

## ASX Release Date: Wednesday 19 February 2020

### Appendix 4D (Half Year Report) and Half Year FY20 Report

Xplore Wealth Limited (ASX: XPL) (the Company) releases its Appendix 4D (Half Year Report) and Interim Report for the half year ended 31 December 2019, as approved by the Board.

A presentation of the results will commence at 10.45am (AEDT) on 20 February 2020 via teleconference. The results will be presented by:

- Mike Wright, Chief Executive Officer
- Bruce Hawkins, Chief Financial Officer

### Conference Call details:

Conference ID: 10003523

### Dial-in Details:

Australia: 1800 870 643 or +61 2 9007 3187  
New Zealand: 0800 453 055  
Hong Kong: 800 966 806  
Singapore: 800 1012 785  
United States: 1855 881 1339  
United Kingdom: 0800 051 8245

A recording of the call will be made available under 'Shareholder Centre' on the Company's website at <http://www.xplorewealth.com.au> and at <http://www.openbriefing.com/>

### Contact:

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### About Xplore Wealth Limited

Xplore Wealth is one of Australia's longest serving independent Specialist Platform Providers (SPP) and investment administrators, with extensive expertise in managed accounts. Xplore Wealth also fully owns an APRA regulated Registrable Superannuation Entity (RSE) licensee, Aracon Superannuation Pty Ltd, the trustee of Aracon Superannuation Fund.

### Authorised by:

Mike Wright  
Chief Executive Officer  
Xplore Wealth Limited

## 1. Company details

Name of entity:	Xplore Wealth Limited
ABN:	34 128 316 441
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

## 2. Results for announcement to the market

The Group has adopted Accounting Standard AASB 16 'Leases' for the half-year ended 31 December 2019 using the modified retrospective approach and as such the comparatives have not been restated.

			\$
Revenues from ordinary activities	up	20.6% to	11,221,774
Loss from ordinary activities after tax attributable to the owners of Xplore Wealth Limited	up	794.5% to	(9,201,399)
Loss for the half-year attributable to the owners of Xplore Wealth Limited	up	794.5% to	(9,201,399)

### Dividends

There were no dividends paid, recommended or declared during the current financial period.

### Comments

Refer to the attached Directors' report and Review of operations section for further explanation.

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>3.24</u>	<u>2.33</u>

The net tangible assets calculation does not include rights-of-use assets of \$1,327,490 (31 Dec 2018: \$nil) but includes lease liabilities of \$1,443,913 (31 Dec 2018: \$nil).

## 4. Control gained over entities

Not applicable.

## 5. Loss of control over entities

Not applicable.

## 6. Dividends

### Current period

There were no dividends paid, recommended or declared during the current financial period.

### Previous period

There were no dividends paid, recommended or declared during the previous financial period.

## 7. Dividend reinvestment plans

Not applicable.

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## 8. Details of associates and joint venture entities

Name of joint venture	Reporting period holdings %	Previous period holdings %
McGregor Wealth Management Pty Ltd	-	49.90%

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## 9. Foreign entities

*Details of origin of accounting standards used in compiling the report:*

Not applicable.

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## 10. Audit qualification or review

*Details of audit/review dispute or qualification (if any):*

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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## 11. Attachments

*Details of attachments (if any):*

The Interim Report of Xplore Wealth Limited for the half-year ended 31 December 2019 is attached.

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## 12. Signed

Authorised by the Board of Directors.

Signed 

Date: 19 February 2020

Alex Hutchison  
Non-Executive Chairman  
Sydney

# Half Yearly Report

For the half year ended 31 December 2019

Xplore Wealth Limited (Formerly known as Managed Accounts Holdings Limited)

ABN 34 128 316 441



**XPLORE**  
WEALTH

**Xplore Wealth Limited**  
**(Formerly known as Managed Accounts Holdings Limited)**  
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**31 December 2019**



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Xplore Wealth is one of Australia's leading independent platform providers and investment administrators with a specialisation in managed accounts. Established in 2004, it provides platform, administration and technology solutions to some of Australia's leading stockbrokers, wealth managers, and financial advisory firms. Xplore Wealth is responsible for funds under administration of close to \$16 billion.

Xplore Wealth has extensive administration capabilities, offering a comprehensive multi asset, multi market and multi custody administration solution. The Group also offers an end to end superannuation solution encompassing trustee services, member administration and investment management.

With the acquisitions of Aracon Superannuation and DIY Master in 2018, the Group offers both comprehensive investment and superannuation solutions to clients of the Group as well as existing clients of both Aracon and DIY. The services of both Aracon and DIY are offered independently to the broader market including those with their own investment administration services solution, encompassing trustee services, member administration and investment management.

This capability is delivered through products and services that are distributed by Xplore Wealth or through the provision of outsourced administration to other institutional clients or boutique providers.

Xplore Wealth has a several products and services it distributes:

- **Portfolio administration service (PAS).** Administration and reporting for client portfolios where the assets are held in the name of the client, typically for wealth managers and stockbrokers;
- **Wrap service.** The Xplore Wealth Wrap and Superannuation and Pension Service offers retail investors the ability to access a broad range of listed securities (domestic and international), managed funds and model portfolios through an investor directed portfolio service. The wrap service is very competitively priced and offers full white label capability for our clients;
- **Managed discretionary account (MDA) services.** Rather than delivering an off-the-shelf product, Xplore Wealth focuses on designing, implementing and operating services that incorporate the specific requirements of advisory firms, wealth managers and stockbrokers into a private-label service;
- **Separately managed account (SMA).** Available as an off the shelf product, complete with a comprehensive global equity capability, the SMA can also be white labelled to meet the specific requirements of advisory firms, wealth managers and stockbrokers;
- **Superannuation services (Super).** Rather than delivering a unitised super solution, Xplore Wealth delivers a non-unitised solution for those clients seeking a superannuation solution and who do not wish to use a SMSF;
- **RSE and superannuation administration services.** Aracon Superannuation Pty Ltd, a superannuation Trustee and DIY Master Pty Ltd, a provider of specialist superannuation administration services, allow Xplore Wealth to offer a fully integrated service to all of its clients. When delivering outsourced administration solutions to institutional clients or other boutique providers, Xplore Wealth matches its broad capability to the requirements of the client.

The core capability and target markets for these solutions are outlined in the table below.

<p>Investment MDA Super and Pension MDA</p> <p><b>Flexible</b> platform solution enabling the widest possible choice of investments while allowing efficiency of execution.</p> <p>For IFAs, stockbrokers and investment managers.</p>	<p>Investment Wrap Super and Pension Wrap</p> <p>Wrap platform with broad investment offering and multi country and multi currency capability</p> <p>Developed for IFAs and stockbrokers.</p>	<p>Non-custody or custody <b>outsourced</b> administration and taxation service</p> <p>Domestic and global assets via inhouse execution and trading team. HIN for shadow brokers</p> <p>Supporting stockbrokers and shadow brokers.</p>

This capability is overseen by a Board and management team that has significant experience in financial services including financial advisory, stockbroking, superannuation, investment administration and managed accounts.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Xplore Wealth Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

### Directors

The following persons were directors of Xplore Wealth Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Alex Hutchison - Chairman  
Donald Sharp  
Stephen Reed  
Julie Berry (appointed 9 December 2019)  
Peter Brook (resigned 9 December 2019)  
Pamela McAlister (resigned 1 July 2019)

### Principal activities

The principal activities of the Group were the provision of investment administration services and investment administration technology solutions.

With the acquisitions made in the prior financial year, the Group now offers an end to end superannuation solution encompassing trustee services, member administration and investment management.

### Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

### Review of operations

The loss for the Group after providing for income tax amounted to \$9,201,399 (31 December 2018: \$1,028,678).

Refer to the 'Business Overview' section for details of operations during the half-year.

### Results Summary

#### Financial highlights

- Revenue \$11.3 million, a rise of 21% compared to H1 FY19. Revenue growth assisted by the acquisitions of Aracon Superannuation and DIY Master in FY19;
- Strong growth in Funds Under Administration (FUA) and platform inflows over the period compared to H1 FY19;
- Delivering on key strategic priorities with the One Platform program on track. Affirm expected cost savings in H2 FY20 and beyond;
- Underlying EBITDA up 50% on H1 FY19; and
- Cashflow positive in H1 FY20 with an uplift in cash holdings of \$1.25 million.

#### Strategic highlights

- Mike Wright has been appointed as the new CEO for Group and commenced on 9 September 2019;
- Making solid progress in upgrading our business, capabilities, customer offerings and financial performance;
- Commenced on a key business initiative under the One Platform program. The single platform will be fully integrated, with one custodian, digitalised and further systemised to support the next expected wave of Retail Platform change and growth;
- Renegotiated key contracts, driving operational efficiency, cost savings and enhanced scalability are expected to provide additional benefits to the business; and
- Sale of the McGregor Wealth business to enable the Group to focus on the core platform offerings.

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

### 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 this directors' report.

**Xplore Wealth Limited**  
**(Formerly known as Managed Accounts Holdings Limited)**  
**Directors' report**  
**31 December 2019**



This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "A Hutchison", written over a horizontal line.

Alex Hutchison  
Non-Executive Chairman

19 February 2020  
Sydney

## Auditor's Independence Declaration

To the Directors of Xplore Wealth Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review Xplore Wealth Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



G S Layland  
Director – Audit & Assurance

Sydney, 19 February 2020

**Xplore Wealth Limited**  
**(Formerly known as Managed Accounts Holdings Limited)**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2019**



	Note	Consolidated 31 Dec 2019 \$	31 Dec 2018 \$
<b>Revenue</b>			
Service fees		11,221,774	9,308,454
Less: transaction costs		<u>(2,837,938)</u>	<u>(2,220,540)</u>
Gross margin		<u>8,383,836</u>	<u>7,087,914</u>
Share of profits of joint ventures accounted for using the equity method		-	21,419
Interest revenue calculated using the effective interest method		40,299	57,800
Other income		127,810	142,314
<b>Expenses</b>			
Employee benefits expense		(5,825,572)	(4,854,480)
Professional Fees and Consulting		(599,326)	(504,120)
Depreciation and amortisation expense	5	(1,140,235)	(2,171,391)
Impairment of intangibles	9	(10,979,280)	(5,397)
Impairment of receivables		(149,678)	-
Computer and IT expenses		(721,496)	(621,337)
Premises expense		(53,840)	(241,521)
Acquisition related expenses		-	(191,901)
Cost of Employee Share Scheme		(19,411)	(62,346)
Other expenses		(1,081,381)	(922,128)
Finance costs	5	<u>(49,086)</u>	<u>(35)</u>
<b>Loss before income tax benefit</b>		(12,067,360)	(2,265,209)
Income tax benefit		<u>2,865,961</u>	<u>1,236,531</u>
<b>Loss after income tax benefit for the half-year attributable to the owners of Xplore Wealth Limited</b>		(9,201,399)	(1,028,678)
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive income for the half-year attributable to the owners of Xplore Wealth Limited</b>		<u>(9,201,399)</u>	<u>(1,028,678)</u>
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	15	(3.09)	(0.34)
Diluted earnings per share	15	(3.09)	(0.34)

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

**Xplore Wealth Limited**  
**(Formerly known as Managed Accounts Holdings Limited)**  
**Statement of financial position**  
**As at 31 December 2019**



	Note	Consolidated 31 Dec 2019 \$	30 Jun 2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,198,941	940,896
Other financial assets		1,980,000	1,501,000
Trade and other receivables		3,004,036	2,522,941
Contract assets		1,137,807	-
Other assets	6	-	4,083,486
		<u>8,320,784</u>	<u>9,048,323</u>
Non-current assets classified as held for sale	7	-	500,000
Total current assets		<u>8,320,784</u>	<u>9,548,323</u>
<b>Non-current assets</b>			
Investments		-	12,000
Property, plant and equipment		297,680	340,746
Right-of-use assets	8	1,327,490	-
Intangibles	9	27,929,809	38,954,133
Deferred tax		8,152,555	5,398,338
Total non-current assets		<u>37,707,534</u>	<u>44,705,217</u>
<b>Total assets</b>		<u>46,028,318</u>	<u>54,253,540</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		2,832,951	3,353,112
Deferred government grant		140,493	237,339
Lease liabilities		541,975	-
Employee benefits		826,813	736,092
Contingent consideration	10	791,746	500,000
Total current liabilities		<u>5,133,978</u>	<u>4,826,543</u>
<b>Non-current liabilities</b>			
Deferred government grant		222,960	354,281
Lease liabilities	11	901,938	-
Deferred tax		645,457	757,602
Employee benefits		226,688	198,043
Total non-current liabilities		<u>1,997,043</u>	<u>1,309,926</u>
<b>Total liabilities</b>		<u>7,131,021</u>	<u>6,136,469</u>
<b>Net assets</b>		<u>38,897,297</u>	<u>48,117,071</u>
<b>Equity</b>			
Issued capital	12	56,745,892	56,672,814
Share option reserve		480,122	460,711
Accumulated losses		<u>(18,328,717)</u>	<u>(9,016,454)</u>
<b>Total equity</b>		<u>38,897,297</u>	<u>48,117,071</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Xplore Wealth Limited**  
**(Formerly known as Managed Accounts Holdings Limited)**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2019**



<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Share option reserve</b> \$	<b>Accumulated losses</b> \$	<b>Total equity</b> \$
Balance at 1 July 2018	57,725,126	483,770	(8,476,114)	49,732,782
Loss after income tax benefit for the half-year	-	-	(1,028,678)	(1,028,678)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,028,678)	(1,028,678)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	62,346	-	62,346
Share buy-back	(1,041,893)	-	-	(1,041,893)
Transaction cost	(10,419)	-	-	(10,419)
Balance at 31 December 2018	<u>56,672,814</u>	<u>546,116</u>	<u>(9,504,792)</u>	<u>47,714,138</u>
<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Share option reserve</b> \$	<b>Accumulated losses</b> \$	<b>Total equity</b> \$
Balance at 1 July 2019	56,672,814	460,711	(9,016,454)	48,117,071
Adjustment for adoption of AASB 16 (note 2)	-	-	(110,864)	(110,864)
Balance at 1 July 2019 - restated	56,672,814	460,711	(9,127,318)	48,006,207
Loss after income tax benefit for the half-year	-	-	(9,201,399)	(9,201,399)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(9,201,399)	(9,201,399)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 12)	73,078	-	-	73,078
Share-based payments	-	19,411	-	19,411
Balance at 31 December 2019	<u>56,745,892</u>	<u>480,122</u>	<u>(18,328,717)</u>	<u>38,897,297</u>

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

**Xplore Wealth Limited**  
**(Formerly known as Managed Accounts Holdings Limited)**  
**Statement of cash flows**  
**For the half-year ended 31 December 2019**



	Note	Consolidated 31 Dec 2019 \$	31 Dec 2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		12,781,442	10,012,912
Payments to suppliers and employees (inclusive of GST)		(11,153,963)	(10,506,607)
Acquisition related expenses		-	(191,901)
Payment to acquiree's suppliers and employees owing on acquisition		-	(196,209)
		<u>1,627,479</u>	<u>(881,805)</u>
Other revenue		300,095	-
Interest received		40,299	57,800
Interest and other finance costs paid		(49,086)	(35)
Net cash from/(used in) operating activities		<u>1,918,787</u>	<u>(824,040)</u>
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired		-	(903,960)
Payments for property, plant and equipment		(28,508)	(28,118)
Payments for intangibles		(470,328)	(1,055,562)
Proceeds from disposal of investments		21,000	7,079
Net cash used in investing activities		<u>(477,836)</u>	<u>(1,980,561)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	12	73,078	-
Share issue transaction costs		-	(10,419)
Payments for share buy-backs		-	(1,041,893)
Repayment of lease liabilities		(255,984)	-
Net cash used in financing activities		<u>(182,906)</u>	<u>(1,052,312)</u>
Net increase/(decrease) in cash and cash equivalents		1,258,045	(3,856,913)
Cash and cash equivalents at the beginning of the financial half-year		<u>940,896</u>	<u>4,932,312</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>2,198,941</u></u>	<u><u>1,075,399</u></u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

## **Note 1. General information**

The financial statements cover Xplore Wealth Limited as a Group consisting of Xplore Wealth Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (together are referred to in these financial statements as the 'Group'). The financial statements are presented in Australian dollars, which is Xplore Wealth Limited's functional and presentation currency.

Xplore Wealth Limited is a for-profit listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 5  
28 Margaret Street  
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 19 February 2020.

## **Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements arising under Australian Securities Exchange Listing Rules and the Corporations Act 2001.

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

### **New or amended Accounting Standards and Interpretations adopted**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

#### **AASB 16 Leases**

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

**Note 2. Significant accounting policies (continued)**

*Impact of adoption of AASB 16*

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening accumulated losses as at 1 July 2019 was as follows:

	1 July 2019 \$
Right-of-use assets	<u>1,589,033</u>
Lease liabilities - current	(519,880)
Lease liabilities - non-current	<u>(1,180,017)</u>
Total lease liabilities	<u>(1,699,897)</u>
Increase in opening accumulated losses as at 1 July 2019	<u><u>(110,864)</u></u>

The impact of adoption on opening lease liabilities as at 1 July 2019 was as follows:

	1 July 2019 \$
Operating lease commitments as at 30 June 2019 (AASB 117)	1,812,818
Operating lease commitments discount based on the weighted average incremental borrowing rate of 4% (AASB 16)	<u>(112,921)</u>
Lease liabilities (AASB 16)	<u>1,699,897</u>

**Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate of 4%. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

## Note 2. Significant accounting policies (continued)

### Going concern

For the half-year ended 31 December 2019, the Group incurred a loss after tax of \$9,201,399 (31 December 2018: \$1,028,678). During the same period, the Group had operating cash inflows of \$1,918,787 (31 December 2018: outflows of \$824,040). The financial statements have been prepared on the basis that the Group is a going concern which contemplates the continuity of its business, realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Group to meet operating cash requirements for the next 12 months is based upon the following factors:

- the cash base of \$2,198,941 as at the date of this report together with cashflows forecast to be generated from service fees will be sufficient to meet the working capital requirements;
- the Group expects to receive continued investor support and funding; and
- the Group has, and will continue to, initiate a number of substantial changes in order to endeavour to return to profitability, maintain a positive net asset value and continue to be able to meet its debts as they fall due.

The financial statements have therefore been prepared on a going concern basis. The financial statements do not include any adjustments relating to recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might not be necessary should the Group not continue as a going concern.

### Comparative information

Comparatives have been realigned to the current half-year presentation. There is no net effect on profit or loss and net assets for the comparative period.

## Note 3. Operating segments

The Group treats their operations as the one business segment and reports accordingly. Management and the Board of Directors view and assess the Group as one business segment. All assets are held and the revenues are sourced in Australia.

## Note 4. Revenue

### Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	\$	\$
<i>Major product lines</i>		
Administration fees	6,930,030	4,836,383
Transaction/brokerage fees	4,264,744	4,323,661
Implementation	27,000	148,410
	<u>11,221,774</u>	<u>9,308,454</u>
<i>Geographical regions</i>		
Australia	<u>11,221,774</u>	<u>9,308,454</u>
<i>Timing of revenue recognition</i>		
Services transferred at a point in time	4,291,744	4,472,071
Services transferred over time	6,930,030	4,836,383
	<u>11,221,774</u>	<u>9,308,454</u>

**Note 5. Expenses**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	8,362	8,360
Fixtures and fittings	4,925	1,102
Information technology equipment	58,287	47,358
Plant and equipment right-of-use assets	261,543	-
Total depreciation	<u>333,117</u>	<u>56,820</u>
<i>Amortisation</i>		
Customer relationships	407,800	407,800
Software development	376,139	1,692,711
Other intangibles	23,179	14,060
Total amortisation	<u>807,118</u>	<u>2,114,571</u>
Total depreciation and amortisation	<u>1,140,235</u>	<u>2,171,391</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	-	35
Interest and finance charges paid/payable on lease liabilities	49,086	-
Finance costs expensed	<u>49,086</u>	<u>35</u>
<i>Leases</i>		
Minimum lease payments	-	<u>251,455</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>433,679</u>	<u>411,251</u>

**Note 6. Current assets - other assets**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>\$</b>	<b>\$</b>
Fees receivable from Xplore Managed Accounts	-	3,494,950
Other assets	-	<u>588,536</u>
	<u>-</u>	<u>4,083,486</u>

*Fees receivable from Xplore Managed Accounts*

The Responsible Entity for the Xplore Managed Account (previously known as Linear Managed Account) service registered the scheme as an entity carrying on an enterprise for the purposes of the Goods and Services Tax ('GST') Act. As a result of this, the scheme was able to lodge revised business activity statements for the preceding four years and recovered additional amounts from the ATO. The amount recovered was paid to the Group on 7 November 2019.

**Note 7. Current assets - non-current assets classified as held for sale**

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
Investment in joint ventures	-	500,000

On 27 June 2019, management made a decision to sell its interest in McGregor Wealth Management Pty Ltd to Rod McGregor, the owner of the other 50% equity interest in the joint venture.

On the 17 July 2019, the Group entered into a sale agreement for the sale of all of its interests in Mcgregor Wealth Management Pty Ltd ('MWM') for \$500,000 as well as the repayment of loan funds of \$250,000 owing by MWM and an entity related to Rod Mcgregor. The sale price and outstanding loans are personally guaranteed by Rod Mcgregor. The amount is now classified as other financial assets. Settlement is expected to be completed by 30 June 2020.

**Note 8. Non-current assets - right-of-use assets**

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
Plant and equipment - right-of-use	1,589,033	-
Less: Accumulated depreciation	(261,543)	-
	<u>1,327,490</u>	<u>-</u>

Additions to the right-of-use assets during the half-year were \$nil.

The Group leases land and buildings for its offices under agreement of 5 years, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

**Note 9. Non-current assets - intangibles**

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
Goodwill - at cost	23,290,330	22,998,584
Customer relationships - at cost	4,078,000	4,078,000
Less: Accumulated amortisation	(1,730,884)	(1,323,084)
	<u>2,347,116</u>	<u>2,754,916</u>
Software development costs - at cost	18,492,370	18,246,008
Less: Accumulated amortisation	(5,932,263)	(5,562,724)
Less: Impairment	(10,864,068)	-
	<u>1,696,039</u>	<u>12,683,284</u>
Asset under development - at cost	499,869	397,715
Other intangibles - at cost	165,994	165,994
Less: Accumulated amortisation	(69,539)	(46,360)
	<u>96,455</u>	<u>119,634</u>
	<u>27,929,809</u>	<u>38,954,133</u>

**Note 9. Non-current assets - intangibles (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Goodwill \$	Customer relationships \$	Software development costs \$	Asset under development \$	Other intangibles \$	Total \$
<b>Consolidated</b>						
Balance at 1 July 2019	22,998,584	2,754,916	12,683,284	397,715	119,634	38,954,133
Additions	291,746	-	337,740	132,588	-	762,074
Impairment of assets	-	-	(10,979,280)	-	-	(10,979,280)
Transfers in/(out)	-	-	30,434	(30,434)	-	-
Amortisation expense	-	(407,800)	(376,139)	-	(23,179)	(807,118)
Balance at 31 December 2019	<u>23,290,330</u>	<u>2,347,116</u>	<u>1,696,039</u>	<u>499,869</u>	<u>96,455</u>	<u>27,929,809</u>

*Impairment*

The Group's key priority to upgrading the business model is to deliver on the One Platform program. As a result of the decision to move to the One Platform, the Group decided to write off the carrying value of the Linear software and recognise an impairment of \$10,864,068.

The recoverable amount of the Cash-Generating Units ("CGU") was determined based on a fair value less cost of disposal, consistent with the methods used as at 30 June 2019.

*Impairment testing and key assumptions*

The following table sets out the key assumptions for the CGU where the impairment calculations were updated as at 31 December 2019.

Assumptions	31 Dec 2019	30 June 2019
Five year cash flow forecasts	The forecast revenue 5 year compound annual growth rate is 5%	The forecast revenue 5 year compound annual growth rate is 2.5%
Terminal value growth rates	2.5%	2.5%
Discount rates	11%	11.5%

**Note 10. Current liabilities - contingent consideration**

	Consolidated	
	31 Dec 2019 \$	30 Jun 2019 \$
Contingent consideration	<u>791,746</u>	<u>500,000</u>

*Contingent consideration*

The provision represents the obligation to pay contingent consideration following the acquisition of DIY Master Pty Ltd. The amount was based on an earn out formula agreed at the time of the acquisition and was paid on 8 January 2020.

**Note 11. Non-current liabilities - lease liabilities**

	Consolidated 31 Dec 2019 \$	30 Jun 2019 \$
Lease liability	<u>901,938</u>	<u>-</u>

**Note 12. Equity - issued capital**

	31 Dec 2019 Shares	30 Jun 2019 Shares	Consolidated 31 Dec 2019 \$	30 Jun 2019 \$
Ordinary shares - fully paid	<u>297,536,240</u>	<u>296,786,240</u>	<u>56,745,892</u>	<u>56,672,814</u>

*Movements in ordinary share capital*

Details	Date	Shares	\$	
Balance	1 July 2019	296,786,240		56,672,814
Share issue	9 August 2019	750,000	\$0.100	75,000
Share issue transaction costs		-	\$0.000	(1,922)
Balance	31 December 2019	<u>297,536,240</u>		<u>56,745,892</u>

*Share buy-back*

The current on-market share buy-back is unlimited in duration and for a maximum buy-back of 7,500,000 shares.

**Note 13. Equity - dividends**

There were no dividends paid, recommended or declared during the current or previous financial half-year.

**Note 14. Contingent liabilities**

On 16 October 2019, the Group has received a notice from AusIndustry disallowing \$1,180,000 in respect of a pre-acquisition research and development claim made by Linear Financial Holdings Pty Ltd. The Group filed an appeal which is currently under review by AusIndustry.

The Group has provided for 50% of the disputed claim in the current reporting period, however notes that should its appeal not be successful the remaining 50% of the disputed claim will also need to be settled. Should the appeal confirm the Group's entitlement to the claim, the write off of the 50% of the disputed claim will be reversed.

The Group had no contingent liabilities as at 30 June 2019.

**Note 15. Earnings per share**

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
Loss after income tax attributable to the owners of Xplore Wealth Limited	<u>(9,201,399)</u>	<u>(1,028,678)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>297,376,404</u>	<u>299,150,585</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>297,376,404</u>	<u>299,150,585</u>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(3.09)	(0.34)
Diluted earnings per share	(3.09)	(0.34)

Options have been excluded from the calculation of diluted earnings per share as they would be anti-dilutive.

**Note 16. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Xplore Wealth Limited**  
**(Formerly known as Managed Accounts Holdings Limited)**  
**Directors' declaration**  
**31 December 2019**

In the directors' opinion:

- the attached consolidated financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached consolidated financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Alex Hutchison  
Non-Executive Chairman

19 February 2020  
Sydney

# Independent Auditor's Review Report

To the Members of Xplore Wealth Limited

Report on the review of the half year financial report

## Conclusion

We have reviewed the accompanying half year financial report of Xplore Wealth Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Xplore Wealth Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

## Directors' responsibility for the half year financial report

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

## Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations*

*Regulations 2001*. As the auditor of Xplore Wealth Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### **Independence**

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

*Grant Thornton*

Grant Thornton Audit Pty Ltd  
Chartered Accountants



G S Layland  
Director – Audit & Assurance

Sydney, 19 February 2020

Directors	Alex Hutchison - Chairman Donald Sharp Stephen Reed Julie Berry
Company secretaries	Jillian McGregor Craig Griffin
Registered office	Level 5 28 Margaret Street Sydney NSW 2000 Tel: 1800 446 971
Share register	Registry Direct Level 6 2 Russell Street Melbourne VIC 3000 Tel: 1300 556 635
Auditor	Grant Thornton Audit Pty Ltd Level 17 383 Kent Street Sydney NSW 2000
Solicitors	Hamilton Locke Level 36 Australia Square 264 George street Sydney NSW 2000
Stock exchange listing	Xplore Wealth Limited shares are listed on the Australian Securities Exchange (ASX code: XPL)
Website	<a href="http://www.xplorewwealth.com.au">http://www.xplorewwealth.com.au</a>

**Xplore Wealth Limited (Formerly known as Managed Accounts Holdings Limited)**

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