FIDUCIAN

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FIDUCIAN GROUP LIMITED

Interim Financial Report

For the half-year ended 31 December 2018

Fiducian Group Ltd ABN 41 602 423 610

CONTENTS

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Fiducian Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

FINANCIAL HIGHLIGHTS

UNPAT up
15%
to $5.7mil

Basic EPS on NPAT up
15%
to 16 cents / share

Dividends up
22%
to 11 cents / share

65
Aligned Planners & Associates

37 Offices
across Australia

117 Staff around Australia from over **26** different countries of origin

Fund Performance

Growth	**11**/161
Balanced	**27**/161
Cap Stable	**25**/102

Flagship funds performance ranking for three years to 31 December 2018 against all funds on a leading survey

$219mil*
Funds Under Advice acquired in half-year ended December 2018

* Of this, $206 mil is in the process of assimilation and not included in the FUMAA reported

DIRECTORS' REPORT

The Directors are pleased to present their report on the consolidated entity consisting of Fiducian Group Limited ("FGL") and its wholly owned operating entities ("Group") for the half-year ended 31 December 2018. The following persons were Directors of FGL during the half-year and up to the date of this report:

Executive Chairman	I Singh
Non-Executive Directors	R Bucknell
	F Khouri
	S Hallab

Mr Bucknell, who has been the Chairman of the Group since inception in 1996, stepped down as Chairman at the Annual General Meeting held on 25th October 2018 but continues to serve the Group in the capacity of a non-executive director. At the same meeting Mr Singh, the executive director and managing director of the Group, was appointed as the Executive Chairman of the Group to replace Mr Bucknell.

REVIEW OF OPERATIONS

The Fiducian Group results for the half-year demonstrates positive momentum in operational activity and application of the Board's strategy to grow earnings. Consolidated Operating Revenue increased by 10% and consolidated Net Revenue increased by 11%. Gross Margin increased by 1% to 74% from the equivalent period of the preceding year due to the increase in scale.

FINANCIAL HIGHLIGHTS

($ in thousands)

Half-Year Ending 31 December	**2018**	**2017**	**% Change**
Operating Revenue	**24,600**	**22,349**	↑ **10%**
Fees and Charges paid	(6,396)	(6,020)	
Net Revenue	**18,204**	**16,329**	↑ **11%**
Gross Margin	74%	73%	
Underlying EBITDA	**7,946**	**7,019**	↑ **13%**
Depreciation	(48)	(44)	
Tax on underlying earnings	(2,191)	(2,004)	
Underlying NPAT (UNPAT)	**5,707**	**4,971**	↑ **15%**
Amortisation	(703)	(635)	
Statutory NPAT	**5,004**	**4,336**	↑ **15%**
Basic EPS based on UNPAT (in cents)	**18.2**	**15.9**	↑ **15%**
Basic EPS based on NPAT (in cents)	**16.0**	**13.9**	↑ **15%**
Funds under Management, Advice and Administration FUMAA ($ in millions)	**6,301**	**6,310**	

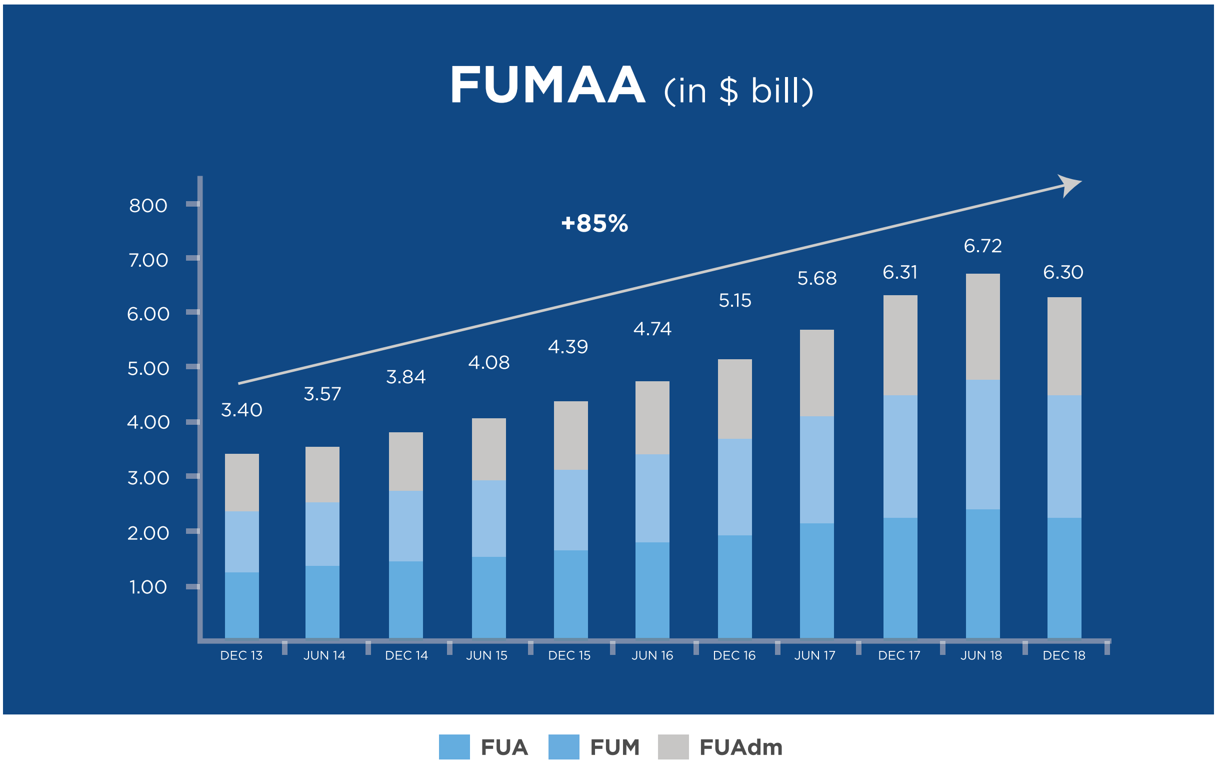
The half-year to end December has been unsettling for financial markets and related businesses. There has been volatility in share markets around the world as investors worried about global trade wars, likelihood of further rises in US interest rates and Brexit repercussions. At home, there was negative investor sentiment from the Royal Commission on misconduct by large institutions and banks as well as the looming uncertainty of a Government change in Australia this year which could result in tax and other policy changes. When share markets decline by 10% to 15% as they have, asset values fall, some investors defer decisions and consequently the rate of revenue growth slows. While there is some truth in the developments, the market's reaction in our view was overdone and have recently shown a recovery, though

DIRECTORS' REPORT

are still below previous highs. We believe that such volatility of markets moving down and up at a rapid pace is going to become the norm, rather than the exception. Over time, short term downturns have recovered to new highs. The Board's policy to build through structural growth by offering client administration services, sale of financial planning software and Fiducian Funds to external markets and as well through acquisition of financial planning portfolios is fully embraced by management and the results are gradually showing. Through all this short-term turmoil, the Group has continued on its growth and expansion plans and delivered a solid increase in earnings.

During the half-year underlying Earnings Before Interest, Tax, Depreciation and Amortisation (Underlying EBITDA) increased by 13% to $7.95 million. The Underlying Net Profit After Tax (UNPAT) is $5.71 million, an increase of 15% over the corresponding 2017 period. This represents underlying earnings per share of 18.2 cents for the half-year ended 31 December 2018. UNPAT does not include amortisation and therefore gives a clearer picture of the Group's cash generating ability.

Despite the market driven decline, the combined Funds under Management, Administration and Advice (FUMAA) were $6.3 billion at 31 December 2018.



FUNDS UNDER ADMINISTRATION (FUAdm)

At 31 December 2018, FUAdm on the Fiducian platforms were $1.82 billion (30 June 2018: $1.94 billion) a decrease of around 6.2% over the last six months due to share market declines. On a positive note, supporting our structural growth strategy, white label platform administration for external groups has risen to over $24 million and new staff have been deployed to grow this part of our business.

DIRECTORS' REPORT

FUNDS UNDER MANAGEMENT (FUM)

Our in-house Manage-The-Manager system of investment continues to attract the majority of retail funds placed with us. Fiducian Funds have performed well over the medium to long term in their respective categories as we diversify their assets through a range of underlying fund managers to reduce risk and volatility. Over a three year return period the Morningstar Investment Performance Survey ranked the performance to December 2018 of the Growth and Balanced Fund 11th and 27th out of 161 funds and the Capital Stable ranked 25th out of 102 funds. At 31 December 2018, assets in Fiducian Funds were $2.22 billion (30 June 2018: $2.37 billion), a decrease of around 6.3% over the last 6 months due to market downturn. These funds are now offered in New Zealand and Fiducian has become a recognised name amongst leading financial planning groups there.

FUNDS UNDER ADVICE (FUA)

At 31 December 2018, FUA were $2.27 billion (30 June 2018: $2.41 billion). Even though inflows have been positive, there is a decrease of around 5.8% over the last six months due to the market downturn.

The relationship between our salaried and franchised financial planners and their clients remains strong and is founded on quality financial planning advice and strategy. Substantial marketing effort is being devoted through additional staff to attract new clients and build the distribution base with quality financial planners. Since our previous financial statement, 5 new franchised planners have been added, all after careful scrutiny. During the half-year ending 31 December 2018, the Group entered into purchase agreements to acquire $219 million of FUA for our salaried planners. Of this, $206 million is currently being assimilated into our processes. These funds have not been included in the FUA reported above and should start to contribute positively to our revenue in the following six months.

INFORMATION TECHNOLOGY

Our Wrap administration software FASTrack is continuing to deliver efficiency benefits and new opportunities for our Platform Administration business. Much system development was done successfully and well within desired time-frames, to respond to new and changed reporting mandated by the Tax Office and Regulators. Enhancements have also been made to our financial planning software FORCe to include leading edge workflows that link the administration and reporting system, a much sought after goal in the industry. Our efforts to market our financial planning software from a standing start to external users has had some success and we have our first few external users. This business unit could become a major revenue generator for the group in years to come.

DIRECTORS' REPORT

COMMUNITY SUPPORT

Fiducian continues to raise funds for charity. Sponsorship has also been extended to community organisations and sporting teams linked to our planning network. Vision Beyond AUS, a charity supported by the Fiducian Group, has funded free eye surgeries in seven locations spread out over India, Myanmar, Nepal and Cambodia. Eyesight has been restored to more than 29,900 persons who live in abject poverty. We intend to continue our charitable support to the community.

EMPLOYEE DIVERSITY

Fiducian is proud to be an equal opportunity employer. It endorses diversity and currently has employees from over 26 different countries that bring different skill-sets from their country of origin. We recognise that diversity includes, but is not limited to gender, age, ethnicity and cultural backgrounds.

ISSUED CAPITAL

On 3 March 2015 the parent entity announced to the Australian Securities Exchange its intention to buy back up to 500,000 shares on-market, which remains open. 21,745 shares have been bought back till the date of this report. The parent entity did not buy back any shares during this 6-month period. During the half-year the parent entity issued 100,000 shares to the Executive Chairman after receiving full value for the options exercised by him. As at 31 December 2018, the parent entity had 31,364,368 ordinary shares on issue.

At 31 December 2018 one parcel of 100,000 options and one parcel of 35,000 options remain on issue to the Executive Chairman at an exercise price of $3.77 and $4.35 respectively. They may be exercised by 19 October 2022 and 25 October 2023 respectively.

DIRECTORS' REPORT

CURRENT ECONOMIC OUTLOOK

The global economy is forecast to expand by 3.5% in 2019 and 3.6% in 2020, slightly below the growth rate achieved in 2018, according to the International Monetary Fund (IMF). However, considerable regional divergence is expected, with the advanced economies as a whole forecast to grow by 2.0% in 2019 and 1.7% in 2020, compared with forecast growth of 4.5% in 2019 and 4.9% in 2020 for the developing world. Most European economies, as well as Japan, are expected to under-perform the US. In its latest report (21 January 2019), the IMF emphasises that 'risks to global growth tilt to the downside', noting that 'the global economy continues to expand, but third-quarter growth has disappointed in some economies'. In particular, growth in much of Europe and in Japan was weak in the September quarter, with the whole Eurozone growing by only 0.2%, the German and Italian economies actually contracting (by 0.2% and 0.1% respectively) and the Japanese economy also contracting (by 0.6%).

However, the IMF is forecasting some recovery in both Europe and Japan over coming months, noting that 'idiosyncratic factors (including natural disasters in Japan and street protests and industrial action in France) weighed on activity in large economies'. Furthermore, the IMF is forecasting solid growth for the US economy over the next two years and, despite some slowing, Chinese growth is still expected to exceed 6% per year in 2019 and 2020, while Indian growth is forecast to be even stronger.

The Australian economy slowed in the September quarter, growing by only 0.3% for the period, with household spending soft and private investment also weak. However, exports continued to contribute to growth, mainly due to larger mining volumes and elevated prices for our largest export items, iron ore and coal, with China taking an increasing share of total exports (now over 30%). Domestically though, households have been feeling the squeeze from low growth in after-tax income, rising household costs (such as electricity) and falling house prices.

Most major share markets were weak in the second half of 2018, especially in the December quarter, in contrast to the 'bull' run of 2017. Tighter monetary policy, particularly in the US, where the central bank (the 'Fed') has been raising interest rates and withdrawing liquidity from the financial system ('quantitative tightening') has been weighing on share markets. However, recent market weakness has improved valuations, especially given ongoing solid growth in corporate earnings in many cases. As the IMF notes too, 'most central banks (now) appear to be adopting a more cautious approach', pointing to signalling by the 'Fed' in December that it would keep a watch on financial markets and adopt 'a more gradual pace of rate hikes in 2019 and 2020'.

Major global government bond markets saw little net movement in yields over the course of 2018, apart from the US, where the 10-year Treasury bond yield rose from 2.41% at the start of the year to 2.69% by 31 December. Overall, most bond markets continue to appear expensive.

DIRECTORS' REPORT

DIVIDEND

After consideration of the economic environment and the strength of the company's debt-free balance sheet, the directors have decided to maintain the usual distribution level of around 60-70% of statutory NPAT. Dividend policy is subject to capital management of acquisitions, share buy-backs and growth strategies. The directors have resolved to pay an interim fully franked dividend in respect of the half-year ended 31 December 2018 of 11.0 cents per share, an increase of 22.2% over that of 31 December 2017.

Dividend History		($ in thousands)
Paid - 12/9/18	11.00 cents fully franked	3,448
Paid - 15/3/18	9.00 cents fully franked	2,814
Paid - 13/9/17	8.90 cents fully franked	2,783
Paid - 13/3/17	7.10 cents fully franked	2,220
Paid - 12/9/16	7.00 cents fully franked	2,180
Paid - 14/3/16	5.50 cents fully franked	1,711
Paid - 24/9/15	5.50 cents fully franked	1,706
Paid - 26/3/15	4.50 cents fully franked	1,390
Paid - 19/9/14	5.00 cents fully franked	1,538
Paid - 26/3/14	4.10 cents fully franked	1,268

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 on page page 8.

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The company is of a kind referred to in Class order 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of directors.

Inderjit (Indy) Singh
Executive Chairman

Sydney, 14 February 2019

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the review of Fiducian Group 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.

This declaration is in respect of Fiducian Group Limited and the entities it controlled during the period.

Darren Ross
Partner
PricewaterhouseCoopers

Sydney
14 February 2019

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half-year ended 31 December 2018

	Half-Year to 31 December ($ in thousands) 2018	2017
Revenue from ordinary activities	24,600	22,349
Payment to advisers and service providers	(6,396)	(6,020)
Employee benefits expense	(6,560)	(6,258)
Depreciation, impairment and amortisation expense	(751)	(679)
Other expenses	(3,698)	(3,052)
Profit before income tax expense	**7,195**	**6,340**
Income tax expense	(2,191)	(2,004)
Profit after income tax	**5,004**	**4,336**
Other comprehensive income for the half-year, net of tax	**-**	**-**
Total comprehensive income for the half-year attributable to the owners of Fiducian Group Limited	**5,004**	**4,336**
Earnings per share		
Earnings per share from profit from continuing operations attributable to the ordinary equity holders of the company:		
Basic earnings per share	15.98 cents	13.87 cents
Diluted earnings per share	15.93 cents	13.83 cents

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	31 December 2018 ($ in thousands)	30 June 2018 ($ in thousands)
ASSETS		
Current assets		
Cash and cash equivalents	14,601	13,885
Trade and other receivables	5,260	4,976
Total current assets	19,861	18,861
Non-current assets		
Receivables	5,384	5,738
Property, plant and equipment	162	186
Intangible assets	15,872	15,776
Total non-current assets	21,418	21,700
Total assets	**41,279**	**40,561**
LIABILITIES		
Current liabilities		
Trade and other payables	6,615	6,081
Current tax liabilities	419	1,460
Total current liabilities	7,034	7,541
Non-current liabilities		
Net deferred tax liabilities	1,341	1,357
Provisions	365	532
Total non-current liabilities	1,706	1,889
Total liabilities	**8,740**	**9,430**
Net assets	**32,539**	**31,131**
EQUITY		
Current liabilities		
Contributed equity	7,259	7,041
Reserves	73	130
Retained profits	25,207	23,960
Total equity	**32,539**	**31,131**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2018

	Contributed Equity ($ in thousands)	Reserves ($ in thousands)	Retained Earnings ($ in thousands)	Total ($ in thousands)
Half-year to 31 December 2018				
Balance as 30 June 2018	**7,041**	**130**	**23,960**	**31,131**
Change on initial application of AASB 9	-	-	(366)	(366)
Restated balance at the beginning of the half-year	**7,041**	**130**	**23,594**	**30,765**
Comprehensive income for the half-year	-	-	5,004	5,004
Transactions with equity holders in their capacity as equity holders				
Dividends paid	-	-	(3,448)	(3,448)
Transfer to equity on exercise of options	-	(57)	57	-
Shares issued	218	-	-	218
Total transactions with equity holders	218	(57)	(3,391)	(3,230)
Balance at the end of the half-year	**7,259**	**73**	**25,207**	**32,539**
Half-year to 31 December 2017				
Balance at the beginning of the half-year	**7,141**	**120**	**20,359**	**27,620**
Comprehensive income for the half-year	-	-	4,336	4,336
Transactions with equity holders in their capacity as equity holders				
Dividends paid	-	-	(2,783)	(2,783)
Transfer to equity on exercise of options	-	-	-	-
Shares issued	-	-	-	-
Total transactions with equity holders	-	-	(2,783)	(2,783)
Balance at the end of the half-year	**7,141**	**120**	**21,912**	**29,173**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2018

	Half-Year to 31 December ($ in thousands) 2018	2017
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	29,625	24,484
Payments to suppliers and employees (inclusive of goods and services tax)	(21,913)	(17,503)
	7,712	**6,981**
Interest received	248	209
Income taxes paid	(3,432)	(2,377)
Net cash inflow from operating activities	**4,528**	**4,813**
Cash flows from investing activities		
Payment instalments for acquired client portfolios	(721)	(651)
Net payment to/repayments of principal and interest from financial planners	158	446
Other repayments	(19)	(2)
Net cash outflow from investing activities	**(582)**	**(207)**
Cash flows from financing activities		
Proceeds on issue of shares	218	-
Dividends paid	(3,448)	(2,783)
Net cash outflow from financing activities	**(3,230)**	**(2,783)**
Net increase in cash and cash equivalents	**716**	**1,823**
Cash and cash equivalents at the beginning of the half-year	13,885	9,548
Cash and cash equivalents at the end of the half-year	**14,601**	**11,371**

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

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the interim half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the information and disclosures required in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2018 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX listing rules.

Figures presented in this report are subject to rounding.

COMPLIANCE WITH IFRS

The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The accounting policies adopted in the preparation of these interim financial statements are consistent with those of the previous financial year except for the adoption of new accounting standards effective as of 1 July 2018. The group has applied AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* for the first time for these interim financial statements. Changes to the Group's key accounting policies, if any, are described later in this note in the section titled: Implementation of new accounting standards effective in the current period. Other than the opening balance sheet adjustment amounting to $366,000, the adoption did not affect the amount recognised in previous periods nor significantly affect the current or future periods.

Management is aware that certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2018 reporting period. Management is in the process of assessing the impact of AASB 16 *Leases* and interpretations with a view to disclosing the impact in the full year financial statements.

IMPLEMENTATION OF NEW ACCOUNTING STANDARDS EFFECTIVE IN THE CURRENT PERIOD

AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* replaces the provisions of AASB 139 *Financial Instruments* that relate to the recognition and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has adopted this standard from 1 July 2018 and has applied all the applicable provisions of the standard from that date. The key changes of this standard that have impacted the accounting policies and on transition are summarized below:

Classification and subsequent measurement

AASB 9 has three classification categories for financial assets: Amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit and Loss (FVTPL). The classification is based on the business model under which the financial assets are managed and their contractual cash flows. In determining the business model, the Group exercised its judgment based on all evidence available at initial recognition of the financial asset. The following indicators were considered in the determination:-

- The objectives of the business model and how they were achieved
- The basis on which the financial assets were managed
- The basis on which the financial assets performance was evaluated and reported to Key Management Personnel ("KMP")
- The management of risks in the business model
- The basis of compensation of KMP in the business model

On application of the business model assessment to business development loans, management concluded that the business model for these loans was 'Hold and Collect' as there was no intention at the time when the assets were acquired to either trade them or sell them later. A similar assessment was conducted on the contractual cash flows of the business loans to determine if their contractual terms gave rise to cash flows that were solely payments of principal and interest (SPPI) on the principal outstanding. Based on this assessment management concluded the cash flows of business development loans were SPPI. After considering the conclusions of the assessment of the business model and the SPPI test, management concluded that the assets previously classified as Loans and Receivables under AASB 139 would be classified as Amortised Cost under AASB 9. The Group does not have any financial assets which could be classified as FVOCI or FVTPL which was consistent with the previous classification of financial assets under AAB 139 where the Group did not have any Fair Valued or Available for Sale financial assets.

Under the new classification of AASB 9, receivables, including business development loans held for collection of contractual cash flows where cash flows represent solely payment of principal and interest, are measured at amortised cost. Interest income from these financial assets are included in income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss.

AASB 9 largely retains the existing requirements of AASB 139 for classification and measurement of financial liabilities and therefore there were no changes to the Group's accounting of these liabilities.

Impairment

The expected credit loss model (ECL) introduced by AASB 9 as a replacement for the incurred loss model of AASB 139 requires earlier recognition of credit impairments based on all reasonable and appropriate information on past events, current conditions and forward looking information. With the ECL impairment requirements of AASB 9 only applicable to financial assets measured at amortised cost and FVOCI, the Group's assessment of ECL focused on receivables, including development loans given to financial planners, which were classified as amortised cost. AASB 9 requires measuring ECL for the development loans portfolio by applying a 3-stage approach where individual loans are categorized based on changes in the credit risk since origination. An unbiased and probability weighted ECL is then computed for the individual loan as the product of the probability of default (PD), the loss given default (LGD) probability and the exposure at the time of default (EAD).

The ECL was determined with reference to the following stages:

Stage 1: Performing loans 12 month ECL

At initial recognition and for financial assets for which credit risk was low, ECL was determined based on the probability of default (PD) over the next 12 months and the losses associated with such default, adjusted for forward looking information. Interest income was determined with reference to the effective interest rate and the gross carrying amount of the asset.

Stage 2: Non-performing loans: Lifetime ECL

The Group assessed whether there had been a significant increase in credit risk (SICR) of the loans since initial recognition, based on qualitative and quantitative factors, and reasonable forward looking information, which included significant management judgement. Qualitative factors included but were not limited to payment history, requests to modify contractual payments and compliance reviews. Quantitative analysis utilised an internally developed model based on loan to value ratios and forecast cash flows, adjusted for forward looking indicators such as the level of the ASX 200. Where the Group's modelling indicated a SICR, an ECL was determined with reference to the loan's lifetime probability of default and the lifetime loss associated with that probability of default. Interest income was determined with reference to the financial asset's effective interest rate and the gross carrying amount of the asset.

Stage 3: Credit impaired loans: Lifetime ECL

Where one or more event which have a detrimental impact on estimated future cash flows has occurred, the loans would be classified as credit impaired and included in stage 3. Management have pre-defined some events that would objectively indicate credit impairment such as loan to value ratio increasing beyond a certain percentage and bankruptcy of the adviser. Lifetime ECL continues to be recognised but interest income is taken on a net of provision basis. The Group does not have any assets in stage 3.

Transition

The carrying amount of the Group's financial assets have not been impacted by the new classification category introduced by AASB 9. However, as a result of the application of the new ECL methodology on receivables held at amortised cost, a transition adjustment on initial adoption of the standard is necessary. Management have noted that the SICR methodology is a relative credit risk approach involving significant management judgment in determining whether there has been a SICR in underlying exposures, this could result in exposures being classified as stage 2 despite these assets not being of a lower credit quality than exposures classified in stage 1. Based on AASB 9 modelling, management have determined that there has been an increase in credit risk since initial recognition for a few business development loans included in receivables and therefore in accordance with the ECL methodology, these loans have transitioned from stage 1 to stage 2, requiring the provision of a Lifetime ECL. The transition adjustment to retained earnings relates to this provision. In accordance with AASB 9 the Group has not restated the comparatives in the financial statements and has recorded a transition adjustment to its opening balance sheet as at 1 July 2018. The impact of this transition adjustment has reduced the Group's shareholders' equity by $366,000 and increased the provision for impairment of business development loans from $188,000 to $554,000.

The Group does not have exposure to hedging instruments and therefore the hedging requirements of AASB 9 are not applicable.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 replaces all the previous guidance on revenue recognition from contracts with customers. It requires the identification of discrete performance obligations within a customer contract and an associated transaction price that is allocated to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services is transferred to the customer. The key judgments in applying AASB 15 include determining whether the contract is a single performance contract, whether the performance obligation is satisfied over time, as well as the timing and amount of variable consideration to be recognised.

The five steps approach to revenue recognition prescribed by AASB 15 was adopted by the Group from 1 July 2018 and despite the change in approach to revenue recognition, no material adjustment to opening retained earnings was recognised as the amendments to accounting policies did not result in significant changes to the timing or amount recognised.

The primary revenue streams from contracts with customers for the Group are in the nature of management fee income earned from funds management, fees earned from offering platform services and fee income from offering advice to customers. Fees earned from the funds management services have been accounted for as single performance obligations to each fund satisfied over time. The fees received based on a fixed percentage on the assets under management are considered variable consideration but with the uncertainty in the variable element being resolved within the reporting period. Fund management services are held to be performed on an ongoing daily basis and therefore fees are accrued daily and paid monthly in arrears for the service provided. Revenue streams earned from platform administration services are identified as separate single performance obligations to individual customers with customers exercising control over the funds transitioned onto the platform. Platform administration services are held to be performed on an ongoing daily basis and therefore fees are accrued daily and paid monthly in arrears for the service provided by the platform.

Fees earned from offering advice to customers are a combination of fees earned for ongoing service, and one off fees. Ongoing fees based on funds under advice are treated as single performance obligations satisfied over time. The fees received based on a fixed percentage on the funds under advice are considered variable consideration but with the uncertainty in the variable element being resolved within the reporting period. Advice service fees are therefore accrued daily and paid monthly in arrears for the service period, and therefore the revenue is attributed to services provided for within the period and accounted for as such. One off fees are identified as a single performance obligation with service performed at a point in time and revenue recognised in line with the service.

NOTES TO THE FINANCIAL STATEMENTS

2. SEGMENT INFORMATION

The business activities of the Group have been split into business segments based on legal entities and reviewed by management accordingly. The business segments are as follows:-

FUNDS MANAGEMENT

The Group through its subsidiary Fiducian Investment Management Services Limited acts as an Operator of an Investor Directed Portfolio Service, the Fiducian Investment Service, and as Responsible Entity for managed investment schemes and managed discretionary accounts.

CORPORATE AND ADMINISTRATION

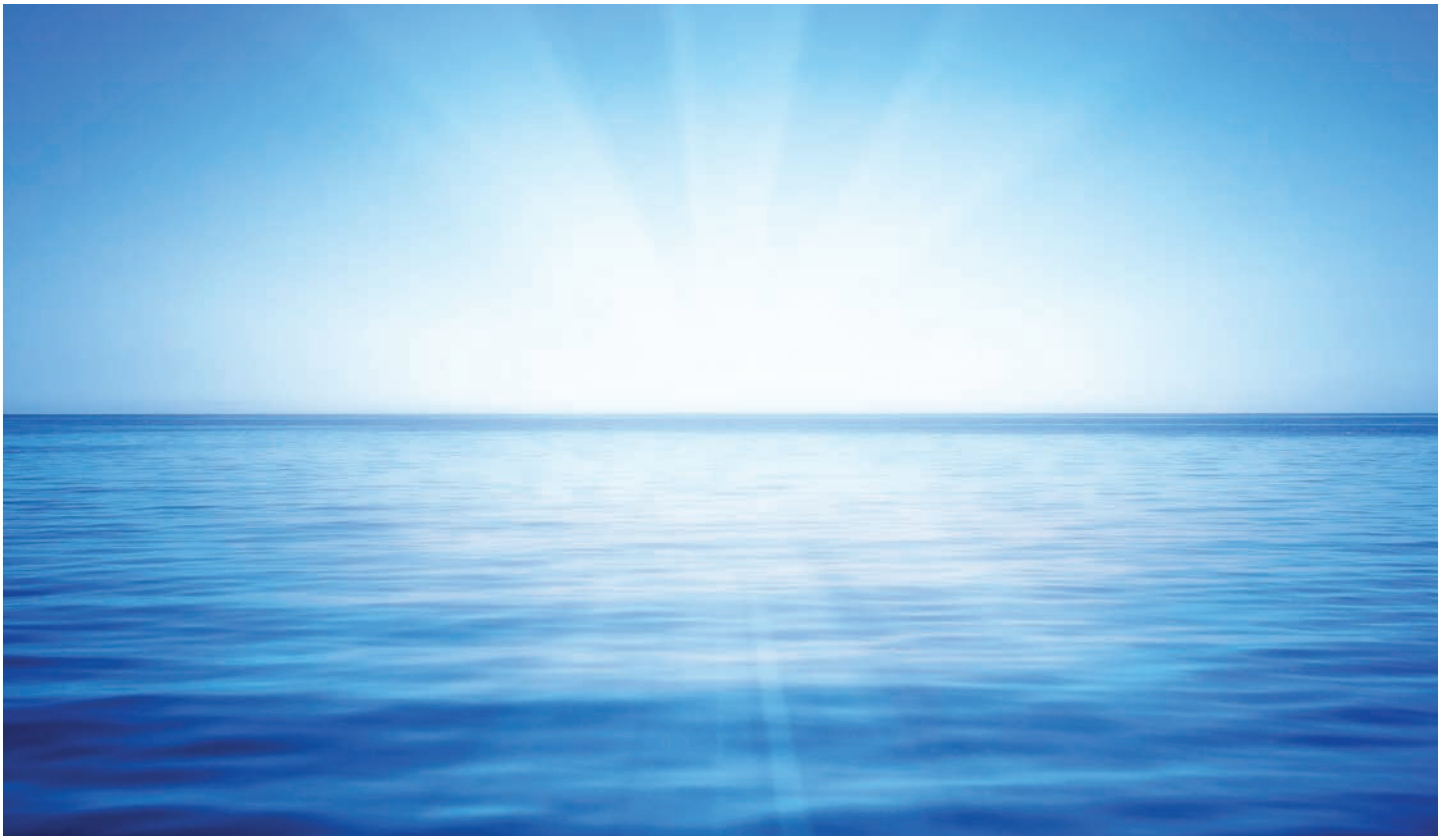
Administration and professional services are provided to the Group by a subsidiary, Fiducian Services Pty Ltd. Management view this as an operating segment. The operations of Fiducian Portfolio Services Ltd, which acts as an RSE of the public offer superannuation fund, and Fiducian Business Services Pty Ltd, which provides accountancy services have been aggregated in this segment as management have concluded that these segments do not meet the quantitative thresholds required by AASB 8 Operating Segments.

FINANCIAL PLANNING

The Group continues its specialist financial planning services through its subsidiary, Fiducian Financial Services Pty Ltd.

GEOGRAPHICAL SEGMENTS

The Group operates in the geographical segments of Australia and in India. The Indian operations, which are in the course of winding up, are not considered material for a separate geographical segment disclosure.



NOTES TO THE FINANCIAL STATEMENTS

	Funds Management ($ in thousands)	Financial Planning ($ in thousands)	Corporate, Administration & Other ($ in thousands)	Consolidated ($ in thousands)
Half-Year 2018				
Revenue from external customers	8,662	7,915	7,276	23,853
Intersegment sales	(1,864)	(300)	2,164	-
Other revenue	61	621	65	747
Total revenue	6,859	8,236	9,505	24,600
Profit from ordinary activities before income tax expense	4,201	(254)	3,248	7,195
Income tax expense				(2,191)
Profit from ordinary activities after income tax expense				5,004
Total Assets	8,416	23,617	9,246	41,279
Total Liabilities	3,377	4,276	1,087	8,740
Half-Year 2017				
Revenue from external customers	7,533	7,523	6,664	21,720
Intersegment sales	(1,500)	(375)	1,875	-
Other revenue	53	547	29	629
Total revenue	6,086	7,695	8,568	22,349
Profit from ordinary activities before income tax expense	3,563	(494)	3,270	6,340
Income tax expense				(2,004)
Profit from ordinary activities after income tax expense				4,336
Total Assets	7,647	23,957	6,709	38,313
Total Liabilities	3,189	4,494	1,457	9,140

	Funds Management ($ in thousands)	Financial Planning ($ in thousands)	Corporate, Administration & Other ($ in thousands)	Consolidated ($ in thousands)
Disaggregration of revenue from external customers				
Half-Year 2018				
Platform administration	-	-	7,073	7,073
Corporate and business services	-	-	203	203
Salaried adviser fees	-	3,532	-	3,532
Franchised adviser fees	-	4,383	-	4,383
Fund management fees	8,662	-	-	8,662
Total Revenue from external customers	8,662	7,915	7,276	23,853
Half-Year 2017				
Platform administration	-	-	6,386	6,386
Corporate and business services	-	-	278	278
Salaried adviser fees	-	3,283	-	3,283
Franchised adviser fees	-	4,240	-	4,240
Fund management fees	7,533	-	-	7,533
Total Revenue from external customers	7,533	7,523	6,664	21,720

3. DIVIDENDS

	Half-Year to 31 December ($ in thousands) 2018	2017
Ordinary shares		
Dividend paid during the half-year	3,448	2,783
Dividend not recognised at the end of the half-year		
In addition to the above dividend, since the end of the half-year the directors have resolved to pay an interim dividend of 11.00 cents per fully paid ordinary share (2017 - 9.00 cents), fully franked based on tax paid at 30%. The aggregate amount of this dividend is to be paid on 14 March 2019 out of retained profits at 31 December 2018, but not recognised as a liability at the end of the half-year, is:	3,448	2,814

NOTES TO THE FINANCIAL STATEMENTS

4. BUSINESS COMBINATION

	Half-Year to 31 December ($) 2018	2017
During the period the Group made the following acquisitions:		
Segment	Financial Planning	Financial Planning
Fiducian entity	Fiducian Financial Services Pty Ltd	Fiducian Financial Services Pty Ltd
Date	Dec-2018	Dec-2017
Purchased	Client Portfolio	Client Portfolio
Vendor staff employed by Group	Yes	Yes
Maximum purchase price	617,567	380,000
Paid by reporting date	446,417	380,000
Deferred consideration at reporting date	171,150	-
Value attributed on the Statement of Financial Position as at reporting date	100%	100%
Business combination or asset only	Combination	Combination
Provisional Fair value of assets recognised as a result of acquisition are as follows:		
Intangible assets	617,567	504,000
Deferred Tax Liabilites	(185,270)	(151,200)
Net Identifiable intangible assets acquired	432,297	352,800
Goodwill on acqusition	185,270	27,200
Net Assets Acquired	617,567	380,000

The previously acquired businesses did not contribute significantly to the group's current period profits. It is not practicable to estimate the profit contribution given the significant change to the operation of the business once within the Fiducian Group.

During December 2018 the Group entered into two agreements to acquire businesses that held $206 million FUA in aggregate in Western Australia and Victoria. These acquisitions have not been included in the Business Combination note as the group had yet to take control of the businesses within the period. Also refer to Note 7 Events after Balance sheet date

5. CONTRIBUTED EQUITY

During the period contributed equity increased by $218,000 as a result of an issuance of 100,000 shares in the exercise of employee share options by the Executive Chairman.

NOTES TO THE FINANCIAL STATEMENTS

6. OTHER EXPENSES

Expenses have increased, primarily due to a change in the treatment of education and training expenses following a change of contractual terms. These expenses were previously netted off against revenue. In addition, there has been a provision for "make-good" refurbishment expenses in the event of Fiducian moving office in 2020. Other expenses, outside of normal inflationary increases, related to higher levies at new rates imposed by the Regulators.

7. EVENTS OCCURRING AFTER THE BALANCE DATE

During December 2018 the Group entered into two agreements to acquire businesses that held $206 million FUA in aggregate in Western Australia and Victoria. Subsequent to the balance date, the Group has paid $956,654 towards the acquisition of the Western Australia business. Other than this, there has not arisen in the interval between the balance date and the date of this report any item, transaction or event of a material and unusual nature likely in the opinion of the directors of the Group to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years.

8. CONTINGENT LIABILITIES

ROYAL COMMISSION

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has recently delivered its final report. Some themes included obeying the law and delivering services that are fit for purpose. Specifically, a major point of discussion was the charging of fees without the provision of advice.

Our compliance and legal teams have conducted extensive reviews into this matter, through which no systemic issues were identified. We credit this to compliance with the following processes:

- We have a strict compliance framework and code of conduct expected from our financial planners, who also participate in training programs for professional development
- We carry out frequent reviews of compliance with the law and appropriateness of financial planning strategies. These are conducted randomly and as well through face-to-face meetings by our compliance team and practice development managers
- We have mandated since inception that all financial planners must provide regular reviews to their clients' portfolios which is part of our operating culture

Additionally, we have carried out an enterprise wide investigation over six months to ensure that fees have only been charged when a service has been provided. The methodology supporting this project and the report have been submitted to the board and our auditors.

While management is confident in its procedures and controls, a provision of $100,000 has nevertheless been provided for in these financial statements.

GUARANTEES

The Group had contingent liabilities at 31 December 2018 in respect of bank guarantees for property leases of parent and group entities amounting to $602,547 (30 June 2018: $590,357).

DIRECTORS' DECLARATION

In the directors' opinion:

(a) The financial statements and notes set out on pages page page 9 to page 20 are in accordance with the Corporations Regulations 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) There are reasonable grounds to believe that Fiducian Group Limited will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

Inderjit (Indy) Singh

Executive Chairman

Sydney, 14 February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS

Independent auditor's review report to the members of Fiducian Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Fiducian Group Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for Fiducian Group Limited. The Group comprises the Company and the entities it controlled during that half-year.

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 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 Australian 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 Fiducian Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS

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Independence

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

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 Fiducian Group Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

PricewaterhouseCoopers

Darren Ross — Sydney

Partner — 14 February 2019

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OTHER OFFICES

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Bondi
Bondi Junction
Macarthur
North-East Sydney
Randwick
Sydney CBD
Windsor

NSW - REGIONAL

Bathurst
Caves Beach
Coffs Coast
Gosford
Hunter
Maitland
Newcastle
Nowra
Southern Highlands
Tamworth
Walcha

ACT

Canberra

QLD

Bayside
Buderim
Caboolture
Caloundra
Noosa Hinterland
Sunshine Coast
Toowoomba

VIC

Mt Waverley
Ringwood
Sale
St Kilda
Sunbury
Surrey Hills

TAS

Devonport
Hobart
Launceston

SA

Adelaide City Central

WA

South Perth

SHARE REGISTER

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Level 4, 60 Carrington Street
Sydney NSW 2000

AUDITOR

PricewaterhouseCoopers
Chartered Accountants

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Sydney NSW 2000

BANKERS

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388 Collins Street
Melbourne VIC 3000

National Australia Bank Limited
500 Bourke Street
Melbourne VIC 3000

AUSTRALIAN SECURITIES EXCHANGE LISTING

Fiducian Group Limited (ASX:FID)

WEBSITE ADDRESS

www.fiducian.com.au

Corporate Directory

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