

Item 34



# Managed Accounts Holdings Limited

(Formerly Investment Administration Services Holdings Limited)

ABN 34 128 316 441

Financial report for the half-year ended

31 December 2013

## Directors' Report

The Directors of Managed Accounts Holdings Limited (formerly Investment Administration Services Holdings Limited) ('Managed Accounts'), present their Report together with the financial statements of the consolidated entity, being Managed Accounts Holdings Limited ('the Company') and its controlled entities ('the Group') for the half-year ended 31 December 2013

### **Director details**

The following persons were directors of Managed Accounts during or since the end of the financial half-year.

- Mr Don Sharp
- Mr Colin Scully
- Mr Paul Collins

### **Review of operations and financial results**

The operating result of the Group for the six months to 31 December 2013 was a loss after income tax of (\$41,318).

Additional capital raising activities were undertaken during the period which raised \$6,324,407 and allowed the Group to fund the repayment of the Preference Shares of \$2,000,000 and their coupon of \$395,932. The Group is in a strong cash position to fund the proposed NTA proposed by ASIC CP 200 review of up to \$5,000,000.

In November 2008 Managed Accounts Holdings Limited acquired all the shares in Investment Administration Services Pty Ltd (IAS) and Investment Administration Services Developments Pty Ltd (IASD) and they became wholly owned subsidiaries of Managed Accounts Holdings Limited. Intellectual Property owned by IAS was sold to IASD at director's valuation for \$1,600,000. Not satisfying the recognition requirements of AASB 138 'Intangible Assets', the intellectual property was subsequently written-off. Since the acquisition in November 2008 all development costs have been written-off and not capitalised.

Signed in accordance with a resolution of the directors.



Don Sharp  
Executive Chairman  
13 March 2014

## Consolidated statement of financial position

As at 31 December 2013

	Notes	31 December 2013
<b>Assets</b>		\$
<b>Current</b>		
Cash and cash equivalents		4,166,362
Trade and other receivables		1,060,387
Financial assets		70,638
Other assets		54,527
Current assets		<u>5,351,914</u>
<b>Non-current</b>		
Property, plant and equipment		10,766
Deferred tax asset		1,193,848
Non-current assets		<u>1,204,614</u>
<b>Total assets</b>		<b>6,556,528</b>
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables		1,265,764
Provisions		132,360
Current liabilities		<u>1,398,124</u>
<b>Net assets</b>		<b>5,158,403</b>
<b>Equity</b>		
Equity attributable to owners of the parent:		
Share capital	5	9,738,743
Retained earnings		(4,580,340)
<b>Total equity</b>		<b>5,158,403</b>

The accompanying notes form part of these financial statements.

## Consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2013

	Notes	31 December 2013 \$
Revenue		1,460,891
Less Cost of sales		<u>(344,767)</u>
Gross Profit		1,116,124
Other income		<u>40,048</u>
		1,156,172
Finance Costs		(88,961)
Salary and employee benefits expense		(686,739)
Premises expenses		(51,577)
Depreciation and amortisation expense		(1,656)
Other expenses from ordinary activities		<u>(346,910)</u>
		1,175,843
<b>Loss before tax</b>		<u><b>(19,671)</b></u>
Tax expense		<u>(21,647)</u>
<b>Loss for the period from continuing operations</b>		<u><b>(41,318)</b></u>

The accompanying notes form part of these financial statements.

## Consolidated statement of changes in equity

For the half-year ended 31 December 2013

	Share capital	Retained earnings	Total equity
	\$	\$	\$
<b>Balance at 30 June 2013</b>	3,640,200	(4,539,022)	(898,822)
Issue of share capital	6,324,407		6,324,407
Capital raising costs	(225,864)		(225,864)
Loss for the period		(41,318)	(41,318)
<b>Balance at 31 December 2013</b>	9,738,743	(4,580,340)	5,158,403

The accompanying notes form part of these financial statements.

## Consolidated statement of cash flows

For the half-year ended 31 December 2013

	Notes	31 December 2013 \$
<b>Operating activities</b>		
Receipts from customers		1,394,172
Payments to suppliers and employees		(1,477,928)
Interest Paid		(325)
Interest received		6,463
Net cash used in operating activities		<u>(77,618)</u>
<b>Financing activities</b>		
Redemption of Preference Shares		(2,000,000)
Proceeds from issue of share capital		6,324,407
Finance Costs		(395,932)
Net cash from financing activities		<u>3,928,475</u>
<b>Net change in cash and cash equivalents</b>		
Cash and cash equivalents, beginning of period		315,505
Cash and cash equivalents, end of period		<u>4,166,362</u>

The accompanying notes form part of these financial statements.



# Notes to the condensed interim consolidated financial statements

## **1 Nature of operations**

Managed Accounts Holdings Limited and its subsidiaries' (the Group) principal activities include the holdings of an AFSL licence with an endorsement to operate Managed Discretionary Accounts.

## **2 General information and basis of preparation**

The condensed interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2013 and are presented in Australian dollar (\$), which is the functional currency of the parent company. These special purpose interim financial statements have been prepared to meet the requirements of the Directors. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards. The interim financial statements have been approved and authorised for issue by the board of directors on 13 March 2014.

## **3 Basis of consolidation**

The financial report consolidates those of the parent company and all of its subsidiaries. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December 2013. All transactions and balances between companies are eliminated on consolidation, including unrealised gains and losses on transactions between companies. Where unrealised losses on intra group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

### **3.1 Significant accounting policies**

#### **(a) Revenue**

Revenue is measured at the fair value of the consideration received or receivable. The Company recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the consolidated group and specific criteria are met for each of the activities.

Revenue is recognised for the major business activities as follows:

#### *Platform revenue*

- *FUA revenue:* revenue is recognised as the service is provided, i.e. on a monthly basis based on a percentage of FUA per the contract with the client;
- *Transaction/brokerage fees:* these fees are recognised when the transaction is completed; and
- *Implementation fees:* these fees are recognised on a stage of completion basis, depending upon the phase of the implementation process.

### *Finance income*

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

### **(b) Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current and deferred income tax expense (income) is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income.

#### **Current tax**

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

#### **Deferred tax**

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.



**(c) Trade and other Receivables**

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. No trade receivables were found to be impaired. Trade and other receivables will show indicators of impairment if it has been outstanding for more than 90 days.

**(d) Trade and other payables**

All amounts are short-term. The carrying values of trade payables are considered to be a reasonable approximation of fair value.

**(e) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**(f) Goods and Services tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

#### **4 Significant events and transactions**

Overall, the Group is in a strong position despite the current economic environment, and has sufficient capital and liquidity to service its operating activities.

#### **5 Share capital**

The Group issued 52,703,396 shares on 20 December 2013 for cash, corresponding to 43.8% of total shares issued. Each share has the same right to receive dividends and the repayment of capital and represents one vote at the shareholders' meeting of Managed Accounts. Shares issued and authorised are summarised as follows:

	<b>6 months to 31 December 2013</b>
Shares issued and fully paid:	
Beginning of the period *	67,506,315
Share issue	<u>52,703,396</u>
<b>Total shares authorised at the end of the period</b>	<b><u>120,209,711</u></b>

\*The shares issued were 118,136,042 which were consolidated on 28 October 2013. For every 7 held they were converted to 4

#### **6 Dividends**

During the first six months ending 31 December 2013, Managed Accounts paid no dividends to its equity shareholders. The Preference shareholders were paid a dividend of \$395,932 on the 20 December 2013 at which time all the Preference shares were repaid.

#### **Events subsequent to balance date**

The group is in the process of preparing a prospectus which contemplates a listing of the Company's shares on the Australian Stock Exchange and an offer of up to 25,000,000 shares at a price of \$0.20 each to raise up to \$5,000,000.

Other than mentioned above, there has not arisen in the interval between 1 January 2013 and the date of this report any item, transaction or event of a material nature likely in the opinion of the Directors of the Company, to significantly affect the operations of the consolidated entity

## Directors' declaration

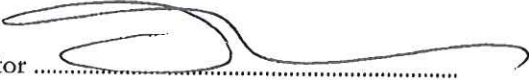
The directors of Managed Accounts Holdings Limited have determined that this special purpose financial report should be prepared in accordance with the accounting policies described in the Notes to the financial statements.

The directors of Managed Accounts Holdings Limited declare that:

- 1 The financial statements comprising the consolidated statement of financial position, consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flow and accompanying notes present fairly the consolidated entity's financial position as of 31 December 2013, and its performance for the half year ended on that date in accordance with the accounting policies described in Notes to the financial statements and;
- 2 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 the directors:

Director .....

  
Don Sharp

Dated the 13<sup>th</sup> March 2014





Grant Thornton Audit Pty Ltd  
ACN 130 913 594

Level 17, 383 Kent Street  
Sydney NSW 2000

Correspondence to:  
Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

T +61 2 8297 2400  
F +61 2 9299 4445  
E [info.nsw@au.gt.com](mailto:info.nsw@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

### **Independent Auditor's Review Report To the Members of Managed Accounts Holdings Limited**

We have reviewed the accompanying special purpose half-year financial report of Managed Accounts Holdings Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### **Directors' responsibility for the half-year financial report**

The directors of Managed Accounts Holdings Limited are responsible for the preparation of the half-year financial report, and have determined that the accounting policies used and described in the Notes to the interim report, are appropriate to meet the needs of members. This responsibility includes such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the 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 does not present fairly the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date. As the auditor of Managed Accounts Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'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 Ltd is a member firm of Grant Thornton International Ltd (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 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.



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 applicable independence requirements of the Accounting Professional and Ethical Standards Board.

**Auditor's Opinion**

Based on our review, which is not an audit we have not become aware of any matter that makes us believe that the consolidated half-year financial report of Managed Accounts Holdings Limited does not present fairly the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date in accordance with the accounting policies described in the Notes to the financial report.

**Basis of accounting**

Without modifying our opinion, we draw attention to Note 2 to the financial report, which describes the basis of preparation of the financial report. The financial report has been prepared for the use of the Directors. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Managed Accounts Holdings Limited and should not be distributed to parties other than Managed Accounts Holdings Limited.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M Leivesley  
Partner - Audit & Assurance

Sydney, 13 March 2014