020 $
Current tax receivables	65,598	–
Current tax receivables	65,598	–

(c) Current tax liabilities

	2021 $	2020 $
Current tax payable	–	807,182
Current tax liabilities	–	807,182

Year ended 2020 comparatives have been revised for changes in accounting policy (refer to Note 1.6).

(d) Deferred tax assets

	2021 $	2020 $
Deferred tax assets	1,433,016	4,543,313
Deferred tax liabilities	(609,945)	(3,707,393)
Net deferred tax assets	823,071	835,920

The balance comprises temporary differences for:

	2021 $	2020 $
Property, plant and equipment	34,796	56,019
Intangible assets	(611,168)	(483,893)
Right-of-use assets	(1,476,994)	(3,194,329)
Lease liabilities	1,806,844	3,327,802
Makegood and end-of-lease obligations	357,193	456,102
Employee benefit obligations	502,296	510,692
Accrued income	(10,667)	(29,171)
Other	220,771	192,698
Net deferred tax assets	823,071	835,920

Reconciliation of movements in deferred tax assets

	2021 $	2020 $
Net deferred tax assets at beginning of year	835,920	1,297,319
Charged to profit or loss	(12,849)	(461,399)
Net deferred tax assets	823,071	835,920

Year ended 2020 comparatives have been revised for changes in accounting policy (refer to Note 1.6).

Notes to the Consolidated Financial Statements

3. Capital and balance sheet management

3.1 Cash and cash equivalents

	2021 $	2020 $
Cash at bank	18,338,836	24,334,549
Cash at bank for settlement	4,000	332,266
Total cash and cash equivalents	18,342,836	24,666,815

Cash and cash equivalents include cash on deposit with banks (including cash for settlement). Cash at bank for settlement represents amounts that are required for settlement of outstanding bond trading transactions for which the Group is awaiting counterparty completion. The amounts payable for the transactions representing cash at bank for settlement are included in trade payables (refer to Note 3.9).

Cash and cash equivalents do not include the amount of $43,180,069 (2020: $9,861,970) held in client trust accounts at 30 June 2021.

Reconciliation of movements in cash at bank

	2021 $	2020 $
Total cash at bank at beginning of year	24,666,815	19,708,780
(Decrease)/increase in cash at bank	(5,995,713)	8,359,284
Decrease in cash at bank for settlement	(328,266)	(3,401,249)
Total cash at bank at ending of year	18,342,836	24,666,815

Notes to the Consolidated Financial Statements

3. Capital and balance sheet management continued

3.1 Cash and cash equivalents continued

Cash and cash equivalents reported in the consolidated statement of cash flows are reconciled to the equivalent items in the consolidated statement of financial position as follows:

(a) Reconciliation of cash flows from operations with ordinary activities after income tax

	2021 $	2020 $
Profit for the year	557,357	2,187,948
Depreciation and amortisation expense	5,022,023	4,001,788
Interest expense on borrowings	1,771,341	2,009,536
Net loss on sale of non-current assets	(6,653)	38,827
Net exchange differences	60,560	96,422
Non-cash employee benefits expense share-based payments	277,313	–
Disposal of lease	163,099	–
Translation of foreign controlled entities	–	665
Impact on current tax liabilities due to change of accounting policy	–	321,223
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(10,329,071)	4,082,594
Decrease in financial assets at fair value through profit or loss	1,100,336	7,317,766
Increase in current tax receivables	(65,598)	–
(Increase)/decrease in other assets	(16,288)	603
Decrease in deferred tax assets	12,849	461,399
Increase/(decrease) in trade and other payables	9,860,106	(5,428,711)
(Decrease)/increase in current tax liabilities	(807,182)	641,879
Increase/(decrease) in employee benefit obligations	264,724	(763,318)
Decrease in financial liabilities at fair value through profit or loss	–	(6,900)
Cash flows from operating activities	7,864,916	14,961,721

Notes to the Consolidated Financial Statements

3. Capital and balance sheet management continued

3.2 Financial instruments

The Group classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit or loss
- fair value through other comprehensive income.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Financial instruments measured at amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows which are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income, as described above, are measured at fair value through profit or loss.

Net gains or losses including any interest or dividend income are recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss ("ECL") basis for the following assets:

- financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime expected credit losses for financial assets at amortised cost, as all are short-term in nature. The Group adopts the simplified approach of recognition of impairment loss allowance.

Financial liabilities

Financial liabilities are classified at amortised cost or fair value through profit or loss. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The financial liabilities of the Group comprise trade payables (refer to Note 3.9) and borrowings (refer to Note 3.10).

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivative instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Gains and losses arising from changes in fair value are taken to the consolidated statement of profit or loss and other comprehensive income unless they are designated as hedges.

The Group has no derivatives designated as hedges and holds government bond futures contracts during and at the end of the reporting period.

3. Capital and balance sheet management continued

3.3 Financial assets and liabilities at fair value through profit or loss

(a) Financial assets at fair value through profit or loss

	2021 $	2020 $
Current assets		
Unlisted investments at fair value		
– Corporate bonds	619,301	1,719,637
Total current financial assets at fair value through profit or loss	619,301	1,719,637

Reconciliation of movements in corporate bonds

	2021 $	2020 $
Total corporate bonds at beginning of year	1,719,637	9,037,403
Decrease in corporate bonds	(1,100,336)	(7,317,766)
Total corporate bonds at ending of the year	619,301	1,719,637

The unlisted corporate bonds held by the Group at the end of the reporting period are classified at fair value through profit or loss, with associated realised and unrealised gains and losses recognised in profit or loss (refer to Note 4.1(d) on fair value measurement).

3.4 Trade and other receivables

	2021 $	2020 $
Current assets		
Trade receivables	56,150,906	45,199,382
Other receivables	1,010,312	1,632,765
Total current trade and other receivables	57,161,218	46,832,147

Trade receivables represents the receivables outstanding at the reporting period for securities trading activities performed in the ordinary course of business which remain unpaid at the reporting date and where the amounts are contractually due within two days of recognition of the receivable.

Other receivables represent the receivables outstanding at the end of the reporting period due from customers for services performed in the ordinary course of business which remain unpaid at the reporting date where the amounts are normally due and payable within 30 days of the recognition of the receivable.

Impairment

Impairment of trade receivables has been determined using the simplified approach in AASB 9, which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Refer to Note 4.3(a) for credit risk exposure of trade and other receivables.

Notes to the Consolidated Financial Statements

3. Capital and balance sheet management continued

3.5 Other assets

	2021 $	2020 $
Current assets		
Prepayments	670,277	733,821
Term deposits – bank guarantees	1,303,539	–
Security deposit	79,832	–
Total other current assets	2,053,648	733,821
Non-current assets		
Term deposits – bank guarantees	700,612	2,004,151
Total other non-current assets	700,612	2,004,151
Total other current and non-current assets	2,754,260	2,737,972

In connection with certain lease commitments for premises, the Group obtained bank guarantees that guarantee certain lease payments of the Group to the lessors. In connection with these bank guarantees, the banks required the Group to enter into certain term deposits and pledge these term deposits to the respective banks as a condition of the bank guarantee. As a result, the term deposits are not available for general use by the Group and therefore do not meet the definition of cash and cash equivalents and have therefore been disclosed as a component of other assets.

3.6 Property, plant and equipment

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit and loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

Depreciation

The depreciable amount of all fixed assets are depreciated on a straight-line basis or diminishing value method over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

The depreciation rates used for each class of depreciable assets are:

- Plant and equipment 10% – 66.67% using straight-line and diminishing value methods
- Leasehold improvements 10% – 60% using straight-line and diminishing value methods

3. Capital and balance sheet management continued

3.6 Property, plant and equipment continued

	Plant and equipment $	Leasehold improvements $	Total $
2021			
Cost or fair value	2,321,043	124,481	2,445,524
Accumulated depreciation and impairment	(2,119,769)	(85,355)	(2,205,124)
Net book value	**201,274**	**39,126**	**240,400**
2020			
Cost or fair value	2,564,628	148,574	2,713,202
Accumulated depreciation and impairment	(2,277,108)	(96,619)	(2,373,727)
Net book value	287,520	51,955	339,475

	Plant and equipment $	Leasehold improvements $	Total $
Opening balance at 1 July 2020	287,520	51,955	339,475
Additions	42,929	–	42,929
Disposals	(931)	(1)	(932)
Depreciation expense	(128,244)	(12,828)	(141,072)
Closing balance at 30 June 2021	**201,274**	**39,126**	**240,400**
Opening balance at 1 July 2019	430,334	79,821	510,155
Additions	30,992	–	30,992
Disposals	(819)	–	(819)
Depreciation expense	(172,987)	(27,866)	(200,853)
Closing balance at 30 June 2020	287,520	51,955	339,475

3.7 Right-of-use assets

Recognition and measurement

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Depreciation

The depreciation rates used for the right-of-use assets are:

	2021 $	2020 $
Office leases	3.5–6 years	4.5–6 years

Notes to the Consolidated Financial Statements

3. Capital and balance sheet management continued

3.7 Right-of-use assets continued

	Leased office premises $	Total $
2021		
Cost or fair value	7,853,066	7,853,066
Accumulated depreciation and impairment	(2,172,319)	(2,172,319)
Net book value	5,680,747	5,680,747
2020		
Cost or fair value	14,526,552	14,526,552
Accumulated depreciation and impairment	(2,910,809)	(2,910,809)
Net book value	11,615,743	11,615,743

	Leased office premises $	Total $
Opening balance at 1 July 2020	11,615,743	11,615,743
Additions	1,385,382	1,385,382
Disposals	(4,409,569)	(4,409,569)
Depreciation expense	(2,910,809)	(2,910,809)
Closing balance at 30 June 2021	5,680,747	5,680,747
Opening balance at 1 July 2019	–	–
Additions	14,526,552	14,526,552
Depreciation expense	(2,910,809)	(2,910,809)
Closing balance at 30 June 2020	11,615,743	11,615,743

3.8 Intangible assets

Recognition and measurement

The Group's intangible assets during the reporting periods comprise internally generated software and trademarks. Intangible assets are stated at historical cost less amortisation unless otherwise stated. In the event that the carrying amount of intangible assets is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other maintenance costs are charged to the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the consolidated statement of profit or loss and other comprehensive income.

Impairment

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

3. Capital and balance sheet management continued

3.8 Intangible assets continued

Amortisation

The amortisable amount of all software is amortised over the asset's useful life to the Group commencing from the time the asset is held ready for use. The amortisation rates used are:

	2021 $	2020 $
Computer software	2–8 years	2–5 years

	Trademarks $	Computer software $	Total $
2021			
Cost or fair value	–	22,352,161	22,352,161
Accumulated depreciation and impairment	–	(8,270,769)	(8,270,769)
Net book value	–	14,081,392	14,081,392
2020			
Cost or fair value	–	21,695,916	21,695,916
Accumulated depreciation and impairment	–	(7,242,131)	(7,242,131)
Net book value	–	14,453,785	14,453,785

	Trademarks $	Computer software $	Total $
Opening balance at 1 July 2020	–	14,453,785	14,453,785
Additions	–	1,597,749	1,597,749
Write-offs	–	–	–
Depreciation expense	–	(1,970,142)	(1,970,142)
Closing balance at 30 June 2021	–	14,081,392	14,081,392
Opening balance at 1 July 2019	39,628	10,326,821	10,366,449
Additions	–	5,017,090	5,017,090
Write-offs	(39,628)	–	(39,628)
Depreciation expense	–	(890,126)	(890,126)
Closing balance at 30 June 2020	–	14,453,785	14,453,785

Year ended 2020 comparatives have been revised for changes in accounting policy (refer to Note 1.6).

Notes to the Consolidated Financial Statements

3. Capital and balance sheet management continued

3.9 Trade and other payables

	2021 $	2020 $
Current liabilities		
Trade payables	55,021,079	44,928,025
Other payables	443,639	1,120,369
Sundry payables and accrued expenses	1,503,022	1,059,240
Total current trade and other payables	56,967,740	47,107,634

Trade payables represent the liabilities outstanding at the end of the reporting period for securities trading activities performed in the ordinary course of business which remain unpaid at the reporting date and where the amounts are contractually due within two days of recognition of the liability.

Other payables represent the liabilities outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remain unpaid at the reporting period where the amounts are normally due and payable within 30 days of recognition of the liability.

Sundry payables and accrued expenses represent the liabilities at the end of the reporting period for unbilled amounts of goods and services provided by suppliers and authorities, and are expected to be paid within 12 months.

3.10 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

	2021 $	2020 $
Current liabilities		
Unsecured liabilities:		
Accrued interest on bond issues	100,274	202,192
Total current borrowings	100,274	202,192
Non-current liabilities		
Unsecured liabilities:		
Bond issues	7,500,000	15,000,000
Total non-current borrowings	7,500,000	15,000,000
Total borrowings	7,600,274	15,202,192

3. Capital and balance sheet management continued

3.10 Borrowings continued

The Group issued an unsecured note on 30 October 2017 to a limited number of wholesale investors for $15 million with a coupon rate of 8% per annum paid semi-annually. While the note is repayable on 30 October 2022, early redemption is available from 30 October 2019 at the discretion of the Issuer. During the 2021 financial year, the Group repaid $7,500,000 of bond borrowings early to noteholders.

Reconciliation of movements in borrowings

	2021 $	2020 $
Total borrowings at beginning of the year	15,202,192	15,202,192
Interest expense	948,082	1,200,000
Interest paid on borrowings	(1,050,000)	(1,200,000)
Finance expense for early repayment of borrowings	150,000	–
Finance expenses paid on borrowings	(150,000)	–
Repayment of borrowings	(7,500,000)	–
Total borrowings at ending of the year	7,600,274	15,202,192

3.11 Lease liabilities

Recognition and measurement

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable or if the Group changes it assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in consolidated statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

	2021 $	2020 $
Current liabilities		
Lease liabilities	1,745,853	2,582,796
Total current lease liabilities	1,745,853	2,582,796
Non-current liabilities		
Lease liabilities	5,203,547	9,518,303
Total non-current lease liabilities	5,203,547	9,518,303
Total lease liabilities	6,949,400	12,101,099

Notes to the Consolidated Financial Statements

3. Capital and balance sheet management continued

3.11 Lease liabilities continued

The Group leases various offices expiring within 3.5 to 4 years. The leases have varying term, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Reconciliation of movements in lease liabilities

The amounts recognised in the consolidated statement of profit or loss and other comprehensive income relating to leases where the Group is a lessee are shown below:

	2021 $	2020 $
Total lease liabilities at the start of the year	12,101,099	–
Recognition of lease liabilities	1,385,382	14,412,744
Interest on lease liabilities	656,466	802,517
Disposals	(3,954,285)	–
Cash outflow for leases	(3,239,262)	(3,114,162)
Total lease liabilities at the end of the year	6,949,400	12,101,099

3.12 Other liabilities

Makegood and end-of-lease obligations provision

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Makegood and end-of-lease obligation provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

	2021 $	2020 $
Current liabilities		
Makegood and end-of-lease obligations provision	1,140,812	1,071,996
Total current other liabilities	1,140,812	1,071,996
Non-current liabilities		
Makegood and end-of-lease obligations provision	233,009	586,557
Total non-current other liabilities	233,009	586,557
Total other liabilities	1,373,821	1,658,553

3. Capital and balance sheet management continued

3.13 Employee benefit obligations

	Current $	Non-current $	Total $
2021			
Leave obligations	1,245,895	436,012	1,681,907
Variable compensation	470,957	–	470,957
Total employee benefit obligations	1,716,852	436,012	2,152,864
2020			
Leave obligations	1,331,661	525,401	1,857,062
Variable compensation	31,078	–	31,078
Total employee benefit obligations	1,362,739	525,401	1,888,140

	Leave obligations $	Variable compensation $	Total $
Carrying amount at 1 July 2020	1,857,062	31,078	1,888,140
Additional provisions recognised	1,164,130	1,116,010	2,280,140
Amounts used during the year	(1,339,285)	(676,131)	(2,015,416)
Carrying amount at 30 June 2021	1,681,907	470,957	2,152,864
Carrying amount at 1 July 2019	1,556,386	1,095,072	2,651,458
Additional provisions recognised	2,099,157	196,633	2,295,790
Amounts used during the year	(1,798,481)	(1,260,627)	(3,059,108)
Carrying amount at 30 June 2020	1,857,062	31,078	1,888,140

Recognition and measurement

Short-term obligations

Liabilities for wages and salaries including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The Group has in place a variable remuneration plan whereby eligible employees are paid a variable component of salary according to specified performance targets and if compliant with the Group's core values and principles. The liability for the variable remuneration plan is expected to be fully settled within one month after the end of the reporting period in which the employee renders the related service and is measured at the amounts expected to be paid when the liability is settled.

All other short-term employee benefit obligations are presented as payables.

Long-term benefit obligations

The liabilities for long service leave are not expected to be settled fully within 12 months after the end of the reporting period in which the employees render the related service. They are recognised in the provision for employee benefits and measured as the expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to the expected employment departures and periods of service.

The obligations are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Notes to the Consolidated Financial Statements

3. Capital and balance sheet management continued

3.13 Employee benefit obligations continued

Bonuses

The Group may pay a discretionary bonus to eligible employees based on the Group's financial performance for the financial year and the performance of the individual over that same period. The liability for bonus payments is recognised as an employment benefit expense, when the Group has an obligation to make such a payment and only when a reliable estimate of the obligation can be made.

The Group recognises a liability and expense for bonuses in accordance with the plan formula and attributes the benefit on a straight-line basis for the relevant service period from the date when service by the employee first leads to benefits until the date when further service by the employee will lead to no material amount of further benefits.

3.14 Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an effective capital structure to manage the cost of capital.

The Group is also required to ensure continued compliance with the conditions of the Group's Australian Financial Services Licences including:

- be solvent at all times and have total assets that exceed total liabilities;
- prepare 12-month cash flow projections to ensure that FSL and FIML will have access to sufficient resources to meet its liabilities; and
- hold at all times regulatory net tangible assets of at least $10,000,000 in FSL.

The capital structure of the Group includes cash and cash equivalents and equity attributable to equity holders comprising contributed equity and retained earnings. In order to maintain or adjust the capital structure, the Group may issue new shares or debt, raise borrowings or adjust the level of activities undertaken by the Group.

The Group monitors capital on the basis of cash flow requirements for operational and financing activities. The Group's exposure to borrowings (excluding interest and lease liabilities) as at 2021 totals $7,500,000 (2020: $15,000,000).

3.15 Equity

(a) Contributed equity

	2021 Shares	2020 Shares	2021 $	2020 $
Share capital				
Ordinary shares	**27,332,003**	28,752,003	**23,033,147**	26,063,147
Other equity securities				
Treasury shares	**–**	(1,420,000)	**–**	(3,030,000)
Total contributed equity	**27,332,003**	27,332,003	**23,033,147**	23,033,147
Reconciliation of movements in ordinary share capital				
At the beginning of the year	**28,752,003**	28,902,003	**26,063,147**	26,377,847
Shares bought back during the year				
– employee shares	**(1,420,000)**	(150,000)	**(3,030,000)**	(314,700)
At the end of the year	**27,332,003**	28,752,003	**23,033,147**	26,063,147

3. Capital and balance sheet management continued

3.15 Equity continued

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote, subject to the Employee Share Scheme Rules. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Treasury shares

Treasury shares records the cumulative total of shares issued under the Employee Share Scheme. When the employee shares are paid in full the amount in treasury shares is transferred to share capital. On 12 February 2021, the Employee Share Scheme was terminated resulting in nil treasury shares. Refer to Note 5.1(b) for movements in shares held under the Employee Share Scheme.

(b) Reserves

	Share-based payments reserve $	Share payments reserve $	Total $
At 1 July 2020	18,072	8,081	26,153
Equity-settled share-based payment	277,313	–	277,313
Termination of the Employee Share Scheme	(18,072)	(8,081)	(26,153)
At 30 June 2021	277,313	–	277,313
At 1 July 2019	18,072	8,081	26,153
Equity-settled share-based payment	–	–	–
At 30 June 2020	18,072	8,081	26,153

Share-based payments reserve

The share-based payments reserve arises on the grant of Employee Share Scheme shares and performance rights under the Group's equity-based remuneration plans. On 12 February 2021, the Employee Share Scheme loan was terminated and reserves for the Employee Share Scheme were transferred to retained earnings.

Share payments reserve

The share payments reserve was used to recognise the amount paid to employees on buy-back of shares granted under the Employee Share Scheme after repayment of Employee Share Scheme loans have been satisfied and where employees have contributed cash towards the Employee Share Scheme loan. On 12 February 2021, the Employee Share Scheme loan was terminated and reserves for the Employee Share Scheme were transferred to retained earnings.

Notes to the Consolidated Financial Statements

3. Capital and balance sheet management continued

3.16 Dividends

	2021 Cents per share	2020 Cents per share	2021 $	2020 $
Final dividend	0.00	0.00	–	–
Interim dividend	0.02	0.02	546,640	575,040
Total dividends declared and paid			546,640	575,040

Dividends paid in cash or satisfied by a reduction in the Employee Share Scheme loan during the year:

	2021 $	2020 $
Paid in cash	546,640	546,640
Non-cash: Payment into Employee Share Scheme loans	–	28,400
Total dividends declared and paid	546,640	575,040

3.17 Franking account

Franking credits available for subsequent financial years at a tax rate of 26.00% (2020: 27.50%):

	2021 $	2020 $
Opening balance	6,388,975	5,520,549
Franking credits from taxes paid during the year	–	–
Franking debits from dividends paid during the year	(192,063)	(218,119)
Franking credits that will arise from the payment/(receipt) of the current tax liabilities/(assets)	(65,598)	1,086,545
Franking debits that will arise from the payment of dividends recognised as a liability	–	–
Total franking credits available	6,131,314	6,388,975

The impact on the franking credit of the dividends proposed and paid after the end of the reporting period is to reduce it by $364,427 (2020: $nil).

The ability to use the franking credits is dependent upon the Group's future ability to declare dividends.

3.18 Commitments

(a) Capital commitments

The Group has no material capital commitments as at 30 June 2021.

4. Financial risk management

Financial risk management policies

The Group's activities are those of a specialist fixed income dealer and broker, arranger and distributor of debt capital issues, and provider of custodial and managed portfolio services. The key financial risks faced by the Group are market risk (including interest rate risk, foreign currency risk and price risk), liquidity risk and credit risk.

The Board of Directors has overall responsibility for monitoring the Group's risk management framework. Risk management policies and systems are established to identify and assess the risks faced by the Group, set appropriate risk limits, and monitor risks and adherence to risk policies. Risk management policies are reviewed regularly to reflect changes in market conditions and activities undertaken by the Group.

The Board monitors how management oversees compliance with the Group's risk management policies and systems. The Group's compliance function provides regular training to all employees with the aim of developing a disciplined risk management environment with each employee understanding their responsibilities.

Mitigation strategies for specific risks faced are described below:

4.1 Market risk

(a) Interest rate risk

The Group is exposed to interest rate risk on cash and cash equivalents held at floating and fixed rates. The Group's policy is to monitor interest rate risk exposure as part of the Group's cash flow management. At the reporting date the Group is exposed to changes in market interest rates through its cash and cash equivalents, and term deposit – lease guarantees, which are subject to variable interest rates.

At reporting date, the Group has the following cash and cash equivalents:

	Effective interest rate %	Balance $
2021		
Cash at bank	**0.07%**	18,342,836
Term deposits – bank guarantees	**0.16%**	2,004,151
Net exposure to interest rate risk		20,346,987
2020		
Cash at bank	**0.20%**	24,666,815
Term deposits – bank guarantees	**0.94%**	2,004,151
Net exposure to interest rate risk		26,670,966

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance sheet date. This sensitivity analysis demonstrates the effect on current year results and equity which would result from a change from this risk. At 30 June 2021, if interest rates had changed by ±100 basis points from the year-end rates with all other variables held constant, post-tax profit would have been $136,454 lower/higher (2020: $175,943 lower/higher).

Notes to the Consolidated Financial Statements

4. Financial risk management continued

4.1 Market risk continued

(b) Foreign exchange risk

The Group is exposed to foreign currency sensitivity due to the purchase and sale of bonds in foreign currencies. It is also exposed due to the purchase of foreign-denominated bonds which the Group may hold for short durations before selling to investors.

In order to limit its exposure to foreign currency sensitivity on bonds held the Group imposes limits on the duration and value of foreign-denominated bonds it may hold.

The Group has not performed a sensitivity analysis relating to its exposure to foreign currency risk as the short-term exposure is immaterial. Foreign currency denominated financial assets and liabilities, translated into Australian dollars at the closing rate, are as follows:

	USD	GBP	EUR
		AUD equivalent	
	$	$	$
2021			
Cash and cash equivalents	(123,289)	–	–
Trade and other receivables	136,868	–	–
Financial assets through profit and loss	30,179	–	–
Trade and other payables	(22,993)	–	–
Short-term exposure	20,765	–	–
2020			
Cash and cash equivalents	288,905	–	–
Trade and other receivables	1,830,969	–	5,219
Financial assets through profit and loss	12,974	–	–
Trade and other payables	(2,051,894)	(31,108)	–
Short-term exposure	80,954	(31,108)	5,219

(c) Price risk

The Group is exposed to bond securities price risk. This risk is the potential for losses in earnings as a result of adverse market movements and arises from investments held by the Group and classified as financial assets at fair value through profit or loss.

To manage its price risk arising from exposure to bond securities, the Group may use futures contracts to reduce market risk on its portfolio. The Group sets limits on its exposures to bonds by risk classification and in total. The performance of the Group's bond exposures and market risk are monitored on a regular basis.

Sensitivity

The table below summarises the impact of increases/decreases in bond prices on the Group's post-tax profit for the year and on equity.

The analysis is based on the price sensitivity assumption that prices have increased/decreased by 5% (2020: 5%) with all other variables held constant.

	2021 ±5% $	2020 ±5% $
Impact on post-tax profit	22,742	62,337
Impact on equity	22,742	62,337

4. Financial risk management continued

4.1 Market risk continued

(d) Fair value measurements

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 judgement where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement 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 values for bonds are 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 commonly used by market participants.

The different fair value levels have been defined as follows:

Level 1: The fair value of financial instruments that are traded in active and transparent markets (such as publicly traded derivatives and trading and available for sale securities) is based on quoted market prices for identical financial instruments at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2: The fair value of financial instruments that are traded in active and transparent markets other than quoted market prices within Level 1 (for example, over-the-counter bonds and derivatives) is determined using valuation techniques, which maximises the use of observable market data and relies as little as possible on entity specific estimates.

Level 3: The fair value of financial instruments use inputs that are not based on observable market data.

The Group's financial assets and liabilities at fair value through profit or loss levels in the fair value hierarchy are as follows:

	Level 1 $	Level 2 $	Level 3 $	Total $
2021				
Financial assets at fair value through profit or loss Corporate bonds	–	619,301	–	619,301
Total financial assets at fair value through profit or loss	–	619,301	–	619,301
2020				
Financial assets at fair value through profit or loss Corporate bonds	–	1,719,637	–	1,719,637
Total financial assets at fair value through profit or loss	–	1,719,637	–	1,719,637

Notes to the Consolidated Financial Statements

4. Financial risk management continued

4.2 Liquidity risk

Liquidity risk is the risk of being unable to meet financial demands. The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

		Contractual cash flows			
	Carrying amount $	0–30 days $	30 days – 1 year $	1 year + $	Total $
2021					
Trade and other payables	56,967,740	55,707,446	1,260,294	–	56,967,740
Lease liabilities	6,949,400	330,564	1,736,851	5,641,957	7,709,372
Makegood and end-of-lease obligations provision	1,373,821	285,203	855,609	–	1,140,812
Borrowings	7,600,274	–	600,000	7,800,000	8,400,000
Total	72,891,235	56,323,213	4,452,754	13,441,957	74,217,924
2020					
Trade and other payables	47,107,634	45,985,483	1,122,151	–	47,107,634
Lease liabilities	12,101,099	264,942	2,974,321	10,498,447	13,737,710
Makegood and end-of-lease obligations provision	1,658,553	–	–	–	–
Borrowings	15,202,192	–	1,200,000	16,800,000	18,000,000
Total	76,069,478	46,250,425	5,296,472	27,298,447	78,845,344

4.3 Credit risk

Credit risk is the risk of default on an amount owing to the Group and includes potential loss of principal and interest, disruption to cash flows, and increased collection costs. The Group's credit risk arises from cash and cash equivalents, corporate bonds, deposits with banks and credit exposures to wholesale and retail customers, including outstanding receivables from unsettled transactions.

The Group has the following assets with exposure to credit risks:

	2021 $	2020 $
Cash at bank	18,342,836	24,666,815
Term deposits – bank guarantees	2,004,151	2,004,151
Trade and other receivables	57,161,218	46,832,147
Financial assets at fair value through profit or loss		
– Corporate bonds	619,301	1,719,637
Total	78,127,506	75,222,750

Notes to the Consolidated Financial Statements

4. Financial risk management continued

4.3 Credit risk continued

(a) Trade and other receivables

The following ageing analysis details the Group's trade and other receivables exposed to credit risk. Receivables that are past due are assessed for impairment and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

	Not credit impaired $	Credit impaired $	Total $
2021			
Current receivables	56,481,917	–	56,481,917
Past due receivables	684,006	–	684,006
Provision for impairment	(4,705)	–	(4,705)
Total	57,161,218	–	57,161,218
Past due receivables			
Up to 1 month	666,083	–	666,083
Up to 1 year	17,923	–	17,923
Total	684,006	–	684,006
2020			
Current receivables	46,465,832	–	46,465,832
Past due receivables	371,458	–	371,458
Provision for impairment	(5,143)	–	(5,143)
Total	46,832,147	–	46,832,147
Past due receivables			
Up to 1 month	356,279	–	356,279
Up to 1 year	15,179	–	15,179
Total	371,458	–	371,458

The Group's management considers that all the above financial assets are not impaired for each of the reporting dates.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. At 30 June 2021, the Group had $57,161,218 of receivables, of which $56,150,906 were trade receivables due from securities trading activity which are normally collected within two days of the end of the reporting period (refer to Note 3.4) and have all been subsequently collected. Based on historical information on customer default rates, and subsequent collection of receipts, management considers the credit quality of trade receivables that are not past due or impaired to be of good credit quality.

Notes to the Consolidated Financial Statements

4. Financial risk management continued

4.3 Credit risk continued

The following table provides information about credit risk for trade and other receivables from individual customers:

	Weighted average loss rate %	Gross carrying amount $	Loss allowance $	Net carrying amount $
30 June 2021				
Current (not past due)	0.00%	56,481,917	–	56,481,917
1–30 days past due	0.20%	666,083	(1,063)	665,020
31–60 days past due	20.30%	3,812	(773)	3,039
61–90 days past due	20.30%	1,652	(336)	1,316
More than 90 days past due	20.30%	12,459	(2,533)	9,926
Total		57,165,923	(4,705)	57,161,218
30 June 2020				
Current (not past due)	0.00%	46,465,832	–	46,465,832
1–30 days past due	0.03%	356,279	(971)	355,308
31–60 days past due	27.50%	5,772	(1,585)	4,187
61–90 days past due	27.50%	2,939	(809)	2,130
More than 90 days past due	27.50%	6,468	(1,778)	4,690
Total		46,837,290	(5,143)	46,832,147

4. Financial risk management continued

4.3 Credit risk continued

(b) Credit quality

The credit quality of financial assets can be assessed by reference to external credit ratings. These credit ratings are only available for cash assets and non-exchange traded derivative financial assets:

	2021 $	2020 $
Cash at bank		
AA+ to AA-	15,456,285	21,073,910
A+ to A-	2,886,551	3,592,905
Total cash at bank	18,342,836	24,666,815
Term deposit – bank guarantees		
AA+ to AA-	2,004,151	2,004,151
Total term deposit – bank guarantees	2,004,151	2,004,151
Corporate bonds		
AAA+ to AAA-	–	1,304,600
AA+ to AA-	33,983	33,486
A+ to A-	39,347	15,448
BBB+ to BBB-	120,516	187,990
BB+ to BB-	10,480	12,891
CCC+ to CCC-	1	–
Not rated	414,974	165,222
Total corporate bonds	619,301	1,719,637

Cash and cash equivalents

The Group held cash and cash equivalents of $18,342,836 at 30 June 2021 (2020: $24,666,815). The cash and cash equivalents are held primarily with bank and financial institution counterparties, which are rated AA to A based on Standard & Poor's long-term ratings. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Term deposits

The Group held term deposits of $2,004,151 at 30 June 2021 (2020: $2,004,151). The term deposits are held with AA rated banks as security for bank guarantees issued in connection with certain leases for premises. The Group obtained bank guarantees that guarantee certain lease commitments of the Group to the lessor. In connection with these bank guarantees, the banks required the Group to enter into certain term deposits and pledge these term deposits to the respective banks as a condition of the bank guarantee. The Group considers that its term deposits have low credit risk based on the external credit ratings of the banks.

Corporate bonds

The Group is exposed to credit risk in relation to corporate bonds measured at fair value through profit or loss. The maximum exposure at 30 June 2021 is the carrying amount of these investments of $619,301 (2020: $1,719,637) as set out in the table above.

Notes to the Consolidated Financial Statements

5. Other disclosures

5.1 Share-based payments

(a) Performance rights

On 1 January 2021, the Group implemented the Employee Performance Rights Plan, which is part of the Group's remuneration strategy and is designed to align the interests of key management personnel and senior employees with the interests of shareholders to assist the Group in the attraction, motivation and retention of key management personnel and senior employees. The Employee Performance Rights Plan is designed to provide eligible employees with an incentive for future performance, with conditions for the vesting and exercise of the performance rights under the Employee Performance Rights Plan.

Eligible persons participating may be granted performance rights as per the Employee Performance Rights Plan rules and as determined by the Board. A performance right is a right, subject to the satisfaction of the applicable vesting conditions and exercise conditions, to subscribe for a share in the Group. The performance rights will vest on, and become exercisable on or after, a vesting date predetermined by the Board.

An unvested performance right is forfeited when performance vesting conditions are not met or an employee ceases employment.

Following the vesting date, the vested performance right may be exercised by the employee subject to any exercise conditions and the payment of the exercise price (if any), and the employee will be issued shares on a one-for-one basis.

Performance rights do not receive dividends or have voting rights until they have vested and have been converted into shares.

Measurement of fair value

The fair value of performance rights at grant date were determined by the share price at grant date as determined using a discounted cash flow model. Over the vesting period of the rights, a share-based payment expense will be amortised to the share-based payments reserve on the fair value of the rights at the grant date. Where rights are forfeited during the vesting period, the expense that has been incurred previously will be reversed so that share-based payment does not exceed the value of what ultimately vests.

The performance rights granted and outstanding at the end of the financial year were:

Grant date	Tranche	Vesting date	Expiry date	Rights	Vesting conditions achieved
1 January 2021	1	31 December 2024	31 December 2035	425,000	To be determined
1 January 2021	2	31 December 2024	31 December 2035	425,000	To be determined
1 January 2021	3	31 December 2024	31 December 2035	425,000	To be determined
1 January 2021	4	31 December 2024	31 December 2035	850,000	To be determined
Total				2,125,000	

Reconciliation of movements in outstanding performance rights

	2021 Rights	2020 Rights
As at 1 July	–	–
Granted during the year	2,220,000	–
Forfeited during the year	(95,000)	–
Exercised during the year	–	–
As at 30 June	2,125,000	–

5. Other disclosures continued

5.1 Share-based payments continued

(b) Employee Share Scheme

Under the scheme, eligible employees are issued a number of ordinary shares in the Group. The consideration paid to acquire the shares was the market value of a fully paid ordinary share unless otherwise determined by the Board. The subscription price of the shares issued under the scheme is recognised in the consolidated statement of financial position as an issue of treasury shares.

Shares are issued by the Group to employees with a non-recourse interest-bearing loan to fund the purchase of the ordinary shares with the shares vesting immediately on issue date. On this date, the fair value of the share-based payment is recognised as a share-based payments expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the share-based payment arrangement.

The fair value of the Employee Share Scheme shares at issue were determined using a Black-Scholes option pricing model that takes into account the share price at grant date, the subscription price, expected price volatility of the underlying share, a series of possible terms of the lock-in period, the risk-free interest rate for the various terms of the lock-in period, employee loan interest rate, liquidity ratio, dividend yield and employee attrition rate. The expected price volatility is based on the share price volatility of comparable companies.

Shares issued under the scheme are subject to the Employee Share Scheme Rules including a lock-in period which commences from the acquisition date and ends the later of three years after the acquisition date and the date at which the outstanding loan is repaid in full. During the lock-in period, the shares are ineligible for voting rights, may not be disposed of and the shares issued will not have any pre-emptive rights. In other respects, the shares rank equally with other fully paid ordinary shares on issue (refer to Note 3.15(a) for ordinary share conditions). Dividends received as part of the scheme have been included in the fair value of the Employee Share Scheme arrangement and this has been recognised in the consolidated statement of profit or loss and other comprehensive income.

Shares are held beneficially in a separate bare trust in the employee's name with the same independent trustee. The Group has no control over the trust.

On 12 February 2021, the Employee Share Scheme was terminated, and all remaining shares were subject to share a buy-back with all proceeds applied to the non-recourse Employee Share Scheme loans.

Shares issued and held at the end of the financial year under the Employee Share Scheme were:

Issue date	2021 Shares	2020 Shares
15 September 2011	–	580,000
15 September 2012	–	150,000
30 September 2017	–	360,000
24 October 2017	–	70,000
8 January 2019	–	260,000
Total	–	1,420,000

Notes to the Consolidated Financial Statements

5. Other disclosures continued

5.1 Share-based payments continued

Reconciliation of movements in shares held under the scheme

	2021 Shares	2020 Shares
As at 1 July	1,420,000	1,570,000
Shares issued during the year	–	–
Shares bought back during the year	(1,420,000)	(150,000)
As at 30 June	–	1,420,000

The movements in shares held under the scheme are equivalent to the movements in treasury shares.

The Employee Share Scheme loan balances at the end of the financial year were $nil (2020: $2,904,631). These loans were interest-bearing loans and had an interest rate at 12 February 2021 of 0.1% (2020: 0.93%).

(c) Expenses arising from share-based payments

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2021 $	2020 $
Performance rights	277,313	–
Total	277,313	–

5.2 Related party transactions

Key management personnel are 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. Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by key management personnel, individually and collectively with other close family members.

(a) Key management personnel remuneration

The total remuneration related to key management personnel of the Group during the year is as follows:

	2021 $	2020 $
Short-term employee benefits	2,416,275	2,677,593
Post-employment benefits	147,569	151,356
Termination benefits	104,935	1,154
Equity-settled share-based payments	83,520	–
Total key management personnel compensation	2,752,299	2,830,103

5. Other disclosures continued

5.2 Related party transactions continued

(b) Transactions with related parties

The following transactions occurred with related parties:

	2021 $	2020 $
Sales of securities	2,527,038	14,846,994
Purchases of securities	(3,338,641)	(12,610,319)

The securities transactions with related parties represent the amounts that key management personnel and other related parties have paid or been paid for bonds they had purchased or sold as clients of the Group.

(c) Bond holdings

The direct, indirect and beneficial holdings of key management personnel and entities that are controlled or jointly controlled by those key management personnel in the bonds issued by the Group as at 30 June 2021 was $500,000 face value (2020: $1,000,000).

(d) Beneficial holdings

The direct, indirect and beneficial holdings of key management personnel and entities that are controlled or jointly controlled by those key management personnel in the shares of the Group as at 30 June 2021 was $15,466,543 ordinary shares (2020: 15,966,543).

(e) Performance rights

The Group has granted performance rights, under the terms of the Employee Performance Rights Plan. Refer to Note 5.1(a) for details of the Employee Performance Rights Plan.

Key management personnel who have participated in the Employee Performance Rights Plan had outstanding performance rights at end of the financial year of 640,000 performance rights (2020: nil).

(f) Employee Share Scheme loans

The Group had provided loans to key management personnel, under the terms of the Employee Share Scheme. Refer to Note 5.1(b) for details of the Employee Share Scheme.

Key management personnel who have participated in the Employee Share Scheme where shares were purchased with an Employee Share Scheme loan had closing limited recourse loan balances as at 30 June 2021 of $nil (2020: $743,326).

On 12 February 2021, the Employee Share Scheme was terminated, and all remaining shares were subject to share a buy-back with all proceeds applied to the non-recourse Employee Share Scheme loans.

Notes to the Consolidated Financial Statements

5. Other disclosures continued

5.3 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2021 the parent entity of the Group was FIIG Holdings Limited.

	2021 $	2020 $
Result of parent entity		
Profit/(loss) for the period	9,064,669	400,625
Other comprehensive income	–	–
Total comprehensive income for the period	9,064,669	400,625
Financial position of parent entity at year end		
Current assets	2,018,968	1,747,969
Non-current assets	37,461,724	37,334,740
Total assets	39,480,692	39,082,709
Current liabilities	557,736	1,513,782
Non-current liabilities	8,030,464	15,471,777
Total liabilities	8,588,200	16,985,559
Net assets	30,892,492	22,097,150
Total equity of the parent entity comprising:		
Contributed equity	23,033,147	23,033,147
Reserves	277,313	26,153
Retained earnings	7,582,032	(962,150)
Total equity	30,892,492	22,097,150

(a) Capital and expenditure commitments

The Company has no material capital expenditure commitments as per Note 3.18(a) .

(b) Contingent liabilities

The Company has no contingent liabilities.

(c) Parent entity guarantees

There are no parent entity guarantees.

5. Other disclosures continued

5.4 Interests in subsidiaries

	Principal place of business/ country of incorporation	Percentage owned (%)* 2021	Percentage owned (%)* 2020
Subsidiaries			
FIIG Securities Limited ("FSL")	Australia	100	100
FIIG Investment Management Limited ("FIML")	Australia	100	100

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

FSL held 100% ownership in FIIG International Holdings Limited ("FIHL") until 20 June 2020 upon voluntary liquidation of FIHL and FIHL held 100% ownership in FIIG International Limited ("FIL") until 19 June 2020 upon voluntary liquidation of FIL.

5.5 Auditors' remuneration

	2021 $	2020 $
Fees paid or payable to the Auditors of the Group:		
KPMG Australia		
Audit of financial statements	129,968	165,630
Other assurance services	184,262	56,350
Total KPMG Australia	314,230	221,980
PricewaterhouseCoopers Malta		
Audit of financial statements	–	18,787
Total PricewaterhouseCoopers Malta	–	18,787
Total remuneration for audit and assurance services	314,230	240,767
Non-assurance services:		
PricewaterhouseCoopers Malta	–	28,406
Total non-assurance services	–	28,406
Total remuneration for services	314,230	269,173

Other assurance services include fees paid or payable to the auditors for audits of AFSL, GS 007 and Managed Income Portfolio Service Agreed-Upon Procedures.

5.6 Events after the end of the reporting periods

In accordance with AASB 110 *Events after the Reporting Date*, the Group has considered whether events after the reporting period would have any impact on the consolidated financial statements at the reporting date.

On 3 August 2021, the Company declared and on 9 August 2021 paid a fully franked dividend of 4 cents per share totalling $1,093,280 out of retained profits and a positive net asset balance to is shareholders.

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

Directors' Declaration

In the opinion of the Directors of FIIG Holdings Limited ("Company"):

1. The consolidated financial statements and notes, that are set out on pages 20 to 60, are in accordance with the *Corporations Act 2001*, including:
   (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
   (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director for the year ended 30 June 2021.
4. The Directors draw attention to Note 1 of the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.

Philip David Anthon
Chairman

Stephen James Stening
Managing Director

Dated this 21st day of September 2021

Independent Auditor's Report to the members of FIIG Holdings Limited

KPMG

Independent Auditor's Report

To the shareholders of FIIG Holdings Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of FIIG Holdings Limited (the Company).

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

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards and* the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of financial position as at 30 June 2021;
- Consolidated Statement of profit or loss and other comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *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 fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

Other Information

Other Information is financial and non-financial information in FIIG Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Brendan Twining
Partner
Sydney
21 September 2021

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