Praemium Half Year Report

31 December 2018

Praemium Limited ACN: 098 405 826

Founded in 2001, Praemium's mission is to assist wealth advisers deliver great investor experiences and outcomes.

We support our client base globally with our presence across Australia, UK, Europe, Middle East and Asia.

Contents

Praemium is a global leader in the provision of Managed Accounts, investment administration and financial planning technology platforms.

Our platform is now used across the globe by over 500,000 investors, covering over $110 billion in funds globally, and currently provides services to over 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 2018
Previous corresponding period:	Half year ended 31 December 2017

Results for announcement to the market

Revenue from ordinary activities	Increased 8% to 22,087,988
Profit from ordinary activities before tax attributable to members	Decreased 3% to 3,188,110*
Net profit for the period attributable to members	Decreased 13% to 633,647

*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 2018

	Current period	**Previous period**
Net tangible assets per ordinary security	3.1	3.4
Control gained/lost 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.	

M. B. Oh

Michael Ohanessian – CEO
11 February 2019

Half Year Highlights

8%
increase in revenue

$1.4bn
inflows in 6 months

Winner
International Platform of the Year

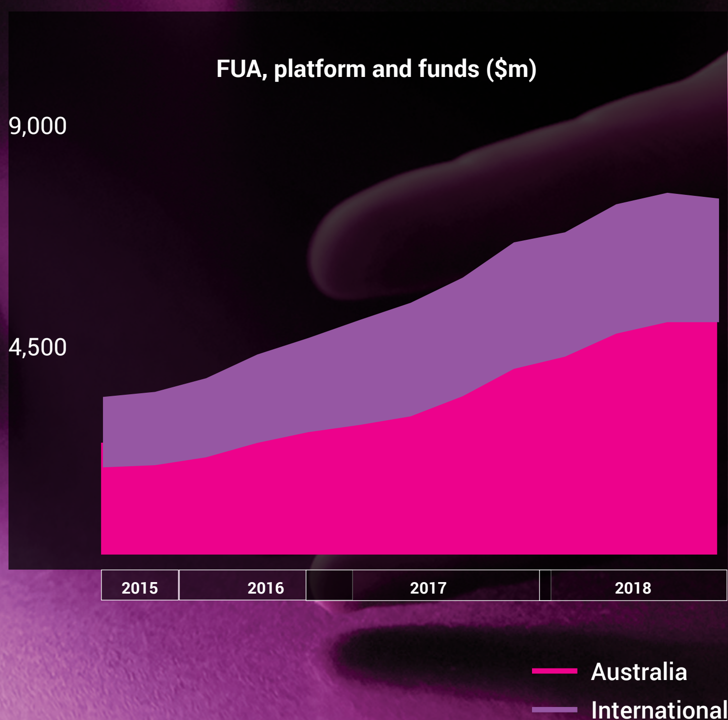
14%
increase in Funds Under Administration

19%
increase in underlying EBITDA

10th
consecutive half of profit increase

$8.4bn

funds on platform



Directors' Report

The Directors present this report, together with the condensed financial report for the half year ended 31 December 2018, 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

Company overview

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 United Kingdom, Jersey, United Arab Emirates, Armenia, and China.

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 managed 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. Praemium's unique, integrated platform will deliver the ultimate Unified Managed Accounts (UMA) solution, through the combination of our existing market-leading Separately Managed Accounts (SMA) solution, the significant expansion of our Individually Managed Account (IMA) solution across a wide range of investment assets; and our VMA reporting solution for non-custodial holdings.

Praemium moved into the offshore market with the launch of Praemium UK in 2006, the 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. They are Praemium Administration Limited (whose principal activities are safe custody and administration of securities), Smart Investment Management Limited (investment management), and Praemium Retirement Services Ltd (provision of 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.

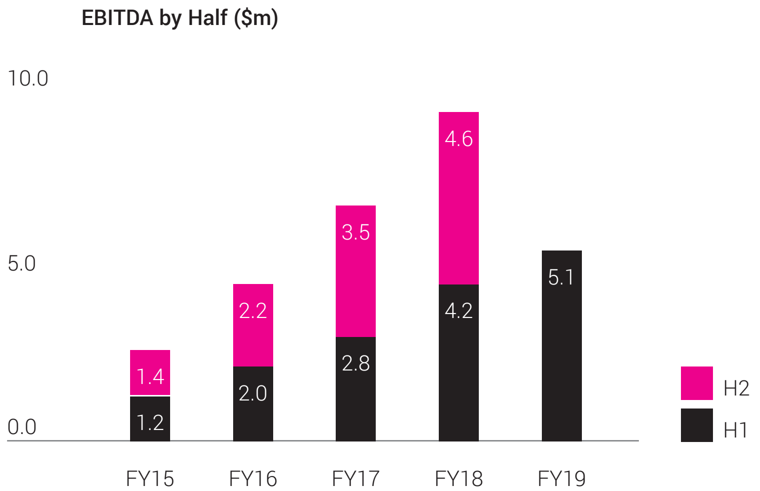
To complete our offering to the financial services industry, Praemium also provides customer relationship management (CRM) and financial planning software. Known as WealthCraft, it is powered by Microsoft Dynamics CRM and allows advisors to seamlessly manage their client, practice and campaign information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

Financial Summary

Financial metrics

	H1 FY19 $'000	H1 FY18 $'000	Change $'000	Change %
Revenue & other income	22,960	21,517	1,443	7%
Expenses	17,904	17,278	626	4%
EBITDA (underlying)*	**5,056**	**4,239**	**817**	**19%**
Net Profit before Tax	2,194	2,701	(507)	(19%)
Net Profit after Tax	634	725	(91)	(13%)
Cash	**11,313**	**9,664**	**1,649**	**17%**
Net Assets	20,916	18,529	2,387	13%
Operating cash flow	1,941	1,871	70	4%

*Reconciliation of EBITDA to Net Profit before Tax is detailed in Note 2 of the attached half year report.



Service Metrics

Revenue by region	H1 FY19	H1 FY18	Change $	Change %
Australia Revenue ($'000)	15,307	13,586	1,721	13%
FUA - SMA ($M)	5,855	4,873	982	20%
Portfolios (Praemium VMA)	53,262	52,568	694	1%
International Revenue ($'000)	6,764	6,929	(165)	(2%)
FUA - UK ($M)	2,581	2,538	43	2%
TOTAL FUA	**8,436**	**7,411**	**1,025**	**14%**

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. In addition to its superior CGT and income reporting engine, Praemium's Managed Accounts platform has a unique "dynamic rebalancing" technology, where models float with the market. This ensures that investors are continually and automatically aligned with the model manager's latest thinking, and removes the need for quarterly "rebalancing" to keep investors in line with a static model.

Globally, assets in Praemium's Managed Account platforms continued their strong momentum in the current half. Including inflows from the Smart[im] range of funds, global funds under administration (FUA) reached $8.4 billion as at 31 December 2018, up 14% in the past 12 months.

In Australia we continue to attract new model managers, with 6 new white label partners now live and writing business onto the platform. FUA into the Australian retail superannuation offering (SuperSMA) has surpassed $1 billion for the first time with a 31% increase in FUA over the past 12 months. This growth is expected to continue, both from existing clients' increased inflows and from new clients incorporating SMA into their business models.

During the reporting period, significant development has progressed on a next generation UMA solution, via a modern digital portal. With its release in February 2019, this upgrade to our custodial platform entails both SMA and IMA capabilities in a single structure, but also combined with our non-custodial solution, VMA.

There has been a marked shift in adviser intentions with more than two thirds of advisers in Australia using or intending to use managed accounts in the near future and a high percentage of asset flows being directed to them. This shift is essentially due to the inherent investment, transparency and cost benefits for investors as well as for the business efficiency gains for advice businesses. Praemium's integrated Managed Accounts platform will enable us to serve a much wider part of the addressable platform market. Clients will be 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.

In the UK we continued to grow platform clients, with a 34% increase in 2018 from 136 to 182. Our UK platform achieved record gross platform inflows of £184 million for the half, however were offset by lower flows into the Smartfund managed funds. Our new pension offering (the Praemium Retirement Account) has seen a significant increase in pension schemes in the past 12 months, with 784 schemes at 31 December 2018, a 119% increase.

Investment management

In the UK, our in-house investment management solution was impacted by market declines and lower flows into the Smartfund managed funds, with model portfolios and multi asset funds decreasing by 24% in local currency to £363 million ($653 million) in the past 12 months.

Portfolio administration and reporting

Praemium VMA has continued its positive revenue momentum, with 2% revenue growth achieved in the first half of FY2019. Asgard's contract was extended beyond November 2019, for a further 6 years with a minimum period of 3 years. 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.

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. International client numbers expanded from 24 to 36 in 2018, a 50% increase. We continue to invest in this product with enhancements to be delivered in the 2019 financial year.

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.

Comments on financial performance

Trading performance

The consolidated profit after tax attributable to the members of the Group was $633,647, a 13% decrease compared to the profit after tax of $724,558 for the half year to 31 December 2017.

Revenue and other income increased to $22.9 million for the 6 months to December 2018, a 7% increase compared to the 6 months to December 2017. This increase was across key product lines (refer graph), in particular Platform revenue, which increased by 9% to $12.9 million.

Platform revenue has grown from strong fund flows, with the Company earning a basis points fee of total funds on our investment platform. Gross inflows for the first half of the 2019 financial year were $1.4 billion, the third highest on record. At 31 December 2018, funds under administration reached $8.4 billion, 14% higher than the prior corresponding period, comprising $5.9 billion for the Australia platform and $2.6 billion for the International platform (refer graph on page 7).

Portfolio services revenue increased by 2% to $8.1 million from growth in Praemium VMA portfolios. Planning software increased by 15% to $1.1 million from the on-boarding of new clients in Asia and Australia. This period's result also included $0.8 million in other income relating to FY2018'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 FY2018. Strong inflows to our Managed Accounts investment platform resulted in a 28% increase in SMA revenue, while portfolio services revenue increased 2% from the growth of institutional clients on Praemium VMA. EBITDA for the Australian business was $6.5 million, a 12% improvement compared to $5.7 million for the first half of FY2018. EBITDA margins were consistent to the prior period at 42% of revenue.

The Company continued investments to support revenue generating opportunities, with additions to sales & marketing to support the considerable pipeline of new business and accelerating inflows, and client services to deepen client engagement. R&D investment in proprietary technology was also accelerated this half, with $2.2 million capitalised with the release of our new platform offering in February 2019.

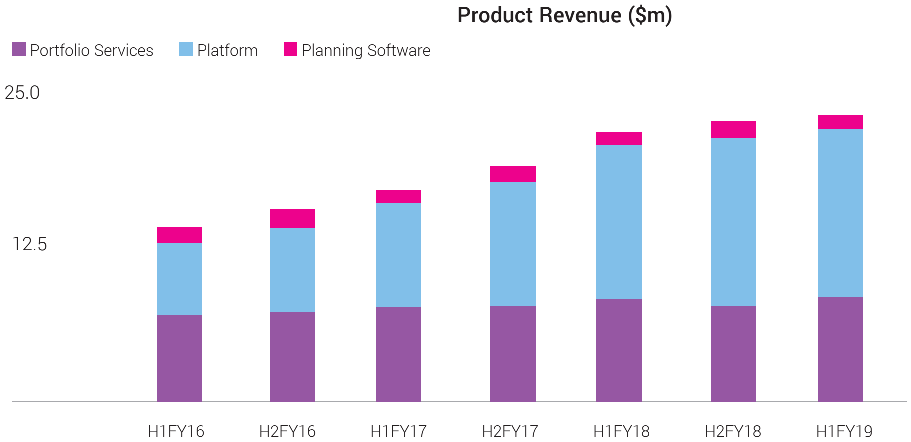
International

For segment reporting, International comprises of the United Kingdom and Asia business units. International's EBITDA loss decreased by 4% to $1 million, comprising UK's EBITDA loss of $0.6 million and Asia's EBITDA loss of $0.4 million.

The UK business was impacted by declines in global equity markets and outflows in the Smartfund Protected range of managed funds. This resulted in UK revenue and other income declining by 6%, resulting in a 37% increase in EBITDA losses to $0.6 million.

Asia's EBITDA loss decreased by 31% to $0.4 million, with revenue increasing by 116% compared to the prior reporting period. This was due to an increase in WealthCraft CRM and planning software licences in 2018, which grew 43% internationally from 503 to 718.

Product Revenue ($m)



Expenses

Operating expenses were $17.9 million for H1 FY2019, a 4% increase compared to $17.3 million in H1 FY2018. This is from continued investment in growth through the first half of H1 FY2019, with overall headcount up 5% to 265 employees. In particular, investments have been made in sales & marketing to support the considerable pipeline of new business and accelerating inflows, and client services to deepen client engagement. R&D headcount is now over 110 staff globally, with the key development focus being the release of the UMA in February 2019.

Balance sheet & cash flow

The Group maintained a strong balance sheet during the half year with net assets of $20.9 million and $11.3 million held in cash. Total assets increased by 7% per cent to $32.4 million this half, mainly from $2.3 million in capitalisation of R&D costs. Total liabilities increased by 15% to $11.5 million from the introduction of accounting standard AASB15 Revenue increasing deferred revenue. Income tax payable at 31 December 2018 is $1.3 million, following $0.8 million in instalments for FY2019.

The Group is debt free and continues to generate positive cash flows. Operating cash flows increased by 4% above to $1.9 million. Higher operating cash flows mainly reflected receipts from customers. These effects were partially offset by increase in payments to employees and suppliers. With the Australian operations now paying company taxes, $1.9 million was paid this half representing tax on company profits for the 2018 financial year and instalments for the 2019 financial year. 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.

Signed in accordance with a resolution of Directors.

Barry Lewin - Chairman

11 February 2019

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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 2018. 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 Audit Pty Ltd
Chartered Accountants

B L Taylor
Partner – Audit & Assurance

Melbourne, 11th February 2019

Accounts for the half year ended 31 December 2018

Consolidated Statement of Profit & Loss and Other Comprehensive Income

	Consolidated Entity 31 Dec 2018 $	Consolidated Entity 31 Dec 2017 $
Revenue	22,087,988	20,529,667
Other income	871,713	987,118
Employee costs	(12,150,731)	(10,618,186)
Depreciation, amortisation and impairments	(724,635)	(490,137)
Legal, professional, advertising and insurance expense	(2,230,054)	(2,159,795)
Commissions expense	(1,821,632)	(2,503,709)
Travel expenses	(654,059)	(579,318)
Telecommunication costs	(148,700)	(112,799)
IT support	(974,595)	(786,426)
Net foreign exchange gains (losses)	12,108	40,515
Occupancy costs	(1,016,234)	(933,339)
Platform trading & recovery	1,138,778	448,906
Other expenses	(196,452)	(21,356)
Withholding tax not recoverable	(93,926)	(69,289)
Restructure, arbitration and acquisition costs	(994,449)	(583,204)
Share based payments	(911,459)	(447,296)
Profit before income tax expense	**2,193,661**	**2,701,352**
Income tax expense	(1,560,014)	(1,976,794)
Profit for the year	**633,647**	**724,558**
Other comprehensive income:		
Items that may be reclassfied subsequently to profit or loss		
Changes in the fair value of available-for-sale financial assets	(750)	27,697
Exchange differences on translation of foreign operations	144,781	124,710
Income tax relating to components of other comprehensive income	-	-
Total items that may be reclassified subsequently to profit or loss	**144,031**	**152,407**
Other comprehensive income/(loss) for the period, net of tax	**144,031**	**152,407**
Total comprehensive profit for the period	**777,678**	**876,965**
Profit for the year attributable to Owners of the parent	777,678	876,965
Total comprehensive profit attributable to Owners of the parent	**777,678**	**876,965**
Earnings per share		
Basic earnings per share (cents per share)	0.2	0.2
Diluted earnings per share (cents per share)	0.2	0.2

The accompanying notes form part of the financial statements.

Consolidated Statement of Financial Position

	Consolidated Entity 31 Dec 2018 $	Consolidated Entity 30 Jun 2018 $
Current assets		
Cash and cash equivalents	11,312,502	12,120,879
Trade and other receivables	7,646,538	7,334,761
Total current assets	**18,959,040**	**19,455,640**
Non-current assets		
Other Financial assets	2,276,464	2,287,113
Property, plant and equipment	1,224,778	1,316,010
Goodwill	2,792,754	3,207,751
Intangible Assets	5,750,147	3,245,328
Deferred Tax Assets	1,392,480	807,144
Total non-current assets	**13,436,623**	**10,863,346**
TOTAL ASSETS	**32,395,663**	**30,318,986**
Current liabilities		
Trade and other payables	8,505,676	6,899,460
Provisions	1,379,925	1,333,384
Income Tax Payable	1,338,031	1,543,770
Total current liabilities	**11,223,632**	**9,776,614**
Non-current liabilities		
Provisions	102,634	62,647
Deferred Tax Liability	153,078	199,782
Total non-current liabilities	**255,712**	**262,429**
TOTAL LIABILITIES	**11,479,344**	**10,039,043**
NET ASSETS	**20,916,319**	**20,279,943**
Equity		
Share capital	66,960,812	65,371,547
Reserves	698,722	1,201,151
Accumulated losses	(46,743,215)	(46,292,755)
TOTAL EQUITY	**20,916,319**	**20,279,943**

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Equity

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 as 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 Entity 2017	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Revaluation Reserve	Total
	$	$	$	$	$	$
Equity as at beginning of period 1 July 2017	**64,840,789**	**(47,707,331)**	**(850,256)**	**804,823**	**5,232**	**17,093,257**
Profit attributable to members of the parent entity	-	724,558	-	-	-	724,558
Other comprehensive income /(loss)	-	-	124,710	-	27,697	152,407
Total comprehensive income/(loss)	**-**	**724,558**	**124,710**	**-**	**27,697**	**876,965**
Transactions with owners in their capacity as owners						
Issue of shares	104,041	-	-	-	-	104,041
Option expense	-	-	-	447,296	-	447,296
Exchange difference on option reserve	-	1	-	7,782	-	7,783
Transfer on exercise of options	396,810	-	-	(396,810)	-	-
Subtotal	500,851	1	-	58,268	-	559,120
Equity as at 31 December 2017	**65,341,640**	**(46,982,772)**	**(725,546)**	**863,091**	**32,929**	**18,529,342**

The accompanying notes form part of the financial statements.

Consolidated Statement of Cash Flows

	Consolidated Entity 31 Dec 2018 $	Consolidated Entity 31 Dec 2017 $
Cash flows from operating activities:		
Receipts from customers	23,424,261	20,881,363
Payments to suppliers and employees	(19,568,093)	(17,375,732)
Interest received	14,054	10,617
Income Tax Paid	(1,929,379)	(1,645,309)
Net cash (used by) /provided from operating activities	**1,940,843**	**1,870,939**
Cash flows from investing activities:		
Dividends received	3,130	1,298
Payments for property, plant and equipment	(154,565)	(252,902)
Payments for intangibles	(2,485,120)	(651,096)
Proceeds / (Payment) for available-for-sale of financial assets	(157,414)	-
Net cash used in investing activities	**(2,793,969)**	**(902,700)**
Cash flows from financing activities		
Net cash provided by financing activities	**-**	**-**
Net cash increase/(decrease) in cash and cash equivalents	**(853,126)**	**968,239**
Cash and cash equivalents at beginning of year	12,120,879	8,983,491
Effect of exchange rates on cash holdings in foreign currencies	44,749	(287,648)
Cash and cash equivalents at end of year	**11,312,502**	**9,664,082**

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

1. Notes to the Financial Statements

1. Statement of Significant Accounting Policies

(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 2018 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.

(b) Basis of preparation

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

(i) Reporting basis and conventions

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

The accounting policies set out below have been consistently applied to all years presented.

ii) Adoption of new and revised accounting standards

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 15 and AASB 9 became mandatorily effective on 1 January 2018. 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.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 11 February 2019.

New standards adopted as at 1 July 2018:

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 July 2018. The adoption of AASB 15 has affected VMA revenue.

VMA revenue is billed 1 year or 1 quarter in advance, depending on the service agreement. Since Praemium has received the revenue but not transferred the service to a customer, the revenue is now apportioned across the period that it covers, such that a portion of the annual and quarterly invoices will be deferred on the balance sheet.

On the date of the initial application of AASB 15, 1 July 2018, the impact to retained earnings of the Group is as follows:

	2018 $
Equity as at 1 July 2018	**46,292,755**
Recognition of contract liability for portfolio administration and reporting	1,548,725
Permanent tax difference	(464,618)
Adjustment to retained earnings from adoption of AASB 15	**1,084,107**
Restated Equity as at 1 July 2018	**47,376,862**

The tables below highlight the impact of AASB 15 on the Group's statement of profit or loss and other comprehensive income and the statement of financial position for the interim period ending 31 December 2018. The adoption of AASB 15 did not have a material impact on the Group's statement of cash flows.

Statement of Profit or Loss and Other Comprehensive Income (Extract)

	Amounts under AASB 118 $	Adjustments $	Amounts under AASB 15 $
Revenue	22,169,485	(81,497)	22,087,988

Notes to the Financial Statements cont'd

Statement of Profit or Loss and Other Comprehensive Income (Extract)

	Amounts under AASB 118 $	Adjustments $	Amounts under AASB 15 $
Current Assets			
Deferred tax asset	840,287	464,617	1,304,904
Total Assets	840,287	464,617	1,304,904
Current Liabilities			
Contract Liability	729,918	1,678,044	2,407,962
Total Liabilities	**729,918**	**1,678,044**	**2,407,962**
Equity			
Retained Earnings	45,659,108	1,084,107	46,743,215

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

While this represents significant new guidance, the implementation of the new guidance did not have a material impact on trade receivables and any gain and loss from changes in market value of financial instruments held. As such, the Group has applied transitional relief, elected not to restate prior periods and have not recognised differences in opening retained earnings as at 1 July 2018.

The adoption of AASB 9 has mostly impacted the following areas:

Classification and measurement of the Group's financial assets

Listed financial assets - Available for sale financial assets under AASB 139 included listed equity investments of $1,287,113 at 30 June 2018. These were reclassified to fair value through profit or loss (FVPL) under AASB 9.

Unlisted financial assets - Available for sale financial assets under AASB 139 included unlisted equity investments of $1,000,000 at 30 June 2018. These were reclassified to fair value through profit or loss (FVPL) under AASB 9.

Impairment of financial assets

For trade receivables and contract assets under AASB 15 the Group applies a simplified approach of recognising lifetime expected credit losses as these items do not have a significant financing component.

Reconciliation of financial instruments on adoption of AASB 9 - 1 July 2018

	Measurement category		Carrying amount		
	Original AASB 139 Classification	**New AASB 9 Classification**	**Closing balance 30 June 2018 (AASB 139) $**	**Adoption of AASB 9 $**	**Opening balance 1July 2018 (AASB 9) $**
Financial Assets					
Trade and other receivables	Loans and receivables	Amortised cost	83,325	-	83,325
Listed equities	Available for Sale	FVPL	1,287,113	-	1,287,113
Unlisted equities	Available for Sales	FVPL	1,000,000	-	1,000,000

The accompanying notes form part of the financial statements.

2. Changes In 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 2018, 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 2018 are the relevant policies for the purposes of comparatives.

AASB 15 and AASB 9 became mandatorily effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the interim period ended 31 December 2018. Changes to the Group's accounting policies arising from these standards are summarised below:

(a) Revenue

Revenue arises mainly from the provision of SMA, investment management, portfolio administration and reporting and financial planning software.

SMA & Investment Management - The Group provides platform administration and/or investment management services for investments held on our custodial platforms. Revenue is determined monthly in arrears based on the value of investor portfolios, or transaction costs relating to the buying and selling investments in investor portfolios.

Portfolio Administration - The Group enters into contracts with its customers based on provision of technology services for terms between one and five years in length. Contract values are determined based on the usage of technology licences and investor portfolios. Customers are required to pay in advance for each quarterly or annual service period as specified in each contract.

Financial Planning Software - The Group enters into contracts with its customers based on provision of technology services for terms between one and five years in length. Contract values are determined based on the usage of technology licences. Customers are required to pay in advance for each monthly or annual service period as specified in each contract.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The Group may enter into transactions involving a range of the Group's products and services, for example for the delivery of SMA and portfolio administration or financial planning software. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

(b) Financial Instruments

Recognition and derecognition

Financial assets are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

• financial assets at amortised cost

• financial assets at fair value through profit or loss (FVPL)

Classifications are determined by both:

• the entity's business model for managing the financial asset

• the contractual cash flow characteristics of the financial assets.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

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

Financial assets that are held within a business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss.

Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL.

Impairment of financial assets

AASB 9's new impairment model use more forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

All financial assets, except for those at fair value through profit or loss (FVPL) and equity investments at fair value through other comprehensive income (equity FVOCI), are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

2. Segment Reporting

(a) Description of segments

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).

Segment information

The following tables present information for reportable segments for the half year ended 31 December 2018 and 31 December 2017.

Half Year Ended 31 December 2018	Australia $	International $	Total $
Revenue			
Total segment revenue	15,306,571	6,764,216	22,070,787
Inter-segment revenue	-	-	-
Revenue from external customers	**15,306,571**	**6,764,216**	**22,070,787**
EBITDA/(loss) excluding Group overheads	**6,490,455**	**(1,009,014)**	**5,481,441**
EBITDA/(loss) including Group overheads	**6,065,370**	**(1,009,014)**	**5,056,356**
Interest	14,011	43	14,054
Interest Intercompany 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

Segment information

Half Year Ended 31 December 2017	Australia $	International $	Total $
Revenue			
Total segment revenue	13,585,629	6,928,928	20,514,557
Inter-segment revenue	-	-	-
Revenue from external customers	**13,585,629**	**6,928,928**	**20,514,557**
EBITDA/(loss) excluding Group overheads	**5,772,094**	**(1,053,941)**	**4,718,153**
EBITDA/(loss) including Group overheads	**5,292,541**	**(1,053,941)**	**4,238,600**
Interest	10,592	25	10,617
Interest Intercompany and Margin	684,305	(684,305)	-
Depreciation and Amortisation	(156,923)	(333,214)	(490,137)
Unrealised FX	46,404	(1,846)	44,558
Unit Trust Income	4,493	-	4,493
One off costs	(410,787)	(172,417)	(583,204)
Withholding Tax	(69,289)	-	(69,289)
Realised FX	-	(4,043)	(4,043)
Share based payments	(437,162)	(10,134)	(447,296)
Profit/(loss) on disposal of fixed assets	-	(2,947)	(2,947)
Net Profit / (Loss) Before Tax	**4,964,174**	**(2,262,822)**	**2,701,352**
Segment assets	14,412,595	12,141,773	26,554,368
Segment liabilities	(4,521,246)	(3,503,780)	(8,025,026)
Employee benefits expense	6,017,979	4,600,207	10,618,186
Additions to non-current assets (other than financial assets, deferred tax, post-employment benefit assets, rights arising under insurance contracts)	793,849	110,149	903,998

(i) Segment Reconciliations

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

	Half Year 2018 $	Half Year 2017 $
Segment revenue	22,070,787	20,514,557
Interest income from other parties	14,054	10,617
Unit trust distributions	3,147	4,493
Total revenue	**22,087,988**	**20,529,667**

(ii) EBITDA

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

	Half Year 2018 $	Half Year 2017 $
EBITDA	5,056,356	4,238,600
Depreciation and amortisation	(724,635)	(490,137)
Interest revenue	14,054	10,617
Unrealised FX	13,983	44,558
Realised FX	(1,875)	(4,043)
Unit trust income	3,147	4,493
One-off costs	(994,449)	(583,204)
Withholding tax	(93,926)	(69,289)
Share based payments	(911,459)	(447,296)
Profit/(Loss) on disposal of investments	(167,535)	(2,947)
Net profit/(loss) before tax	**2,193,661**	**2,701,352**

(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:

	Half Year 2018 $	Half Year 2017 $
Segment assets	32,395,663	26,554,368

(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:

	Half Year 2018 $	Half Year 2017 $
Segment liabilities	(11,479,344)	(8,025,026)

(d) Entity-wide information

The entity is domiciled in Australia. The amount of revenue from external customers in Australia is $15,306,571 (2017: $13,585,629) and the total revenue from external customers in other countries is $6,764,216 (2017: $6,928,928). Segment revenues are allocated based on the country in which revenue and profit are derived.

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.

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 15 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 2018 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 11 February 2019

Grant Thornton

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Independent Auditor's Review 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 2018, 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 2018, 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 2018 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.

Independence

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

B L Taylor
Partner – Audit & Assurance

Melbourne, 11th February 2019

Notes

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