

Appendix 4D

Half-year Report

Name of entity	Bravura Solutions Limited
ABN	54 164 391 128
Financial period ended	31 December 2018
Previous corresponding reporting period	31 December 2017

Results for announcement to the market

Financial results	31 December 2018 \$'000	31 December 2017 \$'000	Percentage increase/(decrease) over previous corresponding period %
Revenue from ordinary activities	127,438	102,914	23.8%
Profit from ordinary activities after tax attributable to members	16,327	14,230	14.7%
Net profit for the period attributable to members	16,327	14,230	14.7%
Brief explanation of any of the figures reported above necessary to enable the figures to be understood:			
Refer to the ASX release and Interim Financial Report for the period ended 31 December 2018. The Interim Financial Report has been reviewed.			

Dividends

Date the dividend is payable	28 March 2019
Record date to determine entitlement to the dividend	5 March 2019
Amount per security (cents)	5.3
Total dividend (\$'000)	\$11,355
Franked amount per security	Nil
Amount per security of foreign sourced dividend or distribution (cents)	5.3
Details of any dividend reinvestment plans in operation	Activated
The last date for receipt of an election notice for participation in any dividend reinvestment plans	6 March 2019

NTA backing

	Current period 31 December 2018 Cents	Previous corresponding period 31 December 2017 Cents
Net tangible asset backing per ordinary security	2.44	(2.29)
Net assets per ordinary security	57.35	51.57

Control gained over entities having material effect

Name of entity (or group of entities)	Not applicable
Date control gained	Not applicable
Consolidated profit from ordinary activities since the date in the current period on which control was acquired, before amortisation and intercompany charges	Not applicable
Profit/(loss) from ordinary activities of the controlled entity/(or group of entities) for the whole of the previous corresponding period	Not applicable

Loss of control over entities having material effect

Name of entity (or group of entities)	Not applicable
Date control lost	Not applicable
Consolidated profit from ordinary activities for the current period to the date of loss of control	Not applicable
Profit/(loss) from ordinary activities of the controlled entity/(or group of entities) while controlled for the whole of the previous corresponding period	Not applicable

Details of associates and joint venture entities

Name of entity	Percentage held		Share of net loss	
	Current period %	Previous period %	Current period \$'000	Previous period \$'000
Aggregate share of net loss	-	-	-	-

Bravura Solutions Limited

Interim Financial Report for the half-year ended 31 December 2018

ABN 54 164 391 128

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These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the financial report for the year ended 30 June 2018 and any public announcements made by Bravura Solutions Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

Directors' Report

The Directors present their report on the consolidated entity (referred to hereafter as "the Group" or "Consolidated Entity") consisting of Bravura Solutions Limited ("Bravura Solutions") and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Directors

The following persons were Directors of Bravura Solutions during the whole of the half-year and up to the date of this report, unless otherwise disclosed below:

Non-executive Directors

Brian Mitchell	Independent Chairman
Peter Mann	Independent
Alexa Henderson	Independent
Neil Broekhuizen	Independent

Executive Directors

Tony Klim	CEO
Martin Deda	CFO

Principal activities

The principal activities of the Consolidated Entity during the course of the current and prior periods consisted of the development, licensing and maintenance of highly specialised administration and management software applications and the provision of professional consulting services for the Wealth Management and Funds Administration sectors of the financial services industry.

Review and results of operations

Revenue for 1H19 at \$127.4 million was 23.8% higher than the prior comparative period, driven by significant new business, continuing project work, expansion of managed and cloud services and increasing demand from existing clients.

Wealth Management revenue increased by 24.2% to \$90.4 million. The segment achieved two new Sonata contracts in the period. A number of clients were successfully implemented, and several additional projects for new and existing clients commenced.

Funds Administration revenue increased by 22.9% to \$37.0 million. The segment benefited from increased implementation and development work arising from a renewed and enhanced contract with a significant global client.

To meet the demand from new sales and project activity from existing clients, as well as anticipated demand from forecast sales, the employee head count of the Group has increased from 1,278 as at 30 June 2018 to 1,296 staff as at 31 December 2018 on a permanent or contractor basis staffing 12 offices around Australia, New Zealand, United Kingdom, Europe, South Africa, Asia and India. Employment related expenses comprised 73.7% (1H18: 75.0%) of total operating expenses in the period.

EBITDA has increased to \$23.8 million, being \$5.3 million or 28.4% above the prior comparative period. Depreciation and amortisation expenses were lower than the prior comparative period, resulting in \$20.0 million profit before tax compared to \$14.0 million in the prior comparative period, being 42.2% above the prior comparative period. NPAT was up 14.7% reflecting the 18% effective tax rate in 1H19, with the prior comparative period impacted by a \$1.8 million deferred tax asset.

Directors' Report (continued)

The following table shows EBITDA* and net earnings for the half-year and comparative period as follows:

	Notes	31 December 2018 \$'000	31 December 2017 \$'000
Wealth Management		90,440	72,797
Funds Administration		36,998	30,117
Other revenue		22	15
Total revenue	4	127,460	102,929
Employee benefits expense	5	(76,466)	(63,320)
Third party cost of sales		(8,606)	(7,001)
Travel and accommodation costs		(3,031)	(2,651)
Occupancy costs		(5,803)	(3,539)
Telecommunication costs		(4,534)	(3,879)
Development operating expense		(1,157)	(1,243)
Other expenses (including hosting asset depreciation)		(4,096)	(2,784)
EBITDA*		23,767	18,512
Depreciation and amortisation expense		(2,881)	(3,889)
EBIT		20,886	14,623
Finance expense	5	(325)	(254)
Foreign exchange loss		(606)	(335)
Profit before income tax		19,955	14,034
Income tax (expense)/benefit	6	(3,628)	196
Net profit		16,327	14,230

*EBITDA is earnings before finance cost, interest and foreign exchange gains and losses, tax, depreciation, and amortisation. EBITDA includes depreciation of property, plant and equipment dedicated to client hosting services.

Dividends

During the reporting period, the Company paid a final dividend of 4.5c per share. An interim dividend of 5.3c per share has been declared to be paid on 28 March 2019, reflecting 70% of NPAT.

Event subsequent to reporting date

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations or the state of affairs of the Consolidated Entity in future financial years.

Share options

The Consolidated Entity has 2,921,043 performance rights outstanding under long-term incentive plans and these rights remain unvested and unexercised at the reporting date (30 June 2018: 2,119,692) (Refer to Note 13).

Directors' Report (continued)

Auditor's independence declaration

The Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Rounding

Bravura Solutions is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, dated 24 March 2016, and consequently the amounts in this report have been rounded off to the nearest thousand dollars.

Auditor

Ernst and Young continue in office in accordance with section 327 of the Corporations Act 2001.

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



BRIAN MITCHELL

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Sydney
27 February 2019

Auditor's Independence Declaration



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Auditor's Independence Declaration to the Directors of Bravura Solutions Limited

As lead auditor for the review of the interim financial report of Bravura Solutions Limited for the half-year ended 31 December 2018, I declare 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.

This declaration is in respect of Bravura Solutions Limited and the entities it controlled during the financial year.

Ernst & Young

Gamini Martinus
Partner
27 February 2019

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2018

	Notes	Half-year 31 December 2018 \$'000	Half-year 31 December 2017 \$'000
Revenue from contracts with customers	4	127,460	102,929
Employee benefits expense	5	(76,466)	(63,320)
Depreciation and amortisation expense	5	(3,928)	(4,672)
Third party cost of sales		(8,606)	(7,001)
Travel and accommodation costs		(3,031)	(2,651)
Occupancy costs		(5,803)	(3,539)
Telecommunication costs		(4,534)	(3,879)
Development operating expense		(1,157)	(1,243)
Other expenses		(3,049)	(2,001)
Foreign exchange loss		(606)	(335)
Finance costs	5	(325)	(254)
Profit before income tax		19,955	14,034
Income tax (expense)/benefit	6	(3,628)	196
Profit for the period after income tax (expense)/benefit attributable to shareholders of Bravura Solutions		16,327	14,230
Other comprehensive income will be reclassified subsequently to profit or loss when specific conditions are met			
Exchange differences on translation of foreign operations		550	(94)
Total comprehensive income for the period attributable to shareholders of Bravura Solutions		16,877	14,136
Profit attributable to owners		16,327	14,230

Earnings per share attributable to the ordinary equity holders of Bravura Solutions Limited:

		Cents	Cents
Basic earnings per share	7	7.6	6.6
Diluted earnings per share	7	7.5	6.6

The above interim consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Interim Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	31 December 2018 \$'000	30 June 2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		25,964	36,941
Trade receivables		39,897	28,918
Contract assets		8,507	8,268
Other current assets		7,330	7,043
Total current assets		81,698	81,170
Non-current assets			
Contract assets		4,591	3,372
Property, plant and equipment		17,613	11,588
Deferred tax assets		4,372	3,504
Intangible assets	8	113,253	112,691
Total non-current assets		139,829	131,155
Total assets		221,527	212,325
LIABILITIES			
Current liabilities			
Trade and other payables		12,697	10,422
Borrowings	9	12,009	12,183
Provisions		9,894	9,380
Provision for income tax		4,172	1,871
Contract liabilities		32,313	36,278
Other current liabilities		15,503	18,257
Total current liabilities		86,588	88,391
Non-current liabilities			
Contract liabilities		2,458	2,812
Deferred tax liabilities		3,321	3,754
Provisions		6,300	3,182
Total non-current liabilities		12,079	9,748
Total liabilities		98,667	98,139
Net assets		122,860	114,186
EQUITY			
Contributed equity	10	184,989	184,989
Reserves		11,663	10,514
Accumulated losses		(73,792)	(81,317)
Total equity		122,860	114,186

The above interim consolidated statement of financial position should be read in conjunction with the accompanying notes.

Interim Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2018

2017	Notes	Contributed equity	Reserves	Accumulated losses	Total equity
		\$'000	\$'000	\$'000	\$'000
Balance at 1 July		184,989	10,058	(89,065)	105,982
Profit for the period		-	-	14,230	14,230
Other comprehensive loss		-	(94)	-	(94)
Total comprehensive income for the period		-	(94)	14,230	14,136
Transactions with owners in their capacity as owners:					
Dividend paid		-	-	(9,641)	(9,641)
Balance at 31 December		184,989	9,964	(84,476)	110,477

2018		\$'000	\$'000	\$'000	\$'000
Balance at 1 July		184,989	10,514	(81,317)	114,186
Adoption of AASB 15	1d	-	-	839	839
Balance at 1 July (restated)		184,989	10,514	(80,478)	115,025
Profit for the period		-	-	16,327	16,327
Other comprehensive income		-	550	-	550
Total comprehensive income for the period		-	550	16,327	16,877
Dividend paid	11	-	-	(9,641)	(9,641)
Share-based payments		-	599	-	599
Balance at 31 December		184,989	11,663	(73,792)	122,860

The above interim consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Consolidated Statement of Cash Flows

For the half-year ended 31 December 2018

	Notes	Half-year 31 December 2018 \$'000	Half-year 31 December 2017 \$'000
Operating activities			
Receipts from customers (inclusive of goods and services tax)		127,382	117,709
Payments to suppliers and employees (inclusive of goods and services tax)		(116,738)	(102,414)
		10,644	15,295
Interest received	4	22	15
Income taxes paid		(2,672)	(757)
Net cash inflows from operating activities		7,994	14,553
Investing activities			
Purchase of property, plant and equipment		(7,003)	(2,847)
Payments for capitalised software development	8	(1,998)	(3,323)
Net cash outflows from investing activities		(9,001)	(6,170)
Financing activities			
Proceeds from borrowings		-	8,432
Repayment of borrowings		(318)	-
Interest paid		(292)	(261)
Dividend paid		(9,641)	(9,641)
Net cash outflows from financing activities		(10,251)	(1,470)
Net (decrease)/increase in cash and cash equivalents		(11,258)	6,913
Cash and cash equivalents at the beginning of the half-year		36,941	17,071
Effects of exchange rate changes on cash and cash equivalents		281	154
Cash and cash equivalents at end of half-year		25,964	24,138

The above interim consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Interim Consolidated Financial Statements

For the half-year ended 31 December 2018

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the Consolidated Entity consisting of Bravura Solutions and its subsidiaries.

(a) Basis of preparation of half-year financial report

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Consolidated Entity is a for-profit entity for the purposes of preparing financial statements.

This interim financial report does not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the financial report for the year ended 30 June 2018 and any public announcements made by Bravura Solutions Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of AASB 15 and AASB 9 (Refer to note 1d). The financial statements are presented in Australian dollars (unless otherwise stated). Comparative period Statement of Financial Position has been restated to align to current year presentation.

(b) Going Concern

The Consolidated Entity has net current liabilities of \$4.9 million, \$32.3 million of current contract liabilities relate to deferred revenue. The settlement of this balance will be realised through the delivery of the services to which the deferred revenue relates. This settlement will be at the cost of delivering the services for amounts less than this deferred revenue balance. These cash outflows have been factored into future forecasts. The Board notes that the Consolidated Entity had a strong cash balance of \$26.0 million and positive cash flows from operating activities of \$8.0 million. The Consolidated Entity has undrawn credit lines totalling \$16.7 million. Cash flow forecasts based on projected activity and business volumes indicate that the Consolidated Entity will be able to pay its creditors as and when they fall due for at least 12 months from the date of approval of the financial statements, and that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements as at 31 December 2018. Accordingly, these financial statements have been prepared on a going concern basis and no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of the liabilities.

(c) New and amended standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2018 reporting period and have not been early adopted by the Consolidated Entity. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below, which Standards will be adopted on their respective dates.

AASB 16 Leases

This new standard, effective FY2020, establishes the enhanced reporting requirements of the lessee and lessor when entering into Leases, which will require operating leases to be recorded on

the Statement of Financial Position. This change will impact the classification of certain expenses in the Statement of Profit or Loss such as rental expense, interest expense and amortisation. Consequently, non-IFRS measures such as EBIT and EBITDA will be impacted. Management is in the process of assessing the impact of this change.

(d) New standards, interpretations and amendments adopted by the Group

The Group applies for the first time, AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments*. As required by AASB 134, the nature and effect of these changes are disclosed in the section below.

AASB 15 Revenue from Contracts with Customers

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The Consolidated Entity elected the modified retrospective approach, recognising the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of retained earnings as at 1 July 2018.

AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures regarding revenue are also introduced. The main impact is the following:

a1. Incremental costs of obtaining a contract

The Group remunerates employees who actively participate in the sales process with commissions calculated based on revenues and contract margins where they have been involved in the successful contract execution. This typically includes revenues and contract margins which will be recognised in subsequent financial reporting periods. Under the previous accounting policy, commissions related to sales are recognised as an expense on contract execution, which is the point at which a constructive obligation arises for the Company. Under AASB 15, these costs are recognised as an asset on contract execution with the amortisation period being consistent with the period over which the associated revenue will be recognised. On transition at 1 July 2018, the application of AASB 15 results in an increase in the Company's assets by \$724 thousand. Tax effect associated with these adjustments amount to \$212 thousand as a charge to retained earnings.

a2. Revenue from embedded long-term licences

From time to time, the Group prices licences and maintenance services in a bundled annual fee. Under the previous accounting policy, the delivery of the licence and provision of maintenance were considered non-separable and were rateably recognised over the term. Under AASB 15, the licence element is considered a separate performance obligation satisfied at a point in time. Its stand-alone selling price is determined, to be recognised upfront at the present value of the related future contractual revenue streams, discounted at the discount rate applicable to the debtor which is approximate to Bravura Solutions' incremental borrowing rate, with the discount being unwound through profit or loss over the period of the agreements and presented as interest income. On transition at 1 July 2018, the application of AASB 15 results in an increase in the Company's assets by \$398 thousand. Tax effect associated with these adjustments amount to \$71 thousand as a charge to retained earnings.

Notes to the Interim Consolidated Financial Statements

For the half-year ended 31 December 2018 (continued)

The Group adopted AASB 15 using the modified retrospective method of adoption. The effect of adopting AASB 15 is as follows:

	Adjustments	1 July 2018 \$'000
Assets		
Contract assets - current	(a1), (a2)	273
Contract assets - non-current	(a1), (a2)	849
<i>Total assets</i>		<u>1,122</u>
Liabilities		
Deferred tax liabilities	(b)	283
<i>Total liabilities</i>		<u>283</u>
Net impact on equity, including:		<u>839</u>
Retained earnings		<u>839</u>
Other components of equity		<u>-</u>

(a1) Incremental costs of obtaining a contract previously expensed

(a2) Accrued revenue from embedded long-term licences

(b) Tax effects on AASB 15 transitional adjustments

Differences between the previous and the new standard:

The Consolidated Entity derives its revenues from the licence, maintenance and managed services/hosting of its software products and from support, consulting, development, training and other professional services. The vast majority of its software and maintenance arrangements include support services and a few also include professional services. Based on detailed impact assessment, the new standard does not significantly impact revenue recognition for these revenue streams. As the impact by line item has been determined to be immaterial, no disclosure is made regarding the amount by which each financial statement line item is affected in the current reporting period by the application of AASB 15 as compared to the previous standards and related interpretations that were in effect before the change.

AASB 118 and AASB 111

Under the previous standards, revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Consolidated Entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Consolidated Entity's activities as described below. The Consolidated Entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Licence fees

The Consolidated Entity recognises the revenue when all of the following four criteria have been met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred;
- The fee is fixed or determinable; and
- Collectability is probable.

Licence fees recognised upfront are recognised at the present value of the related future contractual revenue streams, discounted at the discount rate applicable to the debtor which is approximate to Bravura Solutions' incremental borrowing rate, with the discount being unwound through profit or loss over the period of the agreements and presented as interest income.

Notes to the Interim Consolidated Financial Statements

For the half-year ended 31 December 2018 (continued)

Licence fees may be recognised upfront if:

- the arrangement with the customer does not require significant development, modification or customisation of the software solution;
- there are no contingencies on the licences that could cause deferral of revenue (e.g. refund clauses attached to the licence) i.e. no amounts are refundable;
- the contract is non-cancellable and there are no break clauses considered substantive; and
- there is no remaining obligation for Bravura Solutions attached to the licence.

(ii) *Maintenance, support, hosting and managed services fees*

Maintenance, support, hosting and managed services revenue is recognised on a straight-line basis over the period of the contract.

(iii) *Professional service fees*

Revenue is recognised over the period when services are provided.

In the case of fixed price agreements and where the contract outcome can be reliably measured, revenue is recognised by reference to the stage of completion of the contract at the reporting date. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

(iv) *Revenue recognition on multiple-element arrangements*

Arrangements usually provide licence for software products and services such as post-contract customer support. Revenue is allocated to each element based on its respective fair value, based on the cost to deliver the services plus an acceptable margin. Licence revenue is determined using the residual method.

AASB 15

The new standard applies a single, principles-based five-step model to revenue recognition:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The transfer of control is a pre-requisite for revenue recognition under the new standard. Under AASB 15, the transfer of control to the customer represents the transfer of the rights with regard to the good or service. The customer's ability to receive the benefit from the good or service is represented by its right to substantially all of the cash inflows, or the reduction of the cash outflows, generated by the good or service. Upon transfer of control, the customer has sole possession of the right to use the good or service for the remainder of its economic life or to consume the good or service in its own operations. AASB 15 states that "control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset". Control also means the ability to prevent others from directing the use of, and receiving the benefit from, a good or service.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. Overall, the principles set out in the preceding section on the previous standard are materially consistent for Bravura Solutions' customer contracts when allocating the consideration to elements of the contract, including licence fees.

Under the previous standard, licence revenue is determined using the residual method, whereas under the new standard, licence revenue is determined by allocating the consideration to the performance obligations attached to the licence, which allocation is similarly determined using the residual method. However, this new allocation method is not having a material impact on licence revenue recognition because consistent to the previous standard, Bravura Solutions continues to consider that licence fees may be recognised upfront if:

- the arrangement with the customer does not require significant development, modification or customisation of the software solution;
- there are no contingencies on the licences that could cause deferral of revenue (e.g. refund clauses attached to the licence) i.e. no amounts are refundable;
- the contract is non-cancellable and there are no break clauses considered substantive; and
- there is no remaining obligation for Bravura Solutions attached to the licence.

In contrast to the previous standard, AASB 15 also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Such costs are capitalised and amortised over the length of the contract.

The new standard establishes also new disclosure principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

AASB 9 Financial instruments

The adoption of AASB 9 has no material impact on the interim financial statements and are expected to have no material impact on the annual financial statements.

Notes to the Interim Consolidated Financial Statements

For the half-year ended 31 December 2018 (continued)

2 Financial assets and financial liabilities

2.1 Financial assets

	2018 31 December	2018 30 June
	\$'000	\$'000
Cash and cash equivalents	25,964	36,941
Trade receivables	39,897	28,918
	65,861	65,859

Cash and trade receivables are non-derivative financial assets carried at cost which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of counterparties. Fair values approximate their carrying values of these instruments.

2.2 Financial liabilities

	2018 31 December	2018 30 June
	\$'000	\$'000
Borrowings	12,009	12,183
	12,009	12,183
Other financial liabilities (non-interest bearing)		
Trade and other payables	12,697	10,422
	24,706	22,605

Unsecured bank borrowings

The Group has an unsecured revolving credit facility agreement with the Commonwealth Bank of Australia (CBA), which expires on 15 November 2021. Refer to Note 9.

Borrowings are carried at amortised cost. Trade and other payables are carried at cost. Fair values of both approximate their carrying values due to the short-term maturities of these instruments.

Notes to the Interim Consolidated Financial Statements

For the half-year ended 31 December 2018 (continued)

3 Segment information

Description of segments

The Chief Executive Officer considers the business from a product group perspective and has identified two reportable segments, as follows:

- **Wealth Management** - Wealth Management platforms provide end-to-end processing to support all back office functions relating to daily management of superannuation, pensions, life insurance, investment, private wealth and portfolio administration.
- **Funds Administration** - Funds Administration platforms support administration requirements for a range of investment vehicles in Europe and distributed globally for both retail and institutional investors.

No operating segments have been aggregated to form the above reportable operating segments.

The Chief Executive Officer monitors the operating results of its divisions separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating EBITDA. Operating EBITDA is earnings before finance cost, interest and foreign exchange gains and losses, tax, depreciation and amortisation. Operating EBITDA is reconciled with profit or loss in the consolidated financial statements below.

Segment operating EBITDA includes depreciation of property, plant and equipment dedicated to client hosting services.

	31 December 2018 \$'000	31 December 2017 \$'000
Wealth Management	90,440	72,797
Funds Administration	36,998	30,117
Total segment revenue¹	127,438	102,914
Wealth Management ²	29,423	21,598
Funds Administration ²	13,660	12,774
Total segment Operating EBITDA	43,083	34,372
Corporate costs	(19,338)	(15,875)
Finance income (Refer to Note 4) ¹	22	15
Total operating EBITDA	23,767	18,512
Depreciation and amortisation expense	(2,881)	(3,889)
Finance expense	(325)	(254)
Foreign exchange loss	(606)	(335)
Profit before income tax	19,955	14,034
Income tax (expense)/benefit	(3,628)	196
Net profit after tax	16,327	14,230

Notes to the Interim Consolidated Financial Statements

For the half-year ended 31 December 2018 (continued)

	31 December 2018	30 June 2018
Segment Assets	\$'000	\$'000
Wealth Management	192,064	184,571
Funds Administration	29,463	27,754
	221,527	212,325

	31 December 2018	30 June 2018
Segment Liabilities	\$'000	\$'000
Wealth Management	68,778	68,326
Funds Administration	29,889	29,813
	98,667	98,139

	31 December 2018	31 December 2017
Segment Revenue by geography ¹	\$'000	\$'000
Australia	31,060	30,781
UK	84,944	56,771
New Zealand	6,953	7,824
Others	4,481	7,538
	127,438	102,914

	31 December 2018	30 June 2018
Segment Non-current operating assets by geography ³	\$'000	\$'000
Australia	115,765	115,491
UK	15,404	7,888
New Zealand	2,806	2,917
Others	1,482	1,355
	135,457	127,651

1. Segment revenue excludes finance income in this segment (Refer to Note 4) and is based on Management's view.

2. Includes hosting asset depreciation.

3. Non-current assets for this purpose consist of primarily property, plant and equipment and intangible assets, but excludes deferred tax assets.

Notes to the Interim Consolidated Financial Statements

For the half-year ended 31 December 2018 (continued)

4 Revenue from contracts with customers and other income

	31 December 2018	31 December 2017
	\$'000	\$'000
<i>Revenue from contracts with customers</i>		
Maintenance and hosting services	48,846	48,066
Professional services income	69,018	49,237
Licence fees	9,071	5,008
Other sales revenue	503	603
	127,438	102,914
<i>Other revenue</i>		
Finance income - interest received	22	15
	22	15
	127,460	102,929

Further disaggregation of revenue is included in Note 3 Segment information

Notes to the Interim Consolidated Financial Statements

For the half-year ended 31 December 2018 (continued)

5 Expenses

	31 December 2018 \$'000	31 December 2017 \$'000
Profit before income tax includes the following specific expenses:		
<i>Employee benefits expense</i>		
Salary and wages	67,789	56,521
Defined contribution superannuation and pension expense	7,037	5,979
Share-based payments	599	-
Other	1,041	820
Total employee benefits expense	76,466	63,320
<i>Depreciation</i>		
Plant and equipment	1,348	1,024
Leasehold improvements	222	221
Hosting plant and equipment	773	1,692
Furniture, fittings and equipment	149	105
Total depreciation	2,492	3,042
<i>Amortisation</i>		
Business contracts and relationships	-	398
Intellectual property and software development	1,436	1,232
Total amortisation	1,436	1,630
Total depreciation and amortisation	3,928	4,672
<i>Finance costs</i>		
Interest and finance charges paid/payable	259	174
Borrowing costs and other	66	80
Total finance costs expensed	325	254
Lease of premises and equipment	5,308	3,243

Notes to the Interim Consolidated Financial Statements

For the half-year ended 31 December 2018 (continued)

6 Income tax expense

The Group calculates the period income tax using the tax rate that would be applicable to the expected total annual earnings. The major components of the income tax expense in the Interim Consolidated Statement of Profit or Loss and Comprehensive Income are:

	31 December 2018	31 December 2017
	\$'000	\$'000
Income tax expense		
Current tax	(5,157)	(1,647)
Deferred tax	1,529	1,843
Total income tax (expense)/benefit	(3,628)	196

7 Earnings per share (EPS)

	31 December 2018	31 December 2017
	\$'000	\$'000
Profit attributable to ordinary equity holders of the parent	16,327	14,230
Profit attributable to ordinary equity holders of the parent for basic earnings	16,327	14,230
	'000	'000
Weighted average number of ordinary shares for basic EPS	214,246	214,246
Performance rights (Refer to Note 13)	2,196	-
Weighted average number of ordinary shares adjusted for the effect of dilution	216,442	214,246

	Cents	Cents
Basic EPS	7.6	6.6
Diluted EPS	7.5	6.6

Notes to the Interim Consolidated Financial Statements

For the half-year ended 31 December 2018 (continued)

8 Non-current assets - Intangible assets

	Goodwill	Business contracts and relationships	Intellectual property and software development	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
At 1 July 2017	128,697	53,239	94,506	276,442
Additions internally generated	-	-	6,328	6,328
At 30 June 2018	128,697	53,239	100,834	282,770
Additions internally generated	-	-	1,998	1,998
At 31 December 2018	128,697	53,239	102,832	284,768
Accumulated amortisation				
At 1 July 2017	(55,488)	(52,045)	(58,943)	(166,476)
Amortisation charge	-	(1,194)	(2,409)	(3,603)
At 30 June 2018	(55,488)	(53,239)	(61,352)	(170,079)
Amortisation charge	-	-	(1,436)	(1,436)
At 31 December 2018	(55,488)	(53,239)	(62,788)	(171,515)
Net book value				
At 30 June 2018	73,209	-	39,482	112,691
At 31 December 2018	73,209	-	40,044	113,253

(i) *Goodwill*

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

(ii) *Business contracts and relationships*

Business contracts and relationships are carried at cost less accumulated amortisation and, if applicable, accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight-line method over periods between two and twenty years. The amortisation has been recognised in the Consolidated Statement of Comprehensive Income in the line item "depreciation and amortisation". If an impairment indicator should arise, the recoverable amount would be estimated and an impairment loss would be recognised to the extent that the recoverable amount was lower than the carrying amount.

(iii) *Intellectual property and software development*

Intellectual property and software are carried at cost less accumulated amortisation and, if applicable, accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight-line method over a period of five to fifteen years. The amortisation has been recognised in the Consolidated Statement of Comprehensive Income in the line item "depreciation and amortisation". If an impairment indicator should arise, the recoverable amount would be estimated and an impairment loss would be recognised to the extent that the recoverable amount was lower than the carrying amount.

No goodwill and intangibles impairment charges were recognised in the reporting period.

Notes to the Interim Consolidated Financial Statements

For the half-year ended 31 December 2018 (continued)

Carrying amount of goodwill and other intangibles allocated to each of the cash generating units are as follows:

December 2018	Wealth Management	Funds Administration	Total
	\$'000	\$'000	\$'000
Goodwill	73,209	-	73,209
Intellectual property and software development	40,044	-	40,044
Consolidated carrying amount	113,253	-	113,253
Amortisation on intellectual property and software development - half-year	1,436	-	1,436

June 2018	Wealth Management	Funds Administration	Total
	\$'000	\$'000	\$'000
Goodwill	73,209	-	73,209
IP, business contracts and relationships	39,482	-	39,482
Consolidated carrying amount	112,691	-	112,691
Amortisation on IP, business contracts and relationships - full-year	2,409	1,194	3,603

9 Current liabilities - Borrowings

	31 December 2018	30 June 2018
	\$'000	\$'000

Unsecured

Bank loans	12,009	12,183
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Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

Bank loan facilities	31 December 2018	30 June 2018
	\$'000	\$'000
Total facilities	30,004	24,712
Used at balance date	13,290	13,212
Unused at balance date	16,714	11,500

The facility agreement with CBA is an unsecured revolving credit facility which was extended by a further two years expiring 15 November 2021, and increased by AUD 5 million now providing AUD 17.1 million, GBP 4.5 million and NZD 5 million borrowing. The facilities for guarantees are drawn by an amount of \$1,125,184 (30 June 2018: \$856,758).

The financing arrangements impose certain covenants on the Consolidated Entity that, if breached, the financiers may at any time declare that the loans become immediately due and payable. There were no covenants breached during the current period.

Notes to the Interim Consolidated Financial Statements

For the half-year ended 31 December 2018 (continued)

10 Contributed equity

	31 December 2018	30 June 2018	31 December 2018	30 June 2018
	Shares	Shares	\$'000	\$'000
Share capital				
Total	214,246,090	214,246,090	184,989	184,989

(a) Movements in ordinary share capital

Ordinary shares issued and fully paid	Shares	\$'000
At 1 July 2017	214,246,090	184,989
At 30 June 2018	214,246,090	184,989
At 31 December 2018	214,246,090	184,989

There were no changes to ordinary share capital during the current period.

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of Bravura Solutions in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

The number of authorised ordinary shares is the same as the number of fully paid ordinary shares. There are no changes in the number of shares in the comparative period.

(c) Capital risk management

The Consolidated Entity's objectives when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

The Consolidated Entity monitors capital on the basis of the gearing ratio which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the Consolidated Statement of Financial Position plus net debt.

The financing arrangements impose certain covenants on the Consolidated Entity that, if breached, the financiers may at any time, unless remedied, declare that the loans become immediately due and payable. There were no covenants breached during the current period (Refer to Note 9).

The Consolidated Entity's focus is to ensure capital is managed effectively and to maximise shareholder returns over the long term which may include share buy-backs, issue of new shares and/or dividends depending on the capital structure at the time.

Notes to the Interim Consolidated Financial Statements

For the half-year ended 31 December 2018 (continued)

11 Dividends

A final dividend of 4.5c per share amounting to \$9.6 million was paid to shareholders on 28 September 2018. An interim dividend of 5.3c per share amounting to \$11.4m has been declared.

12 Contingent liabilities and commitments

(a) Contingent liabilities

The Consolidated Entity had contingent liabilities at 31 December 2018 in respect of:

Bank guarantees

Guarantees given in respect of office leases of subsidiaries amounting to \$1,125,184 (30 June 2018: \$856,758) are unsecured.

(b) Contingent assets

The Consolidated Entity had no contingent assets at 31 December 2018 (30 June 2018: \$nil).

(c) Commitments

Operating leases

	31 December 2018 \$'000	30 June 2018 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	6,165	6,569
Later than one year but not later than five years	29,148	30,297
Later than five years	20,875	-
	56,188	36,866

Operating lease commitments consist of amounts payable for office rental and equipment, which are generally renewable for one to ten years.

During the interim reporting period, the Consolidated Entity moved to a new London office, with a lease term ending 30 September 2028.

During the interim reporting period, the Consolidated Entity entered into a new Melbourne office lease, with a lease term ending 30 March 2024.

Capital commitments

There were no capital commitments during the financial period 31 December 2018 (30 June 2018: \$nil).

Notes to the Interim Consolidated Financial Statements

For the half-year ended 31 December 2018 (continued)

13 Related party transactions - performance rights

On 27 November 2018, 801,351 performance rights were granted to senior executives under the LTIP, of which the following grants were made to KMP: Tony Klim 191,301 rights, Martin Deda 73,965 rights, Nick Parsons 81,661 rights, and Andy Chesterton 74,147 rights. The following table illustrates the number of, and movements in, share options during the year:

Directors, other key management personnel and other executives	No. of share options
Outstanding at 1 July 2017	-
Granted during the year	2,119,692
Forfeited during the year	-
Exercised during the year	-
Expired during the year	-
Outstanding at 30 June 2018	2,119,692
Granted during the half-year	801,351
Forfeited during the half-year	-
Exercised during the half-year	-
Expired during the half-year	-
Outstanding at 31 December 2018	2,921,043
Exercisable at 30 June 2018	-
Exercisable at 31 December 2018	-

The weighted average remaining contractual life for the performance rights outstanding as at 31 December 2018 was 4.8 years.

The following table lists the inputs to the models used for the LTIP for the half-year ended 31 December 2018:

	TSR	EPS
Weighted average fair values at the measurement date	\$1.84	\$2.14
Dividend yield (%)	2.54%	2.54%
Expected volatility (%)	33.00%	33.00%
Risk-free interest rate (%)	2.07%	2.07%
Expected life of options (years)	2.72	2.72
Weighted average share price (\$)	\$4.06	\$4.06
Model used	Monte Carlo	Binomial

Performance rights do not have exercise prices.

14 Events occurring after the reporting period

There have been no occurrences of matters or circumstances subsequent to half-year end that have significantly affected, or may significantly affect, the operations, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years.

A half-year dividend of 5.3c per share has been declared and will be paid on 28 March 2019.

Directors' Declaration

In the Directors' opinion:

- (a) The Interim Financial Statements and notes of Bravura Solutions Limited for the half-year ended 31 December 2018 are in accordance with the *Corporations Act 2001*, including:
 - (i) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (ii) Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance and cash flows for the half-year ended on that date; and
- (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



BRIAN MITCHELL

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Sydney
27 February 2019

Independent Auditor's Review Report



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Independent Auditor's Review Report to the Members of Bravura Solutions Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Bravura Solutions Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim consolidated statement of financial position as at 31 December 2018, the interim consolidated statement of profit and loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 interim financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Interim Financial Report

The directors of the Company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim 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, anything has come to our attention that causes us to believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial 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 the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.

Independent Auditor's Review Report (continued)



Independence

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

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gamini Martinus'.

Gamini Martinus
Partner
Sydney
27 February 2019

Corporate Directory

Corporate information

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Independent Chairman

Peter Mann

Independent

Alexa Henderson

Independent

Neil Broekhuizen

Independent

Tony Klim

CEO and Managing Director

Martin Deda

CFO and Executive Director

Company Secretary

Martin Deda and Nigel Liddell

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Ernst & Young

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