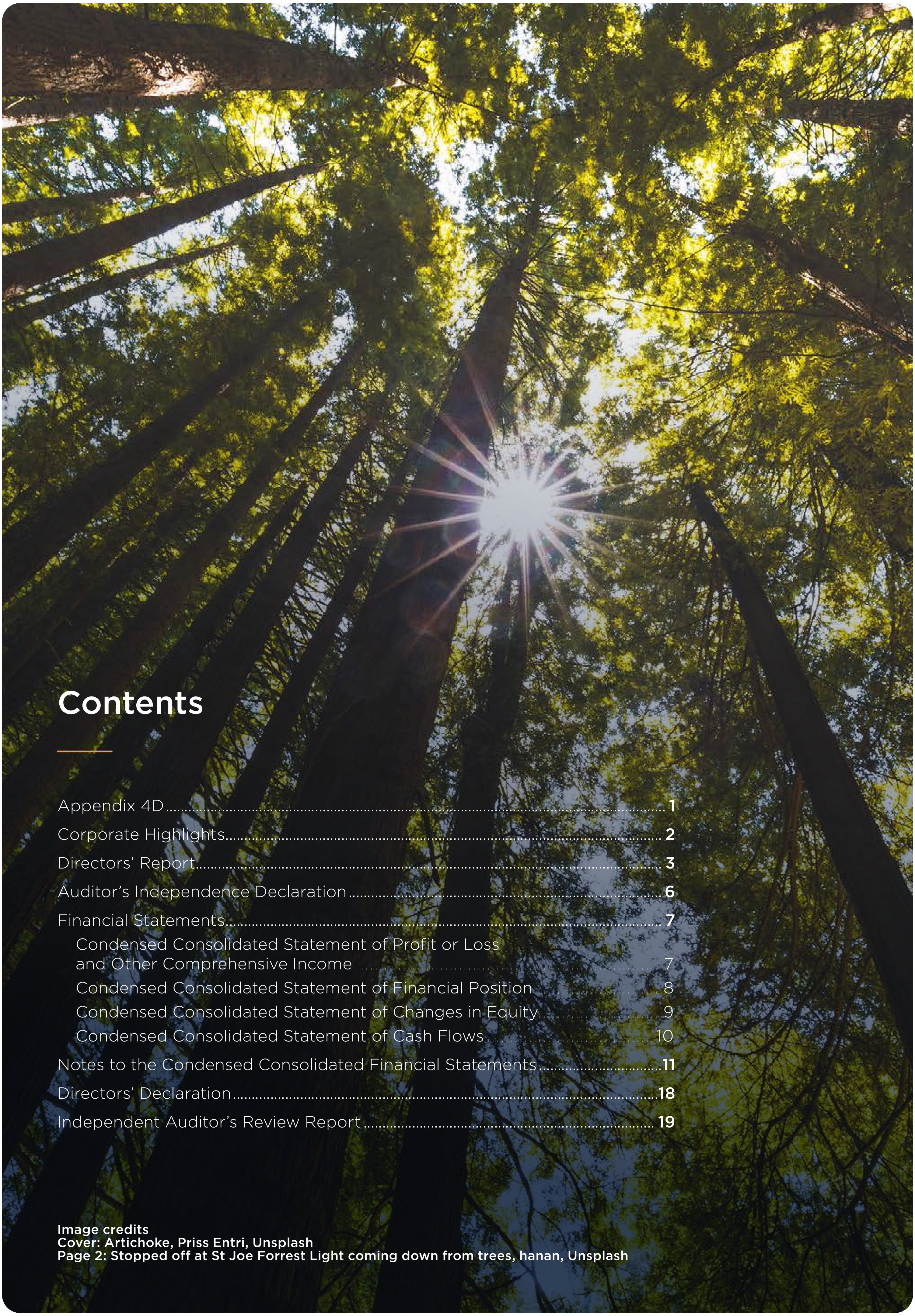
Powerwrap™

Powerwrap Limited and Controlled Entity
ABN 67 129 756 850

Condensed Consolidated Financial Report

For the Half Year ended 31 December 2019



Contents

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Appendix 4D

Report for the half year ended 31 December 2019
Powerwrap Limited ABN 67 129 756 850

Details of the Reporting Period

The reporting period covered in this report is the half year to 31 December 2019 (1H 2020).

The previous corresponding period is the half year to 31 December 2018 (1H 2019).

Results for Announcement to the Market

	1H2020 ($'000)	1H2019 ($'000)	Increase/ (decrease)	% change
Revenue from ordinary activities	9,648	8,161	1,487	18%
Loss from ordinary activities before tax attributable to members	2,247	3,515	(1,268)	(36%)
Net profit/(loss) after tax attributable to members	2,247	2,747	(500)	(18%)

Explanation of the figures reported

Please refer to the attached Directors Report and review of results of operations for further information.

Net tangible assets per ordinary security

	1H2020	1H2019
Net tangible assets per ordinary security	$0.07	$0.09

Dividends

No dividends were paid during the period.

Entities over which control has been gained or lost during the period

Powerwrap Ltd has not gained or lost control of any entity during the period.

Details of associates and joint venture entities

Not applicable.

Auditor Review

The report is based on the consolidated half year report by Powerwrap Limited's auditor, Deloitte Touche Tohmatsu.

William Davidson
Powerwrap Limited CEO

27 February 2020

Corporate Highlights

Powerwrap has continued to focus on its platform service and is pleased to deliver the following results for the half year ended 31 December 2019 in comparison to the previous half year ended 31 December 2018.

$8.76b FUA+

Growth $1.47 million +20.2%

-$1.5m Underlying EBITDA*

Improvement $1.45m -48.7%

$252m FUA Net Flows

Growth -$204m -44.7%

$9.397m Platform Revenue

Growth $1.65m +21.3%

-$2.2m Underlying Net Loss**

Improvement $0.7m -23.8%

+ FUA as at 31 December 2019 compared to FUA at 31 December 2018.

* Excluding Share Based Payments.

** After tax including Management Share Based Payments.

Directors' Report

The Directors present their report together with the Condensed Consolidated Financial Report of Powerwrap Limited ("the Company") and its controlled entity (collectively referred to as the "Group") for the half year ended 31 December 2019 and the independent auditor's report thereon. This Condensed Consolidated Financial Report has been prepared in accordance with AASB134 *Interim Financial Reporting* and provisions of the *Corporations Act 2001*.

The names of the Directors in office at any time during or since the start of the half year are:

Directors' names

Anthony Wamsteker

Richard Loveridge

Fiona Boyd (appointed 25 October 2019)

Donna Hardman (resigned 25 October 2019)

The Directors have been in office since the start of the half year to the date of this report unless otherwise stated.

Company Overview

Powerwrap Limited (AFSL No. 329829 ASX: PWL) is one of Australia's leading wealth management platforms, providing a comprehensive suite of investment, administration and shared services for high net worth investors.

Powerwrap's unique, bespoke-style platform service offers the broadest range of products in the Australian market across all asset classes and uses best of breed execution capabilities for all securities. Through its Tickr incubator, Powerwrap supports investment professionals looking to start an advisory business with a range of key shared services including compliance, finance and technology services. Powerwrap's open-architecture technology and experienced in-house execution team enable it to deliver unique flexibility and efficiency for its clients.

Principal activities

The principal activity of the Group during the course of the half year was the development and execution of investment portfolio administration services. There were no significant changes in the nature of the activities of the Group during the half year.

Results

The consolidated loss after income tax of the Group for the half year ended 31 December 2019 was $2.2 million (2018: $2.7 million).

Review of operations

The Group continued to engage in its principal activity, the results of which are disclosed in the attached Condensed Consolidated Financial Statements.

As at 31 December 2019, Powerwrap had $8.76 billion in Funds Under Administration.

This represents a 8.1% growth ($659 million) for the half year ended 31 December 2019 and 20.2% growth ($1,473 million) for the calendar year ended 31 December 2019.

Review of financial results

Powerwrap recorded platform revenue of $9.4 million and total revenue of $9.6 million for 1H2020. Total revenue increased by 18% in comparison to the first half of FY19.

The Group continued to engage in its principal activity, the results of which are disclosed in the attached Condensed Consolidated Financial Statements.

Directors' Report

Continued

Statutory results

Statutory Income Statement for the half year ended 31 December 2019

	Prior half year comparison ($'000s)			
	1H2020	1H2019	Variance	% Change
Platform revenue	9,397	7,748	1,649	21.3%
Other income	186	294	(108)	(36.7%)
Total revenue	**9,583**	**8,042**	**1,541**	**19.2%**
Employee benefits expenses	(5,572)	(5,275)	(297)	5.6%
Direct expenses	(2,778)	(3,174)	396	(12.5%)
Operating expenses	(2,757)	(2,354)	(403)	17.1%
Total expenses	**(11,107)**	**(10,803)**	**(304)**	**2.8%**
EBITDA (before share based payments)	**(1,524)**	**(2,761)**	**1,237**	**(44.8%)**
Share based payments	(166)	(764)	598	(78.3%)
EBITDA	**(1,690)**	**(3,525)**	**1,835**	**(52.1%)**
Depreciation and amortisation	(571)	(96)	(475)	494.8%
EBIT	**(2,261)**	**(3,621)**	**1,360**	**(37.6%)**
Net finance income	14	106	(92)	(86.8%)
Loss before income tax	**(2,247)**	**(3,515)**	**1,268**	**(36.1%)**
Income tax benefit	–	768	(768)	(100.0%)
Loss after income tax	**(2,247)**	**(2,747)**	**500**	**(18.2%)**

Underlying results

Underlying Income Statement for the half year ended 31 December 2019

	Prior half year comparison ($'000s)			
	1H2020	1H2019	Variance	% Change
Platform revenue	9,397	7,748	1,649	21.3%
Other income	186	294	(108)	(36.7%)
Total revenue	**9,583**	**8,042**	**1,541**	**19.2%**
Employee benefits expenses	(5,572)	(5,275)	(297)	5.6%
Direct expenses	(2,778)	(3,174)	396	(12.5%)
Operating expenses	(2,757)	(2,564)	(193)	7.5%
Total expenses	**(11,107)**	**(11,013)**	**(94)**	**0.9%**
EBITDA (before share based payments)	**(1,524)**	**(2,971)**	**1,447**	**(48.7%)**
Share based payments	(166)	(764)	598	(78.3%)
EBITDA	**(1,690)**	**(3,735)**	**2,045**	**(54.8%)**
Depreciation and amortisation	(571)	(96)	(475)	494.8%
EBIT	**(2,261)**	**(3,831)**	**1,570**	**(41.0%)**
Net finance income	14	114	(100)	(87.7%)
Loss before income tax	**(2,247)**	**(3,717)**	**1,470**	**(39.5%)**
Income tax benefit	–	768	(768)	(100.0%)
Loss after income tax	**(2,247)**	**(2,949)**	**702**	**(23.8%)**

Key Platform statistics

Key Platform statistics Consolidated Group for half year ended

	Prior half year comparison ($ million)			
	1H2020	**1H2019**	**Variance**	**% Change**
FUA (EOP) ($m)	8,758	7,285	1,473	20.2%
Net FUA Flows ($m)	252	456	(204)	(44.7%)
Annualised platform revenue/average FUA (bps)	23.4 bpts	22.0 bpts	1.4 bpts	6.4%

Significant changes in state of affairs

There have been no significant changes in the Group's state of affairs during the half year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s.307C of the *Corporation Act 2001* in relation to the review for the half year is provided with this report.

Rounding of amounts

The Group is of a kind referred to in the *ASIC Corporations (Rounding in Financials/Directors' Reports) Instruments 2016/191*, dated 24 March 2016 and therefore the amounts in the directors' report and the half year condensed consolidated financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed on behalf of the Board of Directors,

Anthony Wamsteker
Director

27 February 2020

Melbourne

Richard Loveridge
Director

27 February 2020

Melbourne

Auditor's Independence Declaration

Deloitte.

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27 February 2020

The Board of Directors
Powerwrap Limited
356 Collins Street
MELBOURNE VIC 3000

Dear Board Members

Powerwrap Limited and its Controlled Entity

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Powerwrap Limited.

As lead audit partner for the review of the financial statements of Powerwrap Limited and its Controlled Entity for the half year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Lani Cockrem

Lani Cockrem
Partner
Chartered Accountants

Financial Statements

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2019.

	Note	Half Year 31 December 2019 $'000	Half Year 31 December 2018 (Restated) $'000
Revenue and other income			
Platform revenue		9,397	7,748
Interest income		65	119
Other income	4	186	294
		9,648	**8,161**
Expenses			
Employee benefits expenses		(5,519)	(6,039)
Administrative expenses		(2,727)	(2,105)
Service provider and custodian expenses		(1,994)	(2,380)
Occupancy expenses		(30)	(249)
Trading expenses		(784)	(794)
Depreciation expenses		(357)	(45)
Amortisation expenses		(215)	(51)
Finance cost		(51)	(13)
Share based payment expense to third party		(218)	–
		(11,895)	**(11,676)**
Loss before income tax		**(2,247)**	**(3,515)**
Income tax benefit		–	768
Net loss from continuing operations		**(2,247)**	**(2,747)**
Other comprehensive income for the half year (net of income tax)		–	–
Total comprehensive loss for the half year		**(2,247)**	**(2,747)**
Loss per share			
Basic (cents per share)	6(b)	(1.09)	(1.82)*
Diluted (cents per share)	6(b)	(1.09)	(1.82)*

* Restated to reflect the one for five share consolidation.

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Financial Statements

Continued

Condensed Consolidated Statement of Financial Position

As at 31 December 2019.

	Note	31 December 2019 $'000	30 June 2019 $'000
Current assets			
Cash and cash equivalents		15,786	20,037
Trade and other receivables		3,800	3,324
Other current assets		1,488	1,089
Total current assets		**21,074**	**24,450**
Non-current assets			
Investment		214	–
Work-in-progress		482	–
Intangible assets		4,579	3,733
Property, plant and equipment		394	327
Right-of-use-assets	2(d)	1,760	–
Total non-current assets		**7,429**	**4,060**
Total assets		**28,503**	**28,510**
Current liabilities			
Trade and other payables		3,131	3,235
Lease liabilities	2(e)	547	–
Contract liabilities		219	117
Provisions		748	699
Total current liabilities		**4,645**	**4,051**
Non-current liabilities			
Lease liabilities	2(e)	1,274	–
Contract liabilities		214	–
Provisions		164	173
Total non-current liabilities		**1,652**	**173**
Total liabilities		**6,297**	**4,224**
Net assets		**22,206**	**24,286**
Equity			
Share capital	6(a)	64,692	64,692
Reserves		2,774	2,607
Accumulated losses		(45,260)	(43,013)
Total equity		**22,206**	**24,286**

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2019.

	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000
Balance as at 1 July 2018	**50,259**	**793**	**(36,544)**	**14,508**
Total comprehensive loss for the half year	–	–	(2,747)	(2,747)
Total	**50,259**	**793**	**(39,291)**	**11,761**
Transactions with owners in their capacity as owners				
Equity instrument raising	361	–	–	361
Options reserve	–	779	–	779
Total transactions with owners in their capacity as owners	**361**	**779**	**-**	**1,140**
Balance as at 31 December 2018	**50,620**	**1,572**	**(39,291)**	**12,901**
Balance as at 1 July 2019	**64,692**	**2,607**	**(43,013)**	**24,286**
Total comprehensive loss for the half year	–	–	(2,247)	(2,247)
Total	**64,692**	**2,607**	**(45,260)**	**22,039**
Transactions with owners in their capacity as owners				
Options reserve	–	167	–	167
Total transactions with owners in their capacity as owners	**-**	**167**	**-**	**167**
Balance as at 31 December 2019	**64,692**	**2,774**	**(45,260)**	**22,206**

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Financial Statements

Continued

Condensed Consolidated Statement of Cash Flows

For the half year ended 31 December 2019.

	Half Year	
	31 December 2019 $'000	31 December 2018 $'000
Cash flows from operating activities		
Receipts from customers	9,292	8,327
Payments to suppliers and employees	(11,993)	(11,158)
Interest received	65	119
Research & development grant received	–	2,479
Net cash used in operating activities	**(2,636)**	**(233)**
Cash flows from investing activities		
Proceeds from term deposit maturity	–	1,000
Payment for intangibles	(1,143)	(1,128)
Payment for plant and equipment	(96)	(68)
Net cash used in investing activities	**(1,239)**	**(196)**
Cash flows from financing activities		
Payment for finance costs*	(51)	(6)
Payment for lease liabilities*	(266)	–
Payment for equity issue	(59)	(115)
Distribution to CRRPS/CRPS holders	–	(8)
Net cash used in financing activities	**(376)**	**(129)**
Net decrease in cash and cash equivalents	(4,251)	(558)
Cash and cash equivalents at beginning of the half year	20,037	5,043
Cash and cash equivalents at end of the half year	**15,786**	**4,485**

* AASB 16 *Leases* became effective for the Group on 1 July 2019. With the implementation of AASB 16, rental payment which were previously included as payment to suppliers and employees has been split into 'principal' and 'interest' repayments in accordance with the Accounting Standards.

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation of the half year financial report

This half year Condensed Consolidated Financial Report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half year Condensed Consolidated Financial Report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Powerwrap Limited and its controlled entity during the half year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

Powerwrap Limited is a for-profit entity for the purpose of preparing the financial statements.

The half year Condensed Consolidated Financial Report was authorised for issue by the Directors as at the date of the Directors' report.

(a) Basis of Preparation

This half year Condensed Consolidated Financial Report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 *Interim Financial Reporting* ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half year Condensed Consolidated Financial Report has been prepared under the historical cost convention.

The accounting policies applied in this half year Condensed Consolidated Financial Report are consistent with those of the annual financial report for the year ended 30 June 2019 and the corresponding half year, except for the impact of the Changes in Accounting Policies as described in note 7.

(b) Work-in-progress and contract liabilities

Work-in-progress represents costs incurred towards fulfilling a contract with a customer for which performance obligations are yet to be met. Therefore, an asset has been recognised in accordance with AASB 15 *Revenue from Contracts with Customers*. The recoverability of these amounts are assessed by management in accordance with AASB 9 *Financial Instruments*.

Any consideration already received from the customer in relation to the above contract has been recognised as a contract liability in accordance with AASB 15.

(c) Adoption of New and Revised Accounting Standards

The Group has adopted all of the new and revised Standards and interpretations issued by the Australian Accounting Standards Board (the AASB) which are mandatorily applicable to the current interim period. Disclosures required by these standards that are deemed material have been included in this half year financial report on the basis that they represent a significant change in information from that previously made available.

The Group has adopted AASB 16 *Leases* from 1 July 2019. Refer to note 2 for details and the impact of adoption of AASB 16.

(d) Going concern

The half year Condensed Consolidated Financial Report has been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business and assumes the Group will have sufficient cash resources to meet its regulatory requirements and pay its debts as and when they become due and payable for at least 12 months from the date of signing the half year Condensed Consolidated Financial Report.

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2019 reflects a Group net loss after income tax of $2.2 million and the Condensed Consolidated Statement of Cash Flows reflects net cash outflows from operating and investing activities of $3.9 million. As at 31 December 2019, the Condensed Consolidated Statement of Financial Position reflects a Group net asset position of $22.2 million. Following the IPO capital raise, the Group has sufficient capital to continue to meet its Australian Financial Services Licence (AFSL) conditions for the foreseeable future.

2. New Accounting Standard

The only new accounting standard applicable for periods commencing 1 July 2019 that has had a material impact on the Group is AASB 16 *Leases*. The impact of adopting AASB 16 on the Group is described in detail below.

(a) AASB 16 Leases overview

In February 2016, the AASB issued AASB 16 *Leases* "AASB 16". This standard replaces the current accounting requirement applicable to leases in AASB 117 *Leases*. AASB 16 introduces a single lessee accounting model which eliminates the requirement for leases to be classified as operating or finance leases for lessee accounting. The revised leases standard is effective for reporting periods commencing on or after 1 January 2019 and therefore is applicable to the Group for the current reporting period commencing 1 July 2019.

The Group is party to a number of property lease arrangements with regard to the Group's offices and printing services. These lease arrangements are treated in accordance with AASB 16 for the current reporting period commencing 1 July 2019, and are on the following basis:

- A right-of-use-asset and associated lease liability is recognised in the Group's Condensed Consolidated Statement of Financial Position; and
- Depreciation and interest expenses are recognised in the Group's Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, replacing an operating expense included in the prior period.

(b) Significant accounting policies resulting from the adoption of AASB 16

The Group has elected to apply the modified retrospective approach as permitted by AASB 16.

Under this approach, the Group has not restated comparative reporting periods, but have applied this standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of the initial application.

Right-of-use-asset

The Group has elected to recognise the right-of-use asset to be equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position before the transition to AASB 16.

The right-of-use-asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use-asset will be periodically reduced by impairment losses, if any, and adjust for certain remeasurement of the lease liability.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate which is 5% for all the Group's existing leases.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on the incremental borrowing rate;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise.

The lease liability is presented as a separate line in the Condensed Consolidated Statement of Financial Position.

The lease liability is measured at amortised cost using the effective interest method.

Impact on the condensed consolidated statement of financial position upon adoption of AASB 16 on 1 July 2019 is as follows:

Impact on condensed consolidated statement of financial position	$'000
Increase in new right-of-use assets	2,088
Increase in new lease liabilities	(2,088)
Net impact on condensed consolidated statement of financial position	–

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use-assets and lease liabilities for information technology equipment and office furniture that have a lease term of 12 months or less or for leases of low-value assets.

(c) Powerwrap Group lease portfolio

The Group leases real estate and information technology in the ordinary course of its business. The Group's real estate leases comprise office building leases in Melbourne and Sydney in which the Group operates. The Group previously classified these as operating leases under AASB 117.

The Group leases office buildings in Melbourne and Sydney, with its head office in Melbourne and an office in Sydney. The non-cancellable period of the leases range from 1 to 4 years with variable options to extend the lease terms.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Such options are only included in the lease term if the lease is reasonably certain to be extended.

The lease payments are adjusted every year, based on contractual fixed percentage increases and in certain instances additionally increased by prevailing consumer price index ("CPI") at the lease review date.

(d) Carrying value of right-of-use-assets

The Group's right-of-use-assets comprise real estate and information technology leases. Right-of-use-assets have finite lives and are carried at cost less accumulated depreciation.

The carrying value of right-of-use-assets is presented below:

	31 December 2019 $'000	30 June 2019 $'000
Cost	2,088	–
Accumulated depreciation	(328)	–
Carrying value	**1,760**	**–**
Opening carrying value	**–**	**–**
Change in accounting policy	2,088	–
Depreciation	(328)	–
Closing carrying value	**1,760**	**–**
Lease term (years)	**4**	**–**

Notes to the Condensed Consolidated Financial Statements

Continued

(e) Lease liabilities

(i) Maturity analysis – contractual cash flows:

	Half Year	
	31 December 2019 $'000	31 December 2018 $'000
Less than one year	547	–
More than one year and not more than 4 years	1,274	–
Total lease liabilities at the end of the period	**1,821**	**–**

(ii) Lease liabilities included in the Condensed Consolidated Statement of Financial Position at the end of the period:

	31 December 2019 $'000	30 June 2019 $'000
Current	547	–
Non-current	1,274	–
Total	**1,821**	**–**

(f) Amounts recognised in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

The table below shows the amounts recognised in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income affected by the application of the AASB 16 for the current and prior half year:

	Half Year	
	31 December 2019 $'000	31 December 2018 $'000
Depreciation expense on right-of-use-assets	(328)	–
Interest expense on lease liabilities	(48)	–
Property lease expense	–	(171)

(g) Impact of AASB 16 adoption on earnings

Adoption of the new standard results in the expense front-loaded into the earlier years of the lease and lower in the later years due to the interest charged on the capital outstanding as compared to straight-lined lease expenses under AASB 117.

Impact on loss before income tax expense for the half year ended 31 December 2019 as follows:

Impact on condensed consolidated statement of profit and loss and other comprehensive income	$'000
Increase in depreciation expenses	328
Increase in financial costs	48
Decrease in occupancy expenses	(301)
Decrease in administrative expenses	(13)
Increase in loss before income tax expense	(62)

3. Segment information

The consolidated entity is organised into one reportable segment.

The reporting operating segment is based on the internal reports that are reviewed and used by the Board of Directors and the executive management team, in assessing performance and in determining allocation of resources. The Board of Directors and the executive management team review segment profits (Segment EBITDA) on a monthly basis. The accounting policies adopted for internal reporting to the Board of Directors and the executive management team are consistent with those adopted in the financial statements.

All of the Group's operations are based in Australia.

4. Other income

	Half Year	
	31 December 2019 $'000	31 December 2018 (Restated) $'000
Shared service income	77	63
Proprietary trading income	109	231
Total other income	**186**	**294**

5. Related Party Transactions

(a) Wholly owned group transactions

As at 31 December 2019, Powerwrap Limited owed $3,131 (30 June 2019: $13,116) to MWH Capital Pty Ltd. This payable was eliminated on consolidation.

Powerwrap Limited, to fulfil its duties as the Responsible Entity of the Powerwrap Scheme, has appointed MWH Capital Pty Ltd to act on its behalf in the provision of execution and asset custody services. MWH Capital, pursuant to its delegated authority, enters into agreements with external parties to perform these services as agent for Powerwrap. MWH Capital pays fees to Powerwrap in accordance with the terms of the agency agreement. Total fees paid by MWH Capital to Powerwrap during the half year ended 31 December 2019 were $884,763 (2018: $440,000).

(b) Transactions with key management personnel of the entity

There were no related party transactions with key management personnel as at 31 December 2019 (2018: Nil).

(c) Transactions with Powerwrap Scheme as Responsible Entity of the Scheme

Powerwrap Limited is the Responsible Entity for Powerwrap Scheme (ARSN: 137 053 073). In accordance with this relationship the Company has charged fees to the Scheme for the half year ended 31 December 2019 totalling $1,271,616 (2018: $1,221,115). In addition, the Company had a receivable from the Scheme at the half year end totalling $381,954 (30 June 2019: $498,301). The fees charged were a function of transactions within the Scheme as well as the value of assets managed by the Scheme as per the Schemes' PDS.

Notes to the Condensed Consolidated Financial Statements

Continued

6. Share Capital

(a) Issued capital

	Half Year			
	31 December 2019		31 December 2018	
	Number	$'000	Number	$'000
Ordinary shares				
Beginning of the half year	205,831,244	64,692	754,132,619*	50,259
Issued during the half year	–	–	3,491,109*	349
Capital raising costs reversed/(incurred) during the half year	–	–	–	12
Ordinary shares at end of the half year	**205,831,244**	**64,692**	**757,623,728***	**50,620**
Total Share capital at end of the half year	**205,831,244**	**64,692**	**757,623,728***	**50,620**

* Prior to the one for five share consolidation which occurred on 8 March 2019.

(b) Basic and diluted loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

	Half Year			
	31 December 2019		31 December 2018	
	Number	$'000	Number	$'000
Loss used in the calculation of basic loss per share	–	(2,247)	–	(2,747)
Loss used in the calculation of diluted loss per share	–	(2,247)	–	(2,747)
Weighted average number of ordinary shares used in the calculation of basic loss per share	205,831,244	–	151,109,133*	–
Weighted average number of ordinary shares used in the calculation of diluted loss per share	205,831,244	–	151,109,133*	–

* Restated to reflect the five for one share consolidation.

7. Change in accounting policy

The Group previously had an accounting policy to recognise research and development grant income within total revenue in the condensed consolidated statement of profit and loss and other comprehensive income.

During the year ended 30 June 2019, the Group changed its accounting policy to recognise the research and development grant income as an income tax benefit as noted in note 1(e) of the Annual Report for the financial year ended 30 June 2019.

As a result of this change, financial statements for the half year ended 31 December 2019 have been restated as follows:

	Previously stated	Adjustments	Restated
	$'000	$'000	$'000
Statement of comprehensive income			
Other income	1,062*	(768)	294
Loss before income tax	(2,747)	(768)	(3,515)
Income tax benefit	–	768	768
Net loss from continuing operations	(2,747)	–	(2,747)
Total comprehensive loss	(2,747)	–	(2,747)

* Previously stated amount is after reclassification as stated in note 8.

8. Reclassification of prior period comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current period disclosures.

Details of the reclassification relating to the half year 2018 condensed consolidated financial statements are as follow:

	Previously stated $'000	Adjustments $'000	Restated $'000
Statement of comprehensive income			
Platform revenue[1]	7,811	(63)	7,748
Other income[1]	231*	63	294
Employee benefits expenses[2]	6,061	(22)	6,039
Administrative expenses[2,3]	2,219	(114)	2,105
Service provider and custodian expenses[3]	2,244	136	2,380

* Previously stated amount is excluding research and development grant which has been reclassified due to change in accounting policy as stated in note 7. For more details, refer to note 26 of the Annual Report for the financial year ended 30 June 2019.

1. The reclassification from Platform revenue to Other income relates to Shared service fee which has been reclassified to align with the current year disclosure in order to enable a more reliable and relevant presentation.
2. The reclassification from Employee benefit expenses to Administrative expenses relates to executive and director expenses which have been reclassified to align with the current year disclosure in order to enable a more reliable and relevant presentation.
3. The reclassification from Administrative expenses to Service provider and custodian expenses relates to managed investment scheme expenses which have been reclassified to align with the current year disclosure in order to enable a more reliable and relevant presentation.

9. Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the half year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

Directors' Declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that Powerwrap Limited will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the Condensed Consolidated Financial Statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entities.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

Anthony Wamsteker
Director

27 February 2020

Melbourne

Richard Loveridge
Director

27 February 2020

Melbourne

Independent Auditor's Review Report

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Independent Auditor's Review Report to the Directors of Powerwrap Limited

We have reviewed the accompanying half-year financial report of Powerwrap Limited (the "Company"), which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entity it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 18.

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 consolidated entity'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 the Company, 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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Independent Auditor's Review Report

Continued

Deloitte.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Lani Cockrem

Lani Cockrem
Partner
Chartered Accountants
Melbourne, 27 February 2020

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