Half Yearly Report

For the half year ended 31 December 2018

Managed Accounts Holdings Limited – (ASX Code: MGP)

ACN 128 316 441

Managed Accounts Holdings Limited 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. Following the merger with Linear Financial, Managed Accounts is responsible for funds under administration of over $13.2 billion.

Managed Accounts has extensive administration capabilities when compared to peer administration platforms in Australia, offering a comprehensive multi asset, multi market and multi custody administration solution. This is complemented with an ability to hold assets directly in the client's name through brokers or through Managed Accounts' ASX Participant status which enables investors to have choice of broker when trading listed securities and, as at the date of this report, a cash account that provides one of the highest interest earning outcomes for investors across all platforms in Australia.

The December quarter saw the completion of the purchase of superannuation administrator DIY Master Pty Ltd (DIY). Coupled with the acquisition of the Aracon Trustee business this now enables the Group to offer an end to end superannuation solution encompassing trustee services, member administration and investment management. The Group is now able to offer both comprehensive investment and superannuation solutions to clients of the Group as well as existing clients of both Aracon and DIY. It is planned that the services of both Aracon and DIY are to be offered independently to the broader market including those with their own investment administration services.

Managed Accounts has more than $2.6 billion in individual International securities which is by far greater than any retail platform in Australia.

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

Managed Accounts 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
- **managed discretionary account** (MDA) services. Rather than delivering an off-the-shelf product, Managed Accounts 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 PDS based product, complete with a comprehensive global equities 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 unitized super solution, Managed Accounts delivers a non-unitised solution for those clients seeking a superannuation solution and who do not wish to use a SMSF.

The acquisition of Aracon Superannuation Pty Ltd, a superannuation Trustee and DIY Master Pty Ltd, a provider of specialist Superannuation administration services, will allow Managed Accounts to provide a fully integrated service to all of its clients.

When delivering outsourced administration solutions to institutional clients or other boutique providers, Managed Accounts 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.

Capability		Description	Distribution Channels
Portfolio Administration (PAS)	✓	• Investment and tax reporting service	• IFAs • Private Wealth / Stockbrokers
Superannuation	✓	• Non-unitised superannuation administration	• IFAs • Private Wealth / Stockbrokers • Investment Managers • Institutions
SMA	✓	• Provision of model portfolios where investor owns underlying asset, and reporting	• IFAs • Private Wealth / Stockbrokers • Investment Managers
Managed Discretionary Account (MDA)	✓	• Platform with discretion over investments and trade execution, and reporting	• IFAs • Private Wealth / Stockbrokers • Investment Managers
Institutional Solutions	✓	• Sophisticated multi-asset and multi-currency management and reporting solution	• Investment Managers • Institutional - Family Office / Private Bank / Industry Funds & other platforms

Shortly Managed Accounts will provide a Wrap service for both Non Superannuation and Superannuation platforms.

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 Managed Accounts Holdings 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 2018.

Directors

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

Peter Brook - Chairman*
Donald Sharp
Stephen Reed
Pamela McAlister (appointed 3 September 2018)
Colin Peterson (resigned 24 September 2018)

* On 11 February 2019, Peter Brook was appointed Chairman replacing Donald Sharp who will focus on his executive responsibilities.

Principal activities

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

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

Dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2018 $	31 Dec 2017 $
Interim dividend paid for the half year ended 31 December 2018 at $nil per share (30 June 2017 at $0.002 per share)	-	267,766

The Directors have deferred any future Dividends to after the 30 June 2019 results are completed.

Review of operations

The loss for the Group after providing for income tax amounted to $1,028,678 (31 December 2017: $1,157,383).

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

Results Summary

Financial highlights

- Revenue of $9.3 million, up 96% compared to prior corresponding period – includes Linear acquisition and solid organic performance;
- Gross margin of $7.09 million ($3.77 million in pcp), 76.1% margin – scalable administration technology platform;
- Underlying EBITDA loss of ($0.095) includes $0.667 million of one-off acquisition and non reoccurring synergies costs;
- The results were affected by the delay in receiving the anticipated fees for the new Wrap services of $0.6 million and GST entitlements of $1.3 million, the latter of which is expected to be lodged with the ATO shortly;
- FY19 guidance affirmed: underlying EBITDA expected to be $7.0m - $8.5m; and
- Strong 2H expected with full contribution from acquisitions.

FY19 earnings guidance assumes:

- annualised synergies of $3.5 million from the Linear transaction;
- the exclusion of any transaction or integration costs for any acquisitions;
- no material downturn in global financial markets; and
- no adverse regulatory change on the products and services provided by the Company.

Strategic highlights

- Strategic transformation complete - one of Australia's leading independent specialist investment administration technology and solutions providers;
- Linear, Aracon and DIY Master acquisitions performing well – expand MGP's capability across multi asset, multi market, multi custody administration;
- MGP able to offer an end to end superannuation solution encompassing trustee services, member administration and investment management; and
- Well placed for sustained growth with expanded market opportunities across superannuation and investment administration value chain.

Significant changes in the state of affairs
On 1 November 2018, the Company acquired 100% of the ordinary shares of Aracon Superannuation Pty Ltd ('Aracon'), an existing Registrable Superannuation Entity, for the total consideration of $255,114. Refer to note 13 to the financial statements for further details.

On 19 December 2018, the Company acquired 100% of the ordinary shares of DIY Master Pty Ltd, a superannuation administrator and promoter, for the total consideration of $1,500,000. Refer to note 13 to the financial statements for further details.

There were no other 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.

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

Don Sharp
Executive Director

27 February 2019
Sydney

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Auditor's Independence Declaration

To the Directors of Managed Accounts Holdings Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Managed Accounts Holdings Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

G S Layland
Director – Audit & Assurance

Sydney, 27 February 2019

Managed Accounts Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Revenue			
Service fees		9,308,454	4,749,894
Less: transaction costs		(2,220,540)	(975,494)
Gross margin		7,087,914	3,774,400
Share of profits of joint ventures accounted for using the equity method		21,419	3,350
Interest revenue calculated using the effective interest method		57,800	42,244
Other income		142,314	-
Expenses			
Employee benefits expense		(4,994,467)	(2,143,175)
Depreciation and amortisation expense		(2,171,391)	(630,513)
Write off of assets		(5,397)	-
Premises expense		(241,521)	(141,080)
Acquisition related expenses		(191,901)	(1,187,894)
Cost of employee share scheme		(62,346)	(159,089)
Other expenses	5	(1,907,598)	(1,088,523)
Finance costs		(35)	(438)
Loss before income tax benefit		(2,265,209)	(1,530,718)
Income tax benefit		1,236,531	373,335
Loss after income tax benefit for the half-year attributable to the owners of Managed Accounts Holdings Limited		(1,028,678)	(1,157,383)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Managed Accounts Holdings Limited		(1,028,678)	(1,157,383)
		Cents	**Cents**
Basic earnings per share	14	(0.34)	(0.65)
Diluted earnings per share	14	(0.34)	(0.65)

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

Managed Accounts Holdings Limited
Statement of financial position
As at 31 December 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Assets			
Current assets			
Cash and cash equivalents		1,075,399	4,932,312
Other financial assets		1,250,000	1,250,000
Trade and other receivables	6	2,632,322	2,476,277
Contract assets	7	174,325	-
Total current assets		5,132,046	8,658,589
Non-current assets			
Investments accounted for using the equity method		565,950	544,531
Investments		94,105	101,184
Property, plant and equipment		384,076	261,909
Intangibles	8	40,797,390	40,549,071
Deferred tax		5,467,556	4,298,154
Total non-current assets		47,309,077	45,754,849
Total assets		52,441,123	54,413,438
Liabilities			
Current liabilities			
Trade and other payables		1,661,308	2,086,300
Deferred government grant		253,571	306,627
Employee benefits		988,251	725,045
Deferred consideration		500,000	-
Other		-	6,300
Total current liabilities		3,403,130	3,124,272
Non-current liabilities			
Deferred government grant		287,851	399,108
Deferred tax		869,747	981,892
Employee benefits		166,257	175,384
Total non-current liabilities		1,323,855	1,556,384
Total liabilities		4,726,985	4,680,656
Net assets		47,714,138	49,732,782
Equity			
Issued capital	9	56,672,814	57,725,126
Share option reserve		546,116	483,770
Accumulated losses		(9,504,792)	(8,476,114)
Total equity		47,714,138	49,732,782

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

Consolidated	Issued capital $	Share option reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2017	12,169,610	201,733	(5,704,465)	6,666,878
Loss after income tax benefit for the half-year	-	-	(1,157,383)	(1,157,383)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,157,383)	(1,157,383)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	44,474,376	-	-	44,474,376
Share-based payments (note 15)	-	159,089	-	159,089
Dividends paid (note 10)	-	-	(267,766)	(267,766)
Balance at 31 December 2017	56,643,986	360,822	(7,129,614)	49,875,194

Consolidated	Issued capital $	Share option reserve $	Accumulated losses $	Total equity $
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)
Transactions with owners in their capacity as owners:				
Share-based payments (note 15)	-	62,346	-	62,346
Share buy-back	(1,041,893)	-	-	(1,041,893)
Transaction cost	(10,419)	-	-	(10,419)
Balance at 31 December 2018	56,672,814	546,116	(9,504,792)	47,714,138

Refer to note 2 for detailed information the impact of adoption of AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers'.

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

	Note	Consolidated 31 Dec 2018 $	31 Dec 2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		10,012,912	4,679,516
Payments to suppliers and employees (inclusive of GST)		(10,506,607)	(3,668,617)
Acquisition related expenses		(191,901)	(1,187,894)
Payment to acquiree's suppliers and employees owing on acquisition		(196,209)	(1,525,774)
		(881,805)	(1,702,769)
Interest received		57,800	42,244
Interest and other finance costs paid		(35)	(438)
Net cash used in operating activities		(824,040)	(1,660,963)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	13	(903,960)	(23,071,103)
Payments for investments		-	(52,023)
Payments for property, plant and equipment		(28,118)	(5,825)
Payments for intangibles		(1,055,562)	(589,592)
Proceeds from disposal of investments		7,079	-
Proceeds from term deposits		-	138,318
Net cash used in investing activities		(1,980,561)	(23,580,225)
Cash flows from financing activities			
Proceeds from issue of shares		-	35,151,369
Share issue transaction costs	9	(10,419)	(2,664,217)
Payments for share buy-backs	9	(1,041,893)	-
Dividends paid	10	-	(267,766)
Repayment of borrowings		-	(5,359,168)
Net cash from/(used in) financing activities		(1,052,312)	26,860,218
Net increase/(decrease) in cash and cash equivalents		(3,856,913)	1,619,030
Cash and cash equivalents at the beginning of the financial half-year		4,932,312	1,623,818
Cash and cash equivalents at the end of the financial half-year		1,075,399	3,242,848

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

Note 1. General information

The financial statements cover Managed Accounts Holdings Limited as a Group consisting of Managed Accounts Holdings 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 Managed Accounts Holdings Limited's functional and presentation currency.

Managed Accounts Holdings 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 27 February 2019.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 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 2018 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.

Note 2. Significant accounting policies (continued)

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

Initial adoption of AASB 9
The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Group adopted AASB 9 from 1 July 2018 using the modified retrospective approach and there is no significant impact the financial performance on the basis that the main financial assets recognised represent cash and cash equivalent and trade receivables that do not carry a significant financing component and involve a single cash flow representing the repayment of principal, which in the case of trade receivables is the transaction price. Both asset classes are continued to be measured at amortised value. Other financial asset consisting of bank and term deposits and loan receivables are continued to be measured at amortised cost.

The following table explain the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets as at 1 July 2018.

Financial assets	Original classification	New classification	Change in carrying amount
Cash and cash equivalents	Loans and receivables	Amortised cost	No impact on transition to AASB 9
Trade and other receivables	Loans and receivables	Amortised cost	No impact on transition to AASB 9
Other financial assets	Loans and receivables	Amortised cost	No impact on transition to AASB 9

Financial liabilities
Financial liabilities of the Group are not impacted as the Group does not carry them at fair value.

Hedging
The Group does not have any hedging instruments and the simplification of the hedging rules in AASB 9 has no impact on the Group.

Impairment of receivables
The Group has elected to measure expected credit loss on trade receivables using a life-time expected loss model. The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. As the Group does not have a history of bad debts, the allowance has been calculated at $nil.

The Group has determined that the application of AASB 9's impairment requirement at 1 July 2018 did not result in a material change to the allowance for expected credit losses.

Note 2. Significant accounting policies (continued)

Initial adoption of AASB 15
The Group has adopted AASB 15 from 1 July 2018 using the modified retrospective approach. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The Group earns services fees from the provision of investment administration services (funds under management), transaction and brokerage fees and implementation fees.

Under AASB 15, revenue is recognised when the performance obligation has been satisfied. Determining the timing of revenue recognition, at a point in time or over time, requires judgement.

The Group has determined that administration service fees are recognised as revenue over time as the service is provided, that is, on a monthly basis and transaction and brokerage fees and implementation fees are recognised as revenue at a point in time at the date of the transaction. This best describes the transfer of services as the customer receives and consumes the benefit

As a result of adoption of AASB 15, accrued revenue is now classified into contract assets during the half-year ending 31 December 2018 (refer to note 7).

The Group has determined that the adoption of AASB 15 did not have any other significant impact on the financial performance or position of the Group during the half-year ending 31 December 2018.

Revenue recognition
The Group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Revenue is recognised for the major business activities as follows:

Note 2. Significant accounting policies (continued)

Service fees
Service fees include funds under administration ('FUA') revenue, transaction/brokerage fees and implementation fees:
(a) Funds under administration ('FUA') revenue is recognised over time as the service is provided, that is, on a monthly basis based on a percentage of FUA per the contract with the client.
(b) Transaction/brokerage fees are recognised at a point in time on the date of the transaction.
(c) Implementation fees are recognised at a point in time on a stage of completion basis, depending upon the phase of the implementation process.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets
Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Going concern
For the half-year ended 31 December 2018, the Group incurred a loss after tax of $1,028,678 (31 December 2017: $1,157,383). During the same period, the Group had operating cash outflows of $824,040 (31 December 2017: $1,660,963). Notwithstanding this, 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.

Note 2. Significant accounting policies (continued)

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 $1,075,399 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:

	Consolidated 31 Dec 2018 $
Major product lines	
Administration fees	4,836,383
Transaction/brokerage fees	4,323,661
Implementation	148,410
	9,308,454
Geographical regions	
Australia	9,308,454
Timing of revenue recognition	
Goods transferred at a point in time	4,472,071
Services transferred over time	4,836,383
	9,308,454

AASB 15 was adopted using the modified retrospective approach and as such comparatives have not been provided for disaggregation of revenue.

Note 5. Other expenses

	Consolidated	
	31 Dec 2018	31 Dec 2017
	$	$
Loss before income tax includes the following specific expenses:		
Consulting fees	327,255	191,841
Cards consulting	338,600	67,000
Computer and IT expenses	469,655	326,038
Professional fees	176,865	165,669
Insurance	89,633	63,674
Travel costs	153,585	59,424
ASX listing fees	26,130	25,861
Conference fees	40,975	43,417
Other expenses	284,900	145,599
	1,907,598	1,088,523

Note 6. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2018	30 Jun 2018
	$	$
Trade receivables	1,663,952	739,083
Other receivables	290,260	452,764
Accrued income	-	695,892
	290,260	1,148,656
Ex-employee loan	299,357	299,357
Prepayments	378,753	289,181
	2,632,322	2,476,277

Allowance for expected credit losses

The Group has recognised a loss of $nil in profit or loss in respect of impairment of receivables for the half-year ended 31 December 2018.

Note 7. Current assets - contract assets

	Consolidated	
	31 Dec 2018	30 Jun 2018
	$	$
Contract assets	174,325	-

Note 8. Non-current assets - intangibles

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Goodwill - at cost	22,998,584	21,596,093
Customer relationships - at cost	4,078,000	4,078,000
Less: Accumulated amortisation	(915,284)	(507,484)
	3,162,716	3,570,516
Software development costs - at cost	18,102,765	16,885,168
Less: Accumulated amortisation	(3,974,229)	(2,281,832)
	14,128,536	14,603,336
Stafford Kitchener licence - at cost	-	17,941
Asset under development - at cost	355,620	677,274
Other intangibles - at cost	165,994	83,911
Less: Accumulated amortisation	(14,060)	-
	151,934	83,911
	40,797,390	40,549,071

Reconciliations

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

Consolidated	Goodwill $	Customer relation-ships $	Software develop-ment costs $	Stafford Kitchener licence $	Asset under develop-ment $	Other intangibles $	Total $
Balance at 1 July 2018	21,596,093	3,570,516	14,603,336	17,941	677,274	83,911	40,549,071
Additions	-	-	180,491	-	721,163	82,083	983,737
Additions through business combinations (note 13)	1,402,491	-	-	-	-	-	1,402,491
Write off of assets	-	-	(5,397)	(17,941)	-	-	(23,338)
Transfers in/(out)	-	-	1,042,817	-	(1,042,817)	-	-
Amortisation expense	-	(407,800)	(1,692,711)	-	-	(14,060)	(2,114,571)
Balance at 31 December 2018	22,998,584	3,162,716	14,128,536	-	355,620	151,934	40,797,390

Note 9. Equity - issued capital

	Consolidated 31 Dec 2018 Shares	Consolidated 30 Jun 2018 Shares	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Ordinary shares - fully paid	296,786,240	301,758,778	56,672,814	57,725,126

Note 9. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	$
Balance	1 July 2018	301,758,778	57,725,126
Share buy-back		(4,972,538)	(1,041,893)
Share issue transaction costs		-	(10,419)
Balance	31 December 2018	296,786,240	56,672,814

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 10. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Interim dividend paid for the half year ended 31 December 2018 at $nil per share (30 June 2017 at $0.002 per share)	-	267,766

The Directors have deferred any future Dividends to after the 30 June 2019 results are completed.

Note 11. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 12. Contingent liabilities

The Group has no contingent liabilities as at 31 December 2018 or 30 June 2018.

Note 13. Business combinations

Acquisition of Aracon Superannuation Pty Ltd
On 1 November 2018, the Company acquired 100% of the ordinary shares of Aracon Superannuation Pty Ltd ('Aracon'), an existing Registrable Superannuation Entity, for the total consideration of $255,114. The acquired business did not have a significant contribution to the revenue and results of operations of the Group during the half-year ended 31 December 2018.

Note 13. Business combinations (continued)

Acquisition of DIY Master Pty Ltd

On 19 December 2018, the Company acquired 100% of the ordinary shares of DIY Master Pty Ltd ('DIY'), a superannuation administrator and promoter, for the total consideration of $1,500,000. The acquired business did not have a significant contribution to the revenue and results of operations of the Group during the half-year ended 31 December 2018. The values identified in relation to the acquisition of DIY is provisional as at 31 December 2018, the excess of net assets over the acquisition price is recognised as goodwill. Valuation of the intangibles will be completed by 30 June 2019.

Details of the acquisition are as follows:

	Aracon Fair value $	DIY Fair value $	Total Fair value $
Cash and cash equivalents	250,744	100,410	351,154
Trade receivables	-	98,195	98,195
Other receivables	-	1	1
Fixtures and fittings	-	56,420	56,420
Information technology equipment	-	94,449	94,449
Deferred tax asset	381	46,428	46,809
Trade payables	-	(158,342)	(158,342)
Other payables	-	(67,964)	(67,964)
Employee benefits	-	(68,099)	(68,099)
Net assets acquired	251,125	101,498	352,623
Goodwill	3,989	1,398,502	1,402,491
Acquisition-date fair value of the total consideration transferred	255,114	1,500,000	1,755,114
Cash used to acquire business, net of cash acquired:			
Acquisition-date fair value of the total consideration transferred	255,114	1,500,000	1,755,114
Less: cash and cash equivalents	(250,744)	(100,410)	(351,154)
Less: contingent consideration	-	(500,000)	(500,000)
Net cash used	4,370	899,590	903,960

Note 14. Earnings per share

	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Loss after income tax attributable to the owners of Managed Accounts Holdings Limited	(1,028,678)	(1,157,383)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	299,150,585	177,433,863
Weighted average number of ordinary shares used in calculating diluted earnings per share	299,150,585	177,433,863
	Cents	**Cents**
Basic earnings per share	(0.34)	(0.65)
Diluted earnings per share	(0.34)	(0.65)

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

Note 15. Share-based payments

Share Option Plans
As detailed in the 30 June 2018 Annual Report, the Group operates an Executive Share Option Plan and Employee Share Option Plan.

The share-based payment expense for the half-year ended 31 December 2018 was $62,346 (31 December 2017: $159,089).

Set out below are summaries of options granted, exercised, expired or forfeited under the plans during the financial half-year:

31 Dec 2018

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
27/11/2015	27/11/2019	$0.220	4,460,500	-	-	(647,766)	3,812,734
05/09/2016	05/09/2020	$0.330	560,780	-	-	(451,880)	108,900
30/06/2017	30/06/2021	$0.350	3,000,000	-	-	(430,000)	2,570,000
30/08/2017	30/08/2021	$0.350	3,000,000	-	-	(250,000)	2,750,000
15/09/2017	15/09/2021	$0.350	1,350,000	-	-	(623,384)	726,616
29/01/2018	29/01/2022	$0.350	1,000,000	-	-	(43,334)	956,666
			13,371,280	-	-	(2,446,364)	10,924,916

There were no options granted during the 31 December 2018 financial half year.

31 Dec 2017

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
27/11/2015	27/11/2019	$0.220	5,201,283	-	(218,000)	(468,333)	4,514,950
05/09/2016	05/09/2020	$0.330	625,500	-	-	(64,720)	560,780
30/06/2017	30/06/2021	$0.350	3,000,000	-	-	-	3,000,000
30/08/2017	30/08/2021	$0.350	-	3,000,000	-	-	3,000,000
15/09/2017	15/09/2021	$0.350	-	1,350,000	-	-	1,350,000
			8,826,783	4,350,000	(218,000)	(533,053)	12,425,730

Note 16. Events after the reporting period

No matter or circumstance has arisen since 31 December 2018 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.

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 2018 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

Don Sharp
Executive Director

27 February 2019
Sydney

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Independent Auditor's Review Report

To the Members of Managed Accounts Holdings Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Managed Accounts Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Managed Accounts Holdings Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations*

Regulations 2001. As the auditor of Grant Thornton Audit Pty Ltd, 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, 27 February 2019

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Company secretaries	Jillian McGregor Craig Griffin
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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	Managed Accounts Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: MGP)
Website	www.managedaccounts.com.au

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