

Praemium Half Year Report



31 December 2019



Contents

| | |
|--|-----------|
| Appendix 4D | 5 |
| Half Year Highlights | 6 |
| Directors' Report | 8 |
| Financial Summary | 9 |
| Operations & Business | 10 |
| Comments On Financial Performance | 11 |
| Auditor's Independence Declaration | 13 |
| Accounts For The Half Year Ended 31 December 2019 | 14 |
| Consolidated Statement of Profit & Loss and Other Comprehensive Income | 14 |
| Consolidated Statement of Financial Position | 15 |
| Consolidated Statement of Changes In Equity | 16 |
| Consolidated Statement of Cash Flows | 17 |
| Notes To The Financial Statements | 18 |
| Directors' Declaration | 26 |
| Independent Audit Report | 27 |

Praemium is a global leader in the provision of technology platforms for managed accounts, investment administration and financial planning. Praemium services in excess of 300,000 investor accounts covering over \$140 billion in funds globally for more than 1,000 financial institutions and intermediaries, including some of the world's largest financial institutions.

Appendix 4D

ASX Half-Year Report

| | |
|---------------------------------------|----------------------------------|
| Name of entity: | Praemium Limited |
| ABN: | 74 098 405 826 |
| Reporting period: | Half year ended 31 December 2019 |
| Previous corresponding period: | Half year ended 31 December 2018 |

Results

| | |
|---|-----------------------------|
| Revenue from ordinary activities | Increased 5% to 23,131,878 |
| Profit from ordinary activities before tax attributable to members | Increased 19% to 3,791,337* |
| Net profit for the period attributable to members | Increased 122% to 1,408,905 |

* Excludes restructure, arbitration and acquisition costs

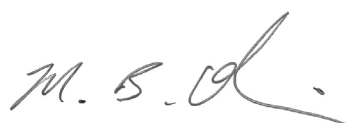
Brief explanation of the figures reported above

Refer to the attached Half-Year Report (Directors' Report - Review of Operations section), for commentary on the half-year results

Notes to Appendix 4D – for the half year ended 31 December 2019

| | Current period | Previous period |
|---|---|------------------------|
| Net tangible assets per security* | 2.6 | 3.1 |
| Control over entities having a material effect | Not applicable | |
| Dividends | No dividends are proposed for the period | |
| Additional dividend information | There was no dividend declared or paid during or subsequent to the current period or prior corresponding period | |
| Dividend reinvestment plan | Not applicable | |
| Details of associates and joint venture entities | Not applicable | |
| Compliance Statement | This report is based on financial statements reviewed by the auditors, copies of which are attached. | |

*calculation of the net tangible assets excludes right-of-use assets



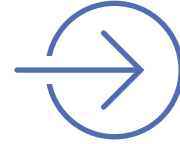
Michael Ohanessian – CEO
10 February 2020

Half Year Highlights



5%

increase in revenue



\$1.9bn

record gross inflows in 6 months



300+

new investment options added



145%

increase in total funds
under administration



37%

increase in underlying
EBITDA



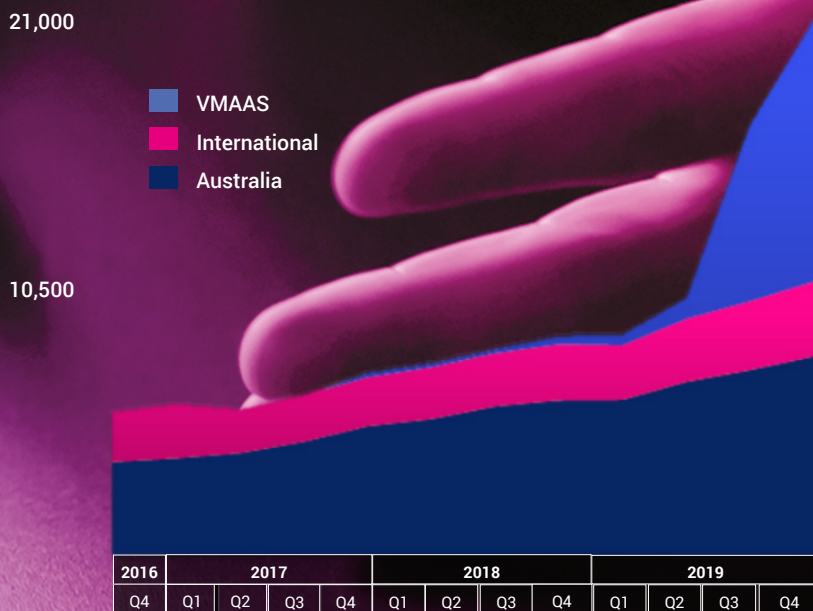
12th

consecutive half of profit increase

\$20.3bn

funds on platform

FUA, platform and funds (\$m)



Directors' Report

The Directors present this report, together with the condensed financial report for the half year ended 31 December 2019, and an independent review report thereon. The consolidated entity consists of Praemium Limited ('the Company') and the entities it controls ('the Group'). This financial report has been prepared in accordance with Australian & International Financial Reporting Standards.

Directors' Names

The names of the Directors of the Company during or since the end of the half year are:

Barry Lewin – Non-Executive Chairman

Stuart Robertson – Non-Executive Director

Daniel Lipshut – Non-Executive Director

Claire Willette – Non-Executive Director

Michael Ohanessian – Managing Director & CEO

Review of operations

Established in Australia in 2001, Praemium has grown to be a market-leading provider of investment platforms, investment management, portfolio administration and CRM solutions with offices in Australia, the UK, Jersey, UAE, Armenia, China (including Hong Kong).

Praemium's leading-edge technology automation, scalable investment solutions and industry leading reporting allows wealth professionals to improve productivity while meeting key needs driven by regulatory change and consumer demand.

Praemium's investment portfolio software specialises in corporate actions processing, CGT optimisation, and sophisticated tax and investment reporting, with strengths in multi-asset administration and particularly direct equities.

In Australia, our investment portfolio technology is branded as Praemium Virtual Managed Accounts (VMA) and is available both directly and embedded in our Managed Account technology. Through Praemium VMA, we offer a range of portfolio management services used by accountants, financial advisers, stockbrokers, self-managed superannuation fund (SMSF) administrators and large institutions who usually rebrand and package the services for their own customers. We also offer SMSF compliance and reporting capabilities, thereby increasing the appeal of Praemium VMA for SMSF administrators.

Our Managed Account investment platform in Australia is a regulated management investment scheme, where investors are able to participate directly in the stock market whilst still benefiting from professional investment management advice and beneficial ownership of their underlying holdings. Our unique consolidated view of all investment assets, both custodial and non-custodial, is now available through the Praemium Unified Managed Account (UMA).

Praemium moved into the offshore market with the launch of Praemium UK in 2006, with the subsequent establishment of Praemium International in Jersey in 2011, and the acquisitions of Plum Software Limited in 2015 and Wensley Mackay Limited in 2016. In the UK, the Praemium group includes three subsidiaries that are regulated by the Financial Conduct Authority with principal activities of safe custody and administration of securities, investment management and the provision of pension administration for Self-Invested Pension Plans, or SIPP's.

Praemium International's cloud-based offshore platform serves the global expat investor community. With a regulatory jurisdiction in Jersey, Praemium International's technology can handle all currencies and provides access to a wide range of assets traded on international exchanges. We provide services to a wide range of jurisdictions, including Asia, the Middle East and beyond.

To complete our offering to the financial services industry, Praemium also provides customer relationship management (CRM) and financial planning software. Known as WealthCraft, it is powered by Microsoft Dynamics CRM and allows advisors to seamlessly manage their client, practice and campaign information while complying with enhanced regulatory requirements. WealthCraft is also fully integrated with Praemium VMA to provide a complete business solution.

Financial Summary

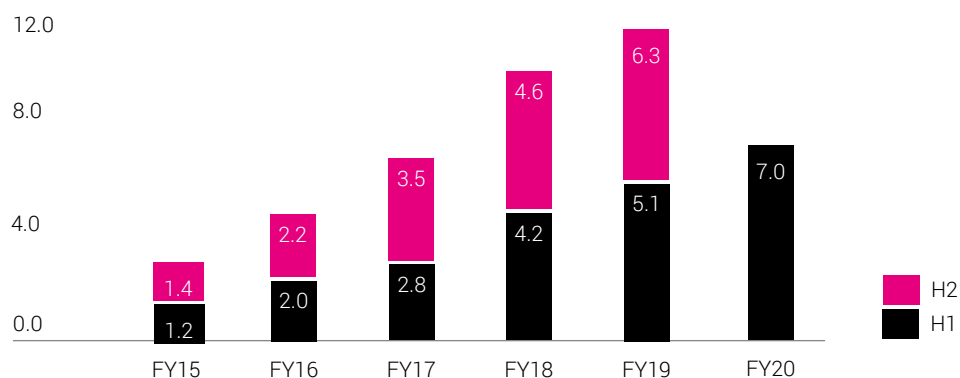
Financial metrics

| Results summary | H1 FY20 \$'000 | H1 FY19 \$'000 | Change \$'000 | Change % |
|-----------------------------|-------------------|-------------------|------------------|-------------|
| Revenue & other income | 24,223 | 22,960 | 1,263 | 5% |
| Expenses | 17,273 | 17,904 | (631) | (4%) |
| EBITDA (underlying)* | 6,950 | 5,056 | 1,894 | 37% |
| Net Profit before Tax | 3,177 | 2,194 | 983 | 45% |
| Net Profit after Tax | 1,409 | 634 | 775 | 122% |
| Cash | 14,738 | 11,313 | 3,425 | 30% |
| Net Assets | 26,359 | 20,916 | 5,443 | 26% |
| Operating Cashflow | 3,854 | 1,941 | 1,913 | 99% |

*Reconciliation of EBITDA to Net Profit before Tax is detailed in Note 6 of the attached half year report.

*Underlying EBITDA excludes: restructure and acquisition costs (-0.6 million), share based payments (-0.8 million) and foreign exchange movements (0.04 million)

EBITDA by Half (\$m)



Service metrics

| Revenue by region | H1 FY20 | H1 FY19 | Change \$ | Change % |
|--------------------------------|---------------|--------------|---------------|-------------|
| Australia Revenue (\$'000) | 17,364 | 15,307 | 2,057 | 13% |
| International Revenue (\$'000) | 5,768 | 6,764 | (996) | (15%) |
| Portfolios (VMA) | 54,813 | 53,262 | 1,551 | 3% |
| Platform FUA | 10,240 | 7,900 | 2,340 | 30% |
| Total FUA | 20,305 | 8,287 | 12,018 | 145% |

Operations and Business

Managed Accounts

The Praemium Managed Accounts platform is the market leader in the Australian market. With over 10 years of operation, it has earned a reputation for reliable, high-quality performance and its technology advantages remain unsurpassed. Praemium's fully integrated account management platform allows significant flexibility, such that clients can enjoy the benefits of managed accounts, with or without custody, for investment and retirement savings. Advisers can support a variety of tailored advice strategies to develop across their client base. Clients are able to monitor their investment assets in one place and for custodial solutions, every portfolio of every client is automatically kept in-line with its investment strategy by Praemium's world-class rebalancing engine. Globally, assets in Praemium's Managed Account platforms continued their strong momentum, exceeding \$10 billion for the first time. Global platform funds under administration (FUA) reached \$10.24 billion as at 31 December 2019, up 30% in the past 12 months. Our growth is expected to continue, both from existing clients' increased inflows and from new clients incorporating SMA into their business models.

In Australia, platform FUA increased 21% over the 12 months to \$7.1 billion at 31 December 2019. This continued growth was from a diverse mix of clients, despite a key client transition that commenced this half as previously announced in April 2019. Praemium's integrated Managed Accounts platform enable us to serve a much wider part of the addressable platform market. Clients are able to choose Praemium as their primary platform, utilising our unique blend of superior reporting and rebalancing capabilities, to provide a unified experience across model portfolios, bespoke portfolios and non-custodial holdings.

Praemium continued its development as a full-service platform. This half we released performance-by-model capability and made further improvements to our reporting and governance capabilities, to suit the growing number of Managed Discretionary Account (MDA) operators using our services. Our available platform asset range has been expanded, with the addition of Australian Government Bonds for custodial platform assets and the launch of a new range of multi-asset index models.

Internationally, platform FUA increased 54% over the 12 months to \$3.1 billion at 31 December 2019. This accelerating growth was from record inflows, with 2019 gross inflows in our International business 81% higher compared to last year. Our pension offering (the Praemium Retirement Account) has seen a significant increase in pension schemes in the past 12 months, with 1,403 schemes at 31 December 2019, a 79% increase. Clients in the UK and in international markets are seeing

the efficiency benefits of the Praemium platform.

Key platform developments this half included the launch of Adviser Portal to UK and international clients, the establishment of a fully digital application process for the UK and the introduction of electronic asset re-registration to speed up transitions from other UK platforms.

The half also saw a number of major awards for our International Platform. In September 2019, we won Leading Platform for Discretionary Management at the Schroders UK Platform Awards, recognising our ability to run discretionary portfolios. In October 2019, we were also awarded Best International Platform at the International Adviser awards, our third platform award for the year.

Investment management

In the UK, our in-house investment management solution was impacted by outflows from the Smartfund managed funds, with model portfolios and multi asset funds decreasing by 16% to \$711 million in the past 12 months.

Portfolio administration and reporting

Praemium VMA has continued its positive momentum, with 4% growth in portfolios achieved this half. We expect continued growth in VMA portfolios, with clients seeking Praemium's proprietary technology to manage complex corporate actions, performance analytics, asset allocation, tax and multi-asset investment reporting.

Our highly regarded SaaS model for non-custodial reporting was extended in 2019 to include an administration service (VMAAS). VMAAS has grown over the year from \$387 million to \$10 billion in FUA. This growth is evidence that our fully integrated managed accounts platform provides real value for advisers, enabling them to tailor solutions for all clients.

Financial planning software

Ongoing regulatory changes in the European and Middle East markets continue to drive interest in WealthCraft's CRM and financial planning software during the half. Global client numbers expanded from 36 to 44 in 2019, a 22% increase. In the UK, Plum Software's financial planning system further complements Praemium's global strategy in the CRM space by offering a fully integrated advice solution. Advisers can have a single view of their clients, with efficient practice management, client communication and professional reporting tools.

We continue to invest in this product with enhancements to be delivered in the 2020 financial year. Combined with strong platform cross-sell, we expect Praemium's financial advice software opportunities to continue to grow.

Comments on financial performance

Trading performance

The consolidated profit after tax attributable to the members of the Group was \$1,408,905, a 122% increase compared to the profit after tax of \$633,647 for the half year to 31 December 2018.

Revenue and other income increased to \$24.2 million for the 6 months to December 2019, a 5% increase compared to the 6 months to December 2018. This increase was across key product lines (refer graph), in particular:

- Platform revenue, which increased by 4% to \$13.5 million. Platform revenue grows with fund flows, with the Company earning a basis points fee of total funds on our investment platform. Global platform (FUA) reached \$10.24 billion as at 31 December 2019, up 30% in the past 12 months;
- Portfolio Services revenue which increased by 6% to \$8.5 million from the growth in VMA portfolios and VMA Admin (VMAAS) portfolios on-boarded this half;
- Planning software increased by 3% to \$1.2 million from the on-boarding of new clients in Asia and Australia; and
- This period's result also included \$1.0 million in other income relating to FY2019's research & development incentive in the UK.

Australia

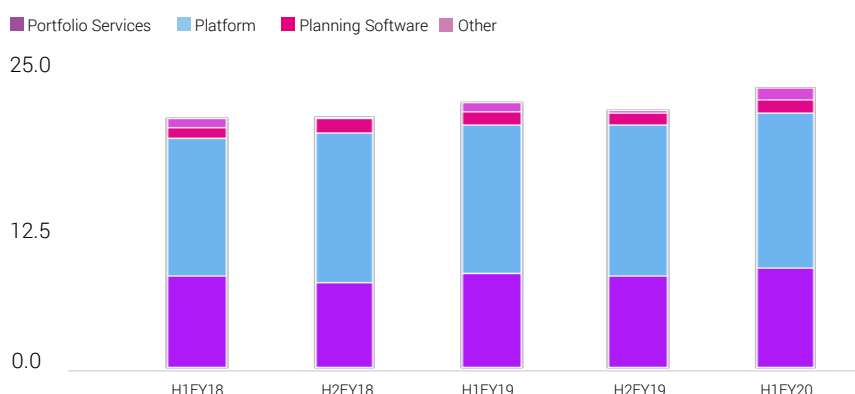
The Australian business continued its positive momentum this half, with revenue increasing by 13% on the first half of FY2019. Inflows to our Managed Accounts investment platform resulted in a 22% increase in platform revenue, while portfolio services revenue increased 6% from the growth of VMA and VMA Admin (VMAAS) portfolios. EBITDA for the Australian business was \$8.5 million, a 31% improvement compared to the first half of FY2019. EBITDA margins were 49% of revenue, highlighting the continued scale being delivered by the Australian business.

The Company continued investments to support revenue generating opportunities, with a 36% increase in sales & marketing to support the considerable pipeline of new business and maintain inflows momentum. R&D investment saw continued innovation in proprietary technology this half, with \$2.0 million capitalised to support the expansion of our new platform offering.

International

For segment reporting, International comprises the United Kingdom and Asia business units. International's EBITDA loss decreased 1% to \$1 million, comprising UK's EBITDA loss of \$0.6 million and Asia's EBITDA loss of \$0.4 million. Platform revenue was up 27%, from accelerating momentum in platform FUA which increased 22% this half. The UK business was impacted by outflows in the Smartfund Protected range of managed funds. This resulted in UK platform revenue declining by 18%. Asia's EBITDA loss decreased by 11% to \$0.4 million, with revenue increasing by 24% compared to the prior reporting period. This was due to an increase in WealthCraft CRM and planning software licences in 2019, which grew 29% internationally.

Product Revenue (\$m)



Expenses

Operating expenses were \$17.2 million for H1 FY2020, a 4% decrease compared to \$17.9 million in H1 FY2019. Key investments have been made in sales & marketing (\$5.6 million in expenses) to support the considerable pipeline of new business and accelerating inflows and R&D headcount (\$3.3 million in expenses) to support the release of new our platform offering. This cost growth was offset by lower product commissions from declining Smartfund flows and higher platform recoveries from increased trading this half.

Balance sheet & cashflow

The Group maintained a strong balance sheet during the half year with net assets of \$26.4 million and \$14.7 million held in cash. Total assets increased by 27% to \$44.9 million this half, including \$4.7 million recognised as lease assets under AASB16 Leases and \$2.0 million capitalised for R&D costs. Liabilities increased by 57% to \$18.5 million, with \$4.9 million recognised as lease liabilities under AASB16 Leases. Income tax payable at 31 December 2019 is \$1.7 million, following \$1.1 million in instalments for FY2020.

The Group is debt free and continues to generate positive cash flows, with operating cash flows increasing by 99% to \$3.8 million. \$0.7 million was paid in financing cashflows, from the adoption of AASB16 Leases. \$2.3 million was paid this half in Australian company taxes, from continuing improvement in this region's profits. The Group has strong cash reserves to further invest in earnings enhancing initiatives, including organic and strategic opportunities, as well as manage any future foreign currency impacts of our overseas operations.

Post balance-sheet events

There have been no matters or circumstances occurring subsequent to the end of the half year that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operation, or the state of affairs of the consolidated entity in future financial years.

Auditor's Independence Declaration



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Auditor's Independence Declaration

To the Directors of Praemium Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Praemium Limited for the half year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

egangemi

C S Gangemi
Partner – Audit & Assurance

Melbourne, 10 February 2020

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Accounts for the half year ended 31 December 2019

Consolidated Statement of Profit & Loss and Other Comprehensive Income

| | Note | Consolidated Entity 31 December 2019 \$ | Consolidated Entity 31 December 2018 \$ |
|--|------|---|---|
| Revenue from contracts with customers | 7 | 23,131,878 | 22,070,787 |
| Other income | | 1,091,212 | 888,914 |
| Platform trading & recovery | | 2,370,383 | 1,138,778 |
| Employee costs | | (13,692,328) | (12,150,731) |
| Depreciation, amortisation and impairments | | (2,155,641) | (724,635) |
| Legal, professional, advertising and insurance expense | | (2,914,277) | (2,230,054) |
| Commissions expense | | (777,648) | (1,821,632) |
| Travel expenses | | (697,363) | (654,059) |
| Telecommunication costs | | (196,213) | (148,700) |
| IT support | | (1,077,889) | (974,595) |
| Net foreign exchange gains | | 35,264 | 12,108 |
| Occupancy costs | | (258,489) | (1,016,234) |
| Other expenses | | (102,316) | (196,452) |
| Withholding tax not recoverable | | (137,478) | (93,926) |
| Restructure, arbitration and acquisition costs | | (614,734) | (994,449) |
| Share based payments | | (827,758) | (911,459) |
| Profit before income tax expense | | 3,176,603 | 2,193,661 |
| Income tax expense | | (1,767,698) | (1,560,014) |
| Profit for the year | | 1,408,905 | 633,647 |
| Other comprehensive income: | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Changes in the fair value of other financial assets | | - | (750) |
| Exchange differences on translation of foreign operations | | 278,673 | 144,781 |
| Total items that may be reclassified subsequently to profit or loss | | 278,673 | 144,031 |
| Other comprehensive income/(loss) for the period, net of tax | | 278,673 | 144,031 |
| Total comprehensive profit for the period | | 1,687,578 | 777,678 |
| Profit for the year attributable to Owners of the parent | | 1,687,578 | 777,678 |
| Total comprehensive profit attributable to Owners of the parent | | 1,687,578 | 777,678 |
| Earnings per share | | | |
| Basic earnings/(loss) per share (cents per share) | | 0.3 | 0.2 |
| Diluted earnings/(loss) per share (cents per share) | | 0.3 | 0.2 |

The accompanying notes form part of the financial statements.

Consolidated Statement of Financial Position

| | Note | Consolidated Entity 31 December 2019 \$ | Consolidated Entity 30 June 2019 \$ |
|--------------------------------------|------|---|---|
| Current assets | | | |
| Cash and cash equivalents | | 14,738,178 | 13,748,441 |
| Contract assets | | 2,409,412 | 1,825,897 |
| Trade and other receivables | | 4,701,031 | 3,901,355 |
| Prepayments | | 2,902,451 | 1,908,442 |
| Total current assets | | 24,751,072 | 21,384,135 |
| Non-current assets | | | |
| Other financial assets | | 1,380,459 | 1,363,476 |
| Property, plant and equipment | | 5,966,912 | 1,302,725 |
| Goodwill | | 2,894,253 | 2,810,502 |
| Intangible assets | | 7,972,568 | 7,118,779 |
| Deferred tax assets | | 1,900,865 | 1,398,641 |
| Total non-current assets | | 20,115,057 | 13,994,123 |
| TOTAL ASSETS | | 44,866,129 | 35,378,258 |
| Current liabilities | | | |
| Trade and other payables | | 5,893,682 | 6,013,280 |
| Provisions | | 1,572,401 | 1,492,999 |
| Lease liabilities | 5 | 1,224,114 | - |
| Contract liabilities | | 4,311,495 | 2,395,444 |
| Income tax payable | | 1,656,473 | 1,669,012 |
| Total current liabilities | | 14,658,165 | 11,570,735 |
| Non-current liabilities | | | |
| Provisions | | 153,876 | 128,721 |
| Lease liabilities | 5 | 3,635,779 | - |
| Deferred tax liability | | 59,254 | 105,907 |
| Total non-current liabilities | | 3,848,909 | 234,628 |
| TOTAL LIABILITIES | | 18,507,074 | 11,805,363 |
| NET ASSETS | | 26,359,055 | 23,572,895 |
| Equity | | | |
| Share capital | | 68,327,688 | 67,019,085 |
| Reserves | | 1,397,969 | 1,329,317 |
| Accumulated losses | | (43,366,602) | (44,775,507) |
| TOTAL EQUITY | | 26,359,055 | 23,572,895 |

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Equity

| Consolidated Entity 2019 | Ordinary Shares | Accumulated Losses | Foreign Currency Translation Reserve | Share based payments Reserve | Revaluation Reserve | Total |
|---|-------------------|---------------------|--------------------------------------|------------------------------|---------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Equity as at 1 July 2019 | 67,019,085 | (44,775,507) | (450,548) | 1,779,865 | - | 23,572,895 |
| Profit attributable to members of the parent entity | - | 1,408,905 | - | - | - | 1,408,905 |
| Other comprehensive income /(loss) | - | - | 278,673 | - | - | 278,673 |
| Total comprehensive income/(loss) | - | 1,408,905 | 278,673 | - | - | 1,687,578 |
| Transactions with owners in their capacity as owners | | | | | | |
| Issue of shares | 275,750 | - | - | - | - | 275,750 |
| Option expense | - | - | - | 822,832 | - | 822,832 |
| Exchange difference on option reserve | - | - | - | - | - | - |
| Transfer on exercise of options | 1,032,853 | - | - | (1,032,853) | - | - |
| Subtotal | 1,308,603 | - | - | (210,021) | - | 1,098,582 |
| Equity as at 31 December 2019 | 68,327,688 | (43,366,602) | (171,875) | 1,569,844 | - | 26,359,055 |
| Consolidated Entity 2018 | | | | | | |
| | Ordinary Shares | Accumulated Losses | Foreign Currency Translation Reserve | Option Reserve | Revaluation Reserve | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Equity as at 1 July 2018 | 65,371,547 | (46,292,755) | (593,302) | 1,743,038 | 51,415 | 20,279,943 |
| Change in accounting policy | - | (1,084,107) | - | - | - | (1,084,107) |
| Restated total equity at the beginning of the financial year | 65,371,547 | (47,376,862) | (593,302) | 1,743,038 | 51,415 | 19,195,836 |
| Profit attributable to members of the parent entity | - | 633,647 | - | - | - | 633,647 |
| Other comprehensive income /(loss) | - | - | 144,781 | - | (750) | 144,031 |
| Total comprehensive income/(loss) | - | 633,647 | 144,781 | - | (750) | 777,678 |
| Transactions with owners in their capacity as owners | | | | | | |
| Issue of shares | 34,770 | - | - | - | - | 34,770 |
| Option expense | - | - | - | 908,034 | - | 908,034 |
| Exchange difference on option reserve | - | - | - | 1 | - | 1 |
| Transfer on exercise of options | 1,554,495 | - | - | (1,554,495) | - | - |
| Subtotal | 1,589,265 | - | - | (646,460) | - | 942,805 |
| Equity as at 31 December 2018 | 66,960,812 | (46,743,215) | (448,521) | 1,096,578 | 50,665 | 20,916,319 |

Consolidated Statement of Cash Flows

| | Consolidated Entity 31 December 2019 \$ | Consolidated Entity 31 December 2018 \$ |
|---|---|---|
| Cash from operating activities: | | |
| Receipts from customers | 24,779,127 | 23,424,261 |
| Payments to suppliers and employees | (18,602,867) | (19,568,093) |
| Interest received | 9,049 | 14,054 |
| Unit trust distributions received | 1,227 | 3,130 |
| Income tax paid | (2,332,391) | (1,929,379) |
| Net cash provided from operating activities | 3,854,145 | 1,943,973 |
| Cash flows from investing activities: | | |
| Payments for property, plant and equipment | (170,156) | (154,565) |
| Payments for intangibles | (2,054,072) | (2,485,120) |
| Payment for investments | (5,325) | (157,414) |
| Net cash used in investing activities | (2,229,553) | (2,797,099) |
| Cash flows from financing activities: | | |
| Principal elements of lease payments | (740,306) | - |
| Net cash used in financing activities | (740,306) | - |
| Net cash increase /(decrease) in cash and cash equivalents | 884,286 | (853,126) |
| Cash and cash equivalents at beginning of year | 13,748,441 | 12,120,879 |
| Effect of exchange rates on cash holdings in foreign currencies | 105,451 | 44,749 |
| Cash and cash equivalents at end of year | 14,738,178 | 11,312,502 |

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

1. Notes to the Financial Statements

(a) General information

The half-year financial report is a general-purpose financial report that covers the consolidated position of Praemium Limited and controlled entities. Praemium Limited is a listed public company, incorporated and domiciled in Australia. This half-year financial report does not include all the notes of the type usually included in an annual financial report. It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2019 and any public announcements made by Praemium Ltd during the half year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The financial report for this half year is prepared in accordance with the same accounting policies, methods and computations as those used in the financial report for the year ended 30 June 2019.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 10 February 2020.

(b) Basis of preparation

The financial report of Praemium Limited and controlled entities has been prepared in accordance with AASB 134 "Interim Financial Reporting".

The financial report has been prepared on an accruals basis and is based on historical costs as modified by the revaluation of other financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(c) New Standards adopted as at 1 July 2019

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

AASB 16 became mandatorily effective on 1 July 2019. Accordingly, these standards apply for the first time to this set of interim financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

AASB 16 Leases

AASB 16 'Leases' replaces AASB 117 'Leases' and several lease-related Interpretations. The new Standard has been applied using the modified retrospective approach, with measurement of the lease liability at the date of initial application at the present value of the remaining lease payments based on the lessee's incremental borrowing rate over the remaining lease term. Prior periods have not been restated and there have been no adjustments to opening retained earnings on transition to AASB 16. For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from AASB 117 and Interpretation 4 and has not applied AASB 16 to arrangements that were previously not identified as lease under AASB 117 and Interpretation 4.

Instead of performing an impairment review on the right of use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.

On transition, the leases previously accounted for as operating leases with a remaining lease term of less than 12 months the Group has applied the optional exemption to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 4.91% for leases in Australia, between 1.8% to 3% for leases in the United Kingdom and 5% for leases in China (including Hong Kong). As Praemium Ltd historically and currently has zero debt, the group has considered future debt facilities in order to assess whether the position is representative of the underlying position of the business.

The value of the right-of-use asset at 1 July 2019 was 5,197,695, and 4,747,068 at 31 December 2019. Amortisation expense for the half year was 629,956. There was no adjustment made to the lease liability to arrive at the ROU balance as at 1 July 2019.

At 31 December 2019, the Group did not have any reasonably certain extension options.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

Notes to the Financial Statements

| | |
|---|------------------|
| Total operating lease commitments disclosed as at 30 June 2019 | 5,878,472 |
| Recognition exemptions | |
| Leases with remaining lease term less than 12 months | (92,434) |
| Operating lease liabilities before discounting | 5,786,038 |
| Discounted using incremental borrowing rate | (510,944) |
| Operating lease liabilities as at 1 July 2019 | 5,275,094 |

Other pronouncements

AASB Interpretation 23 Uncertainty over Income Tax Treatments

Interpretation 23 requires the assessment of whether the effect of uncertainty over income tax treatments should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Interpretation outlines the requirements to determine whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

The Company has adopted Interpretation 23 from 1 July 2019, based on an assessment of whether it is 'probable' that a taxation authority will accept an uncertain tax treatment. This assessment takes into account that for certain jurisdictions in which the company operates, a local tax authority may seek to open a company's books as far back as inception of the company. Where it is probable, the company has determined tax balances consistently with the tax treatment used or planned to be used in its income tax filings. Where the company has determined that it is not probable that the taxation authority will accept an uncertain tax treatment, the most likely amount or the expected value has been used in determining taxable balances (depending on which method is expected to better predict the resolution of the uncertainty). There has been no impact from the adoption of Interpretation 23 in this reporting period.

Other accounting pronouncements which have become effective from 1 July 2019 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

2. Significant Accounting Policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2019, except as described below.

Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 30 June 2019 are the relevant policies for the purposes of comparatives.

Leases

The Group has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 117.

Accounting policy applicable from 1 July 2019

The Group as a lessee

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured as the same value of the lease liability less any lease incentive.

The Group depreciates the right-of-use assets on a straight-line basis from 1 July 2019 to the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been disclosed separately under current and non-current liabilities.

Accounting policy applicable before 1 July 2019

The Group as a lessee

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged to the statement of profit & loss and other comprehensive income on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

3. Contractual Commitments and Contingencies

In July 2016, the Company has made a claim against a customer for additional billing for expense and delay incurred arising from project scope expansion and rework. Due to uncertainty surrounding this claim, including the potential of arbitration to finalise a determination, it is difficult to quantify the impact on the Company at this time.

4. Post Balance Sheet Events

There have been no matters or circumstances occurring subsequent to the end of the half year that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

5. Lease liabilities

Lease liabilities are presented in the statement of financial position within Lease liabilities as follows:

Lease liabilities

| | Consolidated Entity 31 December 2019 \$ | Consolidated Entity 31 December 2018 \$ |
|---------------------------------|---|---|
| Lease liabilities (current) | 1,224,114 | - |
| Lease liabilities (non-current) | 3,635,779 | - |
| | 4,859,893 | - |

| Minimum lease payments due | Within one year | One to two years | Two to three years | Three to four years | Four to five years | After five years | Total |
|----------------------------|------------------|------------------|--------------------|---------------------|--------------------|------------------|------------------|
| 31 December 2019 | | | | | | | |
| Lease payments | 1,385,315 | 1,045,403 | 1,116,616 | 654,624 | 488,445 | 607,447 | 5,297,850 |
| Finance charges | (161,199) | (117,600) | (77,488) | (41,596) | (26,475) | (13,599) | (437,957) |
| Net present values | 1,224,116 | 927,803 | 1,039,128 | 613,028 | 461,970 | 593,848 | 4,859,893 |

The group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less). Payments made under such leases are expensed on a straight-line basis.

Lease payments not recognised as a liability

| | Consolidated Entity 31 December 2019 \$ | Consolidated Entity 31 December 2018 \$ |
|-------------------|---|---|
| Short-term leases | 93,682 | - |

6. Segment information

Management has determined the operating segments based on the reports reviewed by the executive committee that are used to make strategic decisions. The committee considers performance on a geographic basis and has identified 2 reportable segments, being Australia, and International (combining the United Kingdom and Asia business units).

The following tables present information for reportable segments for the half year ended 31 December 2019 and 31 December 2018.

| Half Year Ended 31 December 2019 | Australia \$ | International \$ | Total \$ |
|---|-------------------|---------------------|-------------------|
| Revenue | | | |
| Total segment revenue | 17,363,771 | 5,768,107 | 23,131,878 |
| Revenue from external customers | 17,363,771 | 5,768,107 | 23,131,878 |
| EBITDA profit/(loss) | | | |
| Interest income | 8,904 | 145 | 9,049 |
| Interest expense | (50,888) | (46,985) | (97,873) |
| Intercompany interest and margin | 1,032,798 | (1,032,798) | - |
| Depreciation and amortisation | (1,506,137) | (649,504) | (2,155,641) |
| Unrealised FX | 46,919 | (10,780) | 36,139 |
| Unit trust income | 11,758 | - | 11,758 |
| Restructure, arbitration and acquisition costs | (549,011) | (65,723) | (614,734) |
| Withholding tax | (105,016) | (32,462) | (137,478) |
| Realised FX | - | (875) | (875) |
| Share based payments | (827,758) | - | (827,758) |
| Gain on disposal of investments | 90 | 3,530 | 3,620 |
| Net Profit / (Loss) Before Tax | 6,017,308 | (2,840,705) | 3,176,603 |
| Segment assets | 27,954,037 | 16,912,092 | 44,866,129 |
| Segment liabilities | (12,518,152) | (5,988,922) | (18,507,074) |
| Employee benefits expense | 8,583,141 | 5,109,187 | 13,692,328 |
| Additions to non-current assets (other than financial assets, deferred tax, post-employment benefit assets, rights arising under insurance contracts) | 2,126,025 | 98,203 | 2,224,228 |

| Half Year Ended 31 December 2018 | Australia \$ | International \$ | Total \$ |
|---|-------------------|---------------------|-------------------|
| Revenue | | | |
| Total segment revenue | 15,306,571 | 6,764,216 | 22,070,787 |
| Revenue from external customers | 15,306,571 | 6,764,216 | 22,070,787 |
| EBITDA profit/(loss) | | | |
| Interest | 14,011 | 43 | 14,054 |
| Intercompany interest and margin | 923,777 | (923,777) | - |
| Depreciation and amortisation | (374,564) | (350,071) | (724,635) |
| Unrealised FX | 19,329 | (5,346) | 13,983 |
| Unit trust income | 3,147 | - | 3,147 |
| Restructure, arbitration and acquisition costs | (516,919) | (477,530) | (994,449) |
| Withholding tax | (93,926) | - | (93,926) |
| Realised FX | - | (1,875) | (1,875) |
| Share based payments | (911,459) | - | (911,459) |
| Loss on disposal of investments | - | (167,535) | (167,535) |
| Net Profit/(Loss) Before Tax | 5,128,766 | (2,935,105) | 2,193,661 |
| Segment assets | 17,892,197 | 14,503,466 | 32,395,663 |
| Segment liabilities | (8,182,678) | (3,296,666) | (11,479,344) |
| Employee benefits expense | 7,233,925 | 4,916,806 | 12,150,731 |
| Additions to non-current assets (other than financial assets, deferred tax, post-employment benefit assets, rights arising under insurance contracts) | 2,391,035 | 248,650 | 2,639,685 |

(i) Segment Reconciliations

A reconciliation of segment revenue to entity revenue is provided as follows:

| | Consolidated Entity 31 December 2019 \$ | Consolidated Entity 31 December 2018 \$ |
|----------------------|---|---|
| Segment revenue | 23,131,878 | 22,070,787 |
| Total revenue | 23,131,878 | 22,070,787 |

(ii) EBITDA

A reconciliation of EBITDA to operating profit before income tax is provided as follows:

| | Consolidated Entity 31 December 2019 \$ | Consolidated Entity 31 December 2018 \$ |
|--|---|---|
| EBITDA | 6,950,396 | 5,056,356 |
| Depreciation and amortisation | (2,155,641) | (724,635) |
| Interest revenue | 9,049 | 14,054 |
| Interest expense | (97,873) | - |
| Unrealised FX | 36,139 | 13,983 |
| Realised FX | (875) | (1,875) |
| Unit trust income | 11,758 | 3,147 |
| Restructure, arbitration and acquisition costs | (614,734) | (994,449) |
| Withholding tax | (137,478) | (93,926) |
| Share based payments | (827,758) | (911,459) |
| Profit/(Loss) on disposal of investments | 3,620 | (167,535) |
| Net profit before tax | 3,176,603 | 2,193,661 |

(iii) Segment assets

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment. Reportable segments' assets are reconciled to total assets as follows:

| | Consolidated Entity 31 December 2019 \$ | Consolidated Entity 31 December 2018 \$ |
|----------------|---|---|
| Segment assets | 44,866,129 | 32,395,663 |

(iv) Segment liabilities

The amounts provided to the Board of Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. Reportable segments' liabilities are reconciled to total liabilities as follows:

| | Consolidated Entity 31 December 2019 \$ | Consolidated Entity 31 December 2018 \$ |
|---------------------|---|---|
| Segment liabilities | (18,507,074) | (11,479,344) |

(b) Entity-wide information

The entity is domiciled in Australia. The amount of revenue from external customers in Australia is \$17,363,771 (2018: \$15,306,571) and the total revenue from external customers in other countries is \$5,768,107 (2018: \$6,764,216). Segment revenues are allocated based on the country in which revenue and profit are derived.

7. Revenue from contracts with customers

| | Consolidated Entity 31 December 2019 \$ | Consolidated Entity 31 December 2018 \$ |
|--|---|---|
| Revenue from: | | |
| Managed accounts & investment management | 13,421,762 | 12,879,022 |
| Portfolio services & administration | 8,544,744 | 8,062,312 |
| Financial planning software | 1,165,372 | 1,129,453 |
| Total revenue | 23,131,878 | 22,070,787 |

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 14 to 25 in accordance with the Corporations Act 2001:

- a) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001, and;
- b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2019 and of its performance as represented by the results of the its operations and its cash flows for the half year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that Praemium Limited will be able to pay its debts as and when they become payable.

This declaration is made in accordance with a resolution of Directors.



Barry Lewin – Chairman

Dated 10 February 2020

Independent Audit Report



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Independent Auditor's Report

To the Members of Praemium Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Praemium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Praemium Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Praemium Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

cgangemi

C S Gangemi
Partner – Audit & Assurance

Melbourne, 10 February 2020

Notes

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Notes

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