

# First Supplementary Bidder's Statement

in relation to the Offer

by

**Praemium Limited** (ACN 098 405 826) to acquire all of your shares in

**Powerwrap Limited** (ACN 129 756 850) for 7.5 cents per Powerwrap Share in cash and 1 Praemium Share for every 2 Powerwrap Shares that you own

**Powerwrap Directors unanimously recommend that you **ACCEPT** this Offer in the absence of a superior proposal**

## ACCEPT THIS OFFER

The Offer is dated 31 July 2020 and will close at 7:00pm (Melbourne time) on 31 August 2020, unless extended or withdrawn.

### THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Bidder's Statement contains offer by Praemium Limited to purchase all of your shares in Powerwrap Limited. If you are in any doubt how to treat the Bidder's Statement, you should consult your financial, legal, taxation or other professional adviser as soon as possible.

If you have any questions or require assistance with your acceptance, please call the Offer Information Line on 1800 992 039 (from within Australia) or +61 1800 992 039 (from outside Australia) Monday to Friday between 8:30am and 5:30pm (Melbourne time).

# Praemium Limited

ACN 098 405 826

## FIRST SUPPLEMENTARY BIDDER'S STATEMENT

### 1. Introduction

This document is a supplementary bidder's statement under Section 643 of the *Corporations Act 2001* (Cth) (**Corporations Act**).

It is the first supplementary bidder's statement (**First Supplementary Bidder's Statement**) to the Bidder's Statement dated 22 July 2020 (**Bidder's Statement**) issued by Praemium Limited ACN 098 405 826 (**Praemium**) and lodged with the Australian Securities and Investments Commission (**ASIC**) on 22 July 2020, in relation to the offer by Praemium (**Offer**) for all of the shares in Powerwrap Limited ACN 129 756 850 (**Powerwrap**) which it does not already own.

This First Supplementary Bidder's Statement supplements, and is to be read together with, the Bidder's Statement.

Unless the context requires otherwise, defined terms in the Bidder's Statement have the same meaning in this First Supplementary Bidder's Statement. The First Supplementary Bidder's Statement prevails to the extent of any inconsistency with the Bidder's Statement.

A copy of this First Supplementary Bidder's Statement was lodged with ASIC and provided to Powerwrap on 14 August 2020. Neither ASIC nor any of its officers takes any responsibility for the contents of this First Supplementary Bidder's Statement.

### 2. Release of financial reports

On 14 August 2020, Praemium announced its results for the financial year ended 30 June 2020. The following announcements were released to the market:

- (a) Praemium's Appendix 4E, which sets out its results for the financial year ended 30 June 2020;
- (b) Praemium's full year accounts for the financial year ended 30 June 2020; and
- (c) Praemium's full year results presentation

(together, the **Financial Reports**).

Praemium encourages all Powerwrap Shareholders to read the Financial Reports as contained in the Annexure to this First Supplementary Bidder's Statement, together with the Bidder's Statement for further information about the Offer and Praemium.

In deciding whether to accept the Offer, you should also consider the risk factors that may affect Praemium and the Merged Group that arise from the Offer, and that relate to the general economy and the securities market. These risks are set out in detail in Section 16 of the Bidder's Statement.

### **3. Financial information regarding the Merged Group**

The Financial Reports are available on Praemium's website and have been annexed to this First Supplementary Bidder's Statement. The Bidder's Statement has not been updated to include the impact of the Financial Reports on the Merged Group as until Powerwrap releases its financial report for the year ended 30 June 2020, Praemium is unable to reflect the financial position and performance of the Merged Group for the year ended 30 June 2020.

Once Powerwrap has released their financial report for the year ended 30 June 2020, Praemium will review and assess whether a further supplementary bidder's statement is required to be issued to reflect pro-forma financial information for the Merged Group.

### **4. Approval of this First Supplementary Bidder's Statement**

This First Supplementary Bidder's Statement is dated 14 August 2020 and was approved by a unanimous resolution passed by the Board of directors of Praemium.

**Signed** by Barry Lewin for an on behalf of Praemium in accordance with section 351 of the Corporations Act.



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**Barry Lewin**

Chairman

Dated: 14 August 2020

**Annexure – Financial Reports**

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# Appendix 4E

## Preliminary Final Report – Results for Announcement to the Market

Name of entity

PRAEMIUM LIMITED

ABN

74 098 405 826

### 1. Reporting period:

Report for the financial year ended:	30 June 2020
Previous corresponding period is the financial year ended:	30 June 2019

### 2. Results for announcement to the market:

Revenues from ordinary activities ( <i>item 2.1</i> )	up	13.6%	to \$50,153,964
Net Profit before income tax expense	up	42.1%	to \$7,726,161
Profit from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	up	90.7%	to \$4,863,366
Net Profit for the period attributable to members ( <i>item 2.3</i> )	up	74.1%	to \$4,687,765

Dividends ( <i>item 2.4</i> )	Amount per security	Franked amount per security
Interim dividend	- cents	- cents
Final dividend	- cents	- cents
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )		
Brief explanation of any of the figures reported above necessary to enable the figures to be understood ( <i>item 2.6</i> ):		

### 3. Statement of Comprehensive Income

Refer attached audited financial report

### 4. Statement of Financial Position

Refer attached audited financial report

### 5. Statement of Changes in Equity

Refer attached audited financial report

### 6. Statement of Cash Flows

Refer attached audited financial report

**7. Dividends (item 7):**

	Date of payment	Total amount of dividend
Interim dividend-year ended 30 June 2020	N/A	\$0.00
Final dividend-year ended 30 June 2020	N/A	\$0.00

**Amount per security**

	Amount per security	Franked amount per security	Amount per security of foreign sourced dividend
Total dividend: Current Year	- cents	- cents	- cents
Total dividend: Previous Year	- cents	- cents	- cents

**8. Details of dividend or distribution reinvestment plans in operation are described below (item 8):**

Not applicable.	
The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	Not applicable.

**9. Statement of retained earnings (item 9)**

Consolidated Entity	2020	2019
Balance at the beginning of the year	(44,775,507)	(46,292,755)
<b>Net profit (loss) attributable to members of the parent entity</b>	<b>4,863,366</b>	<b>2,549,883</b>
Adjustment on introduction to Australian Equivalent to IFRS		(1,032,692)
Total available for appropriation		
Dividends paid		
Lapsing of Options	1	57
<b>Balance at end of year</b>	<b>(39,912,140)</b>	<b>(44,775,507)</b>

**10. Net tangible assets per security (item 10)**

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.045	\$0.034

**11. Details of entities over which control has been gained or lost during the period: (item 11)****Control gained over entities/acquisitions**

Name of entities	Date(s) of gain of control
Not applicable	

**Loss of control of entities/Disposals**

Name of entities	Date(s) of loss of control
Not applicable	

**12. Details of associates and joint venture entities (item 12)**

Name of associate or joint venture entity (item 12.1)	% Securities held (item 12.2)
Not applicable	

**Aggregate share of profits (losses) of associates and joint venture entities (item 12.3):** Not applicable

**13. Details significant information relating to the entity's financial performance and financial position.**

Refer attached audited financial report

**14. This item relates to foreign entities and is not applicable to the company (item 14):** Not applicable**15. Commentary on the results for the period (item 15).**

Refer attached audited financial report for detailed commentary on the results for the period.

**Basis of Preparation**

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. The preliminary financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The preliminary financial report covers the consolidated group of Praemium Limited and its controlled entities. Praemium Limited is a listed public company, incorporated and domiciled in Australia. The preliminary financial report of Praemium Limited and its controlled entities complies with all International Financial Reporting Standards (IFRS) in their entirety.

**Reporting Basis and Conventions**

The preliminary financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**15. Audit of the financial report (item 15)**

Refer attached audited financial report.

**16. Are the audited accounts subject to review and are subject to dispute or qualification? (Item 16)**

No.

Sign here:

Date: 14 August 2020



Print name: Paul Gutteridge  
(CFO & Company Secretary)

# Praemium Annual Report



2020



The platform for where  
you're going next.

**Welcome to the upgrade.**



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# The new world of advice

Over the last year, with significantly changing economic conditions the need for financial advice has increased considerably in Australia and globally. Concurrently, financial adviser numbers have been consolidating in many countries, however higher quality advice businesses with sound advice value propositions and more modern and personalised service models are becoming the beneficiaries of this and are expected to grow strongly in the years ahead. In Australia for example, small, independently owned advice businesses with experienced financial advisers now comprise the largest and fastest growing segment of the market with bank-aligned advisers joining these businesses or establishing their own.

The shift to remote working and online client meetings in response to COVID-19 has highlighted the importance of a modern and personalised digital advice model and the need for an investment platform partner that can support it with innovative technology designed to deliver business efficiency and high quality client engagement.

Four key trends are set to continue shaping the advice industry and the adoption of investment platforms.

# 01

## Transition to a digital advice model

As technology advances and investors' demand for a more personalised and tailored service increases, advisers are increasingly moving to digital solutions that drive business efficiency and increase the opportunity for client engagement. The right technology and technology partner can help advisers provide advice to clients more efficiently and offer a range of tools for delivering a more engaged service in a scalable way.



### Digital signatures

- » Gaining authority to proceed with advice recommendations via secure email speeds up processing times and decreases the time spent out of the market, ensuring the investor is invested in line with their financial requirements sooner.
- » Statistics on Praemium's online applications show, that after one month the client is 33% more likely to fund a new application via digital acceptance, achieving efficiencies for the adviser with less time spent chasing paperwork.



### Online portals and reporting

- » Digital client portals enable advisers to provide detailed, tailored reporting with the most up-to-date portfolio information.
- » Available 24/7 investors have continuous access to their portfolio on any smart device ensuring clients are more informed about their wealth management.
- » Meetings or calls are less focused on portfolio updates and more on strategy, life event planning and progress to lifestyle plans, enhancing overall client satisfaction.



### Online meetings

- » Whilst video or virtual meetings have significantly increased in recent months in response to the global pandemic, it is likely these will continue long after.
- » Video conference provides advisers with the ability to connect with clients on any device and hold review or strategy discussions. It has the potential to enhance the adviser-client relationship with the annual face to face meeting replaced with more frequent, shorter virtual meetings.
- » With the ability to record the video and discussion, and append it as a file note in their financial advice software it easily allows advisers to meet compliance and regulatory obligations.

# 02

## Managed accounts leading the way

Managed accounts and the technology that underpins them is helping advisers transform their businesses through increased efficiencies that significantly reduce the time spent on administration to allow for greater focus on client relationships.

The popularity of managed accounts with advice firms continues to grow

**\$79.3bn**

in managed accounts as at 31 December 2019<sup>1</sup>



**40%**

of financial planners are using managed accounts up 5% from 2019<sup>2</sup>



**18%**

of financial planners intend to starting using managed accounts for the first time at some point in the future<sup>2</sup>



Managed accounts support advisers in the key objectives

**86%**

of advisers reported a reduction in administration time and effort<sup>3</sup>



**47%**

spent more time with clients<sup>3</sup>



Advisers embracing managed accounts as a business solution are reaping the rewards

**85%**

uplift in profits for practices using managed accounts for all their clients<sup>3</sup>



**25%**

increase in revenue per adviser for managed accounts users vs firms not using managed accounts<sup>3</sup>



1. Institute of Managed Account Professionals Census December 2019  
2. Investment Trends 2020 Managed Account Survey, based on a survey of 960 financial planners

3. Business Health/ Praemium 'The real truth about managed accounts' September 2019

# 03

## Data driven decisions

**As more advisers move to a digital advice model, data will play a critical role in driving this digital transformation.**

- » Open Banking creates the possibility for a single, consolidated source of wealth information and the opportunity for advisers to create holistic wealth management services.
- » Artificial intelligence and machine learning are driving more personalised, tailored solutions and creating valuable insights into client sentiment around their wealth management. Making use of data analytic strategies provides advisers with the opportunity to build a picture of client requirements and pre-empt client needs.
- » Creating a process for gathering, managing, storing and protecting data will be an increasing focus for advisers.

# 04

## Integrated Platforms

**As advisers look to offer increasingly digitised services and provide a complete wealth management service, they will demand functionality from their platform provider that allows them to achieve this efficiently and at scale.**

- » The ability to access the full suite of investment solutions on a single platform and allow for a holistic wealth management service.
- » The provision of a consolidated view of custody and non-custody assets to meet their clients' needs
- » Complete outsourcing of administration services to allow for greater focus on advice provision.
- » Integrated technology solutions with data feeds from various providers and a single source of data.

Praemium with its fully integrated managed account platform is well positioned for the new world of advice. We continue to innovate and enhance our functionality to provide advisers with the ability to manage all their clients, all their portfolios and all their investments on a single platform. Our market-leading investor portal allows advisers to deliver tailored reporting and information to their clients in an innovative and intuitive interface, accessible on any device. Our unique Virtual Managed Account Administration Service (VMAAS) is also catering to the growing segment of advice businesses looking for a complete outsourced administration solution.

We continue to leverage our global experience and expertise across key financial markets to the benefit of all our clients, ensuring we are able to respond to changing markets and regulations quickly.

In this new and ever changing world, Praemium is well positioned to take full advantage of these changing market dynamics.

**Welcome to the upgrade**

# Chairman's Report



**Barry Lewin**  
Chairman

I'm very pleased to report to shareholders following another year of achievement and growth for Praemium.

In a turbulent year, management delivered a very creditable result with revenue up 14% to \$51.2 million and underlying EBITDA up 25% to \$14.2 million\*. The Company's financial performance reflects strong underlying growth for our global managed account platforms and financial software solutions.

This result was also achieved despite a number of challenging headwinds, namely heightened market volatility as a result of the COVID-19 crisis, a key Australian institutional client (ANZ Private) transitioning to a new supplier (with the majority of the funds now transitioned) and the loss of the high margin Smartfund Protected range in the UK (now complete).

Praemium's resilient business model, including diversified revenue streams, a strong balance sheet and solid cash flows have provided the Company with the financial strength to continue to focus on both organic growth and seek strategic acquisition opportunities.

Against this backdrop, on 9 July 2020 Praemium announced it had entered into a bid implementation agreement, under which it is proposed to make an off-market conditional takeover bid for ASX listed Powerwrap, for the remaining issued fully paid ordinary shares it does not currently own. The acquisition of Powerwrap would be a complementary addition to Praemium's growth strategy and product suite. Praemium's technological capabilities and operating experience means it is well equipped to realise value from Powerwrap's platform assets and established customer network. The transaction, if completed, is expected to deliver significant synergies and will be Praemium's most important acquisition in its 20 year history.

“

Praemium’s resilient business model has provided the financial strength to focus on organic growth and strategic acquisition opportunities.”

Key financial highlights for the year included:

Financial Results	\$m	Change on FY19
Revenue & other income*	51.2	+14%
Earnings before interest, tax, depreciation and amortisation (underlying EBITDA*)	14.2	+25%
Cash balances	15.9	+16%
Platform Funds Under Administration (FUA)		
Australia	5.7	-18%
International	3.2	+25%
VMAAS	11.4	+73%
<b>Total</b>	<b>20.3</b>	<b>+26%</b>

\*Underlying EBITDA is detailed in Note 20

In addition to these financial highlights, as evidence of its strengthening competitive position among its peers, Praemium was ranked in the top 5 of platforms in both Australia and the UK. The Company ranked 4th place out of 20 in Australian 2019 Investment Trends Platform Benchmarking Report and 2nd out of 19 in the lang cat 2020 Platform Market Scorecard in the UK. These improved rankings will play an important role in driving our continued growth and profitability.

With COVID-19 continuing to impact all 6 countries in which we are located, Praemium continues to operate normally and has maintained work from home requirements across our 10 offices. The Company is continuing to meet the challenges of this volatile and uncertain time.

On behalf of the Board I wish to extend our sincere thanks to our dedicated staff and management around the world for delivering another strong financial result. Despite the challenging environment, they are working hard to assure our continued success.

My fellow Directors and I also wish to express our sincere appreciation to all shareholders for your support, and we are confident you will continue to benefit from your investment in the Company in the years ahead.



**Barry Lewin**  
Chairman



# CEO's Report



**Michael Ohanessian**  
CEO & Managing Director

What a year 2020 is turning out to be. We are all grappling with new ways of conducting business in the shadow of the Covid-19 pandemic, and first and foremost I want to extend my sincere hope that you all are healthy and adapting well to this new environment.

We care about the safety of our clients, employees, and members of the public above everything else. With the presence of COVID-19 worldwide, Praemium has implemented our Groupwide Response Plan and has carried out successful BCP (business continuity plan) tests across our global network. We continue to operate effectively while our staff are working from home. Our global IT and infrastructure teams are working around the clock to maintain our daily protocols and high standards of service wherever our clients are. Praemium systems provide follow-the-sun, 24x7 support, and our operations are underpinned by top-tier global infrastructure firms.

Our technology infrastructure is a source of great strength, as evidenced by our recent listing in the inaugural S&P/ASX All Technology index (out of the 46 technology companies in the index, we are the only platform to be included). We were also recognised this year for our innovative approach by winning some important global awards:

- » Best Innovation at the City of London Wealth Management Awards;
- » Winner of the Innovation Category at the IMAP Managed Accounts Awards; and
- » Selected as Leading Platform for Discretionary Management at the prestigious Schroders UK Platform Awards.

Several key strategic initiatives introduced in 2019 began to deliver results in 2020, and despite some tailwinds we ended the year with \$20.3 billion of assets under administration, a 26% increase over last year.

“

Several key strategic initiatives introduced in 2019 began to deliver results in 2020.”

### **An integrated managed account platform**

Our integrated Managed Accounts platform enables advisers to create bespoke Individually Managed Accounts (IMAs) from more than 2,000 single assets in addition to using model portfolios in a Separately Managed Accounts (SMA) structure. The Australia upgrade was supported by a brand refresh and campaign titled “Welcome to the Upgrade”. This successful campaign was capped by Praemium winning Financial Standard’s 2020 MAX Digital Campaign of the Year Award.

With a full-service platform now on offer, we built functionality that demonstrates the capabilities of the upgraded platform. We set ourselves the objective of top 5 in the Investment Trends platform ratings, and were pleased to have debuted at 4th place, a great result from the team at Praemium!

This year we significantly enhanced our environmental, social and governance (ESG) approach by adding the Australian Ethical Australian Shares Portfolio to the Praemium SMA and providing ESG research from Sustainalytics. Most exciting is the ability to customise an investor’s portfolio with a filter for specific ESG themes, combining a professionally run managed account with securities screening based on an investor’s ethical values.

Having launched a highly competitive full-service platform, we took the next logical step and grew our sales team. While still early, having a larger team covering all of Australia’s key markets showed results in the later part of the financial year.

In the UK, we upgraded our UK-based international platform to the new architecture and launched our innovative new Adviser Portal with Insights artificial intelligence feature. Shortly thereafter, respected UK platform ratings agency the lang cat debuted Praemium at second-highest overall in its Platform Market Scorecard (PMS). Praemium placed second overall, second in support, third in proposition, and took first place in value for fees charged.

### **Non-custodial growth**

Our non-custodial reporting solution, VMA, saw a 10% increase in billable portfolios through the year. We also released several enhancements to improve the adviser experience, such as multi-account reconciliation screens and a what-if analysis that can help advisers assess the impact of portfolio changes in terms of asset allocation, income and CGT.

Our Virtual Managed Accounts Administration Service (VMAAS), launched in December 2017, continues to perform well. I am pleased to report that VMAAS has grown to \$11.4 billion in FUA across more than 5,000 investor portfolios as at the end of FY2020.

### **Financial planning and CRM**

This year we launched WealthCraft in the UK, with more than a dozen Plum Software clients choosing to make the switch. We are now working on digital account opening of Praemium platform accounts via WealthCraft. Adviser interest in WealthCraft is also growing in offshore markets, driven by the potential efficiency gains from an integrated client experience.

Overall, FY2020 has been a year of investment in our capabilities, people and technology infrastructure across all our offices and products. FY2020 was arguably our most productive in terms of technology and product development.

Praemium is a special business with innovative technology, great people and a huge addressable market. I want to thank our shareholders and our board for their support. And most importantly, I want to thank our incredible employees for the way they have stepped up during this difficult time and continued to provide high standards for service and products. I feel very lucky to be working with such a great team.



**Michael Ohanessian**  
CEO & Managing Director

# Corporate Highlights

91%

increase in net profit



1,670

UK pension schemes, a 53% increase on the previous year



\$11.4bn

FUA on VMA administration across 5,000 investor portfolios



26%

increase in funds under administration



25%

increase in EBITDA



409

new model portfolios and single assets added to the platform





# Continued innovation



## Launch of customised ESG screening

Praemium has integrated environmental, social and governance (ESG) research and analysis into its integrated Managed Accounts Platform to allow advisers to tailor their clients' portfolios and align their investments with their unique ethical beliefs and values.

The platform functionality works by integrating data from Sustainalytics research, covering over 15,000 companies globally and screening portfolios from exposure to companies involved in one of nine ESG categories. This saves advisers working out which companies to exclude now and into the future and offers a scalable way for advisers to satisfy their clients' ESG preferences.



## Future positioning

- » Enhanced retail unified managed account (UMA) offering
- » Further platform functionality updates to deliver an enhanced digital/customer engagement experience
- » Launch of expatriate managed account solutions including SIPP to support growing expat requirements

# Directors' Report

## Review of operations

### Managed Accounts Platform

Praemium's proprietary Managed Accounts Platform is the only Australian platform to serve Australia, UK and International markets.

In February last year Praemium launched its next-generation fully integrated Managed Accounts Platform, which provides advisers and wealth managers with the ability to construct the full breadth of managed accounts solutions for their clients via a seamless digital platform experience. The integrated platform includes: the custodial Separately Managed Accounts (SMA) and Individually Managed Accounts (IMA); non-custodial Virtual Managed Accounts (VMA) to underpin Managed Discretionary Accounts (MDA), Investor Directed Portfolio Services (IDPS) and similar structures; and Unified Managed Accounts (UMAs) that enable a consolidated view of custody and non-custody investment assets.

The integrated Managed Accounts Platform brings together our non-custodial platform (VMA) with our custodial SMA platform under an efficient single structure suitable for Independent Financial Advisers (IFAs), stockbrokers, private wealth managers, family offices and institutional clients both domestically and globally for our clients who access the platform via their local jurisdictions.

Praemium's Australian platform was impacted by a significant client transition this year with FUA down 18% to \$5.7 billion. Outside the client transition, net inflows were \$1 billion, up 68% compared to the prior year. Praemium continued to invest in developing its range of product and technology solutions. This year we:

- » Launched the Adviser Portal to the UK and international clients in September;
- » Added new and improved reporting, including:
  - » Investment Summary Report, with this useful short-form report combining performance, additions and withdrawals, expenses and asset allocation for client portfolios. The report also includes a QR code to provide clients with quick access to the investor portal;
  - » Expanded options for Asset Allocation and Performance reports and added a new Infographic client report designed to assist advisers in delivering portfolio outcomes to their clients in a simple and effective way;
  - » A new report pack for Managed Discretionary Account (MDA) clients via our Investor Portal, covering portfolio valuation, income and expenses, transactions and cash statements;
- » A range of new reports and data exports via our export centre, including SMA customisations, FUM by security, DRP related corporate actions by portfolio, securities excluded from billing and export centre usage audits;
- » A range of expanded reporting and governance features suitable for the growing number of MDA Operators using our services;
- » A new suite of investor and business reports and functionality, including: a first-to-market infographic overview; simple consolidated investor report by valuation, model portfolios and asset allocation; and enhancements to bespoke reporting;
- » Launched a unique functionality for mFund distributions including the breakdown of tax components which will significantly enhance the investment experience to advisers and clients accessing managed funds via the ASX;
- » Enhanced Praemium's AI app, Insights, to include periodic summaries, client & data highlights and reminders for client birthday milestones;
- » Enhanced the Year End Distribution screen for trust securities and managed funds allows tax components to be applied across multiple portfolios, providing a significant time saving for firms with managed funds;
- » Added a retirement calculator to assist advisers to help investors plan for a comfortable retirement. The calculator allows advisers to input details about the investor such as age, income, monthly expenditure and retirement age, and accounts for factors such as inflation and estimated annual return, to calculate monthly pension payments at retirement age and overall balances over time;
- » Added Australian Government Bonds to our Australian licence for custodial platform assets;
- » Launched a new range of multi-asset index models managed by Morgan Stanley;
- » Provided access to an additional 50+ global Exchange Traded Funds (ETFs) on the New York and London stock exchanges that can be held in and have income settled in their native currency;
- » Introduced electronic asset re-registration to speed up transitions from other UK platforms;
- » Added a new account type, the Praemium JISA (Junior ISA) to the UK platform. JISA is a UK tax-effective structure to encourage savings for young people;

- » Added a new account type to the International platform, with Onshore Bonds providing a UK tax-effective structure through our partnership with Sanlam;
- » Launched the first ESG model with Australian Ethical to allow investment in an actively managed, diversified Australian share portfolio of companies selected for their ESG credentials;
- » Launched new platform screening functionality for environmental, social and governance (ESG) assessments, enabling advisers to customise investment portfolios across several different ESG categories such as fossil fuels, alcohol, tobacco, gambling, adult entertainment and animal testing;
- » Added additional API integrations for Advisers using Super Concepts and Financial Simplicity;
- » Created a fully digital application process for the UK, with the addition of paperless direct debits;
- » Launched new business-level dashboards, giving oversight of advisers and clients;
- » Added Microsoft Power BI dashboard integration, new adviser tools including modelling and calculators;
- » Simplified document sharing with investors;
- » Continued to invest in platform security with a range of new encryption measures to further protect data.

Our International platform also grew strongly this year, with record gross inflows of \$1.2 billion, up 41% on the prior comparable period. International platform FUA closed at \$3.2 billion at 30 June 2020, a 25% improvement over last year.

Our UK pension offering achieved a significant boost in the past 12 months, with 1,670 schemes at 30 June 2020, a 53% increase.

Praemium's unique platform continued to win accolades during the year, receiving three international major awards. Praemium won "International Platform of the Year" at International Adviser Global Financial Services Awards, "Leading Platform for Discretionary Management" at the Schroders UK Platform Awards, and "Best Fund Platform" at the City of London Wealth Management Awards (COLWMA) against a large field of UK nominees. Our "Welcome to the Upgrade" campaign, supporting the launch of our integrated Managed Accounts platform, won the Financial Standard Marketing and Advertising Award (MAX) for Digital Marketing Campaign of the Year. The UK platform also achieved a maximum possible 5-star Defaqto rating.

## Virtual Managed Accounts (VMA) and VMA Administration Service (VMAAS)

Available via the market's only fully integrated managed accounts platform, our non-custodial solutions enable advisers and firms to serve their clients' administration and investment needs, whether under custody or not, on one single platform.

Praemium's Virtual Managed Accounts (VMA) is a non-custodial solution for investment and SMSF portfolios, with first-class reporting, performance analysis and a digital Investor Portal. Using our proprietary technology, VMA manages complex corporate actions, performance analytics, asset allocation, tax and multi-asset investment reporting. Investment asset coverage includes all ASX-listed securities, more than 5,000 international securities on 40 exchanges and many types of unlisted investments, bonds, managed funds and cash management accounts (CMAs). VMA provides the broadest range of investment data feeds in the market with high-quality client and business reporting tools, accessible through our Investor Portal, Report Publisher or Export Centre.

Major enhancements to VMA in the reporting period include:

- » A new multi-account reconciliation screen to compare the holdings from multiple brokers and financial institutions to the portfolio holdings being reported on, with a feature to go back in time to show any holding mismatches.
- » Further development in our reporting, releasing the first-to-market infographic summary report, an investment summary report, and data library so the adviser can create their own reports style using our data fields. Also new Asset Class Target Allocation report & Asset allocation performance report.
- » 12 new data exports available in our data export centre.

The VMA Administration Service (VMAAS) is an add-on to the Praemium VMA that enables financial planning practices and stockbrokers to outsource the administration of their client portfolios to Praemium, freeing up advisers from the time-consuming tasks associated with managing clients' investment portfolios.

# Directors' Report

## Review of operations

Managing client assets directly with the ASX in a HIN-based structure is a popular option for advisers, especially for their higher-value clients, but can become a substantial administration burden. Adding full administration support – from mail house, portfolio management, account reconciliation, corporate action election processing through to full annual reporting – makes the HIN-based managed account a more attractive option. VMAAS can also be combined with Praemium's Managed Accounts platform for professional investment management and reporting.

VMAAS was launched in December 2017 and has continued its strong growth this financial year. As at the end of FY2020, the service has grown to \$11.4 billion from \$6.6 billion in FUA the previous year (up 73%), across 5,074 portfolios, up 15% on the previous year. This year we added:

- » A corporate action/election/notification centre for VMAAS administration clients applicable to all Rights issues, Share Purchase Plans, Buy Backs, Scheme Election, Scheme of Arrangement and Class Actions
- » New online access for VMAAS clients, allowing corporate actions notification and election services for share buy backs, share purchase plans, scheme elections and class actions.

With VMAAS, Praemium now offers the full spectrum of non-custodial services. Whether advisers or firms are looking purely to access market-leading reporting or wish to fully outsource their administration and reporting, the Praemium platform offers a solution.

### CRM and Financial Planning

Praemium's CRM and financial planning software, WealthCraft, offers a complete back-office service to reduce data input, spend less time on administration, increase efficiency and better serve clients. WealthCraft provides a single view of clients, efficient practice management tools, integrated client communication, adviser remuneration, portfolio valuation and a suite of professional reporting tools. WealthCraft is Microsoft O365-based so integrates with Outlook, Word and Excel for a seamless solution accessible from most devices.

WealthCraft UK was officially launched in January and more than a dozen Plum clients have upgraded to WealthCraft with more to come. WealthCraft has continued to grow strongly with 21% revenue growth over the prior financial year.

Encouragingly, we are seeing FUM growth on the Praemium platform from WealthCraft clients, proving the synergy of the two in providing value to our clients. FUM grew from £50 million across 12 clients to greater than £100 million across 18 clients:

- » Internationally 45% of WealthCraft clients are also Platform clients now (18 out of 40)
- » In Australia 100% of WealthCraft clients are also Platform clients (6 out of 6).

### Investment management

Smart Investment Management (Smart<sup>im</sup>) is an FCA-authorized investment management business that provides a range of innovative model portfolios and funds for the UK and international adviser markets. The London-based in-house team provides a range of multi-asset and multi-currency portfolios, available in GBP, USD and EUR. Assets can include equities, property, fixed interest, absolute return and cash.

During the financial year, Model Portfolios FUA decreased 4% to \$352 million from flat platform flows. Market declines and lower flows into the Smartfund managed funds impacted overall Managed Funds FUM, which declined 38% to \$258 million.

# The year ahead

**The 2020 financial year has been a challenging time for many businesses due to the uncertainty and volatility caused by the COVID-19 pandemic. The impacts of COVID-19 are expected to continue into the 2021 financial year. Despite this unprecedented time, Praemium continues to operate normally and remains committed to maintaining our high levels of service to clients.**

Our resilient business model, including diversified revenue streams across both products and regions, a strong balance sheet and solid cash flows, provide the financial strength to withstand any future volatility and support the business for the long term. The Company will also review initiatives in the event of more significant economic conditions to manage our cost base, while supporting our global team.

With wealth management and financial advisory businesses navigating these difficult times, Praemium's next-gen technological solutions are ideally suited to support their needs. Our digital technology and capability enable advisers to interact with clients completely remotely, to create applications and complete digital acceptance online, provide client reporting and important documentation, while also monitoring investor sentiment and activity.

Praemium's strength in providing technology solutions in this new environment will underpin our continued growth. With our next phase of development to focus on further improving the customer experience, we intend to capitalise on the large addressable markets for Praemium across Australia and the International regions in which we serve.

The competitive landscape for the Australian platform market continues to change, benefitting independent, nimble and technically advanced players like Praemium, and we will invest in capitalising on this change over the next few years. In addition to our continued investment in R&D and product development, the 2020 financial year saw a significant investment in sales & marketing, the impact of which we expect to see in future periods.

Also in Australia, growth in our non-custodial capabilities VMA and VMAAS continues to diversify our non-asset-based revenue. Our strength in portfolio administration and reporting is a unique and long-term competitive advantage and an important driver of future growth.

Internationally, the UK platform market continues to see disruption due to consolidation of underlying platform technology, which has increased the currency of platforms like Praemium that have control over their technology. With growing adoption of Managed Accounts technology, Praemium has great potential in the UK. We are also seeing the evolution of offshore markets such as the Middle East, South Africa and Asia, where regulation is driving advice practices to adopt platform technology. We remain focused on accelerating the strong performance of our International business, which has seen record platform inflows this year, by increasing our distribution efforts in the year ahead.

International markets are also an important growth prospect for Praemium's WealthCraft CRM and financial planning solutions, often in conjunction with the platform as advisers appreciate the merits of an integrated solution. Further enhancements and product modules planned for release will enable WealthCraft users to save time on implementation and administration and facilitate higher quality client engagement.

In July 2020, the Company also announced an off-market takeover bid for Powerwrap, with the support of the Powerwrap board. This is an exciting opportunity, as the merger of these two companies will create a financial platform business with combined FUA of over \$28 billion and will put the Company in a strong position to accelerate our challenge of the sector's incumbents. Further updates will be provided to shareholders as the offer process progresses.



# Key facts and figures

## Financial Metrics

	FY2020	FY2019	Change	Change
	\$000	\$000	\$000	%
Revenue and other income <sup>^</sup>	51,244	45,054	6,190	14
Expenses	37,071	33,672	3,399	10
EBITDA (underlying)*	14,173	11,382	2,791	25
Profit before tax	7,726	5,439	2,287	42
Tax (expense)	2,863	2,889	(26)	(1)
Net profit/(loss) after tax	4,863	2,550	2,313	91
Earnings per share	1.2	0.6	0.6	89
Cash	15,915	13,748	2,167	16
Net Assets	30,587	23,573	7,014	30
Operating cashflow	12,063	6,193	5,870	95

<sup>^</sup> Other income as outlined in Note 4 of the financial statements

\* Underlying EBITDA excludes restructure, arbitration and acquisitions costs of -\$1.3 million (2019: -\$1.6 million), share based payments of -\$2.0 million (2019: -\$2.0 million) and foreign exchange movements of currencies held on deposit of \$0.0 million (2019: \$0.0 million), as detailed in Note 20 of the attached annual report.

## Service Metrics

FUA \$billion	FY2020	FY2019	Change	Change
	\$B	\$B	\$B	%
Managed Account Platform (Australia)	5.7	6.9	(1.2)	(18)
Managed Account Platform (International)	3.2	2.6	0.6	25
Total Platform FUA	8.9	9.5	(0.6)	(6)
Virtual Managed Account Administration Service	11.4	6.6	4.8	73
Total FUA	20.3	16.1	4.2	26

International funds based on closing FX rate 0.5586 (2019: 0.5535)

# Overview of 2020 financial position

## Results

The consolidated profit attributable to the members of the Group was \$4,863,366, 91% higher than the prior year. This was from a 14% increase in revenue and other income, offset by a 10% increase in operating expenses, resulting in a 25% increase in underlying earnings before interest, tax, depreciation and amortisation (EBITDA) to \$14.2 million.

The Group's net profit before tax was \$7,726,161, 42% higher than the prior year, while the current year's tax expense of \$2,862,795 was 1% lower than the prior financial year due to a change in the tax treatment of research and development costs, resulting in a revision of the 2018 and 2019 income tax returns.

The Group's net asset position at 30 June 2020 was \$30,587,055 with \$15,914,653 held in cash or cash equivalents. The Group is debt free.

## Significant change in the state of affairs

Other than noted in this report, there were no other significant changes in the state of affairs during the year.

## After reporting date events

On 9 July 2020, the Company also announced an off-market takeover bid for Powerwrap, with the support of the Powerwrap board. With the offer period open until 31 August 2020, further updates will be provided to shareholders as the offer process progresses.

Other than the above, Directors have not become aware of any other matter or circumstance not otherwise dealt with in the financial statements that since 30 June 2020 has significantly affected or may significantly affect the operations of the Company or the consolidated entity, the results of those operations or the state of affairs in subsequent financial years.

## Future developments

A detailed review of the Group's activities and prospects is contained within the Directors' Report. The Company will continue its activities as outlined in its initial prospectus and subsequent disclosures to the ASX, including a detailed investor presentation on this year's results. In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the consolidated entity.

## Dividend recommended, declared or paid

The Company has not recommended, declared or paid a dividend with respect to the full-year result.

# Board of Directors



**Barry Lewin**  
Non-executive Chairman

Barry Lewin was appointed as a non-executive chairman on 12 May 2017. Barry has significant experience advising public and private companies in transaction structuring, debt and equity issues, mergers, acquisitions, business sales and public floats. Prior to establishing SLM Corporate Pty Ltd in 1999, Barry spent twelve years as in-house counsel to leading Australian public companies, including diversified international resource company North Limited, managing their legal and commercial Australian and international interests.

Barry is currently non-executive chairman for ASX-listed entities Elmo Software (ELO) and QuickFee (QFE). He has previous experience as Director of ASX-listed companies Senetas Corporation Limited (1999-2001) and Clean TeQ Holdings Limited (2007-2011), where he also served as Chairman of the Audit Committee. Barry has degrees in Commerce and Law and holds an MBA from Swinburne University, Melbourne.



**Stuart Robertson**  
Non-executive director

Stuart Robertson was appointed as a non-executive director on 12 May 2017. Stuart has broad experience in business advisory, investment banking, wrap platforms, alternative investments and funds management. He held senior roles at BT Funds Management, KBC Investments Limited and Zurich Financial Services in Australia, London and New York and is currently the head of private assets and distribution at Ellerston Capital Limited.

Stuart is non-executive chairman of Money3 Corporation Limited (since November 2018, director since January 2016). Stuart chairs the Group's Audit, Risk & Compliance Committee and is a member of the Group's Remuneration Committee. Stuart is a Chartered Accountant, Fellow of FINSIA, Member of the Australian Institute of Company Directors and holds an MBA from the MGSM.



**Daniel Lipshut**  
Non-executive director

Daniel Lipshut was appointed as a non-executive director on 12 May 2017. Daniel has enjoyed many years as an entrepreneur and company director, with more than 20 years' experience as CEO of larger listed and smaller private corporations. Daniel is an experienced executive and non-executive director, with extensive dealings at all levels of government and the corporate sector. His background spans a range of corporate, commercial and board roles including international trade, government liaison, defence acquisition, communications strategy, sales/marketing, M & A, Corporate Governance, REM/NOM, and an understanding of strategic business development. Daniel has managed a public listed technical services company (ASX:BSA), held board positions in commercial and not for profit organisations and sits on several boards applying expertise in tech innovation.

Daniel chairs the Group's Remuneration Committee and is also a member of the Audit, Risk & Compliance Committee. Daniel is a graduate of the AICD and Defence Industry Study Course (DISC), and holds an MBA from the University of Technology Sydney.



**Claire Willette**  
Non-executive director

Claire Willette was appointed as a non-executive director on 28 August 2017. Her career has spanned national security, emerging technologies and critical infrastructure sectors, with a focus on developing governance frameworks, supply chain planning, risk management and performance/program management. Claire brings a wealth of experience as a senior executive in the United States Department of Defense, the Australian Department of Defence and in the private sector, most recently with Boeing. Claire has managed a wide variety of projects both in scale and complexity, including whole-of-government initiatives and national projects.

Claire is an Associate of, and sat on the Board of Directors for, the Australian Risk Policy Institute and is a Senior Expert Advisor to the International Standards Committee in the areas of Risk, Resilience and Business Continuity.

Claire is a member of the Group's Audit, Risk & Compliance Committee and Remuneration Committee. She has a BA from George Mason University (US) and a Masters of International Relations from Cambridge University (UK).



**Michael Ohanessian**  
CEO/Managing Director

Michael Ohanessian was appointed as Chief Executive Officer in August 2011, and re-appointed as Managing Director in May 2018. Michael's executive experience in technology-related businesses brings a mixture of operational, strategic and leadership capabilities to this role. Following a ten-year career at Mobil Oil, Michael joined the Boston Consulting Group where he consulted to clients in industries such as banking, airlines, mining, packaging, sports, oil and gas, retailing and biotechnology.

As the CEO of Vision BioSystems, a division of the publicly listed Vision Systems, he transformed the business over seven years from a small unprofitable contract manufacturer into a vertically integrated, profitable and growing medical diagnostics business with distribution to over 60 countries. He is also currently non-executive director at Bluechiip Limited, and holds a BS and MBA from Melbourne University.



**Paul Gutteridge**  
CFO/Company Secretary

Paul Gutteridge joined Praemium in 2011 and brings significant experience from finance roles across Australia, UK and Canada over the past 20 years. Following his early career at Ernst & Young, he has held senior finance roles at Damovo (Australia), Telstra Business Systems and Netspace, where he led the company's divestment to iiNet Limited in 2010.

At Praemium, Paul's responsibilities include overseeing the financial strategies of the Group and managing the areas of accounting, tax, corporate governance, compliance, investor relations, human resources, company secretary and treasury. Paul is a Chartered Accountant and holds a Bachelor of Commerce from the University of Melbourne.

# Disclosures relating to Directors and Senior Management

The number of Board Meetings and number of meetings of each Board committee held during the financial year, and the number of meetings attended by each of the Company's Directors were:

	Board Of Directors 12 Meetings		Audit, Risk & Compliance Committee 6 Meetings		Remuneration Committee 2 Meetings	
	Eligible To Attend	Attended	Eligible To Attend	Attended	Eligible To Attend	Attended
Barry Lewin	12	12	-	-	-	-
Stuart Robertson	12	12	6	6	2	2
Daniel Lipshut	12	12	6	6	2	2
Claire Willette	12	12	6	6	2	2
Michael Ohanessian	12	12	-	-	-	-

## Directors' & Executives' relevant interests in shares, options and performance rights

Details of the interests of the Company's Directors and senior Executives in the shares of the Company are set out in the Remuneration Report. The long-term incentive for the Company's Directors and Executive is membership of the Praemium Directors & Employees Benefits Plan, which was initially approved by shareholders on 11 November 2008 (the "Current Plan"). An updated and amended Plan was approved at the Company's 2017 AGM. Details of the securities issued under the Current Plan and shares issued on the exercise of options or vesting of performance rights are set out in the Remuneration Report and Note 23(a) and (b) of the Financial Statements.

## Indemnification and insurance of Directors, officers and auditors

The Company has executed a deed of access, indemnity and insurance in favour of each officer of the Company, including current and past Directors, in accordance with applicable laws. Under the deeds, Praemium indemnifies the officers and previous officers with respect to liabilities incurred in connection with holding office, to the extent permitted by the Corporations Act (or, where relevant, the UK Companies law). The Company is also obliged to carry insurance cover for current and past Directors and provide them with access to Board and Committee papers. Such insurance also extends to cover Directors and officers of the Group subsidiaries.

Under its Constitution, Praemium must, subject to certain exceptions, indemnify each of its Directors to the extent permitted by law against liability that did not arise out of a lack of good faith. Total premiums paid with respect to all Directors' and Officers' liability insurance in this reporting period was \$77,500 (ex GST).

## Further disclosures

No performance rights have been issued since the end of the financial year. Other than as set out in this report:

- » No Directors have any other rights or options over shares in, debentures of, or interests in a registered scheme made available by the Company or a related body corporate;
- » There are no contracts to which any Director is a party or under which any Director is entitled to a benefit; and
- » There are no contracts that confer a right to call for or deliver shares in, or debentures of or interests in a registered scheme made available by the Company or a related body corporate.

# Remuneration Report 2020



# Remuneration Report

During the financial year the following people served as Directors of the Company:

- » Barry Lewin
- » Stuart Robertson
- » Daniel Lipshut
- » Claire Willette
- » Michael Ohanessian

## Remuneration philosophy and principles

The Company's performance is dependent upon the quality of its people. To this end, the Company applies the following principles in its remuneration framework:

- » Provide competitive rewards to attract high-calibre executives;
- » Link Executive rewards to shareholder value; and
- » Provide for a significant proportion of the Executive remuneration to be 'at risk' – that is, dependent upon meeting predetermined performance indicators.

## Remuneration policies

The Board has established a Remuneration Committee, which is currently chaired by non-executive director Daniel Lipshut and includes non-executive directors Stuart Robertson and Claire Willette. The Remuneration Committee was established to review the remuneration policies and practices of the Company to ensure that it remunerates fairly and responsibly.

The Company's Remuneration Charter, which is reviewed annually, is available from the Company's website. The Remuneration Committee is required to make recommendations to the Board on all matters within the Remuneration Committee's Charter.

The Company's remuneration framework is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated Directors and employees. The framework is designed for:

- » Decisions in relation to executive and non-executive remuneration policy;
- » Decisions in relation to remuneration packages for Executive Directors and senior management;
- » Decisions in relation to merit recognition arrangements and termination arrangements; and
- » Ensuring that any equity-based Executive remuneration is made in accordance with the thresholds set in plans approved by shareholders.

No external remuneration consultant was used during the financial year for bench-marking of non-executive and senior executive roles.

The Remuneration Committee is authorised by the Board to investigate any activity within its charter. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Remuneration Committee.

In considering the Company's performance and benefits for shareholder wealth, the Board has regard to the following with respect to the current year and the previous three financial years:

	2020	2019	2018	2017
EBITDA <sup>^</sup> (\$m)	14.2	11.4	8.8	6.3
NPAT(\$m)	4.9	2.5	1.4	0.8
EPS (cents)	1.2	0.6	0.4	0.2

<sup>^</sup> EBITDA excludes one-off costs, unrealised FX movements and share based payments.

The Remuneration Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise at meetings of the Remuneration Committee if it considers this necessary. It has exercised this right when it has considered it appropriate to do so.

In accordance with best practice corporate governance, the structure of non-executive Director and Executive remuneration is separate and distinct.

## Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The non-executive directors are paid fixed fees in accordance with a determination of the Board but within an aggregate limit fixed by the Shareholders. The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. At the 2019 AGM the members approved the aggregate remuneration for Directors as \$750,000.

No securities were issued to non-executive directors during the financial year. The Company does not operate any schemes for retirement benefits for any non-executive director other than the contributions that it makes to superannuation in accordance with statutory requirements.

The names and positions of each person who held the position of Director of Praemium Limited at any time during the financial year is provided within the Remuneration Report and information about each of those persons (including their qualifications and experience) is set out on page 20-21.

## Key management personnel

Key management personnel (KMP) are the individuals who have the authority and responsibility for planning, directing and controlling the activities of the Company, as defined under AASB 124 Related Party Disclosures. In addition to Company's Non-Executive Directors noted earlier, the following Executives are also disclosed within this report as Key Management Personnel:

- » Michael Ohanessian – CEO & Managing Director
- » Paul Gutteridge - Chief Financial Officer & Company Secretary

KMP disclosed in the 2019 financial year were Christine Silcox - Director, Business Improvements (who retired from the Company on 1 July 2019), Anna Itsiopoulos - General Manager, Australia and Adam Pointon - Chief Technology Officer (no longer defined as KMP from 1 July 2019). Remuneration for these executives are shown as comparatives in the 2019 financial year disclosure.

The remuneration of Key Management Personnel comprises:

- » Fixed Remuneration;
- » Variable remuneration: short-term incentives; and
- » Variable remuneration: long-term incentives.

## Fixed remuneration

Total fixed remuneration comprises base salary, any relevant allowances and statutory superannuation guarantee contributions. Fixed remuneration is set with reference to market data, reflecting the scope of the role, skills, qualifications and experience of the relevant Executive and the performance of the employee in the role.

Remuneration is reviewed annually, with recommendations made to the Remuneration Committee. Annual reviews include using market surveys as benchmarks to ensure competitive remuneration is set to reflect the market for comparable roles.

## Short-term incentives

A short-term incentive (STI) is currently applicable to a number of senior Executives. Achievement of this annual STI is directly linked to the performance of the Company against the Board's budgets and key business drivers. Unless Board-set budgets are achieved, no bonus payment will be made. Overachievement of key business drivers may result in an increase to the amount of the bonus payable, subject to capped levels. At the discretion of the Board the STI may be paid in cash or by the issue of securities.

Despite financial targets being achieved for the 2020 financial year, Board and management agreed not to reward any short-term incentive for this relevant year, as part of cost management initiatives implemented in response to the COVID-19 pandemic.

## Long-term incentives

Long-term incentives (LTI) are based on participation within Praemium's Directors & Employee Benefits Plan. LTI incentives, based on equity remuneration (being either the issue of securities, issue of performance rights or issue of options), are made in accordance with thresholds set out in this plan. By using the Company's Directors & Employees Benefits Plan to offer shares and options to employees, the interests of employees are aligned with shareholder wealth. A copy of the plan can be found on the Company's website.

Unless otherwise stated, under Praemium's Director & Employee Benefits Plan the Board has discretion to vest all outstanding LTI's in the event of a change of control of the Company. Individual incentives limits are assessed in line with regulatory guidelines where the Company operates and offers LTI incentives.



# Remuneration Report (continued)

## LTI measures – Staff

Rules for all staff to achieve LTI entitlements (currently the issue of performance rights) are such that:

- » Entitlements issued are based on achieving specified company targets and individual annual performance;
- » Entitlements vest over 3 years; and
- » Entitlements expire upon cessation of employment.

Vesting hurdles for staff are based and weighted 100% on Company profitability (EBITDA) targets set by the Board over the LTI cycle. The test of Company profitability is based on a 3-year EBITDA target, as set by the Board at the start of the LTI cycle and measured on a cumulative basis over the LTI period. Achievement of entitlements is based on actual performance relative to target, with no entitlements achieved below 80% of target and up to 100% of entitlements achieved upon full achievement of target.

An individual's annual performance is based on rating measures, applied consistently across the Company. The Board, on the recommendations of the CEO and the Remuneration Committee, considers the individual performance of the Executives and their contributions to the Company's performance.

Provided LTI measures are met, firstly for Company performance and then for individual performance, entitlements then vest over 3 years based on 15% in year one, 25% in year two and 60% in year three.

## LTI measures – Executives

LTI measures for key Executives are based on the same entitlements as outlined for staff. However, for key Executives vesting hurdles are based on Company profitability (EBITDA) targets set by the Board and Total Shareholder Return (TSR) measurement over the LTI cycle. Vesting hurdles are weighted 50% for Company profitability targets and 50% for achievement of TSR targets.

The test of Company profitability is based on a 3-year EBITDA target, as set by the Board at the start of the LTI cycle and measured on a cumulative basis over the LTI period. Achievement of entitlements is based on actual performance relative to target, with no entitlements achieved below 80% of target and up to 100% of entitlements achieved upon full achievement of target.

The test of Total Shareholder Return is performance of Praemium's share price relative to the performance of a comparable peer group of companies (Peer Group) over the LTI period, as approved by the Board. Achievement of entitlements is based on actual performance relative to the Peer Group, with no entitlements achieved below 80% of the Peer Group's TSR and up to 100% of entitlements achieved upon full achievement of the Peer Group's TSR.

Provided LTI measures are met, firstly for Company performance and then for individual performance, entitlements then vest over 3 years based on 15% in year one, 25% in year two and 60% in year three.

For the 2020 financial year, the Executive Leadership Team (direct reports to the CEO) were offered an LTI based on the achievement of vesting hurdles over a fixed 3-year period. LTI measures are consistent with previous plans, being Company profitability (EBITDA), Total Shareholder Return (TSR) and employee eligibility, with 100% of entitlements based on measures at the end of the 3-year period.

## Executive remuneration policies and contracts

All Company Executives are employed under employment contracts. Those contracts do not have a fixed term and are terminable on between one and three months' notice (as set out below) by the Executive or by the Company or, in the event that the Executive materially breaches the contract of employment in a way that involves dishonesty, fraud, a breach of any law affecting the Company or a breach of certain of the Company's policies, the Executive may be summarily dismissed.

To the extent that elements of the remuneration of key Executives consists of securities in the Company, the Board, in considering whether to grant those securities and negotiating the terms of remuneration with the key Executive, requires the key Executive to obtain their own advice in respect to their exposure to risk in relation to the securities and relies on the undertakings of the key Executives that they have obtained such advice prior to accepting the offer of securities. No securities were issued to new employees as an incentive or sign on bonus during the 2020 financial year.

The Company may elect, on the giving or receipt of notice from any Executive, to pay out the balance of the term with or without requiring the Executive to 'go on garden leave' for the remaining term. The notice periods and amounts payable in lieu of notice for each of the Key Management Personnel are:

Michael Ohanessian, CEO and Managing Director, is currently employed pursuant to an ongoing contract, with a maximum entitlement on termination in lieu of notice equal to the value of 9 month's total employment package (TEP).

Paul Gutteridge, Chief Financial Officer & Company Secretary is employed on an ongoing basis, with a maximum entitlement on termination in lieu of notice equal to the value of 3 months TEP.

## Voting and comments made at the Company's last annual general meeting

Praemium Limited received 95.5% of 'yes' votes on its Remuneration Report for the financial year ended 30 June 2019. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

## Detail of key management personnel remuneration - 2020

2020	Short-Term Employee Benefits	Share Based Payments		Post-Employment Benefits	Other Long-Term Benefits	Total	Performance related %
	Salary fees & commissions	Bonus by way of shares <sup>1</sup>	Performance rights <sup>2</sup>	Superannuation	Long service leave		
<b>Parent entity directors</b>							
Barry Lewin	170,776	-	-	16,224	-	187,000	0%
Stuart Robertson	105,000	-	-	-	-	105,000	0%
Daniel Lipshut	92,237	-	-	8,763	-	101,000	0%
Claire Willette	77,626	-	-	7,374	-	85,000	0%
Michael Ohanessian	510,000	-	222,039	25,000	10,448	767,487	29%
<b>Key Management Personnel</b>							
Paul Gutteridge	305,520	-	136,380	29,024	7,481	478,405	29%
						-	
<b>2020 total</b>	<b>1,261,159</b>	<b>-</b>	<b>358,419</b>	<b>86,385</b>	<b>17,929</b>	<b>1,723,892</b>	<b>21%</b>

1. Bonus by way of shares relates to FY2020's STI for key executives that were not awarded despite being achieved, in response to the COVID-19 pandemic.

2. Performance rights relates to entitlements under the Praemium Directors & Employee Benefits Plan, with amounts recognised over the life of the vesting period in accordance with AASB 2: Share Based Payments, and does not reflect actual remuneration received within the year.

3. Director fees for Stuart Robertson and Daniel Lipshut include chair fees for the Audit, Risk and Compliance Committee and Remuneration & Nomination Committee respectively.

# Remuneration Report (continued)

## Detail of key management personnel remuneration - 2019

2019	Short-Term Employee Benefits	Share Based Payments		Post-Employment Benefits	Other Long-Term Benefits	Total	Performance related %
	Salary fees & commissions	Bonus by way of shares <sup>1</sup>	Performance rights <sup>2</sup>	Superannuation	Long service leave		
<b>Parent entity directors</b>							
Barry Lewin	124,886	-	-	11,864	-	136,750	0%
Stuart Robertson	86,250	-	-	-	-	86,250	0%
Daniel Lipshut	71,005	-	-	6,745	-	77,750	0%
Claire Willette	60,502	-	-	5,748	-	66,250	0%
Michael Ohanessian	510,000	-	121,881	25,000	22,531	679,412	18%
<b>Key management personnel</b>							
Paul Gutteridge	298,813	44,822	118,091	28,387	13,023	503,136	32%
Anna Itsiopoulos	266,775	40,620	96,972	25,344	4,803	434,514	32%
Adam Pointon	242,785	36,418	109,100	23,065	14,158	425,526	34%
Christine Silcox	199,639	29,946	82,286	18,966	8,108	338,945	33%
<b>2019 total</b>	<b>1,860,655</b>	<b>151,806</b>	<b>528,330</b>	<b>145,119</b>	<b>62,623</b>	<b>2,748,533</b>	<b>25%</b>

1. Bonus by way of shares relates to FY2019's STI for key executives, with annual results achieving target. Achievement of STI is calculated as a percentage of base salary, with amounts accrued into FY2019's financial results.

2. Performance rights relates to entitlements under the Praemium Directors & Employee Benefits Plan, with amounts recognised over the life of the vesting period in accordance with AASB 2: Share Based Payments, and does not reflect actual remuneration received within the year.

3. Director fees for Stuart Robertson and Daniel Lipshut include chair fees for the Audit, Risk and Compliance Committee and Remuneration & Nomination Committee respectively

## Bonuses Included In Remuneration

Details of the short-term incentive bonuses awarded as remuneration to each Key Management Personnel, the percentage of the available bonus that was vested in the financial year and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below.

	Percentage vested in year	Percentage forfeited in year
<b>Parent entity directors</b>		
Michael Ohanessian	0%	100%
<b>Key management personnel</b>		
Paul Gutteridge	0%	100%

## Share-Based Remuneration

### LTI Allocations To Key Management Personnel

The following tables detail the movement during the reporting period of performance rights granted over issued ordinary shares in Praemium held directly, indirectly or beneficially by Key Management Personnel:

	Grant date	Expiry date	Granted during the year	Granted during the year	Exercised during the year	Forfeited/ lapsed During the year	Total fair value in year
			Number	\$	\$	\$	\$
<b>Parent entity directors</b>							
Michael Ohanessian	01-July-19	30-Sep-22	2,000,000	780,000	-	(12,379)	767,621
<b>Key management personnel</b>							
Paul Gutteridge	01-July-19	30-Sep-22	1,500,000	585,000	-	(5,675)	579,325

# Remuneration Report (continued)

## Other Information

### A) Performance rights holdings

	Allotted Date	Balance 1 July 2019	Granted as compensation	Vested/ Exercised	Forfeited/ lapsed during the year	Balance 30 June 2020
<b>Parent entity directors</b>						
Michael Ohanessian	01-Jul-19	629,620	2,000,000	(137,146)	(14,650)	2,477,824
<b>Key management personnel</b>						
Paul Gutteridge	01-Jul-19	418,899	1,500,000	(192,738)	(6,716)	1,719,445
		<b>1,048,519</b>	<b>3,500,000</b>	<b>(329,884)</b>	<b>(21,366)</b>	<b>4,197,269</b>

### B) Shareholdings directly and indirectly beneficially held

2020	Balance 1 July 2019	Received as Compensation	Received on the exercise of share schemes	Other changes during the year	Balance 30 June 2020
<b>Parent entity directors</b>					
Barry Lewin	465,000	-	-	60,700	525,700
Stuart Robertson	385,000	-	-	100,000	485,000
Daniel Lipshut	250,000	-	-	200,000	450,000
Claire Willette	-	-	-	-	-
Michael Ohanessian	15,523,054	-	137,146	214,499	15,874,699
<b>Key management personnel</b>					
Paul Gutteridge	2,001,426	93,379	192,738	(106,000)	2,181,543
	<b>18,624,480</b>	<b>93,379</b>	<b>329,884</b>	<b>469,199</b>	<b>19,516,942</b>

## **ASX listed company**

As at the date of this report, the Company's securities are not quoted on any stock exchange other than the ASX. There is not currently any on-market buy back in progress.

## **Unquoted securities**

The only unquoted securities in the capital of the Company currently on issue are Enterprise Management Incentives (EMI) options and performance rights referred to above. All unquoted securities were issued or acquired under an employee incentive scheme.

## **Use of cash and assets readily convertible to cash since admission to ASX official list**

In accordance with Listing Rule 4.10.19 the Company confirms that the Group has been utilising the cash and assets in a form readily convertible to cash that it held at the time of its admission to the Official List of ASX since its admission to the end of the reporting period in a way that is consistent with its business objectives.

## **Corporate governance**

A corporate governance statement is set out on pages 32-36 of this document.

## **Environmental issues**

The Company's operations are not presently subject to significant environmental regulations under the law of the Commonwealth or State.

## **Proceedings on behalf of the consolidated entity**

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity. The Company was not a party to any such proceedings during the year.

## **Non-audit services/auditor's independence declaration**

A copy of the Auditor's Independence declaration in relation to the audit for the financial year is provided with this report. The auditor of the Company is Grant Thornton. Non-audit services of approximately \$185,273 have been provided by the Company's Parent Entity audit firm for income tax compliance and internal audit services. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors, and that the nature of non-audit services means that auditor independence was not compromised.



**Barry Lewin,**  
Chairman

14 August 2020

# FY2020 Corporate Governance Statement

The policies and practices of the Company are in accordance with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations (3rd Edition)" (ASX Guidelines) unless otherwise stated. For the 2021 financial year, the Company will adopt the 4th Edition of the ASX Guidelines, in line with the implementation timing. A summary of the key disclosures required under the Corporate Governance Principles and Recommendations is provided in the Company's Appendix 4G, which has been released together with this Annual Report. Disclosures are included either in this Corporate Governance Statement or on the Company's website (<https://www.praemium.com/au/about-us/shareholders/corporate-governance/>) or are otherwise available under the "Shareholders" section (under "About Us") of the Praemium website.

The Corporate Governance Statement below has been set out using the same headings used in the ASX Guidelines. The Corporate Governance Statement is current at the date of approval of this annual report and has been approved by the Board.

## Principle 1 – Lay solid foundations for management and oversight

### Board role & responsibilities (Principle 1.1)

Principle 1.1 recommends that listed entities should disclose the respective roles and responsibilities of its Board and management, including matters expressly reserved to the Board and those delegated to management.

The Company has adopted a Board Charter, a copy of which it makes publicly available on its website, which outlines the principle functions of the Company's Board (see Principle 2). The Charter makes it clear that it is the role of the Board to govern the Company, and in particular to set policy direction, whilst it is the role of the Executive to manage the Company's operations. Newly appointed Directors are also advised of their responsibilities in their letter of appointment.

### Directors' appointment (Principle 1.2)

The term of appointment for each non-executive director of the Company shall be the period commencing on appointment and expiring when the Director is next required to stand for election by the shareholders or a period of 3 years, whichever is the lesser. At each AGM of the Company, subject to ASX Listing Rule 14.4, at least one Director must retire from office, excluding 1) a Director who is a managing director; and 2) a Director appointed by the Directors under rule 9.1 (b) of the Company's Constitution and is standing for election.

Board support for a Director's re-election is not automatic and is subject to satisfactory Director performance (in accordance with the evaluation process described for Principle 1.6).

Praemium undertakes appropriate background and screening checks prior to nominating a Director for election by shareholders, and provides to shareholders all material information in its possession concerning the Director standing for election or re-election in the explanatory notes accompanying the notice of meeting.

### Terms of appointment (Principle 1.3)

The Company has a written agreement with each Director and senior Executive setting out the terms of their appointment. Further details of key executive terms are outlined in the Remuneration Report.

### Company Secretary (Principle 1.4)

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for ensuring that Board procedures are complied with and that governance matters are addressed. All Directors have direct access to the Company Secretary. The appointment and removal of the Company Secretary is a matter for decision by the Board.

### Diversity policy (Principle 1.5)

The Company is required to report on matters relating to diversity, in particular board diversity. The Company has a formal diversity policy, located on the Company's website, setting out a number of broad objectives:

- » Introduce processes to ensure that diversity commitments are implemented appropriately;
- » Implement processes to ensure transparency in the selection of qualified employees, senior management and Board candidates with regard to Company's diversity profile and objectives;
- » Ensure that recruitment strategies allow the Company to maximise its opportunities to target diverse and appropriately qualified employees;
- » Develop clear criteria on behavioural expectations in relation to promoting diversity;
- » Recognise and cater for employees that may have special requirements (such as family member responsibilities) as part of the Company's overall diversity objectives;
- » Consider whether the work environment is likely to attract a diversity of individuals; and
- » Facilitate a corporate culture that embraces diversity and recognises that employees at all levels have responsibilities outside of the workplace.

The Board has set the following measurable objectives for achieving gender diversity:

- » Increase gender diversity on the Board and senior Executive positions and throughout the Group, aiming for at least 20% female representation on a fulltime equivalent basis on the Board and in Executive management positions and the entire Group at 30 June 2020;
- » Promote flexible work practices to provide managers and staff with the tools to tailor flexible work options that suit both the business and the individual's personal requirements;
- » Select new staff, development, promotion and remuneration based solely on performance and capability; and
- » Annually assess gender diversity performance against objectives set by the Remuneration Committee.

Praemium Limited and its Australian subsidiary is deemed a "relevant employer" under the Workplace Gender Equality Act (WEGA). Gender Equality Indicators for the Australian entities have been reported to the Workplace Gender Equality Agency, with publicly available reports available on its website [www.wgea.gov.au](http://www.wgea.gov.au).

Including Australian and all global subsidiaries, the Company's current performance against its diversity policy objectives is as follows:

Gender representation %	30 June 2020		30 June 2019	
	Female	Male	Female	Male
Board	20%	80%	20%	80%
Senior Executive	25%	75%	33%	67%
Group	41%	59%	39%	61%

### Board & committee performance (Principle 1.6)

The Chairman conducts a review of Board and Committee performance at least once each calendar year, with this process conducted in this financial year. The process usually involves the preparation of a questionnaire, to which Directors and Committee members respond anonymously, addressing matters relating to the conduct of meeting, the content of Board/Committee papers and other matters relevant to Board/Committee performance.

### Senior Executive performance (Principle 1.7)

Praemium's processes require that reviews be undertaken in respect to all staff at least annually for the purpose of reviewing activities and setting key focus areas, goals and targets for the coming year. All senior Executives participated in the review process in the financial year in accordance with the process. Evaluation of the CEO's performance is a specific function under the Company's Board charter, which is also performed annually.

## Principle 2 – Structure the board to add value

### Nomination committee (Principle 2.1)

The functions of a Nomination Committee are outlined in the Company's Remuneration Committee Charter, with a copy of the Charter published on the Company's website.

The Committee comprises Daniel Lipshut (Chairman), Stuart Robertson and Claire Willette, whom are independent directors. The Committee met twice during the financial year, with meetings attended by Committee members as disclosed in the Directors Report.

The procedure for the selection and appointment of new Directors or the re-election of incumbent Directors, other than as outlined in the Company's Constitution is detailed at Principle 1.2.

The Board may seek independent external advice in regard to its composition, when there is a required change (such as retirement or resignation).

### Board composition (Principles 2.2 & 2.3)

The Company's Board comprises four non-executive directors and one executive director (Managing Director). In addition to the information outlined on page 20, Tables 1 and 2 below set out specific details of the Company's Directors and the relevant skills and experience of the Board collectively.

Table 1 - Details of Directors

Director	Term in office as Director	Qualifications	Status
Barry Lewin (Chairman)	From May 2017	BCom, BLaw, MBA,	Independent
Stuart Robertson	From May 2017	CA, MBA, AICD	Independent
Daniel Lipshut	From May 2017	MBA, AICD	Independent
Claire Willette	From August 2017	BA, IR (Masters)	Independent
Michael Ohanessian	From May 2018	BE, MBA	Executive



# FY2020 Corporate Governance Statement (continued)

**Table 2 - Areas of competence and skills of the Board of Directors**

Area	Competence
Corporate leadership	Business leadership, public listed company experience
Company experience	Successful career as a senior Executive or CEO, assessing senior management
Executive leadership	Successful career as a senior Executive or CEO, assessing senior management
Executive or CEO, assessing senior management	Accounting, business strategy, competitive business analysis, corporate financing, legal, mergers & acquisitions, commercial agreements, risk management
Strategy	Define strategic objectives, constructively question business plans and implement strategy
Financial acumen	Accounting, business strategy, competitive business analysis, corporate financing, legal, mergers & acquisitions, commercial agreements, risk management
Market & Industry	Financial services expertise, commercial and business experience
Technology	Technology, infrastructure, product development, product life cycle management
Sustainability & stakeholder management	Corporate governance
International	International business management, geographical experience

## Director independence (Principle 2.4)

Using the criteria recommended by the ASX Guidelines, all four of the Company's non-executive directors (Barry Lewin, Stuart Robertson, Daniel Lipshut and Claire Willette) are independent Directors.

Three non-executive Directors are shareholders in the Company, however are not substantial shareholders. Any change in Director's interest is disclosed in accordance with ASX Listing Rules. The Company's policies allow Directors to seek independent advice at the Company's expense.

## Independence of chairman (Principle 2.5)

The Chairman of the Board, Barry Lewin who has held the role of Chairman since May 2017, is an independent non-executive director. The Chairman of each Board Committee is an independent non-executive director and there is a clear division of responsibility between the Chairman and the CEO.

## Director induction & training (Principle 2.6)

New Directors receive a letter of appointment and a deed of access and indemnity. The letter of appointment outlines ASX's expectations of Directors with respect to their participation, time commitment and compliance with ASX policies and regulatory requirements. An induction process for incoming Directors is coordinated by the Company Secretary.

The Board receives regular updates at Board meetings, meetings with shareholders and site visits. These assist Directors to keep up-to-date with relevant market and industry developments.

## Principle 3 – Act ethically and responsibly

### Code of conduct (Principle 3.1)

The Company has a code of conduct which is published on its website. The Code is reviewed annually and updated where appropriate.

## Principle 4 – Safeguard integrity in corporate reporting

### Audit committee (Principle 4.1)

The role of the Audit, Risk & Compliance Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, compliance with legal and regulatory requirements, internal control structure, risk management procedures and the external audit function.

It is intended that the members of the Audit, Risk & Compliance Committee between them should have the accounting and financial expertise, and a sufficient understanding of the industry in which Praemium operates, to be able to effectively discharge the committee's responsibilities.

The Company's Audit, Risk & Compliance Committee comprises Stuart Robertson (Chairman), Daniel Lipshut and Claire Willette. All members are independent and non-executive. The relevant qualifications and experience of the members of the committee are outlined in Table 1 of principle 2.2.

Six Committee meetings were held during the financial year with meetings attended by Committee members (as disclosed in the Directors Report) and on two occasions by the Company's Auditor. The Audit, Risk & Compliance Committee has a formal charter, a copy of which is available on the Company's website. The Charter is reviewed annually and updated where appropriate.

### **CEO & CFO assurance (Principle 4.2)**

The Board has received declarations from the CEO and CFO that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### **Auditor attendance (Principle 4.3)**

The Company's external auditor, Grant Thornton, has and will continue to attend our Annual General Meeting in order to be available to answer questions from security holders relevant to the audit.

## **Principle 5 – Make timely and balanced disclosure**

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior Executive level for that compliance. The key policy, Praemium's Continuous Market Disclosure Policy, and corresponding procedures are published on the Company's website.

## **Principle 6 – Respect the rights of shareholders**

### **Investor relations (Principles 6.1 – 6.4)**

The Company has developed a framework for communicating with shareholders which has been followed during the financial year, as outlined in Praemium's Shareholder Communications Policy, as disclosed on the Company's website.

Where possible and practical, the Company communicates with Shareholders using its website and email. For this purpose, our share registry maintains a list of email addresses for shareholders of the Company and provides updates by email – such as, links to market sensitive announcements and financial filings. Praemium commits to facilitating shareholder participation in shareholder meetings, and dealing with shareholder inquiries.

Praemium strongly encourages all shareholders to assist it to reduce costs and be mindful of the environment by opting to receive annual reports, notices of meeting, proxy forms and other formal communications electronically. Praemium's constitution allows for direct online voting.

## **Principle 7 – Recognise and Manage Risk**

### **Risk committee (Principle 7.1)**

The Company's Audit, Risk & Compliance Committee is responsible for internal control, risk oversight and risk management for the Company. The Company's Audit, Risk & Compliance Committee comprises Stuart Robertson (Chairman), Daniel Lipshut and Claire Willette.

All members are independent and non-executive. Four Committee meetings were held during the financial year, with meetings attended by Committee members as disclosed in the Directors Report. The Audit, Risk & Compliance Committee has a formal charter, a copy of which is available on the Company's website. The Charter is reviewed annually and updated where appropriate.

### **Risk management framework (Principle 7.2)**

The Audit, Risk & Compliance Committee has required management to design and implement a risk management and internal control system to identify and manage the Group's material business risks and to report to it on whether those risks are being managed effectively. The Committee reviewed the Company's risk management framework in this financial year to satisfy itself that the framework continues to be sound.

### **Internal audit (Principle 7.3)**

The Group does not currently have any internal audit function. The Board considers that at the Company's current stage of growth and size there is no particular benefit to appointing internal audit and in the alternative seeks independent advice as it considers appropriate. In all other respects, the Company complies with the recommendations set out in Principle 7.

### **Risk management (Principle 7.4)**

The Company monitors its exposure to all risks, including economic, environmental and social sustainability risks. Material business risks are described in the annual report, which also outlines the Company's activities, performance during the year, financial position and main business strategies. This specific report and the Annual Report overall provide further details about how Praemium manages its economic, environmental and social sustainability risks.

# FY2020 Corporate Governance Statement (continued)

## **Principle 8 – Remunerate Fairly and Responsibly**

### **Remuneration committee (Principle 8.1)**

The Company's Remuneration Committee comprises Daniel Lipshut (Chairman), Stuart Robertson and Claire Willette. All members are independent and non-executive.

The Committee met twice during the financial year, with meetings attended by Committee members as disclosed in the Directors Report. A copy of the Remuneration Committee Charter is published on the Company's website.

### **Remuneration policies (Principles 8.2 – 8.3)**

The Company's approach to remuneration and this principle is set out in its Remuneration Report on pages 24-31 and following. The Company's approach to the remuneration of non-executive directors is clearly distinguished from that of Executive Directors and senior Executives.

The Company does offer an equity based remuneration scheme to Executives and staff, under Praemium's Directors & Employee Benefits Plan, which is published on the Company's website. Participants of this Plan are not permitted to enter into transactions (whether through the use of derivatives, hedging or otherwise) which limit the economic risk of participating in this Plan.

# Financial Report

## 2020



# Consolidated Statement of Profit & Loss and Other Comprehensive Income

For the year ended 30 June 2020	Note	2020 \$	2019 \$
Revenue from contracts with customers	3	50,153,964	44,141,093
Other income	4	1,090,444	912,723
Platform trading & recovery		1,488,680	3,281,786
Employee costs	5	(26,851,649)	(23,883,127)
Depreciation, amortisation and impairments	5	(4,669,919)	(1,861,302)
Legal, professional, advertising and insurance expense		(5,797,106)	(5,041,981)
IT support		(2,379,285)	(1,998,412)
Commissions expense		(1,379,194)	(2,417,653)
Travel expenses		(985,715)	(1,283,306)
Occupancy costs		(672,860)	(2,037,174)
Net foreign exchange gains / (losses)	5	39,078	8,033
Telecommunication costs		(390,869)	(374,404)
Interest on lease liabilities		(186,506)	-
Other expenses	5	(72,112)	31,940
Share based payments		(2,050,286)	(1,968,101)
Restructure, Arbitration and Acquisition costs		(1,331,761)	(1,636,668)
Withholding tax not recoverable		(277,944)	(520,728)
Unrealised gain/(loss) on financial instruments	5	1,999,201	86,140
<b>Profit before income tax expense</b>		<b>7,726,161</b>	<b>5,438,859</b>
Income tax expense	6	(2,862,795)	(2,888,976)
<b>Profit attributable to members of the Group</b>		<b>4,863,366</b>	<b>2,549,883</b>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translation of foreign operations		(175,601)	142,754
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(175,601)</b>	<b>142,754</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>(175,601)</b>	<b>142,754</b>
<b>Total comprehensive income attributable to Owners of the parent</b>		<b>4,687,765</b>	<b>2,692,637</b>
<b>Profit for the year attributable to Owners of the parent</b>		<b>4,687,765</b>	<b>2,692,637</b>
<b>Total comprehensive income attributable to Owners of the parent</b>		<b>4,687,765</b>	<b>2,692,637</b>
<b>Earnings per share</b>			
Basic earnings per share (cents per share)	24	1.2	0.6
Diluted earnings per share (cents per share)	24	1.2	0.6

The accompanying notes form part of the financial statements.

# Consolidated Statement of Financial Position

As at 30 June 2020	Note	2020 \$	2019 \$
<b>Current assets</b>			
Cash and cash equivalents	7	15,914,653	13,748,441
Contract assets		2,573,040	1,825,897
Trade and other receivables	8	3,885,841	3,901,355
Prepayments		2,047,856	1,908,442
<b>Total current assets</b>		<b>24,421,390</b>	<b>21,384,135</b>
<b>Non-current assets</b>			
Other financial assets	9	6,496,793	1,363,476
Property, plant and equipment	10	5,050,139	1,302,725
Goodwill	11	2,810,853	2,810,502
Intangible assets	12	9,217,618	7,118,779
Deferred tax assets	13	1,233,401	1,398,641
<b>Total non-current assets</b>		<b>24,808,804</b>	<b>13,994,123</b>
<b>TOTAL ASSETS</b>		<b>49,230,194</b>	<b>35,378,258</b>
<b>Current liabilities</b>			
Trade and other payables	14	6,653,332	6,013,280
Provisions	15	1,258,069	1,492,999
Lease liabilities	10	3,202,173	-
Deferred income		3,787,821	2,395,444
Income tax payable		1,322,920	1,669,012
<b>Total current liabilities</b>		<b>16,224,315</b>	<b>11,570,735</b>
<b>Non-current liabilities</b>			
Provisions	15	200,902	128,721
Lease Liabilities	10	1,024,360	-
Deferred tax liability	13	1,193,562	105,907
<b>Total non-current liabilities</b>		<b>2,418,824</b>	<b>234,628</b>
<b>TOTAL LIABILITIES</b>		<b>18,643,139</b>	<b>11,805,363</b>
<b>NET ASSETS</b>		<b>30,587,055</b>	<b>23,572,895</b>
<b>Equity</b>			
Share capital	16	68,402,062	67,019,085
Reserves	17	2,097,133	1,329,317
Accumulated losses		(39,912,140)	(44,775,507)
<b>TOTAL EQUITY</b>		<b>30,587,055</b>	<b>23,572,895</b>

The accompanying notes form part of the financial statements.

# Consolidated Statement of Changes in Equity

For year ended 30 June 2020	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payments Reserve	Revaluation Reserve	Total
	\$	\$	\$	\$	\$	\$
Equity as at beginning of period	67,019,085	(44,775,507)	(450,548)	1,779,865	-	23,572,895
Profit attributable to members of the parent entity	-	4,863,366	-	-	-	4,863,366
Other comprehensive income/(loss)	-	-	(175,601)	-	-	(175,601)
<b>Total comprehensive income/(loss) for the year</b>	-	<b>4,863,366</b>	<b>(175,601)</b>	-	-	<b>4,687,765</b>
<b>Transactions with owners in their capacity as owners</b>						
Issue of shares	282,093	-	-	-	-	282,093
Option expense	-	-	-	2,044,301	-	2,044,301
Exchange difference on option reserve	-	1	-	-	-	1
Transfer on exercise of options	1,100,884	-	-	(1,100,884)	-	-
	<b>1,382,977</b>	<b>1</b>	-	<b>943,417</b>	-	<b>2,326,395</b>
<b>Equity as at 30 June 2020</b>	<b>68,402,062</b>	<b>(39,912,140)</b>	<b>(626,149)</b>	<b>2,723,282</b>	-	<b>30,587,055</b>
<b>For year ended 30 June 2019</b>						
	\$	\$	\$	\$	\$	\$
Equity as at beginning of period	65,371,547	(46,292,755)	(593,302)	1,743,038	51,415	20,279,943
Change in accounting policy	-	(1,032,692)	-	-	(51,415)	(1,084,107)
<b>Restated total equity at the beginning of the financial year</b>	<b>65,371,547</b>	<b>(47,325,447)</b>	<b>(593,302)</b>	<b>1,743,038</b>	-	<b>19,195,836</b>
Profit attributable to members of the parent entity	-	2,549,883	-	-	-	2,549,883
Other comprehensive income/(loss)	-	-	142,754	-	-	142,754
<b>Total comprehensive income/(loss) for the year</b>	-	<b>2,549,883</b>	<b>142,754</b>	-	-	<b>2,692,637</b>
<b>Transactions with owners in their capacity as owners</b>						
Issue of shares	21,501	-	-	-	-	21,501
Option expense	-	-	-	1,662,864	-	1,662,864
Exchange difference on option reserve	-	57	-	-	-	57
Transfer on exercise of options	1,626,037	-	-	(1,626,037)	-	-
	<b>1,647,538</b>	<b>57</b>	-	<b>36,827</b>	-	<b>1,684,422</b>
<b>Equity as at 30 June 2019</b>	<b>67,019,085</b>	<b>(44,775,507)</b>	<b>(450,548)</b>	<b>1,779,865</b>	-	<b>23,572,895</b>

The accompanying notes form part of the financial statements.

# Consolidated Statement of Cash Flows

For year ended 30 June 2020	Note	2020 \$	2019 \$
<b>Cash flows from operating activities:</b>			
Receipts from customers		47,402,594	44,930,666
Payments to suppliers and employees		(33,388,300)	(35,733,191)
Interest received		25,458	25,110
Unit trust distributions received		2,450	4,142
Income tax paid		(1,979,641)	(3,034,049)
<b>Net cash provided by operating activities</b>	<b>22</b>	<b>12,062,561</b>	<b>6,192,678</b>
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment		(345,582)	(490,588)
(Payments)/proceeds from Investments		(3,134,298)	879,826
Payments for intangible assets		(4,915,487)	(4,716,687)
<b>Net cash used in investing activities</b>		<b>(8,395,367)</b>	<b>(4,327,449)</b>
<b>Cash flows from financing activities:</b>			
Principal elements of lease payments		(1,274,134)	-
<b>Net cash provided by financing activities</b>		<b>(1,274,134)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,393,060</b>	<b>1,865,229</b>
<b>Cash and cash equivalents at beginning of year</b>			
Effect of exchange rates on cash holdings in foreign currencies		(226,848)	(237,667)
<b>Cash and cash equivalents at end of year</b>	<b>7</b>	<b>15,914,653</b>	<b>13,748,441</b>

The accompanying notes form part of the financial statements.



# Notes to the Financial Statements

## 1. Notes to the financial statements

### (a) General information

The financial report is a general-purpose financial report that covers the consolidated entity consisting of Praemium Limited and its subsidiaries. Praemium Limited is a listed public company, incorporated and domiciled in Australia.

Separate financial statements for Praemium Limited as an individual entity are no longer presented as a consequence of a change to the Corporations Act 2001; however, limited financial information for Praemium Limited as an individual entity are included in Note 25. The Group is a for-profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### (i) New standards adopted by the Group

- » AASB 16 *Leases*
- » Interpretation 23 *Uncertainty over Income Tax Treatments*

The Group had to change its accounting policies as a result of adopting AASB 16. This is disclosed in note 1(w).

#### (ii) New standards and interpretations not yet adopted

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (b) Basis of preparation

The financial report of Praemium Limited and controlled entities has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards include International Financial Reporting Standards as adopted in Australia. Compliance with Australian Accounting Standards ensures that the financial report complies with International Financial Reporting Standards (IFRS).

#### (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 financial assets through profit or loss, certain classes of property, plant and equipment and investment property.

### (c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Praemium Limited ("parent entity") as at 30 June 2020 and the results of all subsidiaries for the year then ended. Praemium Limited and its subsidiaries are referred to in this financial report as the "Group" or the "consolidated entity".

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

All intercompany balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies adopted by the Group.

Subsidiaries are fully consolidated from the date which control is transferred to the Group. They are de-consolidated from the date control ceases.

### (d) Segment reporting

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using different measures to those used in preparing the statement of profit & loss and other comprehensive income and statement of financial position.

### (e) Property, plant and equipment

Each class of property, plant and equipment is carried at cost, where applicable, any accumulated depreciation and impairment losses.

#### (i) Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors for indications of impairment. If any such indications exist, an impairment test is carried out, and any impairment losses on the assets recognised in the statement of profit & loss and other comprehensive income.

To ensure that costs are not recognised in the statement of financial position in excess of their recoverable amounts, the recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employed and subsequent disposals discounted to their net present value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow

to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit & loss and other comprehensive income during the financial period in which they are incurred.

Plant and equipment is measured initially at cost. Cost includes all directly attributable expenditure incurred including costs to get the asset ready for its use as intended by management. Costs include an estimate of any expenditure expected to be incurred at the end of the asset's useful life, including restoration, rehabilitation and decommissioning costs.

## (ii) Depreciation

The depreciable amount of all fixed assets, including capitalised lease assets, is depreciated on a straight-line basis over their useful lives (commencing from the time the asset is ready for use). Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate	Method
Plant, furniture and equipment	10-20%	Straight-line
Computer equipment	20-33%	Straight-line
Buildings & leasehold improvements	15%	Straight-line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of profit & loss and other comprehensive income.

## (f) Intangible assets

Customer contracts and databases acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values. All intangible assets, including customer contracts and databases, are accounted for using the fair value model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 1(g).

The following useful lives are applied:

- » Customer contracts: 5 years
- » Databases: 5 years
- » Software: 3 years

Amortisation has been included within depreciation and amortisation of non-financial assets.

## (g) Impairment testing of goodwill, other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

## (h) Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

### (i) Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method less provision for impairment. 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.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Collectability of trade receivables is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. Trade receivables are generally due for settlement within 30 days.

### (ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

### (iii) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities depended on the purpose for which the liability was acquired. The Group's financial liabilities include trade and other payables.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the statement of profit & loss and comprehensive income line items "finance costs" or "finance income".

### (iv) Fair value

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the statement of financial position and notes to the financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### (v) Financial assets at fair value through profit or loss (FVTPL)

#### 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, shares in the listed entity, financial assets in the unit trust and regulatory reserve are classified as financial assets at fair value through profit or loss (FVPL) upon initial recognition.

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.

### (i) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

### (i) Equity-settled compensation

The Group operates a share-based compensation scheme.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

## (j) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured.

## (k) Income tax

The charge for current income-tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by reporting date.

Deferred tax assets and liabilities are recognised using the balance sheet liability method with respect to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and on unused tax losses. No deferred tax assets or liabilities will be recognised from the initial recognition of an asset or liability excluding a business combination, which at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the statement of profit & loss and comprehensive income except where it relates to items that are recognised directly in equity, in which case the deferred tax is recognised directly in equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

The Directors have elected for those entities within the consolidated entity that are wholly-owned Australian resident entities to be taxed as a single entity from 1 July 2005. The head entity within the tax-consolidated group for the purposes of tax consolidation is Praemium Limited.

Praemium Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Praemium Limited and each of the entities within the tax-consolidated group account for their own current and deferred tax amounts. These amounts are measured as if each entity in the Group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Praemium Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax-consolidated group.

Entities within the tax-consolidated group have entered into a tax funding agreement with the head entity. Under the terms of this agreement, each of the wholly-owned entities within the tax-consolidated group has agreed to fully compensate Praemium Limited for any current tax payable assumed and are compensated by Praemium Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Praemium Limited under the tax consolidation legislation.

The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

## (l) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Note 5 provides further information on how the Group accounts for government grants.

## (m) Revenue recognition

Revenue arises mainly from the provision of Managed Accounts Platform services, investment management, portfolio administration and reporting and financial planning software.

### Managed Accounts Platform and Investment Management

– The Group provides platform administration and/or investment management services for investments held on our custodial platforms. Revenue derived from operating the Managed Account include platform administration fees, model manager fees, cash administration fees, brokerage recovery and recovery of input tax credits from Praemium's Managed Account scheme.

Administration fees are determined monthly in arrears based on the value of investor portfolios, or transaction costs relating to the buying and selling investments in investor portfolios and the revenue is recognised in the accounting period in which the services are rendered. Model manager fees are determined yearly, based on the volume of models maintained by the model manager and the revenue is recognised in the accounting period in which the services are rendered. Cash administration fees are determined monthly, based on cash held by investors in the Praemium Managed Account multiplied by the rate as set in the product disclosure statement of the Praemium Managed Account. The revenue is recognised in the accounting period in which Praemium effected the transactions relating to cash holdings. Brokerage recovery is determined daily, based on the value of the trades in the Praemium Managed Account,

and the revenue is recognised in the accounting period in which the trades were placed. Recovery of input tax credits from Praemium's Managed Account scheme are determined monthly in arrears based on the refund from the prior month and the revenue is recognised in the accounting period in which the payments for services were made.

**Virtual Managed Accounts and Virtual Managed Accounts Administration Service** – 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. Revenue is recognised over time on a straight-line basis over the term of each contract in the accounting period in which the services are rendered. As the amount of work required to perform under these contracts does not vary significantly from month-to-month, the straight-line method provides a faithful depiction of the transfer of the services.

The Group enters into contracts with its customers based on provision of administration of client portfolios for terms between 1 and 5 years in length. Revenue is determined monthly in arrears based on the asset classes held in the portfolio and is recognised in the accounting period in which the services are rendered. This method best depicts the transfer of services to the customer because the entire benefit has been transferred to the customer in the accounting period.

**Financial Planning Software** – The Group enters into contracts with its customers based on provision of technology services up to 1 year in length. Contract values are determined based on the usage of technology licences and revenue is recognised in the accounting period in which the services are rendered and the total benefit has been transferred to the customer in the accounting period. 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.

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.

## (n) Foreign currency translation

### (i) Functional and presentation currency

The functional currency of each of the Group's entities is identified as the currency of the primary economic environment in which that entity operates, and is used in the recognition of transactions and balances for that entity. Where the functional currency of a group entity is different from the parent's functional currency, the entity has been translated for consolidation using the method described below for 'Group entities'.

The United Kingdom subsidiaries' functional currency is GBP which is translated to the presentation currency at the end of each reporting period.

The Hong Kong and Shenzhen (China) subsidiaries' functional currency are HKD and CNY respectively, which are translated to the presentation currency at the end of each reporting period.

The Armenian subsidiary's functional currency is AMD which is translated to the presentation currency at the end of each reporting report.

The consolidated financial statements are presented in Australian dollars which is the parent's functional and presentation currency.

### (ii) Group entities

The financial results and position of all Group entities whose functional currency is different from the Group's presentation currency are translated as follows:

Assets and liabilities are translated at year-end exchange rates prevailing at reporting date;

- » Income and expenses are translated at the rate on the date of the transaction, or an average exchange rate for the period (if the average approximates the actual rate for that period); and
- » Retained earnings are translated at the respective historical exchange rate.

Exchange differences arising on translation of Group entities from a different functional currency are recognised directly in a foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit & loss and other comprehensive income in the period in which the entity is disposed. Goodwill and fair-value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### **(iii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the spot rate on reporting date.

Non-monetary items measured at historical cost are not retranslated. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit & loss and other comprehensive income. Exchange differences on translation of non-monetary items are recognised directly in equity.

### **(o) Contributed equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

### **(p) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

### **(q) Earnings per share**

#### **(i) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### **(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income-tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **(r) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

1. Where the amount of the GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
2. For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### **(s) Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

### **(t) Going concern**

The financial report has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company has recorded an operating profit before tax of \$7,726,161 during the financial year ended 30 June 2020 (June 2019 \$5,438,859) with accumulated losses amounting to \$39,912,140 as at 30 June 2020. Cash reserves were \$15,914,653 at 30 June 2020.

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. During this time, the Group continues to operate normally and has successfully completed business continuity plan (BCP) transitions across the global network, with all staff across the 10 offices now required to work from home. The Group continues to follow the relevant advice and guidance issued by governmental health authorities.

Operations are supported by experienced global IT and infrastructure teams, who are working around the clock to maintain daily protocols and high standards of service. Praemium systems continue to provide follow-the-sun, 24x7 support, and operations are underpinned by top-tier global infrastructure providers who have enacted their BCPs successfully.

Though the market correction has impacted the level of funds under administration, revenue is highly diversified with nearly half coming from non-FUA sources. This includes subscription-based VMA, VMAAS, WealthCraft and Plum Software products. The Group's revenue base is also geographically diverse, with clients in Australia, the UK, Dubai, Singapore, Hong Kong, the Channel Islands and South Africa, and product diversity across the UK and Australia platforms. Praemium has a strong balance sheet, solid cash flows and no debt. While market volatility creates challenges, revenues and profitability continue to be largely resilient as the company has responded quickly to manage costs and to preserve the global team. The board is comfortable that the Company has the financial strength and capabilities to ensure its continued viability and operations.

At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recognised in the financial report as at 30 June 2020. Accordingly, no adjustments have been made to the financial report relating to the

recoverability and classification of the asset-carrying amounts and classification of liabilities that might be necessary.

### **(u) Critical accounting estimates and judgments**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

#### **Share-based payment transactions**

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

#### **Fair value and hierarchy of financial instruments**

The consolidated entity is required to classify financial instruments, measured at fair value, using a three-level hierarchy, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3: Inputs for the asset and liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore the category in which the financial instrument is placed can be subjective.

The fair value of financial instruments classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

#### **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.

#### **Estimation of useful lives of assets**

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and definitive life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### **(v) Business combinations**

The acquisition method of accounting is used to account for business combinations.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to the profit or loss.

On the acquisition of the business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in the existence at the acquisition date.

Where the business combination is achieved in stages, the consolidated entity re-measures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in the profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets and liabilities during the period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on the earlier of either (i) 12 months from the date of acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### (w) Change in Accounting Policies

The Group has adopted AASB 16 Leases retrospectively from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new lease accounting standard are therefore recognised in the opening balance sheet on 1 July 2019.

Right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied and other right-of-use assets were measured at the amount equal to the lease liability.

Lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases were recognised under AASB 16.

These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate appropriate to the underlying term and security of each lease as of 1 July 2019.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.91% for leases in Australia, between 1.8% to 3% for leases in the United Kingdom and 5% for leases in China (including Hong Kong).

During the reporting period the Group amended the recognition of brokerage recovery and recovery of input tax credits from Praemium's Managed Account scheme from platform recoveries to revenue. This change in recognition more appropriately aligns with the criteria set out in AASB 15 Revenue from Contracts with Customers for these income items. Had the change in recognition been implemented on 1 July 2018, revenue from contracts with customers would be \$47,723,618 and platform trading and recovery would be \$346,741. In addition, during the reporting period the recognition of interest income from other parties and unit trust distributions was amended from revenue to other income.

### (i) Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- » relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 30 June 2020

- » accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- » The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an arrangement contains a lease.

Between March and June 2020, the London office received rent relief as a result of COVID-19. The rent relief met the conditions in AASB 2020-4 (Amendment to AASB 16: Covid-10-Related Rent Concessions) and the Group has elected to account for the discount using the practical expedient. As a result of applying the practical expedient, \$65,206 was recognised under occupancy costs in the Consolidated Statement of Profit and Loss and Other Comprehensive income.

### (ii) Adjustments recognised in the balance sheet on 1 July 2019

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- » right-of-use assets – increase by \$5,253,303
- » lease liabilities – increase by \$5,346,512

In periods ending 1 July 2019 and earlier, the Group recognised the lease incentive for the London lease and the straight-line adjustment for the Melbourne lease as lease liabilities. The benefit was straight-lined and recognised in proportion to the duration of the lease. On the adoption of AASB 16 Leases on 1 July 2019, these amounts were offset against the right-of-use asset and the lease liability was determined to be the present value of the lease payments unpaid at that date, discounted using the incremental borrowing rate appropriate to the underlying term and security of each lease. There was no impact to retained earnings.

### (iii) Measurement of lease liabilities

	Consolidated
<b>Total operating lease commitments disclosed as at 30 June 2019</b>	<b>5,878,472</b>
<b>Recognition exemptions</b>	
Leases with remaining lease term less than 12 months	(92,434)
<b>Operating lease liabilities before discounting</b>	<b>5,786,038</b>
Discounted using incremental borrowing rate	(514,953)
<b>Operating lease liabilities as at 1 July 2019</b>	<b>5,271,085</b>



#### (iv) Measurement of right-of-use assets

The associated right-of-use assets for all leases were measured on a retrospective basis as if the new rules had always been applied.

## 2. Financial risk management

The Praemium Group is exposed to risks that arise from the use of its financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Group's Audit, Risk & Compliance Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

### Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- » Trade receivables
- » Cash at bank and on deposit
- » Trade and other payables
- » Intercompany receivables
- » Investments in unlisted unit trusts

### General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

### Credit risk

Credit risk arises from the Group's trade receivables, other receivables, receivables from subsidiaries and cash at bank and on deposit. The maximum amount of credit risk is the statement of financial position carrying values.

### Trade receivables

Clients of the Group range from financial advisers and brokers to accountants. In the majority of new client "sign-ons", clients are required to prepay their first years' service before they can start utilising the Group's products. The reduction of risk concentration is due principally to the number of independent operators who have entrenched the Praemium system within their everyday business process.

Clients who subsequently fail to meet their credit terms are at risk of having their services "switched off". Management reviews trade receivables balances, and aging profiles of the total trade receivables on a monthly basis.

### Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least three months. The Group also seeks to reduce liquidity risk by ensuring that its cash deposits are earning interest at the best rates.

At reporting date, these reports indicate that the Group is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. There have been no changes from previous periods.

As at 30 June 2020, financial liabilities have contractual maturities, which are summarised below:

2020	Consolidated			
	Current	Non-current		
	Within 6 months \$	6-12 Months \$	1-5 Years \$	Later than 5 years \$
Trade payables	1,118,926	-	-	-
Accrued expenses	3,003,063	-	-	-
Other payables	334,550	-	-	-
Lease Liabilities	3,202,173	-	1,024,360	-
<b>Total</b>	<b>7,658,712</b>	<b>-</b>	<b>1,024,360</b>	<b>-</b>

2019	Consolidated			
	Current	Non-current		
	Within 6 months \$	6-12 Months \$	1-5 Years \$	Later than 5 years \$
Trade payables	638,673	-	-	-
Accrued expenses	2,950,617	-	-	-
Other payables	1,738,667	-	-	-
<b>Total</b>	<b>5,327,957</b>	-	-	-

The contractual amounts of financial liabilities in the tables above are equal to their carrying values. Differences from the statement of financial position amounts reflect the exclusion of statutory charges from the definition of financial liabilities.

### Market risk

Market risk arises from the Group's use of financial instruments, including interest bearing and foreign currency financial deposits and investment in unlisted trusts. It is the risk that the fair value or future cash flows of the financial instruments will fluctuate as a result of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

### Interest rate risk

The Group invests surplus cash in major Australian and UK banks and in doing so is exposed to fluctuations in interest rates that are inherent in such a market. The Company and Group have no borrowings.

The Group's interest rate risk arises from:

- » Bank balances which give rise to interest at floating rates; and
- » Cash on term deposit, which are at floating rates.

The amounts subject to cash flow interest rate risk are in the statement of financial position carrying amounts of these items.

The Group's policy is to minimise cash flow interest rate risk exposures on surplus funds by ensuring deposits attract the best available rate. There have been no changes from previous periods.

### Cash flow interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/-100 basis points (2019: +/-100 basis points), with effect from the beginning of the year. These changes are considered reasonably possible based on observation of current market conditions.

The calculations are based on the Group's financial instruments held at each reporting date.

	Consolidated			
	2020 \$		2019 \$	
	+100 basis pts	-100 basis pts	+100 basis pts	-100 basis pts
Cash and cash equivalents	159,147	(159,147)	137,484	(137,484)
<b>Net result</b>	<b>159,147</b>	<b>(159,147)</b>	<b>137,484</b>	<b>(137,484)</b>

### Currency risk

The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

In order to monitor the continuing effectiveness of this policy, the Board receives a monthly forecast, analysed by the geographical region's cash balances, commitments and receipts, converted to the Group's main functional currency, Australian Dollars (AUD).

The Group is exposed to currency risk on cash at bank and on deposit in British Pound (GBP) to fund its UK operations and US Dollars (USD); Hong Kong dollars (HKD) and Chinese Yuan (CNY) for its Asian operations and Armenian Dram (AMD) in its Armenian operations. The Group is also exposed to currency risk on sterling denominated loans to its UK entities.

### Exposure to currency risk

Foreign currency denominated financial assets and liabilities, translated into Australian Dollars at the closing rate, are as follows:

Nominal amounts	Consolidated	
	2020 GBP	2019 GBP
Cash at bank and on term deposit	595,537	1,366,320

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the GBP and AUD exchange rate.

It assumes a +/- 5% change in the AUD/GBP sterling exchange rate for the year ended at 30 June 2020 (2019: 5%). This percentage has been determined based on average market volatility in exchange rates in the previous 12 months.

The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date. This assumes that other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2020 and 2019.

If the Australian dollar had strengthened against the GBP sterling by 5% (2019: 5%) then this would have had the following impact on profit and other equity:

	Consolidated	
	2020 \$	2019 \$
Profit after tax	(28,359)	(65,063)
Other equity	-	-

If the Australian dollar had weakened against the GBP by 5% (2019: 5%) then this would have had the following impact on profit and other equity:

	Consolidated	
	2020 \$	2019 \$
Profit after tax	31,344	71,912
Other equity	-	-

Exposures to foreign exchange rates vary during the year depended on the volume of overseas transactions.

Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

### Currency risk sensitivity analysis – Other currencies (USD)

Foreign currency denominated financial assets and liabilities, translated into Australian Dollars at the closing rate, are as follows:

Nominal amounts	Consolidated	
	2020 USD	2019 USD
Cash at bank and on term deposit	9,019	15,494

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the USD and AUD exchange rate.

It assumes a +/- 5% change in the AUD/USD exchange rate for the year ended at 30 June 2020 (2019: 5%). This percentage has been determined based on average market volatility in exchange rates in the previous 12 months.

The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date. This assumes that other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2020 and 2019.

If the Australian dollar had strengthened against the USD by 5% (2019: 5%) then this would have had the following impact on profit and other equity:

	Consolidated	
	2020 \$	2019 \$
Profit after tax	(429)	(738)
Other equity	-	-

If the Australian dollar had weakened against the USD by 5% (2019: 5%) then this would have had the following impact on profit and other equity:

	Consolidated	
	2020 \$	2019 \$
Profit after tax	475	815
Other equity	-	-

Exposures to foreign exchange rates vary during the year depended on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

#### Other price risk

The Group is exposed to other price risk on its investments in listed unit trusts. These investments are classified on the statement of financial position as financial assets at fair value through profit or loss.

The investments are in a number of different unit trusts with a dominant emphasis on balanced funds that have exposures to a wide range of asset classes and geographical locations. The assets and liabilities within these unit trusts indirectly expose the Company and Group to interest rate risk, currency risk and equity price risks. It is not considered practicable to 'look through' the unit trusts to analyse these risks in detail. There have been no changes from previous periods.

#### Other price risk sensitivity analysis

If the fair value of investments in unit trusts increased by 10% (2019: 10%) this would have increased other income for both the Company and Group by \$649,679 (2019: \$136,348). A decrease of 10% would have reduced other income by the same amount.

#### Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy:

**Level 1** – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2** – a valuation technique is applied using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or

**Level 3** – a valuation technique is applied using inputs that are not based on observable market data (unobservable inputs).

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2020 and 30 June 2019

Consolidated				
2020	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
- Listed unit trusts	140,893	-	-	140,893
- Shares in listed entity	5,128,575	-	-	5,128,575
- Regulatory reserve	1,227,325	-	-	1,227,325
	<b>6,496,793</b>	-	-	<b>6,496,793</b>
Consolidated				
2019	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
- Listed unit trusts	130,415	-	-	130,415
- Shares in unlisted entity	-	-	-	-
- Regulatory reserve	1,233,061	-	-	1,233,061
	<b>1,363,476</b>	-	-	<b>1,363,476</b>

### 3. Revenue from contracts with customers

	Consolidated	
	2020 \$	2019 \$
Revenue from contracts with customers:		
Virtual Managed Accounts	17,669,321	15,933,586
Managed accounts platform and investment management	30,123,980	25,950,715
Financial planning software	2,360,663	2,256,792
<b>Total revenue</b>	<b>50,153,964</b>	<b>44,141,093</b>

### 4. Other Income

	Consolidated	
	2020 \$	2019 \$
R&D Incentive Received (UK)	983,111	875,366
Lease revenue	63,150	86,737
Commissions	12,531	747
Interest income from other parties	25,458	25,110
Unit trust distributions	6,136	(74,680)
Other	58	(557)
	<b>1,090,444</b>	<b>912,723</b>

### 5. Expenses

	Consolidated	
	2020 \$	2019 \$
Defined contribution superannuation expense	2,185,867	1,887,712
Net foreign exchange losses	(39,078)	(8,033)
Depreciation of plant and equipment	602,408	514,908
Amortisation of intangible assets	2,788,081	1,346,394
Depreciation on right-of-use assets	1,279,430	-
Impairment losses – trade receivables	72,112	(31,940)
Unrealised gain/(loss) on financial instruments	1,999,201	86,140
Employee costs	26,851,649	23,883,127

\$1,988,340 of the unrealised gain on financial instruments relate to the revaluations of shares in listed entity Powerwrap (ASX:PWL).

The Hong Kong Special Administrative Region launched the Employment Support Scheme under the second round of the Anti-epidemic Fund to provide time-limited financial support to employers. The Group received \$5,158 (2019: \$nil) and this is included in employee costs. There are no unfulfilled conditions or other contingencies attaching to these grants.

## 6. Income Tax Expense

### a) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	2020 \$	2019 \$
<b>Profit before tax</b>	<b>7,726,161</b>	<b>5,438,859</b>
Prima facie tax expense on earnings before income tax at 30% (2019: 27.5%)	2,317,848	1,495,686
Permanent tax differences <sup>1</sup>	(1,631,618)	(429,226)
<b>Tax effect of:</b>		
Difference in overseas tax rates	859,198	623,526
Current year tax losses not brought to account for overseas entities	1,294,308	1,196,230
Current year temporary differences not brought to account	23,059	2,760
<b>Tax Expense</b>	<b>2,862,795</b>	<b>2,888,976</b>
<b>Tax expense comprises:</b>		
Current tax expense	1,702,701	2,818,128
<b>Deferred tax expense:</b>		
Origination and reversal of temporary differences	1,160,094	70,848
<b>Income Tax Expense</b>	<b>2,862,795</b>	<b>2,888,976</b>

<sup>1</sup> Permanent tax differences include recognising capitalised research and development costs of \$1.1m (2019: \$nil) as a tax deduction and removing the effect of unrealised gain on financial instruments \$0.6m (2019: \$0.02m) for tax purposes.

### b) Deferred tax assets not brought to account

	Consolidated	
	2020 \$	2019 \$
Unused tax losses for which no deferred tax asset has been recognised	61,027,283	55,561,453
Deductible temporary differences for which no deferred tax asset has been recognised	311,225	234,360
	61,338,508	55,795,813
<b>Potential tax benefit @ 30% (2019: 27.5%)</b>	<b>18,401,552</b>	<b>15,343,849</b>

The benefit of the tax losses, which relate to the Company's UK and Asian operations, will only be realised if:

- (i) The Group derive future assessable income of a nature and amount sufficient to enable the benefit of the unused tax losses and deductible temporary differences to be realised.
- (ii) The Group continue to comply with the conditions for deductibility imposed by law; and
- (iii) There are no changes in taxation legislation which adversely affect the Group's ability to realise the benefit.

### c) Franking credits

	Consolidated	
	2020 \$	2019 \$
The amount of the franking credits available for subsequent reporting periods are:		
Balance at the end of the reporting period	10,187,811	4,927,437
Franking credits that will arise from the payment of the amount of provision for income tax	1,322,920	1,228,022
<b>Total franking credits</b>	<b>11,510,731</b>	<b>6,155,459</b>

## 7. Cash and Cash Equivalents

	Consolidated	
	2020 \$	2019 \$
Cash on hand	2,061	1,380
Term deposit	387,499	388,965
Bank balances	15,525,093	13,358,096
	<b>15,914,653</b>	<b>13,748,441</b>

Bank balances include a cash management account held in Australia which earns a weighted average effective interest rate of 0.11% (2019: 0.4%), and deposits on call held in Australia and denominated in GBP and USD, which bears a weighted average effective interest rate of nil% (2019: nil%). Cash on term deposit matures on an annual basis. Cash on hand is non-interest bearing.

## 8. Trade and Other Receivables

	Consolidated	
	2020 \$	2019 \$
<b>Current</b>		
Trade receivables	3,465,394	2,722,370
Allowance for credit losses	(70,187)	(5,555)
	<b>3,395,207</b>	<b>2,716,815</b>
Deposits receivable	464,196	454,557
Other receivables	26,438	729,983
	<b>490,634</b>	<b>1,184,540</b>
	<b>3,885,841</b>	<b>3,901,355</b>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable in the financial statements. The Group does not hold any collateral as security over any receivable balance. Refer to Note 2 for the policies and processes for credit risk on trade receivables.

The average credit period on trade receivables is 30 days. No interest is charged on trade or other receivables.

### Impaired receivables

Certain trade receivables were found to be impaired and a provision of \$70,187 (2019: \$5,555) has been recorded accordingly. The impaired trade receivables are mostly due from Praemium Australia Limited. Refer to Note 1 (u) for the Group's policy on accounting for trade receivables.

#### The aging of these impaired receivables is:

	Consolidated	
	2020 \$	2019 \$
Not more than 3 months	15,976	2,640
More than 3 months but not more than 6 months	40,700	330
More than 6 months but not more than 1 year	13,511	2,585
More than one year	-	-
<b>Total</b>	<b>70,187</b>	<b>5,555</b>

In addition, some of the unimpaired trade receivables are past due as at the reporting date. These relate to clients who have a good credit history with Praemium Australia Ltd.

#### The age of trade receivables past due but not impaired is as follows:

	Consolidated	
	2020 \$	2019 \$
Not more than 3 months	3,185,116	2,280,435
More than 3 months but not more than 6 months	-	-
More than 6 months but not more than 1 year	97,290	326,815
More than one year	112,801	109,565
<b>Total</b>	<b>3,395,207</b>	<b>2,716,815</b>

#### A reconciliation of the movement in the provision for impairment of receivables is shown below:

	Consolidated	
	2020 \$	2019 \$
At 1 July 2019	5,555	83,325
Provision for impairment recognised in the year	72,112	(31,940)
Receivables written off as uncollectible	(7,480)	(45,830)
<b>Balance at 30 June 2020</b>	<b>70,187</b>	<b>5,555</b>

There are no other impaired assets within other receivables and it is expected that other receivable balances will be received when due.



## 9. Financial Assets

### Financial assets at fair value through profit or loss

	Consolidated	
	2020 \$	2019 \$
<b>Listed Investments</b>		
Units in unit trust	140,893	130,415
Regulatory reserve	1,227,325	1,233,061
Shares in listed entities	5,128,575	-
<b>Total financial assets of fair value through profit or loss</b>	<b>6,496,793</b>	<b>1,363,476</b>

## 10. Property, Plant and Equipment

	Consolidated	
	2020 \$	2019 \$
Buildings and leasehold improvements at cost	5,738,577	525,565
Accumulated depreciation	(1,657,859)	(312,948)
<b>Total buildings and leasehold improvements</b>	<b>4,080,718</b>	<b>212,617</b>
Furniture, fixtures and fittings at cost	1,230,353	1,219,435
Accumulated depreciation	(969,604)	(896,335)
<b>Total furniture, fixtures and fittings</b>	<b>260,749</b>	<b>323,100</b>
Computer equipment at cost	5,619,164	5,269,968
Accumulated depreciation	(4,910,492)	(4,502,960)
<b>Total computer equipment</b>	<b>708,672</b>	<b>767,008</b>
<b>Total property, plant and equipment</b>	<b>5,050,139</b>	<b>1,302,725</b>

30 June 2020	Consolidated			Total \$
	Furniture, fixtures and fittings \$	Computer equipment \$	Buildings and leasehold improvements \$	
Balance at 1 July 2019	323,100	767,008	212,617	1,302,725
Adjustment on transition to AASB 16	-	25,484	5,245,601	5,271,085
Additions	26,446	313,095	91,531	431,072
Disposals	(6,093)	(7,411)	-	(13,504)
Depreciation expense	(82,877)	(427,641)	(1,371,320)	(1,881,838)
Exchange differences	173	38,137	(97,711)	(59,401)
<b>Balance at 30 June 2020</b>	<b>260,749</b>	<b>708,672</b>	<b>4,080,718</b>	<b>5,050,139</b>

## 10. Property, Plant and Equipment

Consolidated				
30 June 2019	Furniture, fixtures and fittings	Computer equipment	Buildings and leasehold improvements	Total
	\$	\$	\$	\$
Balance at 1 July 2018	261,461	746,269	308,280	1,316,010
Additions	132,508	354,711	3,369	490,588
Disposals	(1,168)	(2,214)	-	(3,382)
Depreciation expense	(70,964)	(339,297)	(104,647)	(514,908)
Exchange differences	1,263	7,539	5,615	14,417
<b>Balance at 30 June 2019</b>	<b>323,100</b>	<b>767,008</b>	<b>212,617</b>	<b>1,302,725</b>

Included in the above line items are right-of-use assets over the following:

### Right-of-use assets

Consolidated					
	Initial recognition	Additions	Depreciation	Exchange differences	Net carrying value
	\$	\$	\$	\$	\$
Office building	5,245,601	75,427	(1,264,468)	(78,538)	3,978,022
IT equipment	25,484	10,530	(14,962)	(369)	20,683

### Lease liabilities

Consolidated		
	2020	2019
	\$	\$
Current	3,202,173	-
Non-current	1,024,360	-

### Lease liabilities not recognised as a liability

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

Consolidated		
	2020	2019
	\$	\$
Short-term leases	195,971	-

### **(iii) The Group's leasing activities and how these are accounted for**

The Group leases offices in Australia, the UK, Jersey, UAE, Armenia, China (including Hong Kong). Rental contracts are typically made for fixed periods of 1 year to 10 years, with an extension option available for the London office. The measure of the Right-of-use asset for the London lease includes payments to be made in optional periods as management is reasonably certain to exercise the option to extend the lease to 2026.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability using the modified retrospective approach.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- » fixed payments (including in-substance fixed payments), less any lease incentives receivable

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

### (b) Leases

To determine the incremental borrowing rate, the Group used third-party financing to provide lending rate for loans with adjustments specific to the lease, eg that security would be provided, at amounts equal to the value of the right-of-use asset, loan duration corresponding to the length of the lease and the duration that the Group has been trading for.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- » the amount of the initial measurement of lease liability
- » any lease payments made at or before the commencement date less any lease incentives received

Right-of-use assets are depreciated over the lease term on a straight-line basis.

Payments associated with short-term leases of property and equipment are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

## 11. Goodwill

The movements in the net carrying amount of goodwill are as follows:

	Consolidated	
	2020 \$	2019 \$
<b>Gross carrying amount</b>		
Balance at 1 July 2019	2,833,502	3,230,751
Transfer to intangible asset	-	(450,485)
Net exchange differences	351	53,236
<b>Balance at 30 June 2020</b>	<b>2,833,853</b>	<b>2,833,502</b>
<b>Accumulated impairment</b>		
Balance at 1 July 2019	(23,000)	(23,000)
Impairment loss recognised	-	-
<b>Balance at 30 June 2020</b>	<b>(23,000)</b>	<b>(23,000)</b>
<b>Carrying amount 30 June 2020</b>	<b>2,810,853</b>	<b>2,810,502</b>

### (a) Impairment testing

For the purpose of annual impairment testing, goodwill is allocated to the following cash-generating unit, which is the unit expected to benefit from the synergies of the business combination in which the goodwill arises.

	Consolidated	
	2020 \$	2019 \$
Praemium Asia Limited (formerly WealthCraft Systems Limited)	717,523	696,939
Plum Software Limited	1,844,597	1,862,539
Praemium Retirement Services Ltd (formerly Wensley Mackay Limited)	248,733	251,024
<b>Goodwill allocation at 30 June 2020</b>	<b>2,810,853</b>	<b>2,810,502</b>

The recoverable amounts of the cash-generating units were determined based on value-in-use calculations, covering a detailed five-year forecast, followed by an extrapolation of expected cash flows for the unit's remaining useful life using the growth rate determined by management. The present value of the expected cash flows of each segment is determined by using a suitable discount rate.

### (b) Growth rates

The growth rates reflect the long-term average growth rates for the product lines and industries of the segments (all publicly available). The growth rate for Praemium Asia is 3.0% (2019: 3.0%), for Plum Software is 2.0% (2019: 2.0%) and for Praemium Retirement Services is 2.0% (2019: 2.0%).

### (c) Discount rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each unit. The discount rate for Praemium Asia is 12.32% (2019: 12.40%), for Plum Software is 8.10% (2019: 9.56%) and for Praemium Retirement Services is 8.10% (2019: 9.56%).

### (d) Cash flow assumptions

Management's key assumptions include stable profit margins, based on past experience in this market. The Group's management believes that this is the best available input for forecasting. Cash flow projections reflect stable profit margins achieved immediately before the budget period. No expected efficiency improvements have been taken into account and prices and wages reflect publicly available forecasts of inflation for the industry.

Apart from the considerations described in determining the value-in-use of the cash-generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

## 12. Other Intangible Assets

Intangible Assets 2020	Consolidated		
	Customer Contracts \$	Databases \$	Total \$
<b>Gross carrying amount</b>			
Balance at 1 July 2019	2,142,332	8,139,005	10,281,337
Additions	-	4,915,487	4,915,487
Net exchange differences	(1,508)	(63,720)	(65,228)
<b>Balance at 30 June 2020</b>	<b>2,140,824</b>	<b>12,990,772</b>	<b>15,131,596</b>
<b>Amortisation and Impairment</b>			
Balance at 1 July 2019	(1,431,040)	(1,731,518)	(3,162,558)
Amortisation	(253,859)	(2,534,222)	(2,788,081)
Impairment losses	-	-	-
Net exchange differences	6,285	30,376	36,661
<b>Balance at 30 June 2020</b>	<b>(1,678,614)</b>	<b>(4,235,364)</b>	<b>(5,913,978)</b>
<b>Carrying amount 30 June 2020</b>	<b>462,210</b>	<b>8,755,408</b>	<b>9,217,618</b>

Intangible Assets 2019	Consolidated		
	Customer Contracts \$	Databases \$	Total \$
<b>Gross carrying amount</b>			
Balance at 1 July 2018	1,812,751	3,222,662	5,035,413
Additions	302,963	4,896,494	5,199,457
Net exchange differences	26,618	19,849	46,467
<b>Balance at 30 June 2019</b>	<b>2,142,332</b>	<b>8,139,005</b>	<b>10,281,337</b>
<b>Amortisation and Impairment</b>			
Balance at 1 July 2018	(1,114,055)	(676,030)	(1,790,085)
Amortisation	(302,952)	(1,043,442)	(1,346,394)
Net exchange differences	(14,033)	(12,046)	(26,079)
<b>Balance at 30 June 2019</b>	<b>(1,431,040)</b>	<b>(1,731,518)</b>	<b>(3,162,558)</b>
<b>Carrying amount 30 June 2019</b>	<b>711,292</b>	<b>6,407,487</b>	<b>7,118,779</b>

Database assets includes Plum's technical database and capitalised software costs. As at 30 June 2020, we had software assets under development amounting to \$2,856,384 (2019: \$3,436,619). As these assets were not installed and ready for use, no amortisation has been charged on the amounts.

Additions to database include \$4,915,487 (2019: \$4,896,494) of capitalised software costs for internally generated assets. Database includes \$8,576,389 for capitalised software costs and \$179,019 for technical database.

Praemium has assessed that the customer contracts and technical database intangibles are amortised on a straight-line basis over 5 years (2019: 5 years). The capitalised software costs are amortised on a straight-line basis over 3 years (2019: 3 years). This is based on an estimate of customers' future term using Praemium's services. All amortisation charges are included within depreciation and amortisation on non-financial assets.

Of the \$2,534,222 amortisation expense in databases, \$2,407,518 relates to capitalised software costs, and \$126,704 is for technical databases.

### 13. Deferred Tax Assets and Liabilities

Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows:

Deferred tax assets/(liabilities) 2020	Consolidated		
	1 July 2019	Recognised in Profit and Loss	30 June 2020
	\$	\$	\$
<b>Current assets</b>			
Trade and other receivables	1,528	19,528	21,056
<b>Non-current assets</b>			
Intangible assets	(105,907)	(1,458,135)	(1,564,042)
Right-of-use assets	-	(446,302)	(446,302)
Plant, property & equipment	306,178	144,172	450,350
<b>Non-current liabilities</b>			
Pension and other employee obligations	472,243	43,556	515,799
<b>Current liabilities</b>			
Provisions	597,447	465,531	1,062,978
Unused tax losses	21,245	(21,245)	-
<b>Net deferred tax assets/(liabilities)</b>	<b>1,292,734</b>	<b>(1,252,895)</b>	<b>39,839</b>
Deferred tax asset as represented on the Statement of Financial Position			1,233,401
Deferred tax liability as represented on the Statement of Financial Position			(1,193,562)
<b>Total</b>			<b>39,839</b>

Deferred tax assets/(liabilities) 2019	Consolidated		
	1 July 2018	Recognised in Profit and Loss	30 June 2019
	\$	\$	\$
<b>Current assets</b>			
Trade and other receivables	17,605	(16,077)	1,528
<b>Non-current assets</b>			
Intangible assets	(199,782)	93,875	(105,907)
Plant, property & equipment	82,195	223,983	306,178
<b>Non-current liabilities</b>			
Pension and other employee obligations	431,639	40,604	472,243
<b>Current liabilities</b>			
Provisions	204,500	392,947	597,447
Unused tax losses	71,205	(49,960)	21,245
<b>Net deferred tax assets</b>	<b>607,362</b>	<b>685,372</b>	<b>1,292,734</b>
Deferred tax asset as represented on the Statement of Financial Position			1,398,641
Deferred tax liability as represented on the Statement of Financial Position			(105,907)
<b>Total</b>			<b>1,292,734</b>

## 14. Trade and Other Payables

	Consolidated	
	2020 \$	2019 \$
<b>Unsecured liabilities</b>		
Trade payables	1,118,928	638,673
Accrued expenses	3,003,063	2,950,617
Good and services tax	776,835	685,323
Withholding tax on intercompany loan	1,419,956	1,267,651
Other payables	334,550	471,016
	<b>6,653,332</b>	<b>6,013,280</b>

## 15. Provisions

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

	Consolidated	
	2020 \$	2019 \$
<b>Current</b>		
Employee benefits	1,258,069	1,492,999
	<b>1,258,069</b>	<b>1,492,999</b>
<b>Non-current</b>		
Employee benefits	200,902	128,721
	<b>200,902</b>	<b>128,721</b>

## 16. Issued Capital

	Consolidated	
	2020 \$	2019 \$
2020: 408,680,474 (2019: 405,285,531) fully paid ordinary shares	68,402,062	67,019,085

### Movement in ordinary share capital

Date	Details	Number Of Shares	Issue Price	Total \$
<b>01-July-2019</b>	<b>Opening Balance</b>	<b>405,285,531</b>		<b>67,019,085</b>
06-September-2019	Issue under employee share plan	2,086,863	0.418	871,680
06-September-2019	Issue under employee STI bonus	621,640	0.455	282,846
26-November-2019	Issue under employee share plan	358,765	0.426	152,698
26-November-2019	Issue under employee STI bonus	15,000	0.565	8,475
30-December-2019	Share issue costs			(7,096)
06-March-2020	Issue under employee share plan	99,576	0.215	21,429
27-March-2020	Issue under employee share plan	129,962	0.215	27,969
17-April-2020	Issue under employee share plan	41,523	0.286	11,882
02-June-2020	Issue under employee share plan	41,614	0.366	15,226
30-June-2020	Share issue costs			(2,132)
<b>30-June-2020</b>	<b>Balance</b>	<b>408,680,474</b>		<b>68,402,062</b>

#### (a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

#### (b) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group considers its capital to be total equity, which comprises ordinary share capital, foreign currency translation reserve, option reserve and accumulated retained earnings/losses.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth. In making decisions to adjust its capital structure, for instance by issuing new shares, the Group considers not only its short-term position but also its long-range operational and strategic objectives.

	Consolidated	
	2020 \$	2019 \$
Share capital	68,402,062	67,019,085
Foreign currency translation reserve	(626,149)	(450,548)
Option reserve	2,723,282	1,779,865
Accumulated losses	(39,912,140)	(44,775,507)
<b>Total equity</b>	<b>30,587,055</b>	<b>23,572,895</b>



## 17. Reserve

	Consolidated	
	2020 \$	2019 \$
Foreign currency translation reserve	(626,149)	(450,548)
Option reserve	2,723,282	1,779,865
<b>Total</b>	<b>2,097,133</b>	<b>1,329,317</b>

### (a) Movement in reserves

Movements in reserves are detailed in the statement of changes in equity.

### (b) Nature and purpose of reserves

Foreign Currency Translation Reserve - Exchange differences arising on translation of the foreign-controlled entity are taken to the foreign currency translation reserve, as described in note 1(n). The reserve is recognised in profit and loss when the net investment is disposed of.

Option Reserve – The option reserve records the fair value of options issued, not forfeited and not exercised.

## 18. Auditor's Remuneration

	Consolidated	
	2020 \$	2019 \$
Remuneration of the auditor of the consolidated entity for:		
<b>Grant Thornton</b>		
- Audit and review of financial reports	88,093	101,700
<b>Non-Grant Thornton firm</b>		
- Audit and review of financial reports	222,693	187,485
<b>Audit services remuneration</b>	<b>310,786</b>	<b>289,185</b>
<b>Other Services</b>		
<b>Auditors of Praemium Limited: Grant Thornton</b>		
- Internal controls review	93,500	70,000
- Taxation services	91,773	53,000
<b>Overseas non-Grant Thornton firm</b>		
- Taxation services	34,780	36,118
- Compliance audit	37,776	34,340
<b>Total other services remuneration</b>	<b>257,829</b>	<b>193,458</b>
<b>Total Auditor's remuneration</b>	<b>568,615</b>	<b>482,643</b>

## 19. Capital And Leasing Commitments

### Operating lease commitments

Contractual commitments for the next 5 years are disclosed in the table below.

	Consolidated	
	2020 \$	2019 \$
<b>Payable-Minimum Lease Payments</b>		
Not later than 12 months	1,261,182	1,286,008
Between 12 months and 5 years	2,995,868	3,509,591
<b>Total</b>	<b>4,257,050</b>	<b>4,795,599</b>

Of the \$4,257,050, \$26,366 is not capitalised in the financial statements. Operating lease commitments relate to rental commitments for office premises in Melbourne, Sydney, Brisbane, London, Coventry, Cumbria, Jersey, Shenzhen, Yerevan, Hong Kong and Dubai expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

## 20. Segment Information

### (a) Description of segments

Management has determined the operating segments that are used to make strategic decisions. It considers performance on a geographic basis and has identified 2 reportable segments, being Australia and International.

### (b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2020 is as follows:

2020	Consolidated		
	Australia	International	Total
Total segment revenue	38,800,594	11,353,370	50,153,964
<b>Revenue from external customers</b>	<b>38,800,594</b>	<b>11,353,370</b>	<b>50,153,964</b>
<b>EBITDA profit/(loss)</b>	<b>16,966,973</b>	<b>(2,794,325)</b>	<b>14,172,648</b>
Interest	(69,574)	(91,476)	(161,050)
Intercompany interest and margin	3,114,272	(3,114,272)	-
Depreciation and amortisation	(3,368,408)	(1,301,511)	(4,669,919)
Un/realised FX	47,816	(8,738)	39,078
Unit trust income	2,541	3,595	6,136
Unrealised gain/(loss) on financial instruments	1,972,073	27,128	1,999,201
Restructure, arbitration and acquisition costs	(1,157,055)	(174,706)	(1,331,761)
Withholding tax	(203,121)	(74,823)	(277,944)
Profit/(loss) on disposal of fixed assets	58	-	58
Share based payments	(2,048,413)	(1,873)	(2,050,286)
<b>Net Profit/(loss) Before Tax</b>	<b>15,257,162</b>	<b>(7,531,001)</b>	<b>7,726,161</b>
Segment assets	32,996,051	16,234,143	49,230,194
Segment liabilities	(12,385,507)	(6,257,632)	(18,643,139)
Employee benefits expense	16,779,696	10,071,953	26,851,649
Additions to non-current assets (other than financial assets, deferred tax, post-employment benefit assets, rights arising under insurance contracts)	233,240	112,342	345,582

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2019 is as follows:

2019	Consolidated		
	Australia	International	Total
Total segment revenue	31,404,068	12,737,025	44,141,093
<b>Revenue from external customers</b>	<b>31,404,068</b>	<b>12,737,025</b>	<b>44,141,093</b>
<b>EBITDA profit/(loss)</b>	<b>14,050,051</b>	<b>(2,668,415)</b>	<b>11,381,636</b>
Interest	25,016	94	25,110
Intercompany interest and margin	2,547,489	(2,547,489)	-
Depreciation and amortisation	(1,158,197)	(703,105)	(1,861,302)
Un/realised FX	18,459	(10,426)	8,033
Unit trust income	95,166	(169,846)	(74,680)
Unrealised gain on financial instruments	85,918	222	86,140
Restructure, arbitration and acquisition costs	(800,181)	(836,487)	(1,636,668)
Withholding Tax	(193,353)	(327,375)	(520,728)
Profit/(loss) on disposal of fixed assets	(581)	-	(581)
Share based payments	(1,968,101)	-	(1,968,101)
<b>Net Profit/(loss) Before Tax</b>	<b>12,701,686</b>	<b>(7,262,827)</b>	<b>5,438,859</b>
Segment assets	22,217,199	13,161,059	35,378,258
Segment liabilities	(8,228,213)	(3,577,150)	(11,805,363)
Employee benefits expense	13,902,939	9,980,188	23,883,127
Additions to non-current assets (other than financial assets, deferred tax, post-employment benefit assets, rights arising under insurance contracts)	388,990	101,598	490,588

### (c) Reconciliation

#### (i) Revenue

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

	Consolidated	
	2020 \$	2019 \$
Segment revenue	50,153,964	44,141,093
<b>Total revenue</b>	<b>50,153,964</b>	<b>44,141,093</b>

## 20. Segment Information Continued

### (ii) EBITDA

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

	Consolidated	
	2020 \$	2019 \$
EBITDA	14,172,648	11,381,636
Depreciation and amortisation	(4,669,919)	(1,861,302)
Interest revenue	(161,050)	25,110
Unrealised FX	39,078	8,033
Unit trust income	6,136	(74,680)
Unrealised gain on financial instruments	1,999,201	86,140
Restructure, abatement and acquisition costs	(1,331,761)	(1,636,668)
Withholding tax	(277,944)	(520,728)
Share based payments	(2,050,286)	(1,968,101)
Profit/(loss) on disposal of fixed assets	58	(581)
<b>Net profit before tax</b>	<b>7,726,161</b>	<b>5,438,859</b>

### (iii) Segment assets

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

Reportable segments' assets are reconciled to total assets as follows:

	Consolidated	
	2020 \$	2019 \$
Segment assets	49,230,194	35,378,258
<b>Total assets as per the statement of financial position</b>	<b>49,230,194</b>	<b>35,378,258</b>

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Australia is \$9,352,553 (2019: \$6,212,800) and the total of these non-current assets located in other countries is \$7,726,057 (2019: \$5,019,206). Segment assets are allocated to countries based on where the assets are located.

### (iv) Segment liabilities

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

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Consolidated	
	2020 \$	2019 \$
Segment liabilities	(18,643,139)	(11,805,363)
<b>Total liabilities as per the statement of financial position</b>	<b>(18,643,139)</b>	<b>(11,805,363)</b>

### (d) Entity-wide information

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is \$38,800,594 (2019: \$31,404,068). Segment revenues are allocated based on the country in which revenue and profit are derived.

## 21. Events after The Reporting Date

a) On 9 July 2020, the Company also announced an off-market takeover bid for Powerwrap, with the support of the Powerwrap board. With the offer period open until 31 August 2020, further updates will be provided to shareholders as the offer process progresses.

b) Other than the above, Directors have not become aware of any other matter or circumstance not otherwise dealt within the financial statements that since 30 June 2020 has significantly affected or may significantly affect the operations of the Company or the consolidated entity, the results of those operations or the state of affairs in subsequent financial years.

c) The financial report was authorised for issue on 14 August 2020 by the Board of Directors.

## 22. Cash Flow Information

	Consolidated	
	2020 \$	2019 \$
<b>Profit attributable to members of the Group</b>	<b>4,863,366</b>	<b>2,549,883</b>
<b>Non cash flows in profit from ordinary activities</b>		
Depreciation and amortisation	4,669,919	1,861,302
Share based payments	2,050,286	1,968,101
Bad debt expense/(recovery)	72,112	(31,940)
Unrealised foreign exchange loss	(39,078)	(8,033)
Gain/(loss) on disposal of plant and equipment	58	(557)
Withholding tax receivable	277,944	520,728
Revaluation on financial instruments	(2,002,887)	(7,319)
<b>Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries</b>		
Increase/(decrease) in trade and other receivables	(632,656)	(189,473)
Increase/(decrease) in trade payables and accruals	986,473	(606,775)
Increase/(decrease) in employee provisions	(163,507)	223,271
Increase/(decrease) in deferred tax asset / payable	883,154	(143,499)
Increase in deferred income	1,397,377	56,989
<b>Net cash provided by operating activities</b>	<b>12,062,561</b>	<b>6,192,678</b>

## 23. Share-Based Payments

### (a) Performance rights

Performance rights are granted to key employees and will be vested in the respective employee on the vesting date upon the employee successfully meeting the following criteria: 1) the employee must still be an employee as at the vesting date, 2) the Company's Group EBITDA target (as agreed by the Board) is achieved, 3) the Company's total shareholder return (TSR) measure is achieved (for executive plans) and 4) the employee must successfully deliver upon certain measurable key performance indicators.

2020

Grant date	Vesting date	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number
22-Dec-10	27-Apr-11	33,333	-	-	-	33,333	33,333
		<b>33,333</b>	-	-	-	<b>33,333</b>	<b>33,333</b>
6-Sep-12	30-Sep-13	60,000	-	-	-	60,000	60,000
		<b>60,000</b>	-	-	-	<b>60,000</b>	<b>60,000</b>
11-Sep-13	30-Sep-16	85,000	-	(85,000)	-	-	-
		<b>85,000</b>	-	<b>(85,000)</b>	-	-	-
12-Nov-14	30-Sep-15	16,500	-	(15,750)	-	750	750
	30-Sep-16	45,750	-	(38,970)	-	6,780	6,780
	30-Sep-17	61,000	-	(45,000)	-	16,000	16,000
		<b>123,250</b>	-	<b>(99,720)</b>	-	<b>23,530</b>	<b>23,530</b>
15-Sep-15	30-Sep-16	31,955	-	(20,291)	-	11,664	11,664
	30-Sep-17	64,106	-	(34,571)	-	29,535	29,535
	30-Sep-18	339,600	-	(147,600)	-	192,000	192,000
		<b>435,661</b>	-	<b>(202,462)</b>	-	<b>233,199</b>	<b>233,199</b>
20-Sep-16	30-Sep-17	49,739	-	(15,128)	-	34,611	34,611
	30-Sep-18	166,043	-	(74,917)	-	91,126	91,126
	30-Sep-19	1,558,704	-	(1,263,993)	(2,400)	292,311	292,311
		<b>1,774,486</b>	-	<b>(1,354,038)</b>	<b>(2,400)</b>	<b>418,048</b>	<b>418,048</b>
20-Sep-17	30-Sep-18	146,854	-	(27,052)	-	119,802	119,802
	30-Sep-19	1,015,647	-	(789,476)	(20,500)	205,671	205,671
	30-Sep-20	2,348,285	-	-	(79,200)	2,269,085	-
		<b>3,510,786</b>	-	<b>(816,528)</b>	<b>(99,700)</b>	<b>2,594,558</b>	<b>325,473</b>
16-Oct-18	30-Sep-19	269,645	-	(200,555)	(677)	68,413	68,413
	30-Sep-20	578,784	-	-	(86,421)	492,363	-
	30-Sep-21	1,388,998	-	-	(52,212)	1,336,786	-
		<b>2,237,427</b>	-	<b>(200,555)</b>	<b>(139,310)</b>	<b>1,897,562</b>	<b>68,413</b>
1-Jul-19	30-Sep-22	-	11,000,000	-	-	11,000,000	-
16-Sep-19	30-Sep-20	-	605,764	-	(13,524)	592,240	-
	30-Sep-21	-	1,009,618	-	(22,540)	987,078	-
	30-Sep-22	-	2,423,015	-	(54,095)	2,368,920	-
		-	<b>15,038,397</b>	-	<b>(90,159)</b>	<b>14,948,238</b>	-
<b>Total</b>		<b>8,259,943</b>	<b>15,038,397</b>	<b>(2,758,303)</b>	<b>(331,569)</b>	<b>20,208,468</b>	<b>1,161,996</b>

## 2019

Grant date	Vesting date	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number
22-Dec-10	27-Apr-11	33,333	-	-	-	33,333	33,333
		<b>33,333</b>	-	-	-	<b>33,333</b>	<b>33,333</b>
6-Sep-12	30-Sep-13	60,000	-	-	-	60,000	60,000
		<b>60,000</b>	-	-	-	<b>60,000</b>	<b>60,000</b>
11-Sep-13	30-Sep-15	95,000	-	(95,000)	-	-	-
	30-Sep-16	325,000	-	(240,000)	-	85,000	85,000
		<b>420,000</b>	-	<b>(335,000)</b>	-	<b>85,000</b>	<b>85,000</b>
12-Nov-14	30-Sep-15	78,000	-	(61,500)	-	16,500	16,500
	30-Sep-16	107,250	-	(61,500)	-	45,750	45,750
	30-Sep-17	153,000	-	(92,000)	-	61,000	61,000
		<b>338,250</b>	-	<b>(215,000)</b>	-	<b>123,250</b>	<b>123,250</b>
15-Sep-15	30-Sep-16	82,256	-	(50,301)	-	31,955	31,955
	30-Sep-17	166,969	-	(102,863)	-	64,106	64,106
	30-Sep-18	1,465,800	-	(1,122,600)	(3,600)	339,600	339,600
		<b>1,715,025</b>	-	<b>(1,275,764)</b>	<b>(3,600)</b>	<b>435,661</b>	<b>435,661</b>
20-Sep-16	30-Sep-17	92,983	-	(43,244)	-	49,739	49,739
	30-Sep-18	789,309	5,750	(621,266)	(7,750)	166,043	166,043
	30-Sep-19	1,894,341	-	(222,455)	(113,182)	1,558,704	-
		<b>2,776,633</b>	<b>5,750</b>	<b>(886,965)</b>	<b>(120,932)</b>	<b>1,774,486</b>	<b>215,782</b>
20-Sep-17	30-Sep-18	1,400,000	-	(1,400,000)	-	-	-
	30-Sep-18	676,522	39,277	(545,762)	(23,183)	146,854	146,854
	30-Sep-19	1,127,538	-	(36,578)	(75,313)	1,015,647	-
	30-Sep-20	2,706,090	-	(87,788)	(270,017)	2,348,285	-
		<b>5,910,150</b>	<b>39,277</b>	<b>(2,070,128)</b>	<b>(368,513)</b>	<b>3,510,786</b>	<b>146,854</b>
16-Oct-18	30-Sep-19	-	369,734	-	(100,089)	269,645	-
	30-Sep-20	-	616,230	-	(37,446)	578,784	-
	30-Sep-21	-	1,478,868	-	(89,870)	1,388,998	-
		-	<b>2,464,832</b>	-	<b>(227,405)</b>	<b>2,237,427</b>	-
<b>Total</b>		<b>11,253,391</b>	<b>2,509,859</b>	<b>(4,782,857)</b>	<b>(720,450)</b>	<b>8,259,943</b>	<b>1,099,880</b>

**(b) Shares issued as employee bonus**

Shares issued during the period as an employee bonus were measured at the quoted market price of the shares.

	Number issued	Value	Weighted average fair value
Consolidated – 2020	636,640	291,321	0.46
<b>72</b> Consolidated – 2019	34,088	34,770	1.02

## 23. Share-Based Payments

### (c) Expenses arising from share-based payment transactions

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

	Consolidated	
	2020 \$	2019 \$
Shares issued as employee bonus	(11,844)	298,387
Performance rights	2,052,778	1,662,864
	<b>2,040,934</b>	<b>1,961,251</b>

## 24. Earnings Per Share

### Reconciliation of earnings to profit or loss:

	Consolidated	
	2020 \$	2019 \$
Profit/(loss) attributable to the parent entity	4,863,366	2,549,883
Earnings used to calculate basic EPS	4,863,366	2,549,883
Earnings used in calculation of diluted EPS	4,863,366	2,549,883

	Consolidated	
	2020 \$	2019 \$
Weighted average number of ordinary shares outstanding during the year:		
Number used in calculating basic EPS	407,796,150	403,852,414
Number used in calculating diluted EPS	408,958,147	404,952,294

2020: 19,046,472 (2019: 7,160,063) options/performance rights outstanding are not included in the calculation of diluted earnings per share because they are anti-dilutive for the years ended 30 June 2020 and 2019.



## 25. Parent Entity Information

The following details information related to the parent entity, Praemium Limited, at 30 June 2020. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Consolidated	
	2020 \$	2019 \$
Current assets	10,278,693	8,589,064
Non-current assets	97,649,321	83,778,303
<b>Total assets</b>	<b>107,928,014</b>	<b>92,367,367</b>
Current liabilities	3,819,958	3,767,710
Non-current liabilities	121,947,015	100,063,231
<b>Total liabilities</b>	<b>125,766,973</b>	<b>103,830,941</b>
Contributed equity	68,402,062	67,019,085
Accumulated losses	(88,964,303)	(80,262,524)
Option reserve	2,723,282	1,779,865
<b>Total equity</b>	<b>(17,838,959)</b>	<b>(11,463,574)</b>
Loss for the year	(8,701,779)	(9,650,259)
Other comprehensive income/(loss) for the year	-	-
<b>Total comprehensive income/(loss) for the year</b>	<b>(8,701,779)</b>	<b>(9,650,259)</b>

## 26. Group Entities

The consolidated financial statements include the financial statements of Praemium Limited and those entities detailed in the following table:

<b>Subsidiaries</b>	<b>Country of incorporation</b>	<b>Ownership interest % 2020</b>	<b>Ownership interest % 2019</b>
Praemium Australia Limited	Australia	100	100
Praemium Portfolio Services Limited	UK	100	100
Praemium (UK) Limited	UK	100	100
Praemium Administration Limited	UK	100	100
Smartfund Nominees Limited	UK	100	100
Smart Investment Management Limited	UK	100	100
Plum Software Limited	UK	100	100
Praemium Trustees Limited	UK	100	100
Praemium International Limited	Jersey	100	100
Praemium RA LLC	Armenia	100	100
Praemium Asia Limited	Hong Kong	100	100
WealthCraft Systems (Shenzhen) Limited	China	100	100
Praemium Retirement Services Ltd (formerly Wensley Mackay Limited)	UK	100	100
WM Pension Trustee Services Limited	UK	100	100

Praemium Limited is the ultimate Australian parent entity and the ultimate parent entity of the Group.

## 27. Related party transactions

A subsidiary of Praemium Limited, Praemium Australia Limited is the Responsible Entity and receives management fees for managing the operations of the Separately Managed Accounts managed investment scheme in accordance with the scheme's constitution.

	Consolidated	
	2020 \$	2019 \$
<b>Management fees:</b>		
Managed accounts platform revenue	20,975,804	15,271,901

The following disclosures should be read in conjunction with Remuneration Report contained in the Directors' Report. Details of Key Management Personnel are disclosed in the Remuneration Report.

### Key management personnel compensation (including non-executive directors)

	Consolidated	
	2020	2019
Short-term employee benefits	1,261,159	1,860,655
Post-employment benefits	86,385	145,119
Long-term benefits	17,929	62,623
Share-based payments	358,419	680,136
	<b>1,723,892</b>	<b>2,748,533</b>

## 28. Contractual commitments and contingencies

Since 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.

# Directors' Declaration

## The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 38-76, are in accordance with the Corporations Act 2001 and:
  - a. Comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - b. Give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the consolidated entity.
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
  - a. The financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - b. The financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. The financial statements and notes for the financial year give a true and view of the financial position and performance of the consolidated entity.
3. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards. This declaration is made in accordance with a resolution of the Board of Directors.



**Barry Lewin , Chairman**  
14 August 2020

# Auditor's Independence Declaration



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**Grant Thornton Audit Pty Ltd**  
Level 22 Tower 5  
Collins Square  
727 Collins Street  
GPO Box 4736  
Melbourne VIC 3008  
T +61 3 8320 2222

## 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 audit of Praemium Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

*Grant Thornton*

Grant Thornton Audit Pty Ltd  
Chartered Accountants

*C S Gangemi*

C S Gangemi  
Partner – Audit & Assurance

Melbourne, 14 August 2020

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# Independent Audit Report



Grant Thornton Audit Pty Ltd  
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## Independent Auditor's Report

To the Members of Praemium Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Praemium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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# Independent Audit Report



## Key audit matter

## How our audit addressed the key audit matter

### Revenue Recognition Note 3

Contract revenue of \$50,153,964 represents a material amount of the Group's total revenue.

We determined the Group's long term contracts are a key audit matter due to the complexity and variations in terms and conditions attached to each contract.

Our procedures included, amongst others:

- Assessing revenue recognition policies of individual customer agreements and contractual arrangements to ensure compliance with AASB 15 *Revenue from Contracts with Customers*;
- Documenting and testing the operating effectiveness of the internal controls in respect to VMA and SMA revenue from the rendering of services;
- Testing a sample of revenue recognised during the year to supporting documentation to verify the occurrence and accuracy of the transactions;
- Testing a sample of management fees, expenses incurred and recoveries claimed by subsidiary Praemium Australia Limited in their capacity as the Responsible Entity of the Separately Managed Accounts managed investment scheme in accordance with the scheme's constitution; and
- Assessing relevant disclosures in the financial statements.

### Capitalised Development Costs Note 12

Capitalised product development costs had a net carrying value of \$8,576,389 at 30 June 2020.

During the year the Group capitalised \$4,915,487 of project development costs. These intangible assets are being amortised over a 3 year period, and an amortisation expense of \$2,407,518 has been included in the statement of profit or loss and other comprehensive income.

AASB 138 *Intangible Assets* sets out the specific requirements to be met in order to capitalise development costs. Intangible assets should be amortised over their useful economic lives in accordance with AASB 138.

Given the nature of the industry in which the Group operates, there is also a risk that there could also be a material impairment to capitalised development costs carried as intangible assets, which needs to be considered under accounting standard AASB 136 *Impairment of Assets*.

This area is a key audit matter due to subjectivity and management judgement applied in the assessment of whether costs meet the development phase criteria described in AASB 138, the estimate of the assets' useful lives and consideration of impairment involving projected future cash flows under accounting standard AASB 136.

Our procedures included, amongst others:

- Assessing the Group's accounting policy in respect of product development costs for adherence to AASB 138;
- Evaluating management's assessment of each project for compliance with the recognition criteria set out in AASB 138, including discussing project plans with management and project leaders to develop an understanding of the nature and feasibility of key projects at 30 June 2020;
- Testing a sample of costs capitalised to supporting documentation to understand the nature of the item and whether expenditure was attributable to the development of the related asset and assessing compliance with the recognition criteria set out in AASB 138;
- Evaluating the appropriateness of the useful economic lives over which capitalised costs are being amortised;
- Assessing the impairment models for compliance with the standard and evaluating the reasonableness of key assumptions through sensitivity analysis including the discount rate, terminal growth rates and forecast growth assumptions;
- Challenging management's assumptions and estimates including those relating to forecast revenue, costs, and discount rates by assessing the reasonableness of the approved cash flow projections as well as the Group's historical ability to forecast accurately; and
- Assessing the adequacy of related disclosures in the financial statements.

## Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

# Independent Audit Report



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

## Report on the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 24 to 31 of the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Praemium Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

## Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized, handwritten signature of Grant Thornton in a dark grey color.

Grant Thornton Audit Pty Ltd  
Chartered Accountants

A stylized, handwritten signature of C S Gangemi in a dark grey color.

C S Gangemi  
Partner – Audit & Assurance

Melbourne, 14 August 2020



# Additional disclosures

Required or recommended by the listing rules & Corporations Act

## Top 20 Shareholders

Rank	Name	31 July 2020	%IC
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	37,016,547	9.1%
2	NATIONAL NOMINEES LIMITED	21,374,069	5.2%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,485,803	3.5%
4	MR MICHAEL BERNARD OHANESSIAN	14,430,513	3.5%
5	BOND STREET CUSTODIANS LIMITED	11,866,617	2.9%
6	MR DONALD WILLIAM STAMMER	11,648,866	2.9%
7	BNP PARIBAS NOMS PTY LTD	9,680,144	2.4%
8	CITICORP NOMINEES PTY LIMITED	7,663,629	1.9%
9	SUPERTCO PTY LTD	7,500,000	1.8%
10	MEROMA PTY LIMITED	5,353,304	1.3%
11	PACIFIC CUSTODIANS PTY LIMITED	4,630,818	1.1%
12	EPR SUPERANNUATION FUND PTY LTD	3,825,532	0.9%
13	NATIONAL NOMINEES LIMITED	3,376,915	0.8%
14	JAMPLAT PTY LTD	2,493,738	0.6%
15	DAVID SIMMONDS FRANKS	2,222,223	0.5%
16	MR PAUL DAVID GUTTERIDGE	2,181,543	0.5%
17	FAT PROPHETS PTY LTD	2,000,000	0.5%
18	CITICORP NOMINEES PTY LIMITED	1,816,448	0.4%
19	WELSBY PARK PTY LTD	1,650,000	0.4%
20	CAMERON RICHARD PTY LTD	1,630,000	0.4%
	<b>Total</b>	<b>166,846,709</b>	<b>40.8%</b>
	Balance of Register	241,833,765	59.2%
	<b>Grand Total</b>	<b>408,680,474</b>	<b>100.0%</b>

## Substantial Holdings

There are 408,680,474 ordinary shares on issue in the capital of the company at the date of this report. There are no other classes of shares currently on issue other than ordinary shares. Each holder of ordinary shares has the right to attend and vote at general meetings of the company in person, by representative or by proxy. On a show of hands, each member entitled to be present has one vote. If the shareholder is represented by more than one person, they will still only have one vote on a show of hands. On a poll, each ordinary share represents one vote.

Details of all options and performance rights on issue as at the end of the financial year are set out in Note 23 to the Accounts.

As at the date of this report, the names of the substantial holders in the Company and the number of ordinary shares to which each substantial holder and its associates have a relevant interest as disclosed in substantial holding notices given to the Company are set out below:

Blackrock Group	25,713,191	6.3%
-----------------	------------	------

The following table shows the number of holders of each class of equity securities as at the date of this report and how those holdings are distributed.

## Ordinary Shares

Range	Securities		No. of Holders	
	Number	%	Number	%
100,001 and over	282,074,043	69.0%	416	5.2%
10,001 to 100,000	107,374,162	26.3%	3,183	39.9%
5,001 to 10,000	12,050,492	2.9%	1,470	18.4%
1,001 to 5,000	6,841,512	1.7%	2,369	29.7%
1 to 1,000	340,265	0.1%	548	6.9%
<b>Total</b>	<b>408,680,474</b>	<b>100%</b>	<b>7,986</b>	<b>100%</b>

## Performance Rights

(includes EMI Options, including those that have vested but have not yet been exercised)

Range	Securities		No. of Holders	
	Number	%	Number	%
100,001 and over	16,853,575	83.4%	23	14.8%
10,001 to 100,000	3,203,435	15.9%	106	68.4%
5,001 to 10,000	143,384	0.7%	19	12.3%
1,001 to 5,000	4,232	0.0%	2	1.3%
1 to 1,000	3,842	0.0%	5	3.2%
<b>Total</b>	<b>20,208,468</b>	<b>100.0%</b>	<b>155</b>	<b>100.0%</b>

# Corporate Information

## **Registered office and principal place of business**

The registered office of the Company is Praemium Limited, Level 19, 367 Collins Street, Melbourne, VIC 3000.

Phone: 1800 571 881

Fax: +613 8622 1200

Website: [www.praemium.com.au](http://www.praemium.com.au)

## **Board of Directors**

Barry Lewin

Stuart Robertson

Daniel Lipshut

Claire Willette

## **CEO & Managing Director**

Michael Ohanessian

## **Company Secretary**

Paul Gutteridge

## **Share Registry**

Link Market Services:

Level 12, 680 George Street,  
Sydney, NSW 2000.

Phone: Within Australia:

1300 554 474

Outside Australia:

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## **Auditor**

Grant Thornton:

Collins Square, 727 Collins Street,  
Melbourne, VIC 3008.

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# Notes

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# 2020 Annual results

## Investor presentation

14 August 2020



Praemium Limited ACN 098 405 826



# Disclaimer

The material contained in this document is a presentation of general information about the Praemium Group's activities current as at the date of this presentation (14 August 2020) and is supplementary to the Group's financial results released to the ASX on 14 August 2020 and previous ASX filings as applicable.

It is provided in summary and does not purport to be complete. You should not rely upon it as advice for investment purposes as it does not take into account your investment objectives, financial position or needs. These factors should be considered, with or without professional advice when deciding if an investment is appropriate.

This presentation may contain forward-looking statements including statements regarding our intent, belief or current expectations with respect to Praemium's businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward-looking statements. Praemium does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Praemium's control. Past performance is not a reliable indication of future performance.

To the extent permitted by law, no responsibility for any loss arising in any way (including by way of negligence) from anyone acting or refraining from acting as a result of this material is accepted by the Praemium Group or any of its related bodies corporate.

# Global reach, global scale

Praemium is a leading provider of scalable managed accounts technology, portfolio administration and CRM & financial advice software for the wealth management industry. Our mission is to help improve the productivity and effectiveness of wealth managers.

## Our history

Software company founded in 2001

ASX listed in 2006 to launch the UK platform

Offices in Australia, the UK, UAE, Armenia, China and Hong Kong

Over 1,000 clients, including several financial institutions

Covering over \$140 billion in assets

## Our products

***Managed Accounts platform***  
The leading managed accounts provider serving Australia, UK and international markets

***Portfolio administration***  
Excellence in performance and tax reporting

***CRM & financial planning***  
Cloud-based financial planning software

***Investment management***  
Multi-asset, multi-currency model portfolios



# **Business highlights**

Financial results

Looking forward

Q&A

# Resilience in the face of challenges

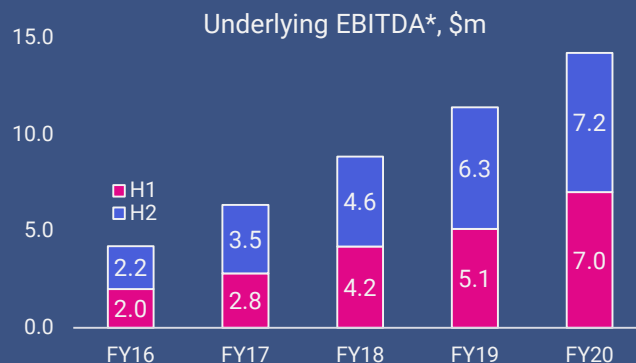
Despite headwinds, Præmium has executed its strategy and delivered a strong financial result

\$51.2 million  
in revenue

8% increase in net revenue  
12% increase in gross margin  
25% increase in EBITDA\*

91%  
increase in NPAT

89%  
increase in EPS

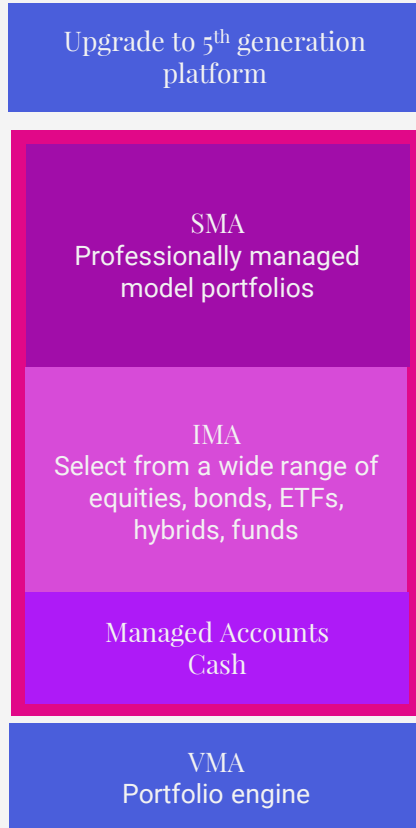


13<sup>th</sup> consecutive half of profit growth

28%  
EBITDA  
margin\*

# Execution of two-step growth strategy

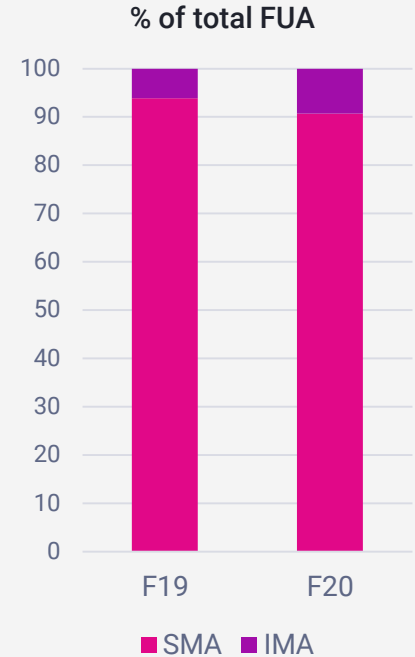
*Step 1: Upgraded from niche SMA provider to full-service platform – better tech, bigger market*



Praemium added IMA to its SMA capability, enabling the full breadth of managed accounts via a seamless digital platform:

- Custodial: Separately Managed Accounts (SMA) and Individually Managed Accounts (IMA)
- Non-custodial: Virtual Managed Accounts (VMA) to underpin MDAs, IDPS and similar structures.
- Unified Managed Accounts (UMAs) that enable a consolidated view of custody and non-custody investment assets.

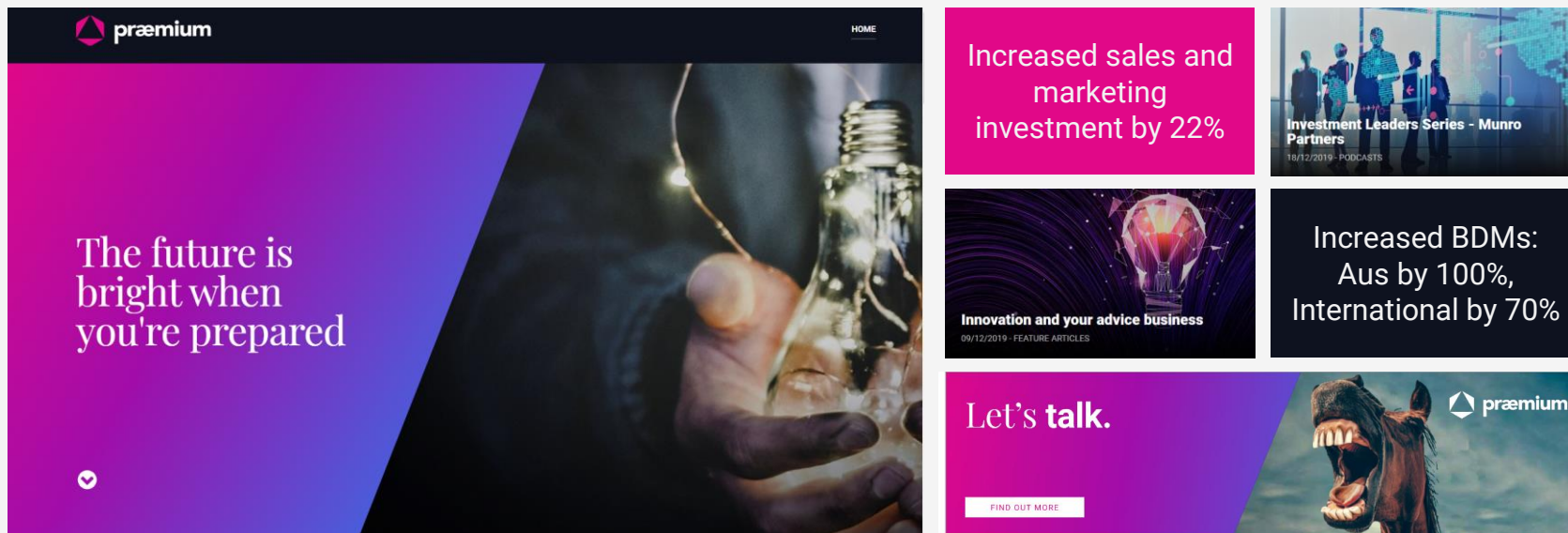
In Australia, the upgrade represents an increase in available market from the \$29bn SMA market to the overall \$777bn platform market.<sup>1</sup>



**Newly launched IMA is gaining traction**

# Execution of growth strategy

*Step 2: Invested in sales and marketing – building our presence*



**præmium** HOME

The future is bright when you're prepared

Increased sales and marketing investment by 22%

Investment Leaders Series - Munro Partners  
10/12/2019 - PODCASTS

Innovation and your advice business  
09/12/2019 - FEATURE ARTICLES

Increased BDMs:  
Aus by 100%,  
International by 70%

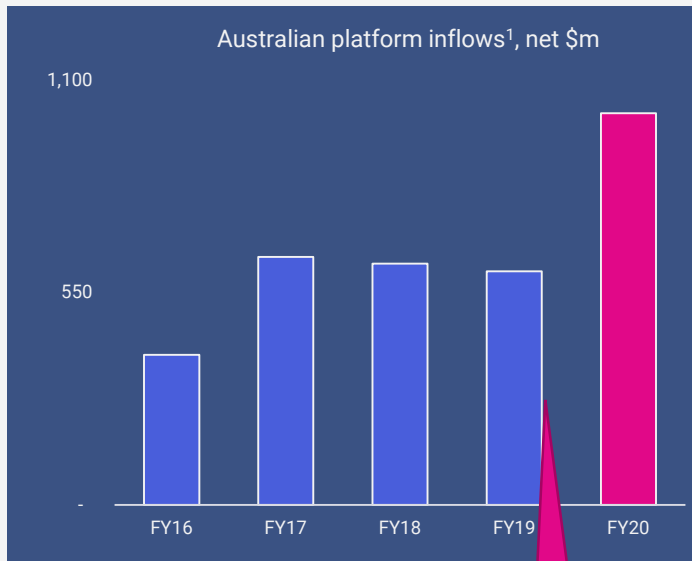
Let's talk.  
FIND OUT MORE

**præmium**

Engaged with ratings agencies in Australia and the UK – Investment Trends, Defaqto, *the lang cat*

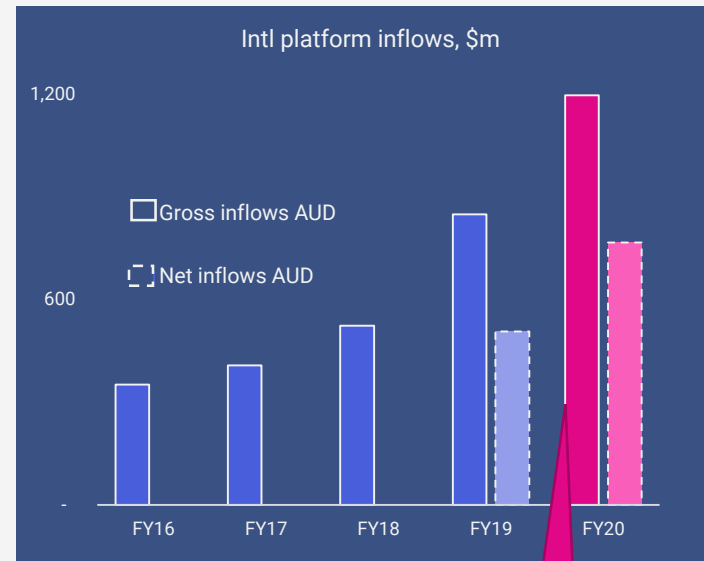
# Growth strategy showing results

*Seeing results from 2019 platform upgrade and market investment*



68% increase in net inflows<sup>1</sup>

Aus Integrated platform launch Feb '19



51% increase in net inflows, 41% increase in gross inflows

Int'l Integrated platform launch Sep '19

# Maintaining growth

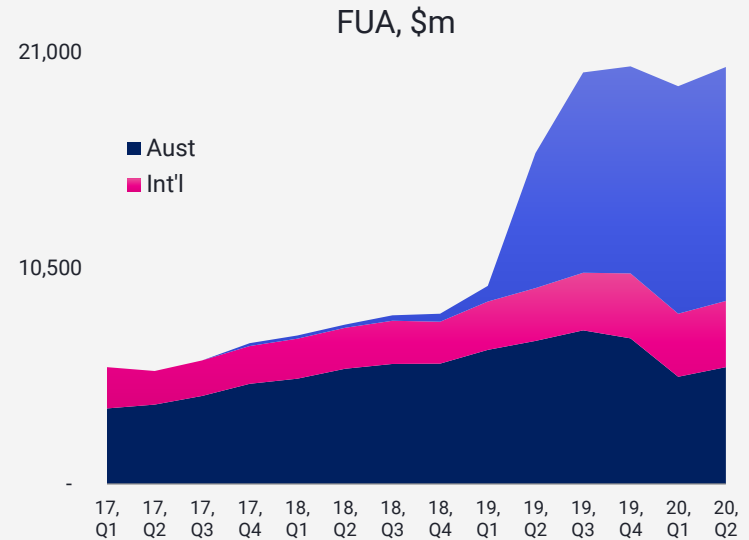
Global FUA of \$20.3 billion

Total FUA of \$20.3 billion, up 26%

- Platform FUA of \$8.9 billion, down 6%
- VMAAS FUA of \$11.4 billion, up 73%

Managed Account Platform FUA

- Australian platform of \$5.7 billion, down 18%
- International platform of \$3.2 billion, up 25%



## Growth across other products

### Virtual Managed Account (VMA)

VMA portfolios up 10%

### Superannuation and pension

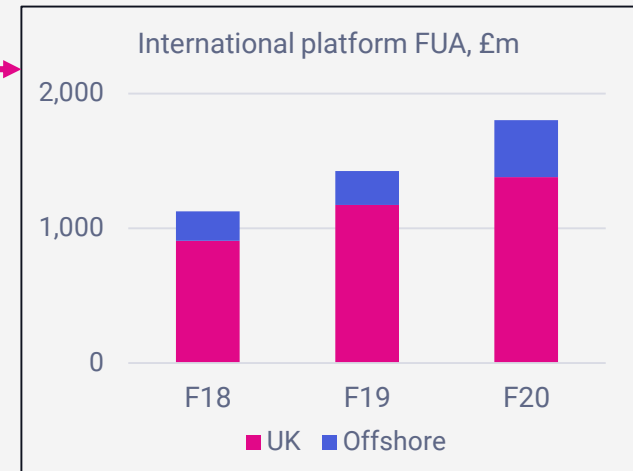
- UK pension schemes up 53%
- Australia SuperSMA up 22%

### Financial planning software

WealthCraft seats up 5%

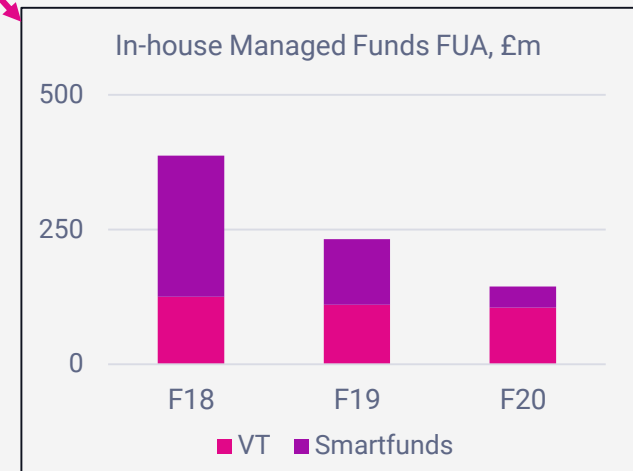
# UK platform focus

UK revenue (\$m)	FY18	FY19	FY20	
Platform	4.7	4.8	6.2	+28%
Funds*	2.9	3.5	2.0	-42%
Other	2.7	2.6	2.6	-
<b>Total net revenue</b>	<b>10.3</b>	<b>10.9</b>	<b>10.8</b>	
Expenses	12.0	12.5	12.7	
EBITDA	(1.7)	(1.6)	(1.9)	



## Platform progressing well

- Platform net inflows up 47% (GBP)
- Platform FUA up 26% despite 12% fall in the FTSE 250
- Won three major platform awards
- Received a 5-star rating from Defaqto
- Rated highest as an independent open-architecture platform by *the lang cat*
- Expanded sales team gaining traction



Drag on financial performance from Smartfunds is expected to end in FY21. Operating leverage from platform FUA growth will drive the business toward inflection.

# VMA – our unique competitive advantage

## Leaders in portfolio administration and reporting

### Praemium now offers the full spectrum of non-custodial services

Praemium's proprietary technology, **Virtual Managed Accounts (VMA)**

- Non-custodial solution for investment and SMSF portfolios
- Automatic reconstruction
- First-class tax and multi-asset investment reporting
- Manages complex corporate actions including stapled securities
- Performance analytics via digital Investor Portal

Investment asset coverage includes:

- All ASX listed securities
- 5,000 international securities on 40 exchanges
- Bonds, managed funds and cash management accounts
- Broadest range of investment data feeds

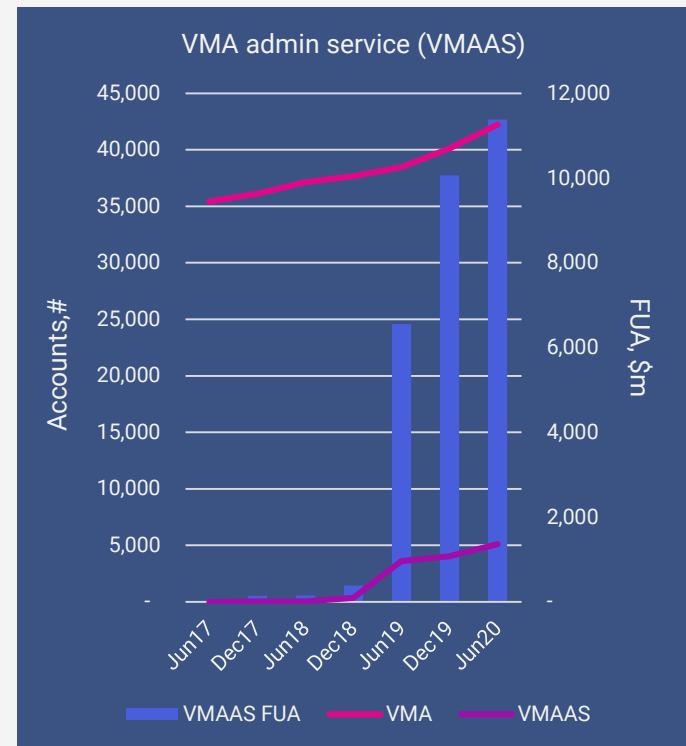
**VMA Administration Service (VMAAS)** launched in December 2017

- Full administration service, including mail house, portfolio management, account reconciliation, corporate action election processing and full annual reporting
- Ability to tailor solutions for small to large clients
- Part of our fully integrated managed accounts platform

## Delivering strong growth in FY2020

Continues to diversify our non-asset-based revenue with:

- ✓ VMA portfolios up 10%, VMAAS portfolios up 15%
- ✓ VMAAS FUA up 73%, to over \$11 billion





# Staying on the leading edge



## Platform expansion

Added over 50 ETFs on the New York and London stock exchanges

Added Australian Government Bonds for custodial platform assets

Launched new platform screening functionality for ESG assessments

Launched the first ESG model with Australian Ethical

Launched a new range of multi-asset index models managed by Morgan Stanley

## Product enhancements

Expanded platform security with a range of new encryption measures to further protect data

Added new UK tax-effective structure to the International platform, Onshore Bonds

Expanded reporting and governance features to support MDA operators

Enhanced industry-first AI, *Insights* that assists advisers with client retention

The only platform with a solution for mFund tax reporting

## User experience

Launched Adviser Portal to UK and international clients

Added new performance-by-model reports showing true time-weighted returns

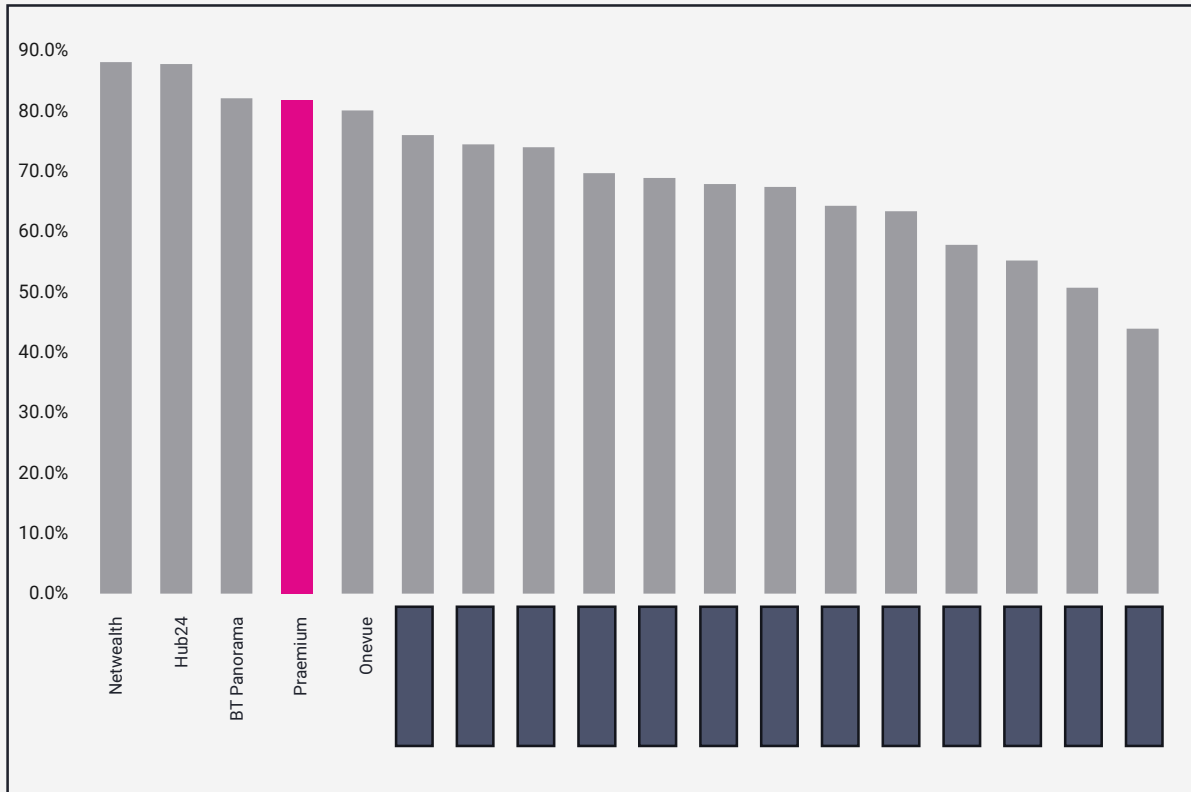
Launched fully digital application process with electronic asset registration to speed UK transitions

Expanded options for Asset Allocation and Performance reports

Microsoft Power BI dashboard integration

# Praemium is emerging as a global leader

**Australia:** Debuted 4<sup>th</sup> in Investment Trends platform survey.



Source: Investment Trends overall platform scores (2019).

**UK:** Debuted 2<sup>nd</sup> in *the lang cat* Platform Market Scorecard, first among the independent open-architecture platform providers.

Total overall score	
Parmenion	4.64
<b>Praemium</b>	<b>4.47</b>
Novia	4.30
Transact	4.23
True Potential	4.15
[Unlabeled]	3.91
[Unlabeled]	3.83
[Unlabeled]	3.83
[Unlabeled]	3.83
[Unlabeled]	3.69
[Unlabeled]	3.54
[Unlabeled]	3.53
[Unlabeled]	3.38
[Unlabeled]	3.31
[Unlabeled]	3.22
[Unlabeled]	2.93
[Unlabeled]	2.92
[Unlabeled]	2.55
[Unlabeled]	2.23
<b>Total Average Score</b>	<b>3.84</b>

Source: *the lang cat* Platform Market Scorecard (March 2020). The ratings give insight into how advisers are using platforms and how well their needs are being served.

# Australia platform: Debuted 4<sup>th</sup> in Investment Trends

Across the 18 platforms rated, Præmium came 4<sup>th</sup> overall and 1<sup>st</sup> in seven out of 44 sub-categories

## Online Business Management



Online Permissions



White Labelling



Segmentation  
and Grouping

## Integration



APIs



Planning Software  
Integration

## Product Offering



Managed  
Accounts

## Reporting



Business  
Reporting

# UK platform: Debuted 2<sup>nd</sup> in Platform Market Scorecard

Across the 19 platforms rated, Præmium came 2<sup>nd</sup> overall and rated highly in several categories

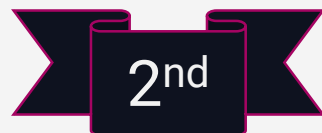
## Support



Senior  
Management  
Support



BDM Support



Head Office  
Support

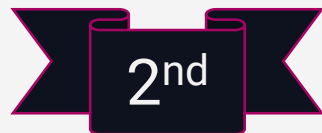
## Overarching Factors



Value for Fees  
Charged

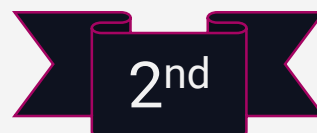


2<sup>nd</sup> in Overall Opinion  
of Platform



2<sup>nd</sup> in Commitment  
to Market

## Proposition Ratings



2<sup>nd</sup> in General  
Interface/Usability



2<sup>nd</sup> in Ease of Doing  
Business

“Præmium’s position outside the mainstream will soon be a thing of the past. The SMA/IMA approach is really starting to get some traction out there, with other providers like Standard Life getting on board. Sometimes you need competitors to make a market. We’ve seen the kit, and the level of paperless process is extremely impressive. Reporting is modular, flexible and clear, and you can set really interesting business rules around it.”

- *the lang cat*

# Award-winning FY2020

## Winner

### Investment Adviser Awards

Global Investment Platform of the Year

*October 2019*



“Praemium has a unique proposition and has introduced a number of developments over the year to offer API links, trade matching that goes above and beyond on the crucial regulatory requirement.”

-Schroders judging panel

## Winner

### Schroders UK Platform Awards

Leading Platform for Discretionary Management

*September 2019*



## Winner

### City of London Wealth Management Awards

Best Innovation

*March 2020*



Five-star rating

Defaqto

*February 2020*



## Winner

### Financial Standard

2020 MAX Digital Campaign of the Year Award

*June 2020*



2020 inclusion

S&P/ASX All Technology Index

*Only platform to be included*



Business highlights

**Financial results**

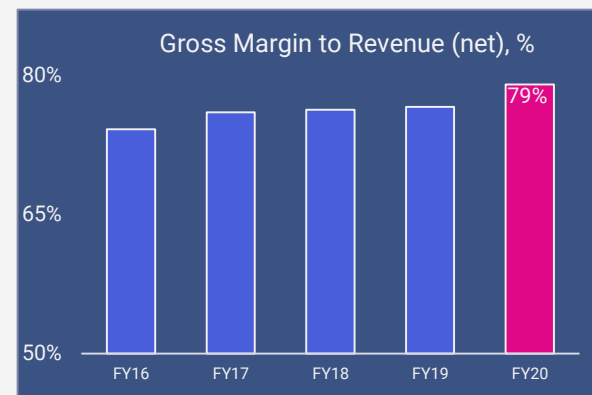
Looking forward

Q&A

# FY2020 financial results

Group Financial Results (\$m)	FY19 (Reported)	FY19 (AASB 15&16)*	FY19 (Restated)	FY20 (\$m)
<b>Revenue</b>	<b>45.1</b>	<b>3.6</b>	<b>48.7</b>	<b>51.2</b>
Product commissions <sup>(1)</sup>	(2.0)		(2.0)	(0.6)
<b>Revenue (net)</b>	<b>43.1</b>	<b>3.6</b>	<b>46.7</b>	<b>50.6</b>
Cost of operations	(7.3)	(3.6)	(10.9)	(10.6)
<b>Gross margin</b>	<b>35.8</b>		<b>35.8</b>	<b>40.0</b>
<i>GM % of net revenue</i>	<i>83.1%</i>		<i>76.6%</i>	<i>79.0%</i>
<b>Expenses:</b>				
Information Technology <sup>(2)</sup>	(6.0)		(6.0)	(6.1)
Sales & Marketing	(9.4)		(9.4)	(11.5)
General & Admin	(9.0)	1.1	(7.9)	(8.2)
<b>Total expenses</b>	<b>(24.4)</b>	<b>1.1</b>	<b>(23.3)</b>	<b>(25.8)</b>
<b>EBITDA (underlying)</b>	<b>11.4</b>	<b>1.1</b>	<b>12.5</b>	<b>14.2</b>
Share schemes	(2.0)		(2.0)	(2.1)
D&A <sup>(3)</sup>	(1.9)	(1.2)	(3.1)	(4.6)
<b>EBIT</b>	<b>7.5</b>	<b>(0.1)</b>	<b>7.4</b>	<b>7.5</b>
Arbitration & restructure <sup>(4)</sup>	(1.6)		(1.6)	(1.3)
FX & other <sup>(5)</sup>	(0.5)	(0.1)	(0.6)	1.6
<b>NPBT</b>	<b>5.4</b>	<b>(0.2)</b>	<b>5.2</b>	<b>7.8</b>
Tax <sup>(6)</sup>	(2.9)		(2.9)	(2.9)
<b>NPAT</b>	<b>2.5</b>	<b>(0.2)</b>	<b>2.3</b>	<b>4.9</b>

## Key financial highlights\*



↑ Improved gross margins, up 12%

↑ Underlying EBITDA up 13%

↑ Reported NPAT up 91%, EPS up 89%

Maintained investments in sales & marketing to drive future growth

\* Compared to FY19 results restated from the adoption of:  
 1) AASB16 Leases (AUS \$0.4m, UK, \$0.5m, Asia \$0.2m) and  
 2) AASB15 Revenue from Contracts with Customers for AUS scheme recoveries (\$3.6m)

(1) Product commissions relate to Smartfunds, with reductions from fund outflows during the year  
 (2) Information Technology expenses excludes R&D capex of \$4.9 million (FY20) and \$4.7 million (FY19)  
 (3) Includes amortisation of lease assets \$1.3m (lease term), intangibles from software R&D \$2.5m (3 years) and acquisitions \$0.3m (5 years)  
 (4) Refer slide 21 for detailed breakdown  
 (5) Unrealised gain on listed shares \$1.9 million, and FX from cash held in foreign currencies (GBP, USD, HKD) and irrecoverable taxes (VAT, WHT)  
 (6) FY20 Aus tax estimate at 30% company tax rate

# Half-on-half results

Group Financial Results	H1, FY20 (\$m)	H2, FY20 (\$m)	FY20 (\$m)
<b>Revenue</b>	<b>26.5</b>	<b>24.7</b>	<b>51.2</b>
Product commissions	(0.4)	(0.2)	(0.6)
Revenue (net)	26.1	24.5	50.6
Cost of operations	(5.8)	(4.8)	(10.6)
<b>Gross margin</b>	<b>20.3</b>	<b>19.7</b>	<b>40.0</b>
<i>GM % of net revenue</i>	<i>77.8%</i>	<i>80.4%</i>	<i>79.0%</i>
<b>Expenses</b>			
Information Technology	(3.3)	(2.8)	(6.1)
Sales & Marketing	(5.6)	(5.9)	(11.5)
General & Admin	(4.4)	(3.8)	(8.2)
<b>Total expenses</b>	<b>(13.3)</b>	<b>(12.5)</b>	<b>(25.8)</b>
<b>EBITDA (underlying)</b>	<b>7.0</b>	<b>7.2</b>	<b>14.2</b>
Share schemes	(0.8)	(1.3)	(2.1)
D&A	(2.2)	(2.5)	(4.7)
<b>EBIT</b>	<b>4.0</b>	<b>3.4</b>	<b>7.4</b>
Arbitration & acquisition	(0.6)	(0.7)	(1.3)
FX & other	(0.2)	1.8	1.6
<b>NPBT</b>	<b>3.2</b>	<b>4.5</b>	<b>7.7</b>
Tax	(1.8)	(1.0)	(2.8)
<b>NPAT</b>	<b>1.4</b>	<b>3.5</b>	<b>4.9</b>

## Maintained growth during volatile 2<sup>nd</sup> half

- Revenue impacted from market declines post COVID-19
- Delivered gross margins of 80.4%, up from 77.8% in H1
- Cost initiatives implemented during 4<sup>th</sup> quarter
- EBITDA margins of 29% for 2<sup>nd</sup> half, 28% for the full year

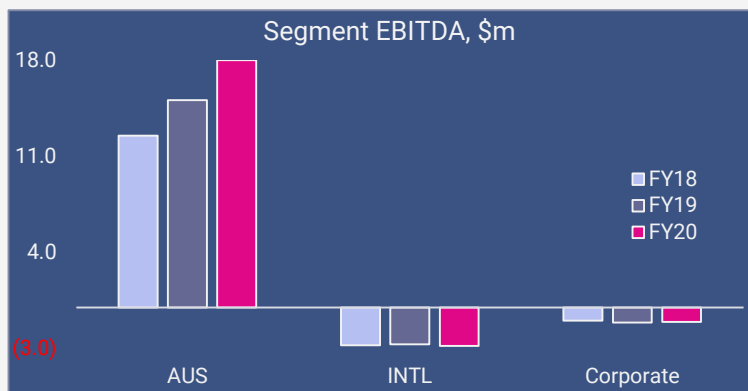
## Improved bottom line

- Amortisation includes completed R&D modules & *AASB16 Leases*
- Higher acquisition costs from PWL takeover bid
- FX & other includes \$2 million unrealised gain on PWL shares
- H2 NPAT of \$3.5 million, compared to \$1.4 million for H1



# Revenue & earnings growth despite challenges

\$m	Aus	Intl	FY20	FY20 %	Aus %	Intl %
Platform	21.0	9.1	30.1	2%	11%	(15%)
Portfolio services	17.7	-	17.7	11%	11%	-
Planning software	0.1	2.3	2.4	5%	(21%)	7%
Other	-	1.0	1.0	12%	-	12%
<b>Revenue</b>	<b>38.8</b>	<b>12.4</b>	<b>51.2</b>	<b>5%</b>	<b>11%</b>	<b>(9%)</b>
Product commissions		(0.6)	(0.6)			
<b>Revenue (net)</b>	<b>38.8</b>	<b>11.8</b>	<b>50.6</b>	<b>8%</b>	<b>11%</b>	<b>1%</b>



## Australia: 47% EBITDA margin

- Strong growth in core products, with revenue up 11%
- Platform revenue up 11% from underlying inflow growth
- Portfolios services revenue up 11% from VMA portfolio uplift and VMAAS on-boarding
- Expense management during COVID-19 uncertainty
- 20% improvement in EBITDA to \$18.1 million

## International: Weathering global volatility

- Net revenue growth of 1%, record platform inflows impacted by Smartfund outflows and market declines
- Growth in planning software revenue from increasing WealthCraft adoption
- Expenses up 1% from continued management
- Loss of \$2.8 million for the year, 5% increase with:
  - UK \$1.9 million loss
  - Asia \$0.9 million loss

\$m	Aus	Intl	Corp	FY20	FY20%	Aus %	Intl %
Revenue (net)	38.8	11.8	-	50.6	8%	11%	1%
Expenses	(20.7)	(14.6)	(1.1)	(36.4)	3%	4%	1%
<b>Segment EBITDA</b>	<b>18.1</b>	<b>(2.8)</b>	<b>(1.1)</b>	<b>14.2</b>	<b>25%</b>	<b>20%</b>	<b>(5%)</b>
<i>EBITDA %</i>	<i>47%</i>			<i>28%</i>			

# Cashflow and balance sheet

Cashflow (\$m)	FY19	FY20
Operating cashflow	10.0	14.4
R&D incentive	0.8	0.8
Tax paid	(3.0)	(2.0)
One-off costs	(1.6)	(1.1)
<b>Net operating cashflow</b>	<b>6.2</b>	<b>12.1</b>
Intangible capex	(4.7)	(4.9)
Equipment capex	(0.5)	(0.4)
Investments	0.9	(3.1)
<b>Net investing cashflow</b>	<b>(4.3)</b>	<b>(8.4)</b>
<b>Net financing cashflow</b>	<b>-</b>	<b>(1.3)</b>
Net cash movement	1.9	2.4
Opening cash	12.1	13.7
Unrealised FX	(0.3)	(0.2)
<b>Closing cash</b>	<b>13.7</b>	<b>15.9</b>

Balance Sheet (\$m)	FY19	FY20
Cash	13.7	15.9
Receivables	7.6	6.5
Intangibles	9.9	12.0
Other assets	4.2	14.8
<b>Assets</b>	<b>35.4</b>	<b>49.2</b>
Tax liabilities	1.7	1.3
Other liabilities	10.1	17.3
<b>Liabilities</b>	<b>11.8</b>	<b>18.6</b>
<b>Net Assets</b>	<b>23.6</b>	<b>30.6</b>

One-off Costs (\$m)	FY19	FY20
Arbitration costs	0.4	0.7
Acquisition costs	0.4	0.4
Restructure costs	0.8	0.2
<b>Total expense</b>	<b>1.6</b>	<b>1.3</b>

## Key points

- Operating cashflow up 95% on FY2019 to \$12.1 million
- R&D capex of \$4.9 million from continued projects
- Group regulatory cash requirement of \$5 million
- Franking credits of \$11.5 million

Business highlights

Financial results

**Looking forward**

Q&A

## Key strategic achievements FY2020

### Completed the major upgrade program:

- After launching the fully integrated managed accounts platform in Australia in early 2019, we then rolled it out to the UK platform in the 1<sup>st</sup> quarter of F2020
- This was shortly followed in early 2020 with the UK version of the *Insights* AI predictive model capability

### Invested in sales and marketing:

- With a whole-of-market platform, we commenced the process of engaging with the key platform rating agencies in Australia and the UK
- We were very pleased to be rated at 2<sup>nd</sup> place by *the lang cat* in the UK on debut as well as receiving a 5-star rating by Defaqto
- And we were equally pleased to be rated at 4<sup>th</sup> place by Investment Trends in Australia, again on debut
- BDM headcount increased by 90% over the year

### Continued innovation:

- Ethical investing: investors can now customise their managed accounts portfolios based on their specific ESG preferences
- Platform and CRM integration: Automatic generation of draft platform accounts via WealthCraft CRM
- Digital asset transfers: fully scalable electronic client transition capability, now in play

## Forward plans

### A continued focus on growth:

- The expanded Australia sales team will be supported by ongoing brand and marketing campaigns
- We will expand the UK sales team and support with further brand awareness to raise our profile as the market is very open to an innovative platform with proprietary technology
- We will underpin our growth plans around the world by making a concerted investment in improving CX, the client experience

### The new normal:

- Praemium's switch to remote working was implemented without any client disruption
- With technical teams based in Melbourne, Shenzhen, Yerevan and London, Praemium's follow-the-sun global infrastructure capability will enable us to respond to any further supply disruptions
- Praemium's client support teams in Melbourne, Hong Kong, Dubai, Jersey and the UK are able to provide client coverage across its clients in multiple time-zones, including Japan where Praemium now has a client presence
- The shift to remote telecommuting is expected to have a material impact on expenses and staff productivity going forward



# Takeover offer for Powerwrap

## Powerwrap

Specialist platform with FUA of \$8.5 billion<sup>1</sup>  
Provides sophisticated HNW investment solutions with \$2 trillion addressable market<sup>2</sup>

## Offer consideration

7.5¢ cash and one Praemium share for every two Powerwrap shares<sup>3</sup>  
Funded by a mix of scrip, cash and a term loan facility

## Board Recommendation

Powerwrap's Board has unanimously recommended that shareholders accept in favour of Praemium's offer, subject to a superior proposal<sup>4</sup>

## Timing

Agreed exclusivity during offer  
Expected completion in September 2020

## Highly synergistic

Full year EBITDA operating cost synergies are expected (on a preliminary basis) of \$6.0 million by FY2022

## Stronger together

Combined Group with FUA over \$28 billion  
Greater scale, international reach, improved inflows and more diversified customer base

Highly attractive specialist platform proposition combining PWL's execution and alternative investment capabilities with PPS' reporting and administration strength

1 As at 30 June 2020

2 Powerwrap / Investment Trends High Net Worth (HNW) Investor Report 2019

3 Based on Praemium's Volume Weighted Average Price (VWAP) of 37.89¢ for the 5 trading days prior to the announcement of the proposed transaction on 9 July 2020

4 Refer Bid Implementation Agreement's (BIA) for summary of conditions

# Powerwrap and Praemium – stronger together

Praemium's reporting and administration strength combined with Powerwrap's execution capabilities and broad range of alternative investment options will create a highly attractive specialist platform solution.

## Powerwrap today



Complex HNW portfolios with average account \$1.9M



Full HIN-based account allowing all corporate actions



Experts in alternative assets and hedge funds



Tax report for every asset class

## Merged Group differentiators

•Broad product suite for the complex needs of HNW clients

•The most accurate portfolio and tax reporting engine

•A unified platform for custodial and HIN-based portfolios

•Serving advisers in Australia, Hong Kong, Singapore, Dubai, RSA, Japan and the UK

Business highlights

Financial results

Looking forward

**Q&A**



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