FIIG Holdings Limited
Annual Report: 30 June 2020

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 2020, for the period 1 April 2019 to 31 March 2020. FIIG is committed to improving gender equality outcomes in the workplace.

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

Douglas Bates, Chairman

"FIIG's Management and people have performed admirably dealing with the COVID-19 crisis across our four offices, transitioning to working from home and back to office, while remaining productive. This is a remarkable achievement and a credit to our Management, leaders and all of our people."

Dear Shareholders,

FIIG's performance for the 2020 financial year was one of two distinct halves: the first half strong, and the second half affected by the COVID-19 crisis and other challenges. FIIG recorded an improved statutory net profit for the 2020 financial year; however, cash and bond levels year-on-year were lower.

FIIG does many things extremely well – in particular, the provision of our fixed income investment and issuing services to our clients and our Client Focus Values, as well as the dedication of our people throughout FIIG who work hard to provide our services to our clients. FIIG has a very strong regulatory and compliance culture. It has shown over the past 20 years (and recently during the COVID-19 crisis) that it is a resilient company.

The COVID-19 crisis had an impact on FIIG's FY20 financial performance. Some of FIIG's business lines, such as bond secondary trading, performed well; while others, such as debt capital markets that arrange the issue of new bonds by companies, experienced reduced performance or no transactions during the second half of FY20.

Financial performance was also adversely affected by the distraction, delay and cost overrun of several million dollars of the OneFIIG IT Project. The OneFIIG IT Project is due to go live on 30 September 2020 and the Managing Director will update shareholders at the Annual General Meeting on 29 October 2020. Due to the applicable Australian Accounting Standards, the significant cost of the OneFIIG IT Project has been required to be capitalised on FIIG's balance sheet over the past few years, but will not be depreciated as an expense in the statement of profit or loss until go-live occurs. This means that FIIG's statutory net profit before and after tax is substantially higher than the free cash and bonds performance and position.

During the initial stages of the COVID-19 crisis, in order to secure cash levels, our employees accepted a three-month 20% salary reduction (25% for the Board and senior executives) which, along with other cost saving measures by Management and government subsidies, ensured that FIIG could maintain the employment of all of our people. Half of the 20% salary reduction for employees (but not for the Board or senior executives) has since been reimbursed as cash levels stabilised.

Over the past six months, FIIG's Management and people have performed admirably dealing with the COVID-19 crisis across our four offices, transitioning to working from home and back to office, while remaining productive. This is a remarkable achievement and a credit to our Management, leaders and all of our people.

Taking all of this into account, over the past few years FIIG has not performed financially to deliver returns (dividends and share value) at an appropriate level for our shareholders. There are substantial opportunities for FIIG in the fixed income market in Australia. Your Board is working with the Managing Director Jim Stening and senior executives to return FIIG to appropriate levels of profit, free cash flow, dividends, share value and business operating metrics.

In conclusion, I wish to thank my fellow Directors. FIIG is fortunate to have very able Non-Executive Directors with ASX listed company experience; and the wise advice and significant contribution by Adam Lewis, Christine Feldmanis and Steve Knight is invaluable.

FIIG's Annual General Meeting on 29 October 2020 will be convened electronically by a Zoom video conference meeting, and I encourage all of our shareholders to attend. Details of the Zoom video conference login are included in the Notice of Annual General Meeting.

Yours faithfully,

Douglas Bates
Chairman
22 September 2020

03 Managing Director's Report

Jim Stening, Managing Director

"Our performance for the 2020 financial year has been supported by elevated revenue from our core secondary trading income stream post the start of the COVID-19 crisis, and this has continued into the new financial year."

Dear Shareholders,

The FIIG Group experienced an encouraging first half of the 2020 financial year. However, the onset of the COVID-19 crisis in February and March and the extended delay in the delivery of the One-FIIG project have adversely impacted our overall performance for the year.

Our response to the COVID-19 crisis was well managed by all members of staff and the Executive team.

Thanks to everyone's considerable efforts, we were able to adjust to working from home seamlessly, and in the early stages of the unfolding crisis, we have been able to maintain the quality of service our clients require.

We have been monitoring developments in the crisis across the various FIIG office locations and making adjustments to our return to the office plans as needed and or directed.

Given the unprecedented uncertainty that prevailed in the early stages of the crisis, steps were taken to ensure that FIIG's cash position was protected. Some of these steps have proven to be no longer required, and have since been reversed as we experienced the actual impact of the crisis on our markets and respective income streams and gained the confidence to do so.

The Executive team has remained focused on cost reduction where possible throughout the 2020 financial year.

Our performance for the 2020 financial year has been supported by elevated revenue from our core secondary trading income stream post the start of the COVID-19 crisis, and this has continued into the new financial year. We have also utilised state and federal government relief offered where applicable. With the exception of our Managed Income Portfolio Service, which has seen inflow, our other income streams have been compromised to varying degrees. For example, FIIG has not originated a new debt issue since late in the first half of 2020.

The OneFIIG project experienced a number of challenges during the course of the 2020 financial year, which has resulted in considerable delay and additional cost. This has meant that we have not been able to leverage the benefits that the change will bring, and FIIG's cash flow has been impacted negatively. The team have worked very hard to get the required momentum back into the project throughout the year and in particular during the COVID-19 crisis, and this project will now go live at the end of September 2020.

A return to business as usual once this project is completed means that our systems will be on the secure footing required for us to grow our business, and a welcome absence of the considerable project related cash drain we have experienced over the last few years.

The prospects for fixed income markets look good, thanks in large part to the action taken by the Reserve Bank of Australia and various governments to respond to the crisis. Their actions have meant that dislocation of the capital markets was short lived (although extreme). We have seen numerous issuers raising debt capital over recent months, and observed considerable demand for these issues and bonds in general. Issuance in the high-yield space is not yet apparent but likely to commence over coming months given the current environment. In addition to this, the very low level of bank deposit rates that will prevail for some time and uncertainty around dividend reliability means that a range of new investors are looking to solve their income problems and are likely to consider investment in direct or managed fixed income.

The evolution of the current crisis is likely to provide FIIG with new challenges as well as opportunities in the year ahead. The same can be said for every company, but FIIG is well placed to respond thanks to the continued support of our Board of Directors, Executive team and staff, all of whom have made a considerable contribution and provided invaluable direction and counsel during the 2020 financial year. I would like to thank them for this.

I would also like to thank the shareholders of FIIG for their continued support and I look forward to updating you on our performance at the Annual General meeting in late October 2020.

Yours faithfully,

Jim Stening
Managing Director
22 September 2020

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. It has over 100 employees, including a specialist fixed income sales team 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 and provides corporate issuers with access to debt capital. The Company provides general financial advice and facilitates fixed income investments in the areas of corporate bonds, private debt and government bonds, as well as short-term money market products, including bank bills, negotiable certificates of deposit and term deposits.

It offers the DirectBonds Service, the Managed Income Portfolio Service, term deposits, bond issue arranging services and private debt services.

FIIG is not owned or aligned with any financial institution that supplies the investment products that FIIG provides to its clients. This is a significant point of differentiation, as it enables FIIG to transact an extensive and unrestricted range of interest rate securities and investments.

FIIG has an Australian Financial Services Licence (regulated by ASIC) to provide 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 usually undertakes annually 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 will not be conducting a GS007 type 2 report for the 2020 Financial Year due to a major IT infrastructure upgrade (including for FIIG's custodial services). FIIG's external auditor, KPMG, has included and tested many of the controls for the purposes of the financial statements audit for the 2020 Financial Year. FIIG intends to resume the GS007 type 2 report for the 2021 Financial Year, which is due to commence in April 2021.

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, and family offices
- 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
- 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

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

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
- FIIG has successfully arranged and distributed over $2.5 billion and has co-arranged or distributed a further $1.25+ 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.

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, online access as well as balance and transaction reporting
- Interest, sale and maturity proceeds are paid to clients' nominated bank accounts

Research and Education

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

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%+

05 Board of Directors


D. Bates


J. Stening


A. Lewis


C. Feldmanis


S. Knight

Douglas Bates, Chairman

Douglas has been Chairman of FHL since establishment on 23 May 2018 and of FSL since November 2000 and involved with the development of the FIIG Group and its businesses over the past 19 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, and corporate and commercial law.

Douglas is also a Director of FIIG Securities Limited, FIIG International Holdings Limited, FIIG International 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.

Adam Lewis, Non-Executive Director

Adam has been a Director of FHL since establishment on 23 May 2018 and FSL since 1 July 2015. 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.

Christine Feldmanis, Non-Executive Director

Christine has been a Director of FHL since establishment on 23 May 2018 and FSL since 15 October 2017. 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 Perpetual Equities Investment Company Ltd (ASX:PIC) and Omni Bridgeway Ltd (ASX: OBL). Christine is also a Non-Executive Director of Bell Financial Group Ltd (ASX: BFG), Bell Asset Management Ltd and Foodbank NSW & ACT Limited.

Stephen Knight, Non-Executive Director

Stephen has been a Director of FHL since establishment on 23 May 2018 and FSL since 15 October 2017. Stephen has more than 35 years' experience in the Australian finance industry as a senior executive in both private sector and public sector financial institutions. 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.

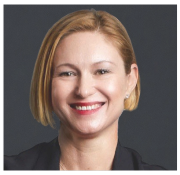
Stephen is currently Chair and Non-Executive Director of ASX Clearing & Settlement Boards, a Non-Executive Director of OneVue Group (ASX:OVH), and Sydney Financial Forum. He is a member of the Audit Committee for the Australian Office of Financial Management (AOFM) and a member of the Investment Committee 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.

06 Leadership Team


J. Ricciotti


J. Prickett


J. Hamilton


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.

James Hamilton, Chief Financial Officer

James joined FIIG in 2019 and has over 25 years' experience working in Australia and overseas. After qualifying as a chartered accountant, James spent time in London working for BT, Salomons, Credit Suisse and HSBC Investment Bank. In Australia, James has worked in senior roles at NAB, Rabobank and most recently as COO/CFO at Rothschild.

James has a diverse range of commercial and management experiences having managed the support functions as well as a range of businesses including various MI Schemes and PPPs. In addition, he has vast product experience across fixed interest, equities, FX and the associated derivatives.

James has also been a Director, Company Secretary, Public Officer and Chairman of Regional Risk Committees. James is a member of Chartered Accountants ANZ, FINSIA and AICD. As a signatory of the Banking and Finance Oath, James has a strong passion for culture, protecting clients' interests and simply doing the right thing.

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 2020

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 2020. Throughout the report the consolidated entity is referred to as "the Group".

1. General information

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
Douglas Deshon Bates	Chairman	23 May 2018
Stephen James Stening	Managing Director	23 May 2018
Adam Winston Lewis	Non-Executive Director	23 May 2018
Christine Anne Feldmanis	Non-Executive Director	23 May 2018
Stephen William Knight	Non-Executive Director	23 May 2018

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

Company Secretary

The following persons held the position of Company Secretary during the financial year and remain in office unless otherwise stated:

Matthew Bowman was appointed Company Secretary on 1 May 2019.

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 exclusively 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 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 2020 was a profit after income tax of $2,019,803 (2019: $321,558).

Dividends paid or recommended

The Group declared and paid fully franked dividends of 2 cents per share totalling $575,040 (2019: nil cents per share totalling $nil).

Review of operations

During the 2020 financial year, the Group maintained its position as a major participant in the Australian financial services market exclusively providing fixed income products and solutions to clients. The Group's strategy for the 2021 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 2020 were $25,067,862 (2019: $23,594,034).

The Group held cash and bonds as at 30 June 2020 of $26,386,452 (2019: $28,746,183).

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

Significant changes in state of affairs

In 2019, FHL reviewed strategic operations in respect of the Group's presence in the European Union and the costs associated with operating in multiple jurisdictions. The Directors decided that these services can be provided efficiently in Australia by FSL. Consequently, the Directors decided that the Malta domiciled entities, FIIG International Holdings Limited ("FIHL") and FIIG International Limited ("FIL"), be wound up. FIHL and FIL ceased operation in July 2019 and were placed in voluntary administration in November 2019. FIHL and FIL were dissolved in June 2020 and are awaiting strike off pursuant to Article 275 of the Maltese Companies Act by the Maltese Registry which is expected to occur by October 2020.

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

Directors’ Report

for the year ended 30 June 2020

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 of. 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

2020 has 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. The Group’s priority during this time has been to ensure the health and safety of the Group’s employees and to ensure that we maintain our ability to service our clients and hold assets in safe custody. Business continuity plans have been activated and staff across our business have been working from home since mid-March with some offices reopening in June. This has been a very well executed transition under the oversight of the COVID-19 response team. Client communication has been increased and there is regular dialogue with core suppliers to ensure there is no disruption to services. In the period from Mid-March to 30 June, the Board met informally on a weekly basis to monitor the business operations, cashflow 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.

While financial results have been impacted due to current market conditions, the Group remains in a strong position and continues to be profitable although cash and bond levels year-on-year were lower. The Group was eligible and enrolled in the JobKeeper government assistance program and recognised $1,014,900 as a subsidy against employee benefits expense in the statement of comprehensive income for the year ended 30 June 2020. The Group is well positioned to weather the ongoing impacts of the COVID-19 crisis.

The COVID-19 pandemic has created unprecedented uncertainty of the economic environment and the impact on future economic conditions may be materially different from those estimated by the Group. At the date of the consolidated financial statements, an estimate of future effects of the COVID-19 pandemic cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown.

Further considerations in relation to COVID-19 are included in the going concern disclosure in the notes to the consolidated financial statements.

Events since the end of the financial year

There remains significant uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the downturn and the speed of economic recovery. 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. Consideration was given to the impact of varying levels of pandemic development and restrictions across states, border closures and the extension of government support measures. The Group has not identified COVID-19 subsequent events that would require adjustments to the amounts or disclosures in the financial statements.

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.

Employee Share Scheme shares

There were 1,420,000 (2019: 1,570,000) ordinary shares issued under the Employee Share Scheme held in FHL at the end of the financial year. During the financial year, there was a net decrease of 150,000 (2019: 172,000 decrease) ordinary shares under the Employee Share Scheme by FHL as a result of staff departures.

Directors' Report

for the year ended 30 June 2020

3. Director information

Information on Directors

Douglas Deshon Bates	Chairman
Qualifications	LLB, LLM, FAICD
Experience	Douglas Bates has been Chairman of FHL since establishment on 23 May 2018 and of FSL since November 2000 and involved with the development of the FIIG Group and its businesses over the past 19 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. He is also a Director of FIIG Securities Limited and FIIG Investment Management Limited.
Special responsibilities	Chairman of the Board, Member of the Audit, Risk and Compliance Committee and Member of the Nominations and Remuneration Committee

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 Funding and Markets Committee for the QTC Board. He is also a Director of FIIG Securities Limited and FIIG Investment Management Limited.

Adam Winston Lewis	Independent Non-Executive Director
Qualifications	MBA, BEng (Electronics)
Experience	Adam Lewis has been a Director of FHL since establishment on 23 May 2018 and FSL since 1 July 2015. 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

Directors' Report

for the year ended 30 June 2020

Christine Anne Feldmanis	Independent Non-Executive Director
Qualifications	BCom, MAppFin, FAICD, SFFINSIA, TFASFA, CPA
Experience	Christine Feldmanis has been a Director of FHL since establishment on 23 May 2018 and FSL since 15 October 2017. 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 Perpetual Equities Investment Company Ltd (ASX:PIC) and Omni Bridgeway Ltd (ASX: OBL). Christine is also a Non-Executive Director of Bell Financial Group Ltd (ASX: BFG), Bell Asset Management Ltd and Foodbank NSW & ACT Limited.
Special responsibilities	Chair of the Audit, Risk and Compliance Committee

Stephen William Knight	Independent Non-Executive Director
Qualifications	BA, FAICD
Experience	Stephen Knight has been a Director of FHL since establishment on 23 May 2018 and FSL since 15 October 2017. Stephen has more than 35 years' experience in the Australian finance industry as a senior executive in both private sector and public sector financial institutions. 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 OneVue Group (ASX:OVH), and Sydney Financial Forum. He is a member 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 and Member of the Nominations and Remuneration Committee

Information on Company Secretaries

Matthew Patrick Bowman	Company Secretary
Qualifications	BCom, LLB
Experience	Matthew Bowman was appointed Company Secretary of FHL on 1 May 2019. 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.

Directors' Report

for the year ended 30 June 2020

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
Douglas Deshon Bates	7	7	6	6	3	3
Stephen James Stening	7	7	6*	5*	3*	3*
Adam Winston Lewis	7	6	–	–	3	3
Christine Anne Feldmanis	7	7	6	6	2*	2*
Stephen William Knight	7	7	6	6	3	3

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

4. Insurance of officers and indemnities

During the financial year the Group entered into agreements and paid premiums of $480,421 (2019: $361,272) 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 wilful 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 leave or proceedings

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*.

Directors' Report

for the year ended 30 June 2020

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 Board and the committees each have a Charter which 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.

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. Rounding of amounts

The Group has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the consolidated financial statements and Directors' report have been rounded to the nearest dollar.

9. 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 2020. 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:

Douglas Deshon Bates
Chairman

Stephen James Stening
Managing Director

Dated this 22nd day of September 2020

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

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 year ended 30 June 2020 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

22 September 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020

	Note	2020 $	2019 $
Revenue	3	38,370,306	43,081,740
Finance income		123,882	237,327
Total income		38,494,188	43,319,067
Employee benefits expense	4	(19,654,821)	(26,784,228)
Depreciation and amortisation expense	4	(4,193,821)	(844,087)
Finance costs	4	(2,009,536)	(1,223,400)
Impairment loss on trade receivables	4	(5,143)	(330,000)
Other expenses	4	(9,045,148)	(13,386,322)
Total expenses	4	(34,908,469)	(42,568,037)
Profit before income tax		3,585,719	751,030
Income tax expense	18	(1,565,916)	(429,472)
Profit for the year		2,019,803	321,558
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		2,019,803	321,558
Profit attributable to shareholders of the Company		2,019,803	321,558
Total comprehensive income attributable to shareholders of the Company		2,019,803	321,558

Year ended 2020 results reflect the adoption of AASB 16 *Leases.* Refer to Note 1(b)(i) for information on the adoption of this standard. As permitted by the standard, comparative information has not been restated.

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 June 2020

	Note	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	7	24,666,815	19,708,780
Trade and other receivables	8	46,832,147	50,914,741
Financial assets at fair value through profit or loss	9(a)	1,719,637	9,037,403
Other assets	10	733,821	728,751
Total current assets		73,952,420	80,389,675
Non-current assets			
Property, plant and equipment	11	339,475	510,155
Right-of-use assets	12	11,615,743	–
Intangible assets	13	15,382,288	11,486,985
Deferred tax assets	19(b)	817,948	1,297,319
Other assets	10	2,004,151	2,009,824
Total non-current assets		30,159,605	15,304,283
Total assets		104,112,025	95,693,958
LIABILITIES			
Current liabilities			
Trade and other payables	14	47,107,634	52,536,345
Borrowings	15	202,192	202,192
Current tax liabilities	19(a)	1,086,545	165,303
Employee benefit obligations	20	1,362,739	2,262,687
Lease liabilities	16	2,582,796	–
Financial liabilities at fair value through profit or loss	9(b)	–	6,900
Other liabilities	17	1,071,996	–
Total current liabilities		53,413,902	55,173,427
Non-current liabilities			
Borrowings	15	15,000,000	15,000,000
Employee benefit obligations	20	525,401	388,771
Lease liabilities	16	9,518,303	–
Other liabilities	17	586,557	1,537,726
Total non-current liabilities		25,630,261	16,926,497
Total liabilities		79,044,163	72,099,924
Net assets		25,067,862	23,594,034
EQUITY			
Contributed equity	21(a)	23,033,147	23,033,147
Reserves	21(b)	26,153	26,153
Retained earnings		2,008,562	534,734
Total equity		25,067,862	23,594,034

Year ended 2020 results reflect the adoption of AASB 16 *Leases*. Refer to Note 1(b)(i) for information on the adoption of this standard. As permitted by the standard, comparative information has not been restated.

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2020

	Note	Contributed equity $	Reserves $	Retained earnings $	Total $
Balance at 1 July 2018 restated		23,033,147	–	204,396	23,237,543
Profit for the year		–	–	321,558	321,558
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		**23,033,147**	**–**	**525,954**	**23,559,101**
Transactions with owners of the Company					
Shareholder distribution into ESS loan	21(b)	–	8,081	–	8,081
Issue of treasury shares to employees	21(b)	–	18,072	–	18,072
Adjustments for translation of foreign controlled entities		–	–	8,780	8,780
		–	**26,153**	**8,780**	**34,933**
Balance at 30 June 2019		**23,033,147**	**26,153**	**534,734**	**23,594,034**
Profit for the year		**–**	**–**	**2,019,803**	**2,019,803**
Other comprehensive income		**–**	**–**	**–**	**–**
Total comprehensive income for the year		**–**	**–**	**2,019,803**	**2,019,803**
Transactions with owners of the Company					
Dividends provided for and paid	22(b)	**–**	**–**	**(546,640)**	**(546,640)**
Adjustments for translation of foreign controlled entities		**–**	**–**	**665**	**665**
		–	**–**	**(545,975)**	**(545,975)**
Balance at 30 June 2020		**23,033,147**	**26,153**	**2,008,562**	**25,067,862**

Year ended 2020 results reflect the adoption of AASB 16 *Leases.* Refer to Note 1(b)(i) for information on the adoption of this standard. As permitted by the standard, comparative information has not been restated.

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from contracts with customers		18,511,894	23,683,613
Receipts with customers for securities trading		22,892,040	20,867,476
Payments to suppliers and employees		(30,563,539)	(42,910,917)
Movement of cash for settlement related to securities trading	7(a)	(3,401,249)	3,085,789
Interest received		403,993	787,075
Payments on sales of government bond futures contracts		(39,554)	(98,599)
Receipts/(payments) for other assets		5,673	(207,853)
Net income taxes (paid)/received		(165,303)	216,104
Net cash inflow from ordinary operating activities		7,643,955	5,422,688
Movement of corporate bonds	9(a)	7,317,766	9,247,598
Net cash inflow from operating activities	24	14,961,721	14,670,286
Cash flows from investing activities			
Payments for property, plant and equipment		(29,372)	(73,019)
Payments for intangible assets		(5,017,090)	(5,467,470)
Net cash outflow from investing activities		(5,046,462)	(5,540,489)
Cash flows from financing activities			
Borrowing costs paid	25	(1,200,000)	(1,200,000)
Payment of lease liabilities	25	(3,114,162)	–
Movement in related party loans (ESS Loan)		–	8,081
Dividends paid	22(b)	(546,640)	–
Net cash outflow from financing activities		(4,860,802)	(1,191,919)
Net increase in cash and cash equivalents held		5,054,457	7,937,878
Cash and cash equivalents at beginning of year		19,708,780	11,808,765
Effect of exchange rates on cash held in foreign currencies		(96,422)	(37,863)
Cash and cash equivalents at end of year	7	24,666,815	19,708,780

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

1. Accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of this financial report. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the consolidated entity consisting of FIIG Holdings Limited and its subsidiaries (together "the Group"). FIIG Holdings Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 22nd September 2020.

(a) Basis of preparation

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 Group is a for-profit entity for the purpose of preparing the financial statements.

The financial statements of the Group also comply with IFRS as issued by the International Accounting Standards Board ("IASB").

(i) Historical cost conventions

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).

(ii) 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.

(iii) 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 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.

FHL holds 100% ownership in two subsidiaries being FIIG Securities Limited ("FSL") and FIIG Investment Management Limited ("FIML"). FSL held 100% ownership in FIIG International Holdings Limited ("FIHL") and FIHL held 100% ownership in FIIG International Limited ("FIL") which operated in Malta up to the dissolution dates. These entities together form the Group. Refer to Note 6 for a listing of the interests in subsidiaries.

(b) Adoption of new and revised accounting standards

The Group has initially applied AASB 16 (see (i)) from 1 July 2019. A number of other new standards are also effective from 1 July 2019 but do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

(i) AASB 16 Leases

AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 17.

i. Policy applicable before 1 July 2019

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor are charged to profit or loss on a straight-line basis over the period of the lease.

Lease incentives under operating leases are recognised as a reduction of rental expense on a straight-line basis over the life of the lease term unless the purpose of the lease incentive is to cover a period where two leases run concurrently while only one lease is occupied.

ii. Policy applicable after 1 July 2019

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. To assess whether a contract conveys the right to control the use of an identified asset the Group uses the definition of a lease in AASB 16.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

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.

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 profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

As per the standard, the Group will not recognise provisions for operating leases separately, as the relevant cash flows due under the lease will be included within lease liabilities.

On transition to AASB 16 on 1 July 2019, the Group recognised additional right-of-use assets and additional lease liabilities, with the remaining lease liabilities retained for end-of-lease obligations and consequently no adjustment is made to retained earnings. The table below shows for comparability purposes, the balances of right-to-use assets and lease liabilities from AASB 17 to AASB 16 on transition:

	$
Opening retained earnings at 1 July 2019	**534,734**
Right-of-use assets	14,526,552
Lease liabilities	(14,412,745)
Makegood and end-of-lease obligations provision	(1,651,533)
Lease incentive liability	1,537,726
Net impact to retained earnings	–
Adjusted retained earnings at 1 July 2019	**534,734**

From transition, the depreciation rates used for the right-of-use assets are:

	2020 $
Office leases	4.5 – 6 years

Notes to the Consolidated Financial Statements

1. Accounting policies continued

(c) Foreign currency translations and balances

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.

(d) Revenue recognition

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:

(i) Commission income

The Group facilitates clients' direct investments into term deposits and at call deposits. Revenue from term deposits and at call deposits is received via a brokerage commission on either an upfront or trailing basis, depending on the agreement. 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 have not changed and are recognised as earned on a straight-line basis over the currency of the deposit.

(ii) Arrangement fees

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

(iii) 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.

(iv) Custodial services 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.

(v) 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.

(e) Finance income and costs

The Group's finance income and finance costs are as follows:

- Finance income received by the Group for interest on bank deposits. Interest income for bank deposits is recognised when earned.
- Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(f) Income taxes

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.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

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 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 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.

(g) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are derecognised when the contractual rights of the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Classification

On initial recognition, 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.

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 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.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

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.

Trade receivables and contract assets

Impairment of trade receivables and contract assets 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.

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 and borrowings.

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.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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.

Revenue recognition

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

(i) 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.

(ii) 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

1. Accounting policies continued

(iii) Financial assets and liabilities held at fair value through profit or loss

At initial recognition, the Group measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets and financial liabilities at fair value through profit or loss' category are presented in the consolidated statement of profit or loss and other comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation.

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.

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.

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 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% – 40% using straight-line and diminishing value methods

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.

(i) Intangible assets

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have an infinite useful life and are carried at cost less impairment losses.

Software

Software is stated at historical cost less amortisation. In the event the carrying amount of computer software 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 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:

	2020	2019
Computer software	2 – 5 years	2 – 5 years

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.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

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. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

(j) Provisions

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. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) Employee benefits

(i) 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.

(ii) 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.

(iii) Share-based payments

Share-based compensation benefits are provided to employees under the Company's Employee Share Scheme. Information relating to the scheme is set out in Note 27.

Under the Employee Share Scheme, shares are issued by the Company to employees with a Company non-recourse loan 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.

(iv) 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.

(l) Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST (Australia) or VAT (Malta), except where the amount of GST or VAT incurred is not recoverable from the relevant taxation authority. In these circumstances the GST or VAT 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 or VAT receivable or payable. The net amount of GST or VAT receivable from or payable to the relevant tax authority 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, except for the GST or VAT component of investing and financing activities which are disclosed as operating cash flows.

Notes to the Consolidated Financial Statements

1. Accounting policies continued

(m) 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 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:

Share-based payments

The Group has issued shares under the Employee Share Scheme (see Note 27), which is a share-based payment to employees of the Group. The Group measures equity settled share-based payment transactions by reference to the value of the equity instruments at the grant date. The fair value is determined using a Black-Scholes approximation option pricing model that uses estimates and assumptions including the fair value of the Company's shares. Judgement is exercised in preparing the valuations and these may affect the value of any share-based payments recorded in the financial statements.

Expected credit loss ("ECL") assessment

The Group uses an allowance matrix to measure the ECLs of trade receivables by calculating each customer group's loss rates using historical analysis, subsequent collection of receipts and management's assessment of recoverability (see Notes 8 and 28(c)). Loss allowance rates are calculated separately by customer group and aged receivable profile.

2. Going concern

The Group has prepared an assessment of its ability to continue as a going concern, taking into account all available information to forecast for a period of 12 months from the date of issuing the consolidated financial statements. The impact of the COVID-19 pandemic has resulted in a portion of the Group's clients and issuers experiencing challenging and uncertain times. While the situation is evolving, the Group remains confident that it will be able to continue as a going concern which assumes the Group will be able to continue trading, realise assets and discharge liabilities in the ordinary course of business for at least 12 months from the date of the consolidated financial statements. In reaching this position, the following factors have been considered:

- the Group has cash and bonds of $26,386,452 as at 30 June 2020
- FSL has cash and cash equivalents (for AFSL purposes) of $24,018,221 vs AFSL requirement of $5,000,000 and Net Tangible Assets (for AFSL purposes) of $21,645,837 vs AFSL requirement of $10,000,000
- the Group's receivables exposure has a typical contract due date of 2 days post trade and no material issues with receivables balances as at 30 June 2020
- the Group's debt is not due until October 2022
- the Group's debt-to-capital ratio at 30 June 2020 was 37.4%
- the Group's interest cover ratio at 30 June 2020 was 4.87×
- there are no onerous covenants with the existing debt financing

The outcome of all of the above leads the Group to determine that its financial position is relatively strong and it will be able to meet its debts as and when they fall due for at least a period of 12 months from the date of the consolidated financial statements. The consolidated financial statements have therefore been prepared on a going concern basis.

Notes to the Consolidated Financial Statements

3. Revenue

	2020 $	2019 $
Revenue from contracts with customers		
Commission income	2,129,166	2,601,386
Arrangement fees	5,965,880	10,763,693
Management fees	3,297,054	3,060,622
Custodial services fees	4,889,311	4,822,632
Other revenue	2,503	4,582
Total revenue from contracts with customers	16,283,914	21,252,915
Net income from financial instruments at fair value through profit or loss		
Securities trading income	22,119,046	21,928,757
Loss on derivatives	(32,654)	(99,932)
Total net income from financial instruments at fair value through profit or loss	22,086,392	21,828,825
Total revenue	38,370,306	43,081,740

(a) Receivables from contracts with customers

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

	2020 $	2019 $
Receivables included in 'Trade and other receivables'	1,632,765	2,213,137

Notes to the Consolidated Financial Statements

4. Breakdown of expenses by nature

	2020 $	2019 $
Employee benefits expense		
Employee benefits expense	20,669,721	26,784,228
Government subsidy – JobKeeper	(1,014,900)	–
Total employee benefits expense	19,654,821	26,784,228
Depreciation and amortisation expense		
Depreciation on property, plant and equipment	200,853	374,112
Depreciation on right-of-use assets	2,910,809	–
Amortisation on intangible assets	1,082,159	469,975
Total depreciation and amortisation expense	4,193,821	844,087
Finance costs		
Interest expense – financial liabilities measured at amortised cost	1,200,000	1,200,000
Interest on lease liabilities	802,517	–
Interest on makegood provision	7,019	–
Other finance costs	–	23,400
Total finance costs	2,009,536	1,223,400
Impairment loss on trade receivable		
Impairment loss on trade receivable	5,143	330,000
Total impairment loss on trade receivable	5,143	330,000
Other expenses		
Lease expenses	312,341	3,237,690
Marketing and advertising	646,324	982,036
Securities transaction and administration fees	1,330,584	1,278,175
Information technology and communication	1,532,979	1,198,230
Insurance	477,424	423,322
Travel costs	326,287	726,496
Legal fees	19,661	361,676
Securities information and communication fees	1,625,788	1,472,769
Accounting and audit fees	293,445	391,172
Other expenses	2,480,315	3,314,756
Total other expenses	9,045,148	13,386,322
Total expenses	34,908,469	42,568,037

Notes to the Consolidated Financial Statements

5. Auditors' remuneration

	2020 $	2019 $
Fees paid or payable to the Auditors of the Group:		
KPMG Australia		
Audit of financial statements	165,630	130,000
Other assurance services	56,350	166,400
Total KPMG Australia	221,980	296,400
PricewaterhouseCoopers Australia		
Audit of financial statements	–	4,872
Other assurance services	–	1,682
Total PricewaterhouseCoopers Australia	–	6,554
PricewaterhouseCoopers Malta		
Audit of financial statements	18,787	15,566
Total PricewaterhouseCoopers Malta	18,787	15,566
Total remuneration for audit and assurance services	240,767	318,520
Non-assurance services:		
PricewaterhouseCoopers Australia	–	9,424
PricewaterhouseCoopers Malta	28,406	4,429
Total non-assurance services	28,406	13,853
Total remuneration for services	269,173	332,373

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.

6. Interests in subsidiaries

Composition of the Group	Principal place of business/country of incorporation	Percentage owned (%)* 2020	Percentage owned (%)* 2019
Subsidiaries:			
FIIG Securities Limited ("FSL")	Australia	100	100
FIIG Investment Management Limited ("FIML")	Australia	100	100
FIIG International Holdings Limited ("FIHL")	Malta	0	100
FIIG International Limited ("FIL")	Malta	0	100

FHL owns 100% of FSL and FIML. FSL owned 100% of FIHL until 20 June 2020 upon liquidation of FIHL. FIHL owned 100% of FIL until 19 June 2020 upon liquidation of FIL.

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

Notes to the Consolidated Financial Statements

7. Cash and cash equivalents

	2020 $	2019 $
Cash at bank	24,334,549	15,975,265
Cash at bank for settlement	332,266	3,733,515
Total cash and cash equivalents	**24,666,815**	19,708,780

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 14.

Cash and cash equivalents do not include the amount of $9,861,970 (2019: $1,173,535) held in client trust accounts at 30 June 2020.

(a) Reconciliation of movements in cash at bank:

	2020 $	2019 $
Total cash at bank at beginning of year	19,708,780	11,808,765
Increase in cash at bank	8,359,284	4,814,226
(Decrease)/increase in cash at bank for settlement	(3,401,249)	3,085,789
Total cash at bank at ending of the year	**24,666,815**	19,708,780

8. Trade and other receivables

	2020 $	2019 $
Current assets		
Trade receivables	45,199,382	48,701,604
Other receivables	1,632,765	2,213,137
Total current trade and other receivables	**46,832,147**	50,914,741

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 (refer to Note 28(c)).

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 (refer to Note 28(c)).

9. Other financial assets and liabilities

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

	2020 $	2019 $
Current assets		
Unlisted investments at fair value		
– corporate bonds	1,719,637	9,037,403
Total current financial assets at fair value through profit or loss	1,719,637	9,037,403

Movement in corporate bonds

	2020 $	2019 $
Total corporate bonds at beginning of year	9,037,403	18,285,001
(Decrease) in corporate bonds	(7,317,766)	(9,247,598)
Total corporate bonds at ending of the year	1,719,637	9,037,403

(b) Financial liabilities at fair value through profit or loss comprise:

	2020 $	2019 $
Current liabilities		
Unlisted investments at fair value		
– government bond futures contracts	–	6,900
Total current financial liabilities at fair value through profit or loss	–	6,900

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 Group's policy is to recognise transfers in and transfers out of fair value hierarchy levels as at the end of the reporting period.

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. These instruments are included in Level 1.

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. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If inputs are not based on observable market data, the instrument is included in Level 3.

Management have considered the impact of COVID-19 on other financial assets and liabilities including fair value hierarchy and have concluded no material impact due to COVID-19.

All the Group's financial assets and liabilities at fair value through profit or loss have been recognised at Level 2.

Notes to the Consolidated Financial Statements

10. Other assets

	2020 $	2019 $
Current assets		
Prepayments	733,821	728,751
Total other current assets	733,821	728,751
Non-current assets		
Term deposits – bank guarantees	2,004,151	2,004,151
Security bond	–	5,673
Total other non-current assets	2,004,151	2,009,824
Total other current and non-current assets	2,737,972	2,738,575

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 in non-current assets.

11. Property, plant and equipment

	Plant and equipment $	Leasehold improvements $	Total $
Year ended 30 June 2020			
Opening net book amount	430,334	79,821	510,155
Additions	30,992	–	30,992
Disposals	(819)	–	(819)
Depreciation expense	(172,987)	(27,866)	(200,853)
Closing net book value	287,520	51,955	339,475
At 30 June 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
Year ended 30 June 2019			
Opening net book amount	714,307	101,414	815,721
Additions	73,019	–	73,019
Disposals	(4,473)	–	(4,473)
Depreciation expense	(352,519)	(21,593)	(374,112)
Closing net book value	430,334	79,821	510,155
At 30 June 2019			
Cost or fair value	2,571,910	148,574	2,720,484
Accumulated depreciation and impairment	(2,141,576)	(68,753)	(2,210,329)
Net book value	430,334	79,821	510,155

Notes to the Consolidated Financial Statements

12. Right-of-use assets

	Leased Office Premises $	Total $
Year ended 30 June 2020		
Opening net book amount	–	–
Additions	14,526,552	14,526,552
Depreciation expense	(2,910,809)	(2,910,809)
Closing net book value	11,615,743	11,615,743
At 30 June 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

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

	2020
Office leases	4.5 – 6 years

Notes to the Consolidated Financial Statements

13. Intangible assets

	Trademarks $	Computer software $	Total $
Year ended 30 June 2020			
Opening net book amount	39,628	11,447,357	11,486,985
Additions	–	5,017,090	5,017,090
Write-offs	(39,628)	–	(39,628)
Amortisation expense	–	(1,082,159)	(1,082,159)
Closing net book value	–	15,382,288	15,382,288
At 30 June 2020			
Cost or fair value	–	22,816,453	22,816,453
Accumulated amortisation	–	(7,434,165)	(7,434,165)
Net book value	–	15,382,288	15,382,288
Year ended 30 June 2019			
Opening net book amount	56,468	6,449,862	6,506,330
Additions	–	5,467,470	5,467,470
Write-offs	(16,840)	–	(16,840)
Amortisation expense	–	(469,975)	(469,975)
Closing net book value	39,628	11,447,357	11,486,985
At 30 June 2019			
Cost or fair value	39,628	17,826,243	17,865,871
Accumulated amortisation	–	(6,378,886)	(6,378,886)
Net book value	39,628	11,447,357	11,486,985

Notes to the Consolidated Financial Statements

14. Trade and other payables

	2020 $	2019 $
Current liabilities		
Trade payables	44,928,025	50,735,359
Other payables	1,120,369	1,041,832
Sundry payables and accrued expenses	1,059,240	759,154
Total current trade and other payables	47,107,634	52,536,345

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.

15. Borrowings

	2020 $	2019 $
Current liabilities		
Unsecured liabilities:		
Accrued interest on Bond issues	202,192	202,192
Total current borrowings	202,192	202,192
Non-current liabilities		
Unsecured liabilities:		
Bond issues	15,000,000	15,000,000
Total non-current borrowings	15,000,000	15,000,000
Total borrowings	15,202,192	15,202,192

FSL 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, an early redemption is available from 30 October 2019 at the discretion of the Issuer. FSL was substituted by FHL as issuer on 30 August 2018 following the restructure of the Group.

Notes to the Consolidated Financial Statements

16. Lease liabilities

	2020 $	2019 $
Current liabilities		
Lease liabilities	2,582,796	–
Total current lease liabilities	2,582,796	–
Non-current liabilities		
Lease liabilities	9,518,303	–
Total non-current lease liabilities	9,518,303	–
Total lease liabilities	12,101,099	–

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

(a) Amounts recognised in profit or loss

	2020 $	2019 $
Leases under AASB 16		
Interest on lease liabilities	802,517	–
Expenses relating to leases	312,341	–
Operating leases under AASB 117		
Lease expense	–	3,237,690

(b) Amounts recognised in statement of cash flows

	2020 $	2019 $
Leases under AASB 16		
Cash outflow for leases	3,114,162	–

17. Other liabilities

	2020 $	2019 $
Current liabilities		
Makegood and end-of-lease obligations provision	1,071,996	–
Total current other liabilities	1,071,996	–
Non-current liabilities		
Lease incentive liability	–	1,537,726
Makegood and end-of-lease obligations provision	586,557	–
Total non-current other liabilities	586,557	1,537,726
Total other liabilities	1,658,553	1,537,726

Notes to the Consolidated Financial Statements

18. Income tax expense

(a) 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:

	2020 $	2019 $
Total profit before income tax	3,585,719	751,030
At the statutory income tax rate of 27.50% (2019: 27.50%)	986,073	206,533
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
– entertainment expenses	5,041	73,466
– donation	–	1,375
– effective tax losses from subsidiary	67,707	41,927
– depreciation and amortisation	519,045	12,859
Tax effect of amounts which are assessable in calculating taxable income:		
– Employee Share Scheme interest	5,238	(21,934)
– government subsidy – cash flow boost	(17,188)	–
Tax effect of change in corporate tax rate	–	115,246
Income tax expense	1,565,916	429,472
The applicable weighted average effective tax rates are as follows:	44%	57%

The tax rate applicable to the Group for the year ending 2020 was 27.50% (2019: 27.50%), based on the company tax rate applied to base rate entities with an aggregated turnover of less than $50 million.

The year ending 2020 had an income tax expense adjustment of $519,045 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.

The year ending 2019 had an income tax expense adjustment of $115,246 from restatement of deferred tax asset balances due to the change in corporate tax rate from 30% to 27.5%.

(b) The components of income tax expense:

	2020 $	2019 $
Current tax	1,086,545	304,261
Deferred tax	479,371	125,211
Total income tax expense	1,565,916	429,472

Notes to the Consolidated Financial Statements

19. Current tax receivable/payable and deferred tax assets

(a) Current tax payable

	2020 $	2019 $
Current tax payable	1,086,545	165,303
Current tax payable	**1,086,545**	**165,303**

(b) Deferred tax assets

	2020 $	2019 $
Deferred tax assets	4,543,312	1,373,148
Deferred tax liability	(3,725,364)	(75,829)
Net deferred tax assets	**817,948**	**1,297,319**

(i) The balance comprises temporary differences for:

	2020 $	2019 $
Property, plant and equipment	56,019	51,459
Intangible assets	(501,864)	(4,926)
Right-of-use assets	(3,194,329)	–
Lease liabilities	3,327,802	–
Makegood and end-of-lease obligations	456,102	422,875
Employee benefit obligations	510,692	580,946
Accrued income	(29,171)	(70,903)
Other	192,697	317,868
Net deferred tax assets	**817,948**	**1,297,319**

(ii) Movement in deferred tax assets

	2020 $	2019 $
Net deferred tax asset at beginning of year	1,297,319	1,422,530
Charged to profit or loss	(479,371)	(125,211)
Net deferred tax assets	**817,948**	**1,297,319**

20. Employee benefit obligations

	Current $	Non-current $	Total $
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
2019			
Leave obligations	1,167,615	388,771	1,556,386
Variable compensation	1,095,072	–	1,095,072
Total employee benefit obligations	2,262,687	388,771	2,651,458

	Leave obligations $	Variable compensation $	Total $
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
Carrying amount at 1 July 2018	1,862,847	1,193,277	3,056,124
– additional provisions recognised	1,475,709	1,577,966	3,053,675
– amounts used during the year	(1,782,170)	(1,676,171)	(3,458,341)
Carrying amount at 30 June 2019	1,556,386	1,095,072	2,651,458

Notes to the Consolidated Financial Statements

21. Equity

(a) Contributed equity

	2020 Shares	2019 Shares	2020 $	2019 $
(i) Share capital				
Ordinary shares	**28,752,003**	28,902,003	**26,063,147**	26,377,847
(ii) Other equity securities				
Treasury shares	**(1,420,000)**	(1,570,000)	**(3,030,000)**	(3,344,700)
Total contributed equity	**27,332,003**	27,332,003	**23,033,147**	23,033,147
(iii) Movement in ordinary share capital				
At the beginning of the year	**28,902,003**	29,074,003	**26,377,847**	14,899,032
Corporate top hat restructure	–	–	–	12,498,165
Shares issued during the year				
– employee shares	–	300,000	–	453,000
Shares bought back during the year				
– employee shares	**(150,000)**	(472,000)	**(314,700)**	(1,472,350)
At the end of the year	**28,752,003**	28,902,003	**26,063,147**	26,377,847

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. Refer to Note 27(a) for movements in shares held under the Employee Share Scheme.

Notes to the Consolidated Financial Statements

21. Equity continued

(b) Reserves

	Share-based payments reserve $	Share payments reserve $	Total $
At 1 July 2019	18,072	8,081	26,153
Shares bought back during the year	–	–	–
At 30 June 2020	18,072	8,081	26,153
At 1 July 2018	49,478	(5,540)	43,938
Top hat restructure	(49,478)	5,540	(43,938)
Shareholder distribution into ESS loan	–	8,081	8,081
Employee shares issued during the year	18,072	–	18,072
At 30 June 2019	18,072	8,081	26,153

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of shares issued to employees on grant date for shares issued under the Employee Share Scheme.

Share payments reserve

The share payments reserve is 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.

22. Capital management

(a) 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 & 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 30 June 2020 totals $15,000,000 (2019: $15,000,000).

Notes to the Consolidated Financial Statements

22. Capital management continued

(b) Dividends

	2020 Cents per share $	2019 Cents per share $	2020 $	2019 $
Final dividend	0.00	0.00	–	–
Interim dividend	0.02	0.00	575,040	–
Total dividends declared and paid			575,040	–

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

	2020 $	2019 $
Paid in cash	546,640	–
Non-cash: Payment into Employee Share Scheme loans	28,400	–
Total dividends declared and paid	575,040	–

(c) Franking account

Franking credits available for subsequent financial years at a tax rate of 27.50% (2019: 27.50%):

	2020 $	2019 $
Opening balance	5,520,331	5,138,541
Franking credits from taxes paid during the year	–	216,487
Franking debits from dividends paid during the year	(218,119)	–
Franking credits that will arise from the payment of the current tax liabilities	1,086,545	165,303
Franking debits that will arise from the payment of dividends recognised as a liability	–	–
Total franking credits available	6,388,757	5,520,331

The impact on the franking credit of the dividends proposed and paid after the end of the reporting period is to reduce it by $nil (2019: $nil).

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

23. Commitments

(a) Capital commitments

The Group has continued with material capital expenditure commitments in the year ended 30 June 2020 on a project ("OneFIIG") to replace key computer software. Material commitments under OneFIIG are expected to be finalised during the 2021 financial year.

Notes to the Consolidated Financial Statements

24. Reconciliation of cash flows from operations with profit from ordinary activities after income tax

	2020 $	2019 $
Profit for the year	2,019,803	321,558
Depreciation and amortisation expense	4,193,821	844,087
Interest expense on borrowings	2,009,536	1,200,000
Net loss on sale of non-current assets	38,827	21,313
Net exchange differences	96,422	37,863
Non-cash employee benefits expense share-based payments	–	18,072
Translation of foreign controlled entities	665	8,780
Change in accounting policy to reflect the retrospective adjustments – adoption of AASB 15	–	204,396
Changes in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	4,082,594	(32,604,413)
Decrease in financial assets at fair value through profit or loss	7,317,766	9,247,598
Decrease in current tax receivable	–	432,590
Decrease/(increase) in other assets	603	(24,571)
Decrease in deferred tax assets	479,371	125,211
(Decrease)/increase in trade and other payables	(5,428,711)	35,075,831
Increase in current tax liabilities	921,242	165,303
Decrease in employee benefit obligations	(763,318)	(404,666)
(Decrease)/increase in financial liabilities at fair value through profit or loss	(6,900)	1,334
Cash flows from operating activities	14,961,721	14,670,286

Notes to the Consolidated Financial Statements

25. Reconciliation of movement of liabilities and equity to cash flow arising from financing activities

	Liabilities	Liabilities	Equity	Equity	Equity	
	Lease liabilities $	Borrowings $	Contributed equity $	Reserves $	Retained earnings $	Total $
Restated balance at 1 July 2019	–	15,202,192	23,033,147	26,153	534,734	38,796,226
Changes from financing activities						
Interest paid on borrowings	–	(1,200,000)	–	–	–	(1,200,000)
Lease payments	(3,114,162)	–	–	–	–	(3,114,162)
Dividends paid	–	–	–	–	(546,640)	(546,640)
Total changes from financing cash flows	(3,114,162)	(1,200,000)	–	–	(546,640)	(4,860,802)
Translation of foreign controlled entities	–	–	–	–	665	665
Other changes – liability related						
Recognition of lease liability	14,412,744	–	–	–	–	14,412,744
Interest expense	802,517	1,200,000	–	–	–	2,002,517
Total liability – related other changes	15,215,261	1,200,000	–	–	–	16,415,261
Other changes – equity related						
Profit for the year	–	–	–	–	2,019,803	2,019,803
Total equity – related other changes	–	–	–	–	2,019,803	2,019,803
Balance at 30 June 2020	12,101,099	15,202,192	23,033,147	26,153	2,008,562	52,371,153

Notes to the Consolidated Financial Statements

25. Reconciliation of movement of liabilities and equity to cash flow arising from financing activities continued

	Liabilities	Liabilities	Equity	Equity	Equity	
	Lease liabilities $	Borrowings $	Contributed equity $	Reserves $	Retained earnings $	Total $
Restated balance at 1 July 2018	–	15,202,192	10,534,982	43,938	12,454,227	38,235,339
Changes from financing activities						
Interest paid on borrowings	–	(1,200,000)	–	–	–	(1,200,000)
Shareholder distribution into ESS loan	–	–	–	8,081	–	8,081
Total changes from financing cash flows	–	(1,200,000)	–	8,081	–	(1,191,919)
Translation of foreign controlled entities	–	–	–	–	8,780	8,780
Other changes – liability related						
Interest expense	–	1,200,000	–	–	–	1,200,000
Total liability – related other changes	–	1,200,000	–	–	–	1,200,000
Other changes – equity related						
Proceeds from issue of treasury shares	–	–	–	18,072	–	18,072
Corporate top hat restructure	–	–	12,498,165	(43,938)	(12,454,227)	–
Change in accounting policy to reflect the retrospective adjustments – adoption of AASB 15	–	–	–	–	204,396	204,396
Profit for the year	–	–	–	–	321,558	321,558
Total equity – related other changes	–	–	12,498,165	(25,866)	(11,928,273)	544,026
Balance at 30 June 2019	–	15,202,192	23,033,147	26,153	534,734	38,796,226

Following a top hat restructure, from 1 July 2018, FHL became the parent entity of FSL. FHL owns 100% of the shares in FSL and the shareholders of FSL became the shareholders of FHL upon the top hat restructure. Consequently, the total equity for year ending 30 June 2018 of FSL became the contributed equity of FHL on 1 July 2018.

Notes to the Consolidated Financial Statements

26. 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 those 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:

	2020 $	2019 $
Short-term employee benefits	**2,677,593**	3,407,037
Post-employment benefits	**151,356**	179,415
Termination benefits	**1,154**	258,680
Share-based payments	**–**	7,229
Total key management personnel compensation	**2,830,103**	3,852,361

(b) Transactions with related parties

The following transactions occurred with related parties:

	2020 $	2019 $
Sales of securities	**14,846,994**	6,754,491
Purchases of securities	**(12,610,319)**	(7,934,887)

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 2020 was $1,000,000 face value (2019: $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 2020 was $15,966,543 ordinary shares (2019: 16,036,543).

(e) Employee Share Scheme loans

The Group has provided loans to key management personnel, under the terms of the Employee Share Scheme. Refer to Note 27 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 2020 of $743,326 (2019: $773,292).

27. Share-based payments

(a) 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.

Employees who were offered to participate in the scheme were also offered a limited recourse interest-bearing loan to fund the purchase of the ordinary shares.

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 21(a)). 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. Shares held by the trust are not yet released to the employees and are shown as treasury shares in the financial statements (see Note 21(a)). The Group has no control over the trust.

The number of ordinary shares issued under the scheme during the financial year was nil shares (2019: 300,000 shares). The Employee Share Scheme loan balances at the end of the financial year were $2,904,631 (2019: $3,219,000). These loans are interest-bearing loans and had an interest rate at 30 June 2020 of 0.93% (2019: 1.96%).

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

	2020 Shares	2019 Shares
Issue date		
15 September 2011	**580,000**	580,000
15 September 2012	**150,000**	160,000
30 September 2017	**360,000**	460,000
24 October 2017	**70,000**	70,000
8 January 2019	**260,000**	300,000
Total	**1,420,000**	1,570,000

The movements in shares held under the scheme during the financial year were:

	2020 Shares	2019 Shares
As at 1 July	**1,570,000**	1,742,000
Shares issued during the year	**–**	300,000
Shares bought back during the year	**(150,000)**	(472,000)
As at 30 June	**1,420,000**	1,570,000

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

Notes to the Consolidated Financial Statements

27. Share-based payments continued

(b) Expenses arising from share-based payments transactions

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.

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

	2020 Shares issued	2019 Shares issued	2020 Share-based payment expense $	2019 Share-based payment expense $
Shares issued during the year	–	300,000	–	18,072
Total	–	300,000	–	18,072

28. Financial risk management

Financial risk management policies

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

28. Financial risk management continued

Mitigation strategies for specific risks faced are described below:

(a) Market risk

(i) Foreign exchange risk

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

The Group may enter into forward contracts to protect against foreign exchange risk where clients have contracted to purchase or sell foreign-denominated bonds and settle amounts owing to or by the Group in Australian dollars. 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
2020			
Cash and cash equivalents (AUD equivalent)	288,905	–	–
Trade and other receivables (AUD equivalent)	1,830,969	–	5,219
Financial assets through profit and loss (AUD equivalent)	12,974	–	–
Trade and other payables (AUD equivalent)	(2,051,894)	(31,108)	–
Short-term exposure	**80,954**	**(31,108)**	**5,219**
2019			
Cash and cash equivalents (AUD equivalent)	3,767,419	1	295,138
Trade and other receivables (AUD equivalent)	9,373,568	–	19,603
Financial assets through profit and loss (AUD equivalent)	667,643	–	–
Trade and other payables (AUD equivalent)	(13,088,907)	(14,000)	(43,817)
Short-term exposure	719,723	(13,999)	270,924

Notes to the Consolidated Financial Statements

28. Financial risk management continued

(ii) 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 $
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
2019		
Cash at bank	0.74%	19,708,780
Term deposits – bank guarantees	2.44%	2,004,151
Net exposure to interest rate risk		21,712,931

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 2020, 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 $175,943 lower/higher (2019: $101,132 lower/higher).

(iii) 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 after-tax profit for the year and on equity.

The analysis is based on the price sensitivity assumption that prices have increased/decreased by 5% (2019: 5%) with all other variables held constant.

	2020 +/-5% $	2019 +/-5% $
Impact on post-tax profit	62,337	316,309
Impact on equity	62,337	316,309

28. Financial risk management continued

(b) 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 $
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**
Borrowings	**15,202,192**	**–**	**1,200,000**	**16,800,000**	**18,000,000**
Total	**74,410,925**	**46,250,425**	**5,296,472**	**27,298,447**	**78,845,344**
2019					
Trade and other payables	52,536,345	51,372,576	1,163,769	–	52,536,345
Borrowings	15,202,192	–	1,200,000	18,000,000	19,200,000
Total	67,738,537	51,372,576	2,363,769	18,000,000	71,736,345

(c) 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:

	2020 $	2019 $
Cash at bank	**24,666,815**	19,708,780
Term deposits – bank guarantees	**2,004,151**	2,004,151
Trade and other receivables	**46,832,147**	50,914,741
Financial assets at fair value through profit or loss		
– corporate bonds	**1,719,637**	9,037,403
Total	**75,222,750**	81,665,075

Notes to the Consolidated Financial Statements

28. Financial risk management continued

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.

	2020 Not credit impaired $	2020 Credit impaired $	2020 Total $	2019 Not credit impaired $	2019 Credit impaired $	2019 Total $
Current receivables	46,465,832	–	46,465,832	48,877,105	–	48,877,105
Past due receivables	371,458	–	371,458	2,037,636	330,000	2,367,636
Provision for impairment	(5,143)	–	(5,143)	–	(330,000)	(330,000)
Total	**46,832,147**	–	**46,832,147**	50,914,741	–	50,914,741
Past due receivables						
Up to 1 month	356,279	–	356,279	2,025,875	330,000	2,355,875
Up to 1 year	15,179	–	15,179	11,761	–	11,761
Total	**371,458**	–	**371,458**	2,037,636	330,000	2,367,636

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 2020, the Group had $46,832,147 of receivables, of which $45,199,382 were trade receivables due from securities trading activity which are normally collected within two days of the end of the reporting period (see Note 8) and have all been subsequently collected. Based on historic 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. The impairment at 30 June 2019 of $330,000 related to a discontinued business and does not impact the Group's assessment of the current receivables at 30 June 2020.

28. Financial risk management 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 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
30 June 2019				
Current (not past due)	0.00%	48,877,105	–	48,877,105
1 – 30 days past due	14.00%	2,355,875	(330,000)	2,025,875
31 – 60 days past due	0.00%	4,978	–	4,978
61 – 90 days past due	0.00%	2,067	–	2,067
More than 90 days past due	0.00%	4,716	–	4,716
Total		51,244,741	(330,000)	50,914,741

Notes to the Consolidated Financial Statements

28. Financial risk management continued

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:

	2020 $	2019 $
Cash at bank		
AA-	21,073,910	11,382,936
A+	3,592,905	7,979,693
A	–	338
BB-	–	295,138
Not rated	–	50,675
Total	24,666,815	19,708,780
Term deposit – bank guarantees		
AA-	2,004,151	2,004,151
Total	2,004,151	2,004,151
Corporate bonds		
AAA	1,304,600	3,378,963
AA	7,622	–
AA-	25,864	–
A+	–	5,115
A	–	1,506,510
A-	15,448	139,708
BBB+	108,381	624,244
BBB	59,479	421,824
BBB-	20,130	1,193,078
BB+	7,353	–
BB	1,456	60,707
BB-	4,082	161,894
B+	–	200,882
B	–	236,743
Not rated	165,222	1,107,735
Total	1,719,637	9,037,403

28. Financial risk management continued

Cash and cash equivalents

The Group held cash and cash equivalents of $24,666,815 at 30 June 2020 (2019: $19,708,780). The cash and cash equivalents are held primarily with bank and financial institution counterparties, which are rated AA- to BB- 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.

Cash and cash equivalents include an amount of $nil at 30 June 2020 (2019: $50,675), that the Group holds with an unrated entity for the purposes of covering margin requirements for future contracts within the Group used to reduce market risk on its bond portfolio in the table above.

Term deposits

The Group held term deposits of $2,004,151 at 30 June 2020 (2019: $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 also exposed to credit risk in relation to corporate bonds measured at fair value through profit or loss. The maximum exposure at 30 June 2020 is the carrying amount of these investments of $1,719,637 (2019: $9,037,403) as set out in the table above.

29. Events after the end of the reporting period

There remains significant uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the downturn and the speed of economic recovery. 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. Consideration was given to the impact of varying levels of pandemic development and restrictions across states, border closures and the extension of government support measures. The Group has not identified COVID-19 subsequent events that would require adjustments to the amounts or disclosures in the financial statements.

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.

Notes to the Consolidated Financial Statements

30. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2020 the parent entity of the Group was FIIG Holdings Limited.

	2020 $	2019 $
Result of parent entity		
Profit/(loss) for the period	232,480	(16,822)
Other comprehensive income	–	–
Total comprehensive income for the period	232,480	(16,822)
Financial position of parent entity at year end		
Current assets	1,747,969	1,170,774
Non-current assets	38,263,243	38,110,289
Total assets	40,011,212	39,281,063
Current liabilities	1,793,145	1,238,585
Non-current liabilities	15,489,749	15,000,000
Total liabilities	17,282,894	16,238,585
Net assets	22,728,318	23,042,477
Total equity of the parent entity comprising:		
Contributed equity	23,033,147	23,033,147
Reserves	26,153	26,153
Retained earnings	(330,982)	(16,822)
Total equity	22,728,318	23,042,478

The deficiency of current assets over current liabilities is impacted by intercompany borrowings provided by FSL to FHL for the development of the OneFIIG computer software project. FSL have confirmed in writing that they will not call these borrowings should such cause FHL to be unable to meet its financial obligations as and when they come due and payable.

Capital and expenditure commitments

The Company has capital expenditure commitments for the OneFIIG computer software project as per Note 23(a).

Contingent liabilities

The Company has no contingent liabilities.

Parent entity guarantees

There are no parent entity guarantees.

Notes to the Consolidated Financial Statements

31. Company details

Registered office

The registered office of the Company is:

FIIG Holdings Limited
Level 31, 1 Eagle Street
BRISBANE QLD 4000

Principal places of business

The principal places of business are:

FIIG Securities Limited
Level 31, 1 Eagle Street
BRISBANE QLD 4000

FIIG Securities Limited
Level 20, 126 Phillip Street
SYDNEY NSW 2000

FIIG Securities Limited
Level 35, 120 Collins Street
MELBOURNE VIC 3000

FIIG Securities Limited
Level 1, 131 St Georges Terrace
PERTH WA 6000

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 18 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 2020 and of its performance for the financial year ended on that date; and
   (a) 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 and Chief Financial Officer for the year ended 30 June 2020.
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.

Douglas Deshon Bates
Chairman

Stephen James Stening
Managing Director

Dated this 22nd day of September 2020

Independent Audit Report to the members of FIIG Holdings Limited

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 2020 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 2020;
- 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.

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

22 September 2020

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