

# Praemium Half Year Report



31 December 2020

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Founded in 2001, Praemium Limited is a leading provider of portfolio administration, investment platforms and financial planning tools to the wealth management industry.

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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

<b>Name of entity:</b>	Praemium Limited
<b>ABN:</b>	74 098 405 826
<b>Reporting period:</b>	Half year ended 31 December 2020
<b>Previous corresponding period:</b>	Half year ended 31 December 2019

### Results

<b>Revenue from ordinary activities</b>	Increased 21% to 30,670,252
<b>Profit from ordinary activities after tax attributable to members*</b>	Decreased 97% to 62,923
<b>Net profit for the period attributable to members</b>	Increased 113% to 2,996,558

\* Excludes restructure, arbitration and acquisition costs and unrealised gain in financial instruments

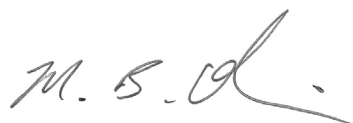
### Brief explanation of the figures reported above

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 2020

	Current period	Previous period
<b>Net tangible assets per security*</b>	1.5	2.6
<b>Details of entities over which control has been gained during the period</b>		
<b>Entity</b>	Powerwrap Limited and MWH Capital Pty Ltd	
<b>Date of control</b>	4 September 2020	
<b>Net profit during the period</b>	1,260,640	Not applicable
<b>Dividends</b>	No dividends are proposed for the period	
<b>Additional dividend information</b>	There was no dividend declared or paid during or subsequent to the current period or prior corresponding period	
<b>Dividend reinvestment plan</b>	Not applicable	
<b>Details of associates and joint venture entities</b>	Not applicable	
<b>Compliance Statement</b>	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

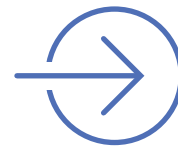


# Half Year Highlights



21%

increase in revenue  
from ordinary activities



\$1.85bn

record net flows



113%

increase in NPAT



98%

increase in EPS

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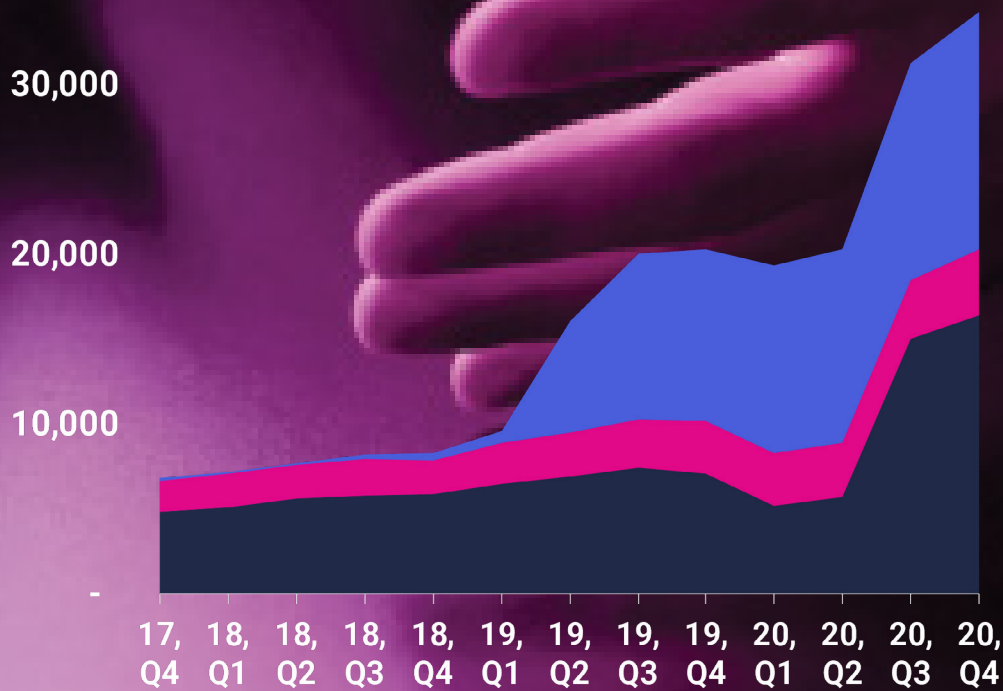
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# \$34.3bn

funds under administration

FUA, platform & funds (\$m)

■ Aust ■ Int'l ■ VMAAS



# Directors' Report

The Directors present this report, together with the condensed financial report for the half year ended 31 December 2020, and an independent review report thereon. The consolidated entity consists of Praemium Limited and the entities it controls. 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 (resigned 23 November 2020)\*

Anthony Wamsteker – Non-Executive Director (appointed 23 November 2020)

Michael Ohanessian – Managing Director & CEO

\* Claire will continue to attend Board meetings in an advisory capacity until re-appointed by shareholders

## 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).

In October 2020, Praemium completed the off-market takeover of Powerwrap Limited, one of Australia's leading wealth management platforms. Powerwrap offers a comprehensive suite of investment, administration and shared services to high net worth investors, with a broad range of investments and comprehensive set of administration and reporting tools for portfolio management. The addition of Powerwrap, which already utilises Praemium's core technology, positions Praemium to deliver a holistic wealth management solution on a single platform.

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 SIPPs.

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

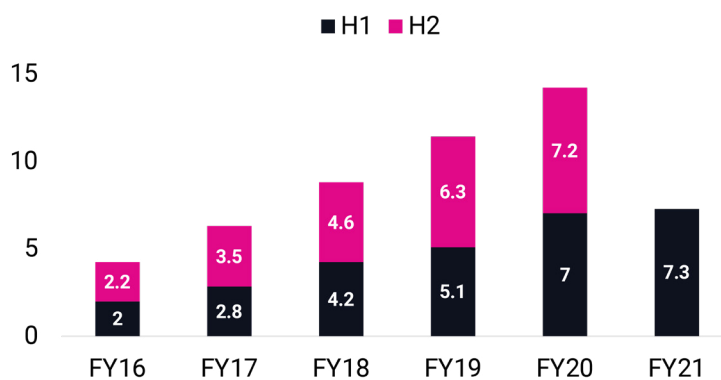
## Financial metrics

Results summary	H1 FY21 \$000	H1 FY20 \$000	Change \$'000	Change %
Revenue & other income	31,714	26,517	5,197	20%
Expenses	24,402	19,567	4,835	25%
<b>EBITDA (underlying)*</b>	<b>7,312</b>	<b>6,950</b>	<b>362</b>	<b>5%</b>
Net Profit before Tax	4,590	3,177	1,413	44%
Net Profit after Tax	2,997	1,409	1,588	113%
<b>Cash</b>	<b>28,888</b>	<b>14,738</b>	<b>14,150</b>	<b>96%</b>
Net Assets	80,993	26,359	54,634	207%
Operating Cashflow	2,173	3,854	(1,681)	(44%)

\*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 (-1.6 million), share based payments (-1.7 million) and unrealised gain on financial instruments (4.6 million).

## Underlying EBITDA \$m



## Service metrics

Revenue by region	H1 FY21	H1 FY20	Change \$	Change %
Australia Revenue (\$'000)	25,258	19,658	5,600	28%
International Revenue (\$'000)	5,412	5,768	(356)	(6%)
Portfolios (VMA)	57,873	54,813	3,060	6%
Platform FUA	20,350	10,240	10,110	99%
<b>Total FUA</b>	<b>34,324</b>	<b>20,305</b>	<b>14,019</b>	<b>69%</b>

# Operations and Business

## Managed Accounts

The Praemium Managed Accounts platform is the market leader in the Australian market. With over 12 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 \$20 billion for the first time. Global platform funds under administration (FUA) reached \$20.35 billion as at 31 December 2020, up 99% in the past 12 months following the addition of Powerwrap's FUA. Our growth is expected to continue, both from existing clients' increased inflows and from new clients incorporating Managed Accounts into their business models.

In Australia, platform FUA increased 132% over the 12 months to \$16.4 billion at 31 December 2020. This continued growth was from a diverse mix of clients and the addition of Powerwrap FUA, offsetting a key client transition that continued during the year. Praemium's integrated Managed Accounts platform and acquisition of Powerwrap's investment 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 development of its full-service platform. This half we launched margin lending for international SMA's and through Powerwrap, an alternative investments platform for Qualis Capital. New digital capability included expanded API capability for model managers, a new dealer communication solution and Microsoft 365 integration available for larger advice groups. We continued to expand our market-leading reporting capability, with a range of new asset allocation benchmark settings for performance, expanded range of asset classes, and a new exclusion report that helps advisers track their clients' managed account substitutions, exclusions or ESG restrictions.

Internationally, platform FUA increased 24% over the 12 months to \$3.9 billion at 31 December 2020. This growth was from record inflows, with 2020 net platform inflows of \$830 million for the International business, 7% 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 2,138 schemes at 31 December 2020, a 52% increase.

Key platform developments this half included the launch of a payments dashboard giving International advisers real time visibility and control of platform payments, the expansion of WealthCraft's digital fact find capability and the progression of WealthCraft's integrated account opening experience to beta trial.

The half also saw Praemium awarded the winner of Best International Platform at the International Adviser Awards in London for the 3rd consecutive year.

## Investment management

In the UK, our in-house investment management solution decreased by 11% to \$632 million in the past 12 months. This was impacted by outflows from the Smartfund managed funds with FUA declining by 24%, while model portfolios and multi asset funds remained steady across the 12 months.

## Portfolio administration and reporting

Our non-custodial capabilities continue to expand with both SaaS based (VMA) and administration services (VMAAS) portfolios and FUA increasing this half. 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.

FUA of Praemium's VMA administration service (VMAAS) grew 39% over the year from \$10.1 billion to \$14.0 billion at 31 December 2020. This growth is evidence that our fully integrated managed accounts platform provides real value for advisers, enabling them to tailor solutions for all clients. We expect continued growth from our strength in portfolio administration and reporting remaining a unique and long-term competitive advantage.

# Comments on financial performance

## 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 44 to 51 in 2020, a 16% increase, with WealthCraft licences increasing to 1,000 for the first time, a 18% 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 2021 financial year. Combined with strong platform cross-sell, we expect Praemium's financial advice software opportunities to continue to grow.

## Trading performance

The consolidated profit after tax attributable to the members of the Group was \$2,996,558, a 113% increase compared to the profit after tax of \$1,408,905 for the half year to 31 December 2019.

Revenue and other income increased to \$31.7 million for the 6 months to December 2020, a 20% increase compared to the 6 months to December 2019. FY20 revenue comparisons is based on restated amounts through the application of AASB 15 Revenue from Contracts with Customers, resulting in an increase of \$2.3 million to Australia platform revenue. Trading results this half included the acquisition of Powerwrap Limited for the first time.

## Revenue by product

Platform revenue increased 34% to \$21.1 million, with the Company deriving platform revenue primarily from basis points fees of total funds on our investment platform. Australian platform revenue increased 52% to \$16.8 million, including \$6.9 million in revenue from the acquisition of Powerwrap. However, revenue was impacted by declining equity markets in the early part of this half and outflows from a transitioning client, with revenue on Praemium's managed accounts platform down 11% to \$9.9 million.

International platform revenues grew 20% this half, with platform FUA up 24% compared to December 2019. This increase was offset from outflows in our Smartfund Protected range of funds, resulting in overall International revenues declining 8% to \$4.3 million.

Portfolio Services revenue increased 9% to \$8.0 million, excluding Powerwrap licenced revenue which transitioned to platform revenue following its acquisition this half. This growth was driven from increasing VMA portfolios and in particular VMA Admin (VMAAS) portfolios on-boarded this half which saw VMAAS revenue increase by 85%. Including Powerwrap revenue prior to the acquisition, Portfolio Services revenue decreased 1% to \$8.4 million.

Planning Software revenue declined by 2% to \$1.1 million. This period's result also included \$1.0 million in other income relating to FY2020's research & development incentive in the UK.

## Australia

The Australian business saw revenue increase by 28% to \$25.3 million on the first half of FY2020, with the inclusion of Powerwrap from 4 September 2020. Australian platform FUA increased 132% to \$16.4 billion, with Australian platform revenue increasing 52% to \$16.8 million. Portfolio Services revenue increased 9% from the growth of VMA and VMA Admin (VMAAS) portfolios.

EBITDA (excluding corporate costs of \$0.5 million) for the Australian business was \$8.4 million, a 1% decline compared to the first half of FY2020. EBITDA margins were 33% of revenue, compared to 43% for the corresponding period last year after the adoption of AASB 15 Revenue from Contracts with Customers. This was a result of incorporating Powerwrap's results following its acquisition and continued investments in sales & marketing to support revenue generating opportunities. R&D investment saw continued innovation in proprietary technology this half, with \$3.0 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 41% to \$0.6 million, comprising UK's EBITDA loss of \$0.2 million and Asia's EBITDA loss of \$0.4 million. Platform revenue was up 20%, from accelerating momentum in platform FUA which increased 24% 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 8%. Asia's EBITDA loss increased by 5% to \$0.4 million, with revenue increasing by 12% compared to the prior reporting period. This was due to an increase in WealthCraft CRM and planning software licences in 2020, which grew 26% internationally.

## Expenses

Operating expenses were \$24.4 million for H1 FY2021, a 25% increase compared to H1 FY2020. The acquisition of Powerwrap resulted in a \$5.1 million increase in expenses. The Company also continued key investments in sales & marketing (\$6.9 million in expenses, a 24% increase) to support the considerable pipeline of new business and accelerating inflows and R&D (\$3.2 million in expenses) to support continued development of our platform offering. This cost growth was offset by lower product commissions from declining Smartfund flows.

## Balance sheet & cashflow

The Group maintained a strong balance sheet during the half year with net assets of \$81.0 million, an increase of 165% from 30 June 2020. Total assets increased by 139% to \$117.8 million this half, including \$68.5 million recognised as intangibles. Liabilities increased by 98% to \$36.9 million, with \$15.1 million in loan funding to support the Powerwrap acquisition.

Cash reserves increased to \$28.9 million, with \$14.6 million acquired under the Powerwrap takeover. The Group continues to generate positive cash flows, with operating cash flows of \$2.2 million.

\$2.2 million was paid this half in Australian company taxes from ongoing 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 2020, 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 2021

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# Accounts for the half year ended 31 December 2020

## Consolidated Statement of Profit & Loss and Other Comprehensive Income

	Note	Consolidated Entity 31 December 2020 \$	Consolidated Entity 31 December 2019 \$
Revenue from contracts with customers	7	30,670,252	25,426,252
Other income		1,043,283	1,091,212
Platform trading & recovery		(1,539,520)	76,009
Employee costs		(16,454,876)	(13,692,328)
Depreciation, amortisation and impairments		(3,623,721)	(2,155,641)
Legal, professional, advertising and insurance expense		(3,196,744)	(2,914,277)
Commissions expense		(580,201)	(777,648)
Travel expenses		(45,516)	(697,363)
Telecommunication costs		(153,799)	(196,213)
IT support		(1,856,829)	(1,077,889)
Net foreign exchange gains/(losses)		(53,245)	35,264
Occupancy costs		(368,219)	(258,489)
Interest on lease liabilities		(100,838)	(97,873)
Other expenses		(287,958)	(14,974)
Withholding tax not recoverable		(167,129)	(137,478)
Restructure, arbitration and acquisition costs		(1,573,294)	(614,734)
Share based payments		(1,696,369)	(827,758)
Unrealised gain/ (loss) on financial instruments	5	4,574,795	10,531
<b>Profit before income tax expense</b>		<b>4,590,072</b>	<b>3,176,603</b>
Income tax expense		(1,593,514)	(1,767,698)
<b>Profit for the year</b>		<b>2,996,558</b>	<b>1,408,905</b>
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(310,304)	278,673
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(310,304)</b>	<b>278,673</b>
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>(310,304)</b>	<b>278,673</b>
<b>Total comprehensive profit for the period</b>		<b>2,686,254</b>	<b>1,687,578</b>
Profit for the year attributable to Owners of the parent		2,686,254	1,687,578
<b>Total comprehensive profit attributable to Owners of the parent</b>		<b>2,686,254</b>	<b>1,687,578</b>
<b>Earnings per share</b>			
Basic earnings per share (cents per share)		0.7	0.3
Diluted earnings per share (cents per share)		0.6	0.3

The accompanying notes form part of the financial statements.

## Consolidated Statement of Financial Position

	Note	Consolidated Entity 31 December 2020 \$	Consolidated Entity 30 June 2020 \$
<b>Current assets</b>			
Cash and cash equivalents		28,887,903	15,914,653
Contract assets		3,423,738	2,573,040
Trade and other receivables		4,168,587	3,885,841
Prepayments		3,938,295	2,047,856
Income tax receivable		288,889	-
<b>Total current assets</b>		<b>40,707,412</b>	<b>24,421,390</b>
<b>Non-current assets</b>			
Other financial assets		2,126,672	6,496,793
Property, plant and equipment		5,978,564	5,050,139
Goodwill	5	54,605,535	2,810,853
Intangible assets		13,893,313	9,217,618
Deferred tax assets		535,783	1,233,401
<b>Total non-current assets</b>		<b>77,139,867</b>	<b>24,808,804</b>
<b>TOTAL ASSETS</b>		<b>117,847,279</b>	<b>49,230,194</b>
<b>Current liabilities</b>			
Trade and other payables		8,945,703	6,653,332
Provisions		2,625,870	1,258,069
Lease liabilities		3,593,462	3,202,173
Contract liabilities		3,150,144	3,787,821
Income tax payable		-	1,322,920
Borrowings		3,118,983	-
<b>Total current liabilities</b>		<b>21,434,162</b>	<b>16,224,315</b>
<b>Non-current liabilities</b>			
Provisions		489,975	200,902
Borrowings		12,000,000	-
Lease liabilities		1,457,816	1,024,360
Deferred tax liability		1,472,242	1,193,562
<b>Total non-current liabilities</b>		<b>15,420,033</b>	<b>2,418,824</b>
<b>TOTAL LIABILITIES</b>		<b>36,854,195</b>	<b>18,643,139</b>
<b>NET ASSETS</b>		<b>80,993,084</b>	<b>30,587,055</b>
<b>Equity</b>			
Share capital		115,978,500	68,402,062
Reserves		1,930,166	2,097,133
Accumulated losses		(36,915,582)	(39,912,140)
<b>TOTAL EQUITY</b>		<b>80,993,084</b>	<b>30,587,055</b>

The accompanying notes form part of the financial statements.

## Consolidated Statement of Changes in Equity

Consolidated Entity 2020	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Share based payments Reserve	Total
	\$	\$	\$	\$	\$
<b>Equity as at 1 July 2020</b>	<b>68,402,062</b>	<b>(39,912,140)</b>	<b>(626,149)</b>	<b>2,723,282</b>	<b>30,587,055</b>
Profit attributable to members of the parent entity	-	2,996,558	-	-	2,996,558
Other comprehensive income /(loss)	-	-	(310,304)	-	(310,304)
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>2,996,558</b>	<b>(310,304)</b>	<b>-</b>	<b>2,686,254</b>
<b>Transactions with owners in their capacity as owners</b>					
Issue of shares	-	-	-	-	-
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	46,030,330	-	-	-	46,030,330
Option expense	-	-	-	1,689,445	1,689,445
Transfer on exercise of options	1,546,108	-	-	(1,546,108)	-
Subtotal	47,576,438	-	-	143,337	47,719,775
<b>Equity as at 31 December 2020</b>	<b>115,978,500</b>	<b>(36,915,582)</b>	<b>(936,453)</b>	<b>2,866,619</b>	<b>80,993,084</b>
<b>Consolidated Entity 2019</b>					
	\$	\$	\$	\$	\$
<b>Equity as at 1 July 2019</b>	<b>67,019,085</b>	<b>(44,775,507)</b>	<b>(450,548)</b>	<b>1,779,865</b>	<b>23,572,895</b>
Profit attributable to members of the parent entity	-	1,408,905	-	-	1,408,905
Other comprehensive income /(loss)	-	-	278,673	-	278,673
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>1,408,905</b>	<b>278,673</b>	<b>-</b>	<b>1,687,578</b>
<b>Transactions with owners in their capacity as owners</b>					
Issue of shares	275,750	-	-	-	275,750
Option expense	-	-	-	822,832	822,832
Transfer on exercise of options	1,032,853	-	-	(1,032,853)	-
Subtotal	1,308,603	-	-	(210,021)	1,098,582
<b>Equity as at 31 December 2019</b>	<b>68,327,688</b>	<b>(43,366,602)</b>	<b>(171,875)</b>	<b>1,569,844</b>	<b>26,359,055</b>

The accompanying notes form part of the financial statements.



## Consolidated Statement of Cash Flows

	Consolidated Entity 31 December 2020 \$	Consolidated Entity 31 December 2019 \$
<b>Cash from operating activities:</b>		
Receipts from customers	32,144,226	24,779,127
Payments to suppliers and employees	(26,618,925)	(18,602,867)
Transaction costs relating to acquisition of subsidiary	(1,175,900)	-
Interest received	35,522	9,049
Unit trust distributions received	867	1,227
Income tax paid	(2,212,335)	(2,332,391)
<b>Net cash provided from operating activities</b>	<b>2,173,455</b>	<b>3,854,145</b>
<b>Cash flows from investing activities:</b>		
Acquisition of subsidiaries, net of cash acquired	1,226,574	-
Payments for Investments	(509,910)	(5,325)
Payment for Intangibles	(3,448,528)	(2,054,072)
Payment for property, plant and equipment	(150,780)	(170,156)
<b>Net cash used in investing activities</b>	<b>(2,882,644)</b>	<b>(2,229,553)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	15,000,000	-
Principal elements of lease payments	(806,645)	(740,306)
<b>Net cash provided by/ (used in) financing activities</b>	<b>14,193,355</b>	<b>(740,306)</b>
<b>Net cash increase /(decrease) in cash and cash equivalents</b>	<b>13,484,166</b>	<b>884,286</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>15,914,653</b>	<b>13,748,441</b>
Effect of exchange rates on cash holdings in foreign currencies	(510,916)	105,451
<b>Cash and cash equivalents at end of year</b>	<b>28,887,903</b>	<b>14,738,178</b>

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 2020 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 interim financial statements have been approved and authorised for issue by the Board of Directors on 10 February 2021.

### (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 2020

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.

### (d) Critical accounting estimates and judgments

When preparing the Interim Financial Statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the Interim Financial Statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2020.

## 2. Significant Accounting Policies

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 2020.

## 3. Contractual Liabilities

The Group did not have any contingent liabilities for the half year ended 31 December 2020.

## 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. Business Combination

### (i) Summary of acquisition

On 9 July 2020, Praemium Ltd announced an off-market conditional takeover bid for all of the issued fully paid ordinary shares of Powerwrap Ltd which it did not presently hold.

With Praemium and Powerwrap both ASX listed entities, the acquisition was conducted via an agreed off-market takeover to acquire 85% of the outstanding shares of Powerwrap not already owned by Praemium. The offer was subject to Defeating Conditions, which were waived on 28 August 2020, therefore making acceptances binding. On 4 September 2020, acceptances received were greater than 50% and when the offer closed, acceptances reached 94%. The remaining 6% of shareholders was completed via compulsory acquisition on 6 November 2020.

Management have determined that control was obtained on 4 September 2020 when greater than 50% of acceptances were received, making this the date of acquisition.

Praemium and Powerwrap both operate in the investment platform market, a high growth sub-set of the Australian financial investments market, with total platform funds under administration (FUA) in excess of \$850 billion. The combined business will be positioned as a platform provider of choice for many of Australia's leading advisor groups, creating a strong contender in both the high-net-wealth segment and the broader investment platform market. Combining the resources and capabilities of both Praemium and Powerwrap will create a business with greater scale, international reach, improved inflows, a more diversified customer base, improved liquidity and a larger and more flexible balance sheet.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

<b>Purchase consideration</b>	<b>\$</b>
Cash paid	13,417,890
Ordinary shares issued	46,075,069
Total purchase consideration	59,492,959

On the acquisition date, the Group held 31,082,272 (15.1%) Powerwrap shares previously accounted for as a financial asset at fair value through profit or loss. Under AASB 3 Business Combinations, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss in profit or loss or other comprehensive income.

Accordingly, the shares were revalued from \$5,128,575 to \$9,635,504. A cumulative gain of \$4,506,929 arose from changes in the fair value of the investment and was recognised under unrealised gain on financial instruments in the statement of profit and loss and other comprehensive income.

The fair value of the 89,466,154 shares issued as part of the consideration paid for Powerwrap Ltd (\$46,075,069) was based on the published share price on 4 September 2020 of \$0.515 per share.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value \$
Cash and cash equivalents	14,644,463
Trade and other receivables	1,044,409
Contract assets	1,981,200
Prepayments	528,418
Other financial assets	220,387
Property, plant and equipment	359,253
Right-of-use asset	975,663
Intangible Assets: Database	3,704,032
Trade and other payables	(3,416,426)
Contract liabilities	(314,248)
Provisions	(1,207,421)
Lease Liabilities	(1,054,539)
Net identifiable assets acquired	17,465,191
Add: goodwill	51,663,272
<b>Net assets acquired</b>	<b>69,128,463</b>

The following table shows the movements in goodwill.

	6 months to 31 December 2020 \$	6 months to 31 December 2019 \$
<b>Gross carrying amount</b>		
Balance at beginning of period	2,810,853	2,810,502
Acquired through business combination	51,663,272	-
Net exchange difference	154,410	106,751
<b>Balance at end of the period</b>	<b>54,628,535</b>	<b>2,917,253</b>
<b>Accumulated impairment</b>		
Balance at beginning of period	(23,000)	(23,000)
Impairment loss recognised	-	-
Net exchange difference	-	-
<b>Balance at end of the period</b>	<b>(23,000)</b>	<b>(23,000)</b>
<b>Carrying amount at end of the period</b>	<b>54,605,535</b>	<b>2,894,253</b>

The goodwill on acquisition arises as a result of the difference between the consideration paid for the business and the fair value of the net assets acquired. While it is attributable to the scale and synergy benefits of combining the companies, it has been provisionally determined and will be assessed for separately recognised intangible assets in the coming half year.

(ii) Revenue and profit contribution

The acquired business contributed revenues of \$6,895,223 and net profit of \$1,260,640 to the Group for the period from 4 September to 31 December 2020.

The period between the beginning of the annual reporting period and the date of acquisition was not business as usual due to the announcement of the takeover, making it impracticable to determine revenue and profit or loss generated in that period.

(iii) Acquisition-related costs

Acquisition-related costs of \$1,175,900 (2019: \$291,398) that were not directly attributable to the issue of shares are included in restructure, arbitration and acquisition costs in the statement of profit or loss and other comprehensive income and in operating cash flows in the statement of cash flows.

(iv) Previously held investment in Powerwrap Ltd

On the acquisition date, the Group's 15.1% investment in Powerwrap Ltd, previously accounted for as a financial asset at fair value through profit or loss was revalued to Powerwrap Ltd's share price on acquisition date. On that date, a cumulative gain of \$4,506,929 arose from changes in the fair value of the investment and has been recognised under unrealised gain on financial instruments in the statement of profit and loss and other comprehensive income. The previously held investment is considered part of what was given up by the Group to obtain control of Powerwrap Ltd. Accordingly, the fair value of the investment is included in the determination of goodwill.

(v) Provisional accounting

While the financial effects of the transaction have been brought to account at 31 December 2020, the determination of the goodwill and its composition is incomplete. Due to the complexity and timing of the transaction, new information may arise from facts and circumstances that existed at the acquisition date and adjustments will be disclosed in the annual report for the period ending 30 June 2021.

(vi) Change in accounting policy

Management have re-assessed the useful life of the capitalised software costs. Core applications and front-end user interface previously had a useful life of 10 years and 7 years respectively. Both have been decreased to 3 years, based on an estimate of customers' future term using Praemium's services.

There were no other material policy changes relating to the integration of the Powerwrap during the half year ending 31 December 2020.

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## 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 Board uses underlying EBITDA as a measure to assess the performance of the segments. This excludes the effects of significant items of income and expenditure which are the result of an isolated, non-recurring event and may have an impact on the quality of earnings such as restructuring costs and acquisition costs. It also excludes the effects of equity-settled share-based payments and unrealised gains or losses on financial instruments.

Interest income and expenditure are not allocated to segments, as this type of activity is driven by the treasury function, which manages the cash position of the Group.

The following tables present information for reportable segments for the half year ended 31 December 2020 and 31 December 2019.

Half Year Ended 31 December 2020	Australia \$	International \$	Total \$
<b>Revenue</b>			
Total segment revenue	25,258,127	5,412,125	30,670,252
<b>Revenue from external customers</b>	<b>25,258,127</b>	<b>5,412,125</b>	<b>30,670,252</b>
<b>EBITDA profit/(loss)</b>	<b>7,902,362</b>	<b>(589,897)</b>	<b>7,312,465</b>
Interest income	35,507	15	35,522
Interest expense	(180,052)	(39,769)	(219,821)
Intercompany interest and margin	1,448,525	(1,448,525)	-
Depreciation and amortisation	(3,020,732)	(602,989)	(3,623,721)
Unrealised FX	(24,534)	(28,646)	(53,180)
Unit trust income	4,575,664	-	4,575,664
Restructure, arbitration and acquisition costs	(1,292,313)	(280,981)	(1,573,294)
Withholding tax	(144,853)	(22,276)	(167,129)
Realised FX	(54)	(11)	(65)
Share based payments	(1,696,369)	-	(1,696,369)
<b>Net Profit/(Loss) Before Tax</b>	<b>7,603,151</b>	<b>(3,013,079)</b>	<b>4,590,072</b>
Segment assets	101,630,887	16,216,392	117,847,279
Segment liabilities	(31,470,892)	(5,383,303)	(36,854,195)
Employee benefits expense	11,728,075	4,726,801	16,454,876
Additions to non-current assets (other than financial assets, deferred tax, post-employment benefit assets, rights arising under insurance contracts)	3,103,473	495,835	3,599,308

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Half Year Ended 31 December 2019	Australia \$	International \$	Total \$
<b>Revenue</b>			
Total segment revenue	19,658,145	5,768,107	25,426,252
<b>Revenue from external customers</b>	<b>19,658,145</b>	<b>5,768,107</b>	<b>25,426,252</b>
<b>EBITDA profit/(loss)</b>			
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
<b>Net Profit / (Loss) Before Tax</b>	<b>6,017,308</b>	<b>(2,840,705)</b>	<b>3,176,603</b>
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

#### (i) Segment Reconciliations

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

	Consolidated Entity 31 December 2020 \$	Consolidated Entity 31 December 2019 \$
Segment revenue	30,670,252	25,426,252
<b>Total revenue</b>	<b>30,670,252</b>	<b>25,426,252</b>

## (ii) EBITDA

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

	Consolidated Entity 31 December 2020 \$	Consolidated Entity 31 December 2019 \$
EBITDA	7,312,465	6,950,396
Depreciation and amortisation	(3,623,721)	(2,155,641)
Interest revenue	35,522	9,049
Interest expense	(219,821)	(97,873)
Unrealised FX	(53,180)	36,139
Realised FX	(65)	(875)
Unit trust income	4,575,664	11,758
Restructure, arbitration and acquisition costs	(1,573,294)	(614,734)
Withholding tax	(167,129)	(137,478)
Share based payments	(1,696,369)	(827,758)
Profit on disposal of investments	-	3,620
<b>Net profit before tax</b>	<b>4,590,072</b>	<b>3,176,603</b>

## (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 2020 \$	Consolidated Entity 31 December 2019 \$
Segment assets	117,847,279	44,866,129

## (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 2020 \$	Consolidated Entity 31 December 2019 \$
Segment liabilities	(36,854,195)	(18,507,074)

## (b) Entity-wide information

The entity is domiciled in Australia. The amount of revenue from external customers in Australia is \$25,258,127 (2019: \$19,658,145) and the total revenue from external customers in other countries is \$5,412,125 (2019: \$5,768,107). 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 2020 \$	Consolidated Entity 31 December 2019 \$
Revenue from:		
Managed accounts & investment management	21,103,570	15,716,136
Portfolio services & administration	8,423,654	8,544,744
Financial planning software	1,143,028	1,165,372
<b>Total revenue</b>	<b>30,670,252</b>	<b>25,426,252</b>

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# 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 2020 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 2021

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# 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 2020, 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 2020, 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*.

### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

### 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.

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#### 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 2020 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.

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.

*Grant Thornton*

Grant Thornton Audit Pty Ltd  
Chartered Accountants

*C S Gangemi*

C S Gangemi  
Partner – Audit & Assurance

Melbourne, 10 February 2021

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