

Praemium Half Year Report



31 December 2022



Contents

| | |
|--|-----------|
| Appendix 4D | 5 |
| Half Year Highlights | 6 |
| Directors' Report | 7 |
| Financial Summary | 9 |
| Comments On Financial Performance | 10 |
| Auditor's Independence Declaration | 11 |
| Accounts For The Half Year Ended 31 December 2022 | 12 |
| Consolidated Statement of Profit & Loss and Other Comprehensive Income | 12 |
| Consolidated Statement of Financial Position | 14 |
| Consolidated Statement of Changes In Equity | 15 |
| Consolidated Statement of Cash Flows | 16 |
| Notes To The Financial Statements | 17 |
| Directors' Declaration | 24 |
| Independent Audit Report | 25 |

Praemium is a leading investment platform in Australia, catering to the emerging and established affluent investor market.

From launching the most comprehensive non-custody offering in 2001 to being the first platform to launch SMAs in 2005, Praemium has always been at the forefront of innovation in the wealth management industry.

In response to the growing need of the wealth management industry Praemium launched its Third Party Administration, and acquired Powerwrap to enhance its technology, service, and products to the private wealth market.

Praemium provides unconstrained flexibility to manage all assets and investment structures for all clients on a single platform. It's why some of the largest financial institutions and over 40% of the Barrons Top 100 advisers use Praemium.

Appendix 4D

ASX Half year Report

| | |
|--------------------------------|----------------------------------|
| Name of entity: | Praemium Limited |
| ABN: | 74 098 405 826 |
| Reporting period: | Half year ended 31 December 2022 |
| Previous corresponding period: | Half year ended 31 December 2021 |

Results

| | |
|--|------------------------------------|
| Revenue from ordinary activities | Increased 17% to \$35,444,757 |
| Profit from ordinary activities after tax attributable to members* | Increased by 1123% to \$10,040,015 |
| Net profit for the period attributable to members | Increased by 449% to \$9,091,894 |

* Excludes restructure, arbitration and acquisition costs.

Brief explanation of the figures reported above

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

Notes to Appendix 4D – for the half year ended 31 December 2022

| | Current period | Previous period |
|--|--|-----------------|
| Net tangible assets per security* | 9.1 | 3.0 |
| Dividends | No dividends are proposed for the period. | |
| Additional dividend information | \$25,804,085.45 dividend paid on 10 August 2022. | |
| Dividend reinvestment plan | Not applicable | |
| Details of associates and joint venture entities | Not applicable | |
| Compliance Statement | This report is based on financial statements reviewed by the auditors, copies of which are attached. | |

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



Anthony Wamsteker – CEO & Executive Director
27 February 2023

Half Year Highlights



\$1b

half year net flows



\$42.7b

scalable Australian FUA



\$32.4m

Returned to shareholders



\$11.4m

**record half year EBITDA
(underlying)**

Directors' Report

The Directors present this report, together with the condensed financial report for the half year ended 31 December 2022, and an independent review report thereon. The consolidated entity (referred to hereafter as the 'Consolidated Entity' or 'Group') consists of Praemium Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controls. This financial report has been prepared in accordance with Australian & International Financial Reporting Standards.

Directors' Names

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

Barry Lewin – Non-Executive Chairman

Stuart Robertson – Non-Executive Director

Daniel Lipshut – Non-Executive Director

Claire Willette – Non-Executive Director

Anthony Wamsteker – CEO & Executive Director

Review of operations

On 30 June 2022, Praemium completed the divestment 100% of its operations in the UK, Jersey, Hong Kong and Dubai ("International") to Morningstar Inc.

The divestment has allowed Praemium to focus its financial and leadership resources on its domestic market, as a leader in innovative platform solutions for sophisticated wealth advisers and their emerging and established affluent clients.

Praemium is significantly advanced in its commitment to return approximately \$50 million in surplus net proceeds from the divestment to shareholders.

- » A special dividend of 5 cents per share, equating to \$25.8 million, was paid on 10 August 2022.
- » \$10.6 million in borrowings and accrued interest was repaid on 16 August 2022 and the group is currently unencumbered by borrowings.
- » An on-market share buy-back of up to 10% of Praemium's issued capital commenced 5 September 2022. As at 31 December 2022, a total of 8.5 million shares at a weighted average price of \$0.781 and total consideration of \$6.6m (ex brokerage) had been purchased. All had been cancelled at the date of this report.

Established in Australia in 2001, Praemium has grown to be a market-leading provider of investment platforms, investment management, portfolio administration and CRM solutions. Our leading-edge technology automation, scalable investment solutions and industry leading reporting allows sophisticated wealth management practices to improve productivity while meeting key needs driven by regulatory change and consumer demand.

Praemium operates an Australian based fully integrated platform, which provides advisers and wealth managers with the ability to construct the full breadth of custody and non-custody 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 platform brings together our non-custodial Virtual Managed Accounts Administration Service (VMAAS) 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.

Praemium completed the off-market takeover of Powerwrap Limited in October 2020. Powerwrap is a highly complementary business, underpinned by Praemium technology. It offers a comprehensive set of administration services and reporting tools for portfolio management to high-net-worth investors, with a broad range of investments.

The appeal of both Praemium's and Powerwrap's services, functionality and technology was evidenced by continued growth in total funds under administration (FUA) at 31 December 2022, underpinned by positive net inflows for the half year to that date:

Total funds under administration (FUA) of \$42.7 billion (30 June 2022: \$40.5 billion, up 6%)

- » Platform \$20.9 billion (30 June 2022: \$19.5 billion, up 7%)
- » Praemium Separately Managed Accounts (SMA) \$9.0 billion (30 June 2022: \$8.1 billion, up 11%)
- » Powerwrap \$12.0 billion (30 June 2022: \$11.4 billion, up 5%)

- » VMAAS non-custodial Portfolio Administration and Reporting Service \$21.8 billion (30 June 2022: \$21.0 billion, up 4%)
- » Half yearly net inflows of \$1,016 million (half year to 31 December 2021: \$2,186 million, down 53%)
- » Praemium SMA half yearly net inflows \$670 million (half year to 31 December 2021: \$1,350 million, down 50%)
- » Powerwrap half yearly net inflows \$346 million (half year to 31 December 2021: \$836 million, down 59%)
- » Cash management account holdings
 - » Praemium SMA \$619 million (6.9% of FUA)
 - » Powerwrap \$769 million (6.4% of FUA)

Net platform inflows for the December 2022 half year were augmented by \$421 million in positive market movements. This was made up of positive \$580 million for the quarter to 31 December 2022 and negative \$159 million for the quarter to 30 September 2022. It also compares favourably to \$528 million in positive market movement for the half year to 31 December 2021.

The market movement for the half year to 31 December 2022 represents approximately 2.2% of the value of Platform FUA as at 30 June 2022.

Praemium has achieved another strong result by placing 3rd overall in the Investment Trends 2022 Platform Competitive Analysis and Benchmarking Report. The score differential between the 1st and 3rd ranked platforms is now at its narrowest, with only a 1.6% difference separating the top 3. Praemium has also extended its lead over the broader peer group, with a gap of over 5% between 3rd and 4th place.

Praemium's outstanding performance is evidenced by being ranked the No.1 platform for Decision Support Tools and Security, Data & Integration. The platform has also achieved top ratings in 14 sub-categories, including Reporting and Online Business Management. Importantly, Praemium has excelled in categories that advisers consider the most important, aligning with the company's strategy to deliver innovations that support advisers' efficiency and client engagement needs.

Financial Summary

Financial metrics

| Results summary | H1 FY23 \$000 | H1 FY22 \$000 | Change \$000 | Change % |
|------------------------------|------------------|------------------|-----------------|-------------|
| Revenue & other income | 36,013 | 38,446 | (2,433) | (6%) |
| Expenses | 24,609 | 30,926 | (6,317) | (20%) |
| EBITDA (underlying)* | 11,404 | 7,520 | 3,884 | 52% |
| Net Profit/(loss) before tax | 6,426 | (1,302) | 7,728 | Large |
| Net Profit/(loss) after Tax | 9,092 | (2,603) | 11,695 | Large |
| Cash | 38,225 | 19,375 | 18,850 | 97% |
| Net assets | 105,625 | 79,389 | 26,236 | 33% |
| Operating cashflows | 5,628 | (80) | 5,708 | Large |

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

Service metrics

| Revenue by region | H1 FY23 | H1 FY22 | Change \$ | Change % |
|--------------------------------|---------|---------|-----------|----------|
| Australia revenue (\$'000) | 35,445 | 30,355 | 5,090 | 17% |
| International revenue (\$'000) | - | 8,091 | (8,091) | (100%) |

Performance metrics

| Continuing business | 31 December 2022 | 30 June 2022 | Change | Change % |
|------------------------------------|------------------|--------------|--------|----------|
| Portfolios (VMA) (# of portfolios) | 59,745 | 57,512 | 2,233 | 4% |
| Platform FUA (\$ million) | 42,721 | 40,481 | 2,240 | 6% |

Comments on financial performance

Trading performance

The current half year's consolidated profit after tax from continuing operations was \$9,091,894, compared to a loss of \$1,394,195 for the half year to 31 December 2021. A significant tax benefit of \$4.8 million arising from debt forgiveness deductibility was recognised in the current half. The debt was owed by the discontinued business.

Revenue and other income of \$36.0 million for the half year to 31 December 2022 was up 18% compared \$30.4 million for the half year to 31 December 2021. The increase was derived from higher average Platform FUA (2023 half year: \$20.1 billion compared with 2022 half year \$19.6 billion), improved platform revenue margins (up 4 basis points from 22 basis points in the 2022 half year to 26 basis points in the 2023 half year) drawn from increased cash administration fees and higher numbers of non-custodial portfolios in VMAAS.

Expenses were held to \$29.6 million in the half year to 31 December 2022, down \$1.0 million on the prior comparative period's \$30.6 million. Rising employee expenses, reflective of wage inflation more broadly, were more than offset by a significantly reduced number of performance rights on issue and constraint on new share based payment programs. In addition, there were significantly lower restructuring costs given the completion of the International divestment in the 2022 financial year.

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is a non-IFRS measure of financial performance widely employed by sector participants and investors. A reconciliation of EBITDA to statutory result is provided at Note 6 Segment Information.

EBITDA for the half year to 30 December 2022 was \$11.4 million, up \$3.9 million or 52%, compared to the first half of FY2021. This was largely the result of revenue increases outlined above, partly offset by increased employee expenses. EBITDA margins were 32% of revenue, compared to 25% for the prior comparative period.

Balance sheet & cashflow

The Group has a strong balance sheet. At 31 December 2022, net assets were \$105.6 million, compared with \$102.3 million at 30 June 2022. Total assets were reduced by \$36.2 million to \$120.7 million, largely due to a \$42.2 million deployment of cash to efficiently return the proceeds from the divestment for shareholders' benefit. Significant deployments: a fully franked special dividend (\$25.8 million); borrowings repayment (\$10.6 million); and share buyback (\$6.6 million).

The group continued to invest in technology innovation with \$3.6 million of capitalised research and development (R&D) added to balance sheet and accounted for as investing cash flows for the half year to 31 December 2022 (prior comparative period \$2.5 million). The 3-year useful life amortisation of capitalised technology R&D, applied over the course of several preceding years, partly offset the actual expenditure, such that the intangible assets increased by \$0.9 million.

The significantly improved trading performance, including a one-off return of PAYG tax instalments in recognition of tax losses from the international divestment, has seen accumulated losses reduced to \$11.7 million at 31 December 2022.

After reporting date events

On 14 February, the group announced its wholly owned subsidiary, Powerwrap Limited, had entered into a new strategic partnership with Escala Partners via an updated services agreement with a six year term (New Services Agreement). Escala is the group's largest client with approximately \$7 billion of funds under administration (FUA) on Powerwrap's platform. The New Services Agreement outlines key commercial terms for the provision of platform services, model portfolios, shared services, other accounts, transactions/clearing and execution and other initiatives.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after the director's report.

Auditor's Independence Declaration



Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3004
T +61 3 6320 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 review of Praemium Limited for the half year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

C S Gangemi

C S Gangemi
Partner – Audit & Assurance
Melbourne, 27 February 2023

www.grantthornton.com.au
ACN 69 943 594

Grant Thornton Audit Pty Ltd ACN 130 913 594 is a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389. 'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International LM (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australia context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation.

Accounts for the half year ended 31 December 2022

Consolidated Statement of Profit & Loss and Other Comprehensive Income

| | Note | Consolidated Entity 31 December 2022 \$ | Consolidated Entity 31 December 2021 \$ |
|---|------|---|---|
| Revenue from contracts with customers | 7 | 35,444,757 | 30,355,402 |
| Other income | | 567,770 | 53,928 |
| Platform trading & recovery | | (1,034,217) | (1,401,434) |
| Employee costs | | (16,041,278) | (15,868,530) |
| Depreciation, amortisation and impairments | | (3,635,382) | (3,929,427) |
| Legal, professional, advertising and insurance expense | | (3,097,665) | (2,515,559) |
| Commissions expense | | (380,782) | (305,853) |
| Travel expenses | | (297,729) | (18,387) |
| Telecommunication costs | | (129,902) | (108,417) |
| Finance costs | | (63,280) | (245,522) |
| IT support | | (2,635,534) | (2,343,758) |
| Net foreign exchange gains/(losses) | | (45,610) | 36,201 |
| Occupancy costs | | (308,795) | (258,316) |
| Other expenses | | (115,000) | 42,906 |
| Restructure, arbitration and acquisition costs | | (948,121) | (1,621,417) |
| Share based payments | | (883,255) | (2,031,367) |
| Unrealised gain on financial instruments | | 30,209 | 16,357 |
| Profit/(loss) before tax | | 6,426,186 | (143,193) |
| Income tax benefit/(expense) | 8 | 2,665,708 | (1,251,002) |
| Profit/(loss) for the period from continuing operations | | 9,091,894 | (1,394,195) |
| Loss for the period from discontinued operations | 5 | - | (1,208,347) |
| Profit/(loss) for the period attributable to owners of the parent entity | | 9,091,894 | (2,602,542) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translation of foreign operations | | (33,086) | (1,070,994) |
| Total items that may be reclassified subsequently to profit or loss | | (33,086) | (1,070,994) |
| Other comprehensive loss for the period, net of tax | | (33,086) | (1,070,994) |
| Total comprehensive profit/(loss) for the period | | 9,058,808 | (3,673,536) |
| Profit/(loss) for the year attributable to owners of the parent | | 9,058,808 | (3,673,536) |
| Total comprehensive profit/(loss) attributable to owners of the parent | | 9,058,808 | (3,673,536) |
| Continuing operations | | 9,058,808 | (1,394,195) |
| Discontinuing operations | | - | (2,279,341) |
| Total comprehensive profit/(loss) attributable to owners of the parent | | 9,058,808 | (3,673,536) |
| Earnings per share | | | |
| Basic earnings/(loss) per share (cents per share) | | | |
| From continuing operations | | 1.8 | (0.3) |
| From discontinued operations | | - | (0.2) |
| Total | | 1.8 | (0.5) |

Consolidated Statement of Profit & Loss and Other Comprehensive Income Continued

| | | |
|--|-----|-------|
| Diluted earnings/(loss) per share (cents per share) | | |
| From continuing operations | 1.8 | (0.2) |
| From discontinued operations | - | (0.1) |
| Total | 1.8 | (0.3) |

The accompanying notes form part of the financial statements.

31 December 2022: 4,626,272 options/performance rights outstanding are not included in the calculation.

Consolidated Statement of Financial Position

| | Consolidated Entity 31 December 2022 \$ | Consolidated Entity 30 June 2022 \$ |
|--------------------------------------|---|---|
| Current assets | | |
| Cash and cash equivalents | 38,225,341 | 80,545,210 |
| Contract assets | 5,731,297 | 4,042,971 |
| Trade and other receivables | 5,584,861 | 3,248,502 |
| Prepayments | 1,766,657 | 1,912,502 |
| Income tax receivable | 3,854,463 | 585,101 |
| Total current assets | 55,162,619 | 90,334,286 |
| Non-current assets | | |
| Other financial assets | 1,733,595 | 1,702,017 |
| Property, plant and equipment | 1,168,079 | 1,608,997 |
| Goodwill | 47,775,128 | 47,775,128 |
| Intangible assets | 11,482,943 | 10,594,751 |
| Deferred tax assets | 3,418,570 | 4,894,647 |
| Total non-current assets | 65,578,315 | 66,575,540 |
| TOTAL ASSETS | 120,740,934 | 156,909,826 |
| Current liabilities | | |
| Trade and other payables | 8,301,408 | 10,132,198 |
| Provisions | 3,437,612 | 3,162,804 |
| Lease liabilities | 207,721 | 800,358 |
| Contract liabilities | 2,743,156 | 1,940,960 |
| Borrowings | - | 3,098,298 |
| Dividend payable | - | 25,804,085 |
| Income tax payable | 10,112 | - |
| Total current liabilities | 14,700,009 | 44,938,703 |
| Non-current liabilities | | |
| Provisions | 415,440 | 400,740 |
| Borrowings | - | 7,500,000 |
| Deferred tax liability | - | 1,728,968 |
| Total non-current liabilities | 415,440 | 9,629,708 |
| TOTAL LIABILITIES | 15,115,449 | 54,568,411 |
| NET ASSETS | 105,625,485 | 102,341,415 |
| EQUITY | | |
| Share capital | 117,287,306 | 122,267,482 |
| Reserves | 45,084 | 872,732 |
| Accumulated losses | (11,706,905) | (20,798,799) |
| TOTAL EQUITY | 105,625,485 | 102,341,415 |

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Equity

| Consolidated Entity 2022 | Share Capital | Accumulated Losses | Foreign Currency Translation Reserve | Share-based Payments Reserve | Total |
|---|--------------------|---------------------|--------------------------------------|------------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Equity as at 1 July 2022 | 122,267,482 | (20,798,799) | 28,209 | 844,523 | 102,341,415 |
| Profit attributable to members of the parent entity | - | 9,091,894 | - | - | 9,091,894 |
| Other comprehensive income/(loss) | - | - | (33,086) | - | (33,086) |
| Total comprehensive income/(loss) for the year | - | 9,091,894 | (33,086) | - | 9,058,808 |

Transactions with owners in their capacity as owners

| | | | | | |
|---------------------------------------|--------------------|---------------------|----------------|---------------|--------------------|
| Issue of shares | - | - | - | - | - |
| Share buy-back | (6,627,036) | - | - | - | (6,627,036) |
| Option expense | - | - | - | 852,297 | 852,297 |
| Exchange difference on option reserve | - | - | 1 | - | 1 |
| Transfer on exercise of options | 1,646,860 | - | - | (1,646,860) | - |
| Transfer on lapsing of options | - | - | - | - | - |
| Subtotal | (4,980,176) | - | 1 | (794,563) | (5,774,738) |
| Equity as at 31 December 2022 | 117,287,306 | (11,706,905) | (4,876) | 49,960 | 105,625,485 |

| Consolidated Entity 2021 | Share Capital | Accumulated Losses | Foreign Currency Translation Reserve | Share-based Payments Reserve | Total |
|---|--------------------|---------------------|--------------------------------------|------------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Equity as at 1 July 2021 | 116,065,309 | (38,376,053) | (514,347) | 2,932,361 | 80,107,270 |
| Prior period error correction | | (193,347) | | | (193,347) |
| Restated balance as at 1 July 2021 | 116,065,309 | (38,569,400) | (514,347) | 2,932,361 | 79,913,923 |
| Loss attributable to members of the parent entity | - | (2,602,542) | - | - | (2,602,542) |
| Other comprehensive income/(loss) | - | - | (1,070,994) | - | (1,070,994) |
| Total comprehensive income/(loss) for the year | - | (2,602,542) | (1,070,994) | - | (3,673,536) |

Transactions with owners in their capacity as owners

| | | | | | |
|---------------------------------------|--------------------|---------------------|--------------------|------------------|-------------------|
| Issue of shares | 175,000 | - | - | - | 175,000 |
| Option expense | - | - | - | 2,973,767 | 2,973,767 |
| Exchange difference on option reserve | - | - | 2 | - | 2 |
| Transfer on exercise of options | 2,892,088 | - | - | (2,892,088) | - |
| Transfer on lapsing of options | - | - | - | - | - |
| Subtotal | 3,067,088 | - | 2 | 81,679 | 3,148,769 |
| Equity as at 31 December 2021 | 119,132,397 | (41,171,942) | (1,585,339) | 3,014,040 | 79,389,156 |

The accompanying notes form part of the financial statements.

Consolidated Statement of Cash Flows

| | Consolidated Entity 31 December 2022 \$ | Consolidated Entity 31 December 2021 \$ |
|--|---|---|
| Cash from operating activities: | | |
| Receipts from customers (inclusive of GST) | 33,099,186 | 30,755,987 |
| Payments to suppliers and employees (inclusive of GST) | (27,221,560) | (26,001,750) |
| Interest received | 565,981 | 44,419 |
| Unit trust distributions received | 1,789 | 7,614 |
| Income taxes paid | (817,182) | (1,859,774) |
| Net cash used in discontinued operations | - | (3,026,445) |
| Net cash provided from/(used in) operating activities | 5,628,214 | (79,949) |
| Cash flows from investing activities: | | |
| Payments for investments | (1,369) | (175,200) |
| Payments for intangibles | (3,620,688) | (2,547,334) |
| Payments for property, plant and equipment | (427,895) | (117,683) |
| Net cash used in discontinued operations | - | (559,836) |
| Net cash used in investing activities | (4,049,952) | (3,400,053) |
| Cash flows from financing activities: | | |
| Share buy-back | (6,627,036) | - |
| Repayment of borrowings | (10,600,000) | (1,500,000) |
| Finance costs paid | (61,578) | (255,427) |
| Principal elements of lease payments | (626,709) | (1,438,411) |
| Dividends paid | (25,804,085) | - |
| Net cash used in discontinued operations | - | (377,179) |
| Net cash used in financing activities | (43,719,408) | (3,571,017) |
| Net cash increase/(decrease) in cash and cash equivalents | (42,141,146) | (7,051,019) |
| Cash and cash equivalents at beginning of year | 80,545,209 | 26,737,474 |
| Effect of exchange rates on cash holdings in foreign currencies | (178,722) | (311,235) |
| Cash and cash equivalents at end of year | 38,225,341 | 19,375,220 |

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

1. Notes to the Financial Statements

(a) General information

The half year financial report is a general-purpose financial report that covers the consolidated position of Praemium Limited and its controlled entities. Praemium Limited is a publicly listed company, incorporated and domiciled in Australia. This half year financial report does not include all the notes of the type usually included in an annual financial report. It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2022 and any public announcements made by Praemium Limited during the half year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 27 February 2023.

(b) Basis of preparation

The financial report of Praemium Limited and controlled entities has been prepared in accordance with AASB 134 "Interim Financial Reporting" and the Corporations Act 2001.

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

(c) New Standards adopted as at 1 July 2022

The Group has adopted all of the new and revised standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) which are mandatory to apply to the current interim period. Disclosures required by these standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(d) Critical accounting estimates and judgments

When preparing the Interim Financial Statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the Interim Financial Statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2022.

2. Significant Accounting Policies

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

3. Contingent Liabilities

The Group did not have any contingent liabilities for the half year ended 31 December 2022 and 30 June 2022.

4. Post Balance Sheet Events

On 14 February, the group announced its wholly owned subsidiary, Powerwrap Limited, had entered into a new strategic partnership with Escala Partners via an updated services agreement with a six year term (New Services Agreement). Escala is the group's largest client with approximately \$7 billion of funds under administration (FUA) on Powerwrap's platform. The New Services Agreement outlines key commercial terms for the provision of platform services, model portfolios, shared services, other accounts, transactions/clearing and execution and other initiatives.

5. Divestment of the International Business

On 14 July 2021, Praemium announced that it had finalised the strategic review of its international operations which recommended divestment of these operations through a formal sale process, and that the Board supported this recommendation. On 21 December 2021, Praemium announced that it has entered into an agreement to sell 100% of its operations in the UK, Jersey, Hong Kong and Dubai ('International Business') to Morningstar, Inc.

The sale of the International Business was completed on 30 June 2022. Praemium received net transaction proceeds of GBP £35 million (AUD \$61.9 million), consistent with the originally agreed price. The final gross proceeds were GBP £36.8 million (AUD \$65.0 million) as a result of post completion adjustments based on net assets transferred.

Praemium Asia Limited and WealthCraft Systems (Shenzhen) Limited remain part of the Praemium Group post the transaction with Morningstar completing but operationally will be closed as a result of the transaction. They are reported within the loss on discontinued operations after tax on the basis they each represent a separate major line of business or geographical area of operation and are part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation.

The operations divested are disclosed as discontinued operations. Financial information for the discontinued operations are as follows:

Consolidated Statement of Profit & Loss and Other Comprehensive Income for discontinued operations

| | For the half year ended 31 December 2022 \$ | For the half year ended 31 December 2021 \$ |
|--|---|---|
| Revenue from contracts with customers | - | 8,090,608 |
| Other income | - | 762,244 |
| Restructure, arbitration and acquisition costs | - | (431,340) |
| Commissions expense | - | (294,627) |
| Depreciation, amortisation and impairments | - | (622,673) |
| Employee costs | - | (6,271,422) |
| IT support | - | (306,888) |
| Legal, professional, advertising and insurance expense | - | (1,505,552) |
| Occupancy costs | - | (152,889) |
| Other income | - | 0 |
| Telecommunication costs | - | (58,501) |
| Travel expenses | - | (210,142) |
| Platform trading & recovery | - | (112,733) |
| Net foreign exchange losses | - | (27,841) |
| Finance costs | - | (16,621) |
| Loss on discontinued operations before tax | - | (1,158,377) |
| Income tax expense | - | (49,970) |
| Loss on discontinued operations after tax | - | (1,208,347) |

Discontinued operations sold on 30 June 2022, therefore no balance sheet to be presented for FY23

Consolidated Statement of Cash Flows for discontinued operations

| | For the half year ended 31 December 2022 \$ | For the half year ended 31 December 2021 \$ |
|---|---|---|
| Cash flows from discontinued operating activities: | | |
| Receipts from customers | - | 7,954,900 |
| Payments to suppliers and employees | - | (10,981,364) |
| Interest received | - | 19 |
| Net cash used in discontinued operations | - | (3,026,445) |
| Cash flows from investing activities: | | |
| Payment for intangibles | - | (353,009) |
| Payment for property, plant and equipment | - | (206,827) |
| Net cash used in discontinued operations | - | (559,836) |
| Cash flows from financing activities: | | |
| Interest paid | - | (22,253) |
| Principal elements of lease payments | - | (354,926) |
| Net cash used in discontinued operations | - | (377,179) |

6. 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.

The Australia segment derives revenue from the provision of virtual managed accounts and financial planning software licences and administering the Australian managed account platform.

The International segment derived revenue from the provision of financial planning software licences and administering the International managed account platform. This service terminated in June 2022 as part of the international divestment. The revenue recognised at half year ended 31 December 2022 represents the recovery expenses as part of the Transitional Services Agreement (TSA).

(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 31 December 2022 are as follows:

| Half Year Ended 31 December 2022 | Australia \$ | International \$ | Total \$ |
|---|-------------------|---------------------|-------------------|
| Revenue | | | |
| Total segment revenue | 35,444,757 | - | 35,444,757 |
| Revenue from external customers | 35,444,757 | - | 35,444,757 |
| EBITDA profit | 11,382,738 | 21,117 | 11,403,855 |
| Interest income | 565,847 | 134 | 565,981 |
| Interest expense | (62,990) | (290) | (63,280) |
| Depreciation and amortisation | (3,608,421) | (26,961) | (3,635,382) |
| Unrealised FX | (23,159) | (22,451) | (45,610) |
| Unit trust income | 1,789 | - | 1,789 |
| Restructure, arbitration and acquisition costs | (824,065) | (124,056) | (948,121) |
| Unrealised gain on financial instruments | 30,209 | - | 30,209 |
| Share based payments | (883,255) | - | (883,255) |
| Net profit/(loss) before tax | 6,578,693 | (152,507) | 6,426,186 |
| Income tax and withholding tax | 2,671,339 | (5,631) | 2,665,708 |
| Interest Intercompany and margin | - | - | - |
| Net profit/(loss) after tax | 9,250,032 | (158,138) | 9,091,894 |
| Segment assets | 120,008,877 | 732,058 | 120,740,934 |
| Segment liabilities | (14,390,633) | (724,816) | (15,115,449) |
| Employee benefits expense | 16,098,145 | (56,867) | 16,041,278 |
| Additions to non-current assets (other than financial assets, deferred tax, post-employment benefit assets, rights arising under insurance contracts) | 427,939 | (44) | 427,895 |

| Half Year Ended 31 December 2021 | Australia \$ | International \$ | Total \$ |
|---|--------------------|---------------------|--------------------|
| Revenue | | | |
| Total segment revenue | 30,355,402 | 8,090,608 | 38,446,010 |
| Revenue from external customers | 30,355,402 | 8,090,608 | 38,446,010 |
| EBITDA profit/(loss) | 7,579,949 | (59,902) | 7,520,047 |
| Interest income | 44,419 | 0 | 44,419 |
| Interest expense | (245,522) | (16,621) | (262,143) |
| Depreciation and amortisation | (3,929,427) | (622,673) | (4,552,100) |
| Unrealised FX | 36,201 | (27,841) | 8,360 |
| Unit trust income | 7,614 | - | 7,614 |
| Restructure, arbitration and acquisition costs | (1,621,417) | (431,340) | (2,052,757) |
| Unrealised gain on financial instruments | 16,357 | - | 16,357 |
| Share based payments | (2,031,367) | - | (2,031,367) |
| Net profit/(loss) before tax | (143,193) | (1,158,377) | (1,301,570) |
| Income tax and Withholding tax | (1,251,002) | (49,970) | (1,300,972) |
| Interest Intercompany and Margin | (943,200) | 943,200 | - |
| Net profit/(loss) after tax | (2,337,395) | (265,147) | (2,602,542) |
| Segment assets | 98,767,126 | 12,149,820 | 110,916,946 |
| Segment liabilities | (27,330,346) | (4,197,444) | (31,527,790) |
| Employee benefits expense | 15,868,530 | 6,271,422 | 22,139,952 |
| Additions to non-current assets (other than financial assets, deferred tax, post-employment benefit assets, rights arising under insurance contracts) | 117,683 | 206,827 | 324,510 |

(i) Segment Reconciliations

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

| | Consolidated Entity 31 December 2022 \$ | Consolidated Entity 31 December 2021 \$ |
|--|---|---|
| Segment revenue | 35,444,757 | 38,446,010 |
| Less revenue from international activities | - | (8,090,608) |
| Total Revenue | 35,444,757 | 30,355,402 |

(ii) EBITDA

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

| | Consolidated Entity 31 December 2022 \$ | Consolidated Entity 31 December 2021 \$ |
|---|---|---|
| EBITDA | 11,403,855 | 7,520,047 |
| Depreciation and amortisation | (3,635,382) | (4,552,100) |
| Interest revenue | 565,981 | 44,419 |
| Interest expense | (63,280) | (262,143) |
| Unrealised FX | (45,610) | 8,360 |
| Unit trust income | 1,789 | 7,614 |
| Restructure, arbitration and acquisition costs | (948,121) | (2,052,757) |
| Share based payments | (883,255) | (2,031,367) |
| Unrealised gain/(loss) on financial instruments | 30,209 | 16,357 |
| Net profit/(loss) before tax | 6,426,186 | (1,301,570) |

(iii) Segment assets

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

| | Consolidated Entity 31 December 2022 \$ | Consolidated Entity 31 December 2021 \$ |
|----------------|---|---|
| Segment assets | 120,740,934 | 110,916,946 |

(iv) Segment liabilities

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

| | Consolidated Entity 31 December 2022 \$ | Consolidated Entity 31 December 2021 (Restated) \$ |
|---------------------|---|--|
| Segment liabilities | (15,115,449) | (31,527,790) |

(b) Entity-wide information

The entity is domiciled in Australia. The amount of revenue from external customers in Australia is \$35,444,757 (2021: \$30,355,402) and the total revenue from external customers in other countries is \$nil (2021: \$8,090,608). Segment revenues are allocated based on the country in which revenue and profit are derived.

7. Revenue from contracts with customers

| | Consolidated Entity 31 December 2022 \$ | Consolidated Entity 31 December 2021 \$ |
|--|---|---|
| Revenue from: | | |
| Managed accounts and investment management | 26,863,794 | 21,740,398 |
| Virtual managed accounts | 8,581,864 | 8,554,238 |
| Financial planning software | (901) | 60,766 |
| Total revenue | 35,444,757 | 30,355,402 |

All revenue from contracts with customers represents services transferred over time except for \$2,019,404 (2021: \$2,093,248) of managed accounts platform and investment management revenue which represents services transferred at a point in time.

8. Income Tax Benefit

The 30 June 2022 divestment of International has had a material impact on the group's income tax benefit in the half year to 31 December 2022. An \$89.3 million loan to International, including \$16.1 million in capitalised interest, was forgiven when International was divested. At a tax rate of 30%, the tax benefit of the capitalised interest deduction is \$4.8 million.

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 17 to 23 in accordance with the Corporations Act 2001:

- a) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001, and;
- b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2022 and of its performance as represented by the results of the its operations and its cash flows for the half year ended on that date.

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

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



Barry Lewin – Chairman

Dated 27 February 2023

Independent Audit Report



Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001
T +61 3 6320 2222

Independent Auditor's Review Report

To the Members of Praemium Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Praemium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Praemium Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the Praemium Limited's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

www.grantthornton.com.au
ACN 630 913 594

Grant Thornton Audit Pty Ltd ACN 130 913 594 is a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389. 'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International LM (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation.

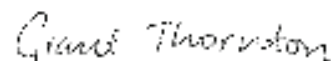
Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



C S Gangemi
Partner – Audit & Assurance
Melbourne, 27 February 2023

