

# PACIFIC CURRENT GROUP LIMITED

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Annual Report 2018

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# CONTENTS

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|     |                                                                                  |
|-----|----------------------------------------------------------------------------------|
| 2   | Key Financial Highlights                                                         |
| 3   | Chairman's Report                                                                |
| 4   | Managing Director, Chief Executive Officer and Chief Investment Officer's Report |
| 7   | Board of Directors                                                               |
| 8   | Director's Report                                                                |
| 36  | Auditor's Independence Declaration                                               |
| 37  | Consolidated Statement of Profit or Loss                                         |
| 38  | Consolidated Statement of Other Comprehensive Income                             |
| 39  | Consolidated Statement of Financial Position                                     |
| 40  | Consolidated Statement of Changes in Equity                                      |
| 41  | Consolidated Statement of Cash Flows                                             |
| 42  | Notes to the Financial Statements                                                |
| 104 | Directors' Declaration                                                           |
| 105 | Independent Auditor's Report                                                     |
| 112 | ASX Additional Information                                                       |
| 114 | Corporate Information                                                            |



In accordance with ASX Listing Rule 4.10.3, Pacific Current Group Limited's Corporate Governance Statement can be found on its website at <http://paccurrent.com/shareholders/corporate-governance/>

In this Annual Report, a reference to 'Pacific Current Group', 'Group', 'the Group', 'the Company', 'we', 'us' and 'our' is to Pacific Current Group Limited ABN 39 006 708 792 and its subsidiaries unless it clearly means just Pacific Current Group Limited

In this Annual Report, a reference to funds under management (FUM) means the total market value of all the financial assets which one of our partner boutiques manages on behalf of its clients and themselves.



## About us

Pacific Current Group Limited (ASX:PAC) is a global multi-boutique asset management business committed to seeking out and investing with exceptional investment managers.

## Our philosophy

Each investment is created with flexibility to create exceptional alignment with our boutique managers. We apply capital, strategic insight, and global distribution to support the growth and development of our investments in the boutiques. Our goal is to help investment managers focus on their core business and what matters most: investing.

## What we offer our boutiques

- Strategic and complementary capital – we seek to complement their business, not control it
- Flexible ownership structures – our goal is to create exceptional alignment with our investments, so every investment is uniquely tailored to fit the specific manager's needs
- Global distribution and marketing services to help grow underlying FUM at the boutique level – allowing portfolio managers to remain focused on investing
- Access to our global network and strategic insight – there are many ways we support the development of our boutiques, specifically by providing intelligent insight and connecting them with the right people

## KEY FINANCIAL HIGHLIGHTS

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Increased underlying profit  
(up from \$16.6m)

**\$17.8m**

Increased dividend  
(up from 18 cent per share)

**22cps**

- ✓ Significant reduction in the level of gearing
- ✓ Business structure simplified
- ✓ Strong growth in FUM across the Group
- ✓ Acquisition of Victory Park Capital and CAMG
- ✓ Sale of IML, Goodhart, Aperio and residual stake in RARE
- ✓ Ongoing portfolio diversification with strong pipeline of opportunities

# CHAIRMAN'S REPORT

**We can now start to see that the strategic move to increase our focus outside Australia is paying off for PAC, with investments in leading managers in the US, Europe, UK and Australia.**

## Dear fellow shareholders,

Firstly, thank you once again for your support of our company.

The 2018 Financial Year has been a year where our attention has principally been focused on managing our portfolio of investments. This is in contrast to prior years where we have needed to address both portfolio matters and work through significant corporate challenges.

The result of this focus is a healthy portfolio of high-quality investments. Our portfolio has now become heavily weighted to offshore managers, though this is a by-product of where we have been finding attractive opportunities. The asset classes to which we are gaining exposure also continue to expand. This exposure stands in contrast to our history of investing primarily in active equity strategies and should benefit our long-term growth prospects.

As we have recently seen with Aperio, and before that with IML and RARE, there are times when we will need to sell prized assets. Most often, this will occur for the positive reason that the other shareholders have elected to sell and have negotiated to do so at an attractive price. The timing of such events is outside our control, and certainly healthy equity markets in recent years have fueled some of the acquisition activity we have experienced. As we look at our portfolio today, the likelihood of selling any major assets should be low for quite some time.

When we do end up selling businesses the obvious challenge is the reinvestment of the proceeds.

We believe our management team has demonstrated its ability to identify and secure attractive investments, and thus we are confident we will successfully allocate the proceeds we received from selling Aperio and our remaining position in RARE.



**M. Fitzpatrick**  
Chairman

That team is now lead by Paul Greenwood, who I am delighted has agreed to accept the additional role of Managing Director and Chief Executive Officer of the Group while continuing in his capacity as Chief Investment Officer. The team is capable and hardworking and intensely focused on increasing shareholder value.

I would also like to thank the members of the Board for their continuing commitment to the business. They have patiently worked through a number of challenging issues over the last few years and have brought significant experience, expertise and balance to those matters.

Looking forward, I think we can now start to see that the strategic move to increase our focus outside Australia is paying off for PAC, with investments in leading managers in the US, Europe, UK and Australia, who invest in US equities, smart Beta, international and emerging markets, small caps, infrastructure and debt.

I am confident that the business is in good shape with strong profit and a good balance sheet providing the foundations to further leverage our current position.

**M. Fitzpatrick**  
Chairman

# MANAGING DIRECTOR, CHIEF EXECUTIVE OFFICER AND CHIEF INVESTMENT OFFICER'S REPORT

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**P. Greenwood**  
Managing Director, Chief Executive  
Officer and Chief Investment Officer

**If we can continue to push our reliance on equity managers lower without sacrificing growth, we should be in much better shape when challenging times come again.**

I am pleased to provide an update on PAC's business and performance. After several years of working on the structure of our business, FY18 was a year where we could again focus our energies on managing our existing portfolio and seeking new diversifying investments. While always a work in progress, we are happy with the performance of our business and portfolio in FY18. Moreover, we expect FY19 to be a year where we reap significant benefits from the seeds sown in FY18.

## Financial Progress

Despite selling our leading revenue-producing asset (Investors Mutual Limited) in October, PAC produced underlying net profit after tax (NPAT) of \$17.8m in FY18, representing a 7% increase over FY17. Additionally, the Board declared a fully franked dividend of 22 cents per share, representing a 22% year-over-year increase. This positive outcome stems from the excellent progress made by some of our portfolio companies, such as GQG Partners (GQG), as well as significant reductions in legal and consulting, interest, and occupancy expenses. The commissions we pay our distribution team increased meaningfully during the year. We are always happy to see this expense item rise because (1) it means we have been successful raising capital for our portfolio companies, and (2) our portfolio companies generally compensate us, over and above what we receive from our ownership stakes, for helping them secure new clients.

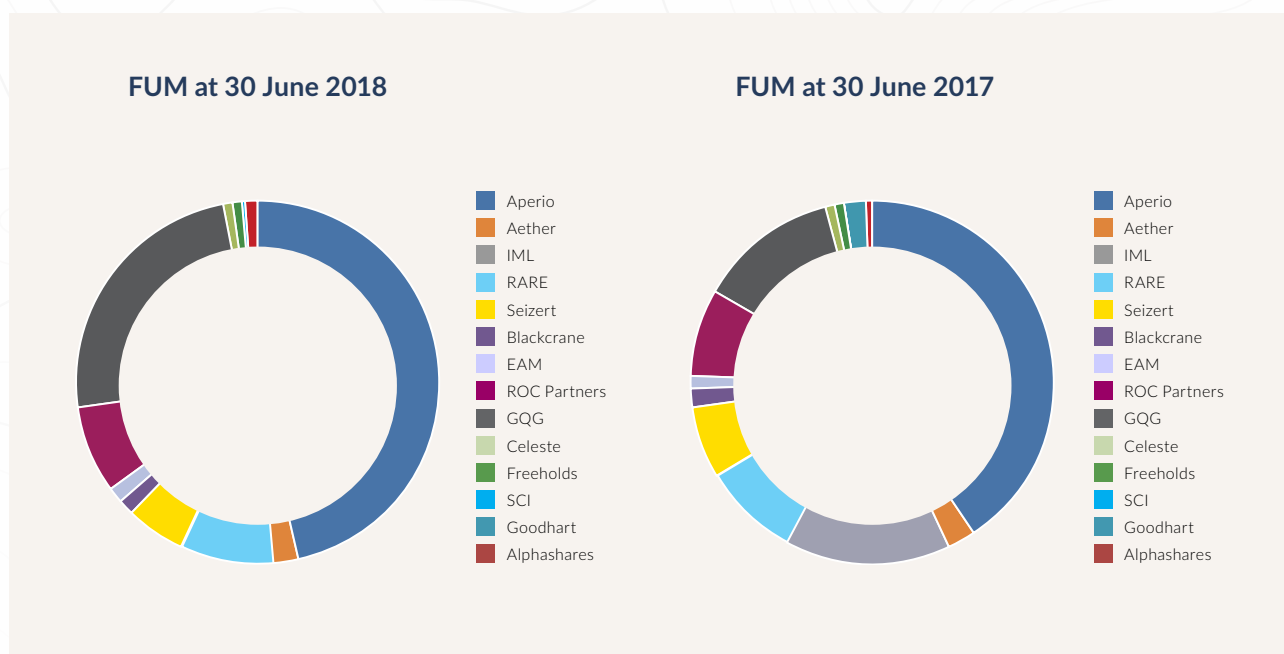
## Structure

In FY18, we witnessed the final steps in our structural simplification process. Our team successfully negotiated the redemption of all outstanding X-RPU units, which had the impact of not only reducing PAC's liabilities but also ensuring all pre-merger investor groups hold the same security. Thanks to these changes, we now have greater alignment among our investors and lower professional services expenses. We also believe our financial statements will be easier to interpret and analyse going forward.

## Diversification

One of the subjects we have continued to emphasize in our discussions with shareholders is diversification. While not the most glamorous subject, diversification can be thought of as a form of insurance, whereby we can mitigate our business risk by thoughtfully building a portfolio where individual assets are exposed to different risks rather than the same ones. The most obvious example is equity market risk. Historically, almost all of PAC's revenues flowed from investment firms focused on publicly traded equities, making PAC's revenues highly dependent on equity market returns.

This exposure to equity markets is a double-edged sword and thus a risk we are actively seeking to reduce. With the inclusion of Victory Park Capital into our portfolio and the sale of Aperio Group (Aperio), our reliance on equity-oriented managers will have gone from nearly 100% a decade ago to



something closer to half going forward. If we can continue to push our reliance on equity managers lower without sacrificing growth, we should be in much better shape when challenging times come again.

### Portfolio Update

PAC's portfolio fared well in FY18. We continued to experience exceptional growth from GQG and Aperio, as well as significant FUM acceleration at EAM Global (EAM). For the year, PAC saw its aggregate FUM increase by 45% (adjusting for the sale of IML). Overall, investment performance for our boutiques over the last year can best be described as mixed, though our Growth boutiques posted particularly strong results.

The year began with the sale of Investors Mutual Limited (IML). The firm had been in the portfolio since 2001 and was a very successful investment for PAC, ultimately returning more than 30 times our initial investment. When IML's largest shareholders began expressing their desire to transition their ownership, we were confronted with the choice of attempting to increase our ownership stake or selling all of it. We concluded it was appropriate to sell our position and recycle the proceeds into less mature investments that provide greater diversification for our portfolio.

We also decided to sell our stake in Goodhart Partners (Goodhart) back to company management, ending a nine-year partnership with the firm. This was a mutual decision that now allows Goodhart's management to pursue a long-term strategic vision that would not have been possible within our existing relationship.

The sale of IML provided PAC with a cash-rich balance sheet to pursue new investment opportunities. We invested a small amount of this capital into one of our rapidly growing portfolio companies, EAM. We also made an early-stage investment in Capital & Asset Management Group (CAMG), a London-based private infrastructure firm with a unique pipeline of investment opportunities in the US.

Post fiscal-year end we announced three major portfolio changes. The first was the decision to sell PAC's remaining stake in RARE to Legg Mason, the firm that acquired the majority of RARE in 2015. This decision was simply based on our view that we can enhance shareholder returns by recycling the proceeds of a RARE sale into faster-growing, higher-yielding investments. The mechanism that determines how much PAC will receive has some complexity, but we are confident that we should receive proceeds similar to the value at which we have been carrying this residual stake.

The second change relates to the redeployment of US\$70m of the IML proceeds into an investment in Victory Park Capital (VPC). VPC is a Chicago-based manager of various private capital strategies, which are primarily private-credit oriented. Since its inception in 2007, the firm has grown rapidly and become a leading capital provider to "fintech" firms. In addition to its leadership position and attractive growth profile, VPC's business benefits from having "contractual revenues," which means the management fees it receives are legally committed for multiple years and don't fluctuate based on capital markets. This attribute is something we have been actively pursuing, so as to enhance the resiliency of PAC's revenues during more difficult periods.

# MANAGING DIRECTOR, CHIEF EXECUTIVE OFFICER AND CHIEF INVESTMENT OFFICER'S REPORT

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Lastly, in early August, PAC announced that Aperio has agreed to sell the vast majority of its firm to Golden Gate Capital. The premise of our original investment (US\$31.8m) was that Aperio was a well-managed business benefitting from several powerful secular trends. This proved to be correct, and the firm's FUM more than doubled from the US\$13.2B it managed at the time of our investment in January 2016. Aperio's growth and its market position attracted numerous suitors and ultimately Aperio management decided it made sense to sell most of the business. We considered increasing our investment, but it became clear that other investors were willing to pay far more than we believed was prudent. Accordingly, we expect that upon closing (most likely in October) PAC will receive pre-tax proceeds of approximately US\$73m.

While our strong preference is to hold on to assets indefinitely, one risk of our strategy is that a successful firm may eventually decide to sell its business and thus force us to become the acquirer or sell much or all of our stake. Selling a successful investment earlier than planned is a necessary concession for the opportunity to invest in high-quality, rapidly growing boutique investment firms. Put another way, PAC would never be able to invest in companies like Aperio, GQG, or Victory Park if we insisted upon right to block them from selling their businesses.

## Looking Ahead

Since we announced the sale of Aperio, there has been much interest in when and where the proceeds will be reinvested. For obvious reasons, there is little benefit for PAC to provide specific answers to these questions before investments are finalised. However, it is important to note that PAC is always actively pursuing investments. In other words, we are never starting from scratch when it comes to seeking new investment opportunities. Indeed, at any time, we may be involved in multiple late-stage discussions with potential investment targets. The number and quality of these discussions give us hope that the Aperio proceeds can be deployed in a timely manner that will increase earnings over what they would have been with Aperio in the portfolio, while also enhancing portfolio diversification.

In the past we have mentioned the importance of making sure PAC's portfolio is positioned to benefit from powerful long-term trends in asset allocation. Increasingly, we see many large firms stuck in investment management models that are becoming outdated, which underscores the importance of remaining nimble and attentive to how our industry is evolving. One manifestation of this market evolution is that the asset classes that grow in the future are not necessarily the winners of the past. The implication for PAC is that shareholders should expect increased exposure to different asset classes, some of which may be unfamiliar to them.

For example, we are now researching a growing number of investment approaches that apply artificial intelligence and machine-learning technologies. While we have not come close to investing in such firms yet, we recognise that these technologies could ultimately transform the investment industry, particularly within liquid markets. We are working hard to understand the impact of this technological revolution on the companies in which we invest, and to the extent possible, invest in companies that are likely to exploit these trends, or at a minimum, be less vulnerable to them.

When we step back and look at the changes in PAC's portfolio over the last few years it is clear that our firm has evolved from being an Australia-centric multi-boutique to a global one. We welcome this change because it dramatically increases the number and variety of opportunities we can consider and the diversification we can achieve. Nevertheless, we recognize that this evolution brings with it a reduction in shareholder familiarity with the companies and even the asset classes in which we invest. While some of this lack of familiarity is simply endemic to our business strategy, we will strive to address this gap through improved communication with our shareholders.

## Final Thoughts

As we embark on another year, I want to note how proud I am of the team we have assembled at PAC and all that we accomplished in FY18. I appreciate that most shareholders will never have the opportunity to meet the PAC team, but I can assure you that you would be impressed by their professionalism, character, loyalty to our company, and commitment to our shareholders. Given the team we have assembled and the groundwork laid in FY18, we are quite optimistic about what FY19 holds for PAC. We thank our shareholders for their support and also reiterate our commitment to do everything we can to continue building shareholder value over the long term.



**P. Greenwood**  
Managing Director, Chief Executive Officer  
and Chief Investment Officer

# BOARD OF DIRECTORS

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**M. Fitzpatrick**  
Chairman



**P. Greenwood**  
Managing Director, Chief  
Executive Officer and Chief  
Investment Officer



**T. Robinson**  
Executive Director



**P. Kennedy**  
Non-executive Director



**M. Donnelly**  
Non-executive Director



**G. Guérin**  
Non-executive Director

 See pages 8 to 9 for further information

## DIRECTOR'S REPORT

Your Directors submit their Report for the year ended 30 June 2018.

### Directors

The names and details of Pacific Current Group Limited's Directors in office during the financial year and until the date of this report are listed below. Directors were in office for this entire period unless otherwise stated.

### Names, qualifications, experience and special responsibilities

#### M. Fitzpatrick, (Chairman) B. Eng, MA (Oxon) Honours

Mr Fitzpatrick joined the Board on 5 October 2004. Mr Fitzpatrick has over 40 years in the financial services sector. Committed to sustainability, Mr Fitzpatrick and his associated interests have made a range of sustainable investments in renewable energy generation and technology development, as well as energy efficiency and sustainability.

Mr Fitzpatrick also holds a number of other non-executive directorships, including Infrastructure Capital, Carnegie Clean Energy Limited and Latam Autos Limited.

In 1994, Mr Fitzpatrick founded Hastings Funds Management Ltd ('Hastings'), the pioneering infrastructure asset management company where he was Managing Director until he sold his interest in 2005. Hastings was then one of the largest managers of infrastructure and alternative assets in Australia (including infrastructure, high yield debt, private equity and timberland) managing investments of approximately \$3.8 billion.

Prior to establishing Hastings, Mr Fitzpatrick was a Director of CS First Boston. He also previously held positions with Merrill Lynch and First Boston in New York, the Victorian Treasury and Telecom Australia.

Mr Fitzpatrick is a former chairman of Victorian Funds Management Corporation, the Australian Football League and the Australian Sports Commission, a former director of Rio Tinto Limited and Rio Tinto plc, a former member of the Melbourne Park Tennis Centre Trust, a former director of the Carlton Football Club and a former Director of the Walter & Eliza Hall Institute of Medical Research.

Mr Fitzpatrick has a Bachelor of Engineering with Honours from the University of Western Australia and a Master of Arts from Oxford University where he was the 1975 Rhodes Scholar from Western Australia.

Mr Fitzpatrick is a member of the Board's Audit and Risk Committee, Remuneration and Nomination Committee and Governance Committee.

#### P. Greenwood, (Managing Director; CEO and CIO) CFA, BA

Mr Greenwood joined the Board on 10 December 2014 as an Executive Director. He co-founded Northern Lights Capital Group, LLC (Northern Lights) in 2006 which merged with Treasury Group Ltd in November 2014 to form Pacific Current Group Limited. Prior to Northern Lights, he created Greenwood Investment Consulting (GIC), a firm that worked directly with investment managers on investment process and organisational issues.

Before GIC, Mr Greenwood served as Director of US Equity for Russell Investment Group (Russell), where he managed all of Russell's US equity oriented portfolio management and research activities. He also served as a Russell spokesperson and authored many articles and research commentaries related to investment manager evaluation.

#### T. Robinson, (Executive Director) BCom, MBA, CFA

Mr Robinson joined the Board on 28 August 2015, in the capacity of Non-executive Director and became an Executive Director on 20 April 2016. He has significant expertise and experience across a number of industries including banking, financial services, telecommunications, and transport. He is an experienced company Director and CEO.

Mr Robinson is also a Director of Bendigo and Adelaide Bank Limited, PSC Insurance Group Limited and Longtable Group Ltd (formerly Primary Opinion Ltd). Mr Robinson was a former Director of Tasfoods Limited.

Mr Robinson's previous executive roles include Managing Director of IOOF Ltd and OAMPS Limited.

#### M. Donnelly, (Non-executive Director) OAM B.C.

Ms Donnelly joined the Board on 28 March 2012. Ms Donnelly, a Chartered Accountant, is the founder and former chairperson of the Centre for Investor Education, a specialist education and consultancy firm for executives in Australian superannuation funds, institutional investment bodies and the financial services markets.

She currently serves as a member of the Investment Committee of HESTA Super Fund. Ms Donnelly's previous work experience includes CEO of the Queensland Investment Corporation, Deputy Managing Director of ANZ Funds Management and Managing Director of ANZ Trustees.

She has held a range of directorships of both Australian and international companies including Non-executive Director of Ashmore Group plc, trustee director of UniSuper, Deputy Chair of the Victorian Funds Management Corporation and Chair of Plum Financial Services Nominees Pty Ltd.

Ms Donnelly is the Chair of the Audit and Risk Committee and is a member of the Governance Committee.

#### G. Guérin, (Non-executive Director) MSc, BA

Mr Guérin joined the Board on 10 December 2014. He is CEO of BNP Paribas Capital Partners, where he has worked for the past five years developing the alternative investment capabilities of the BNP Paribas Group. Mr Guérin served as CEO and President of Natixis Global Associates, Executive of Natixis AM North America and held Executive and senior leadership roles at HDF Finance, AlphaSimplex, IXIS AM and Commerz Financial Products. Mr Guérin has over 20 years experience in capital markets and investment management. This includes cross asset class experience spanning the equities fixed income and commodities markets, with a specific focus on alternative strategies and hedge funds.

During his career, Mr Guérin has managed relationships with investors and distributors across the world, in particular in Europe, the US, Japan, the Middle East and Australia. Mr Guérin has operated distribution capabilities worldwide and developed new products and investment capabilities. Throughout his career, he liaised with regulators across various jurisdictions and worked with thought leaders of the investment industry including Dr Andrew Lo and Dan Fuss. Mr Guérin is also a Director of Ginjer AM and of INNOCAP.

Mr Guérin is Chairman of the Governance Committee and a member of the Remuneration Committee.

#### **P. Kennedy, (Non-executive Director) B.Ec. L.L.M.**

Mr Kennedy joined the Board on 4 June 2003. He is the founding partner of the commercial law firm, Madgwicks Lawyers, and has more than 40 years experience in commercial law advising a broad range of clients across a variety of sectors. Mr Kennedy is a member of the firm's Dispute Resolution practice and plays an integral role in the governance and management of the firm, having been Madgwicks' Managing Partner for over 15 years.

Mr Kennedy also sits on the boards of a number of companies in the manufacturing, property and retail industries. His formal qualifications include B.Ec, LL.B., LL.M (Tax), Monash University.

Mr Kennedy is the Chairman of the Remuneration & Nomination Committee and is a member of the Audit and Risk Committee.

#### **Company secretary**

##### **P. Mackey**

Mr Mackey has over three decades of company secretarial and commercial experience, including multi-jurisdictional board practice as both a Company Secretary and a Director. He currently acts as Company Secretary for several of Company Matters Pty Limited's clients. As a member of the Company Matters Pty Limited's team, clients benefit from both his project management knowledge and passion for good corporate governance. Previously, Mr Mackey served as Company Secretary of ASX & SGX dual listed Australand Group Limited and Deputy Company Secretary of AMP. Mr Mackey's commercial experience includes appointment as Chief Operating Officer (Specialised Funds) of Babcock & Brown and at Bressan Group and he is a Fellow of the Governance Institute Australia and a Graduate Member of the Australian Institute of Company Directors.

#### **Interests in the shares and options/performance rights of Pacific Current Group Limited and related bodies corporate**

At the date of this report, the interests of the Directors and officers in the shares and options/performance rights of Pacific Current Group Limited were:

|                | Ordinary shares | Options/<br>performance rights over ordinary shares |
|----------------|-----------------|-----------------------------------------------------|
| M. Fitzpatrick | 2,701,285       | –                                                   |
| P. Greenwood   | 531,781         | 500,000                                             |
| T. Robinson    | 10,000          | –                                                   |
| M. Donnelly    | 20,000          | –                                                   |
| P. Kennedy     | 242,628         | –                                                   |
| J. Ferragina   | 50,000          | 100,000                                             |

| <b>Earnings Per Share</b>     | <b>Note</b> | <b>Cents</b> |
|-------------------------------|-------------|--------------|
| Basic earnings per share      | 10          | 189.39       |
| Diluted earnings per share    | 10          | 189.39       |
| Underlying earnings per share |             | 37.44        |

| <b>Dividends</b>                                              | <b>Cents per share</b> | <b>\$</b>  |
|---------------------------------------------------------------|------------------------|------------|
| <b>Final dividend declared:</b>                               |                        |            |
| on ordinary shares (fully franked) payable on 15 October 2018 | 22                     | 10,481,321 |
| <b>Final for 2017 shown as declared in the 2017 report</b>    |                        |            |
| on ordinary shares (fully franked) paid on 28 September 2017  | 18                     | 8,575,619  |

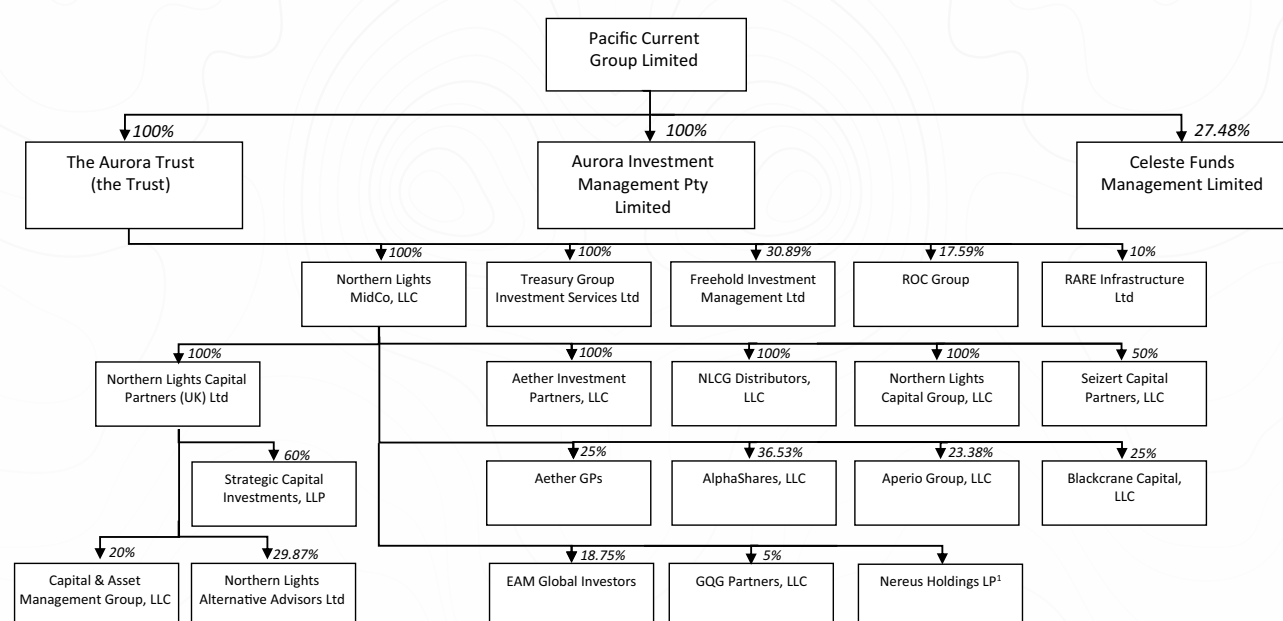
# DIRECTOR'S REPORT

continued

## Corporate Information

### Corporate structure

Pacific Current Group Limited (the Company) is a company limited by shares and is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled (the Group) during the financial year. The Company's corporate structure at the date of this report is as follows:



<sup>1</sup> The Group holds an option which entitles the Group a fixed return on its investment and an option to participate in a revenue share.

## Operating and Financial Review

### Restatement of Financial Statements

On formation of Aurora Trust (the Trust), the Board assessed and formed the view that the Trust was a joint venture based on how the Trust conducted its investment activities and the governing documents of the Trust that included various deeds such as the Trust Deed, Implementation Deed, Exchange Deed and Partnership Allocation Deed that the Company had entered into with Northern Lights Capital Partners, LLC (NLCP) on 25 November 2014.

Following a review from the Australian Securities Investment Commission (ASIC), they recommended that the Company apply the principles of consolidation in accounting for the Trust upon acquisition of the initial interest in the Trust on 25 November 2014. Whilst the Board considered the Trust as a joint venture, it recognised that this is a complex matter and there is a scope for differing views. In the circumstances, the Board decided to prepare the Group's consolidated financial statements in accordance with ASIC's view.

Accordingly, the financial statements were restated as if consolidation occurred since 25 November 2014. More information in respect of this restatement can be found in Note 34 to the consolidated financial statements.

The restatement reflected the consolidation of the Group including the Trust, Seizert Capital Partners (Seizert), Aether Investment Partners (Aether), Strategic Capital Investors (SCI) and Northern Lights Midco, LLC (Midco) including its subsidiaries. The consolidated statement of profit or loss therefore showed the aggregation of the various forms of revenue across each business (predominantly management fees) as well as the total expenses across the consolidated group adjusted for any intercompany transactions (consolidation eliminations).

The impact of the change has seen a material change in the reported consolidated profit of the Group for the full year ended 30 June 2018 reflecting the announced proceeds from the sale of the Group's investment in Investors Mutual Limited (IML) in October 2017 and the impact of consolidating the Trust from an earlier period which unwinds previous revaluations of that investment. The reported consolidated profit is \$90.8 million, \$65.8 million more than it would be if no change were made.

In addition, a further restatement was required post the changes recognised at the half-year ended 31 December 2017, to recognise that the tax status of the Company for US tax purposes had changed. This occurred when the Company acquired the remaining units in the Trust held by the Class B unitholders in exchange for Company shares on 13 April 2017. The Company became the ultimate entity liable for the tax obligations in the US.

The impact of the consolidation restatement were as follows:

- a. the unwinding of the revaluations of the IML investment and other investments made at the time of the transaction with NLCP;
- b. the unwinding of some of the revaluations that occurred following the simplification of the corporate structure of the Company and consequent consolidation of the Trust as noted in the Company's annual report for the financial year ended 30 June 2017; and
- c. related tax impacts and other matters.

The financial effect of consolidation restatement for the comparative period were:

- a. a reduction in the equity position at 30 June 2017 of approximately \$40.3 million due to lower total assets of approximately \$72.0 million reflecting principally the unwinding of both the revaluation of IML at the date the joint venture with NLCP was first created and the subsequent revaluation on completion of the simplification in April 2017 mentioned above, and lower liabilities principally reflecting the removal of the deferred tax liability associated with these revaluations; and
- b. a reduction in the full-year profit attributable to members of the Company at 30 June 2017 of approximately \$43.2 million resulting from the removal of the upward revaluations of IML and some other assets as part of simplification of the corporate structure.

The impact of the tax restatement for the comparative period were:

- a. increase in the loss attributable to the members of the Company by \$21.2 million as a result of recognising income tax expense and an increase in deferred tax liability by the same amount;
- b. additional net increase in deferred tax liability by \$8.6 million that was taken up against reserve; and
- c. a reduction in the loss attributable to the members of the Company by \$2.2 million as a result of recognising deferred tax on the Trust's blackhole deductions, accruals and provisions.

# DIRECTOR'S REPORT

continued

## Review of Operations

### Operating results for the year

The Company generated net profits attributable to members of the Group of \$90.8 million for the year ended 30 June 2018 (2017: loss of \$66.0 million). The results of the Group for 30 June 2018 are below. For 30 June 2017 the restated underlying earnings on a consolidated basis, which did not change from the previously reported amounts.

|                                                                                                                                                                | Consolidated      |                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------|
|                                                                                                                                                                | 2018<br>\$        | 2017<br>\$<br>(restated) |
| Statutory net profit/(loss) after tax attributable to the Group                                                                                                | 90,807,881        | (65,959,754)             |
| Add/(deduct): Items that are non-recurring/non-cash                                                                                                            |                   |                          |
| – Gain on sale of investments in IML and Goodhart (2017: Aubrey and Raven)                                                                                     | (105,031,329)     | (375,713)                |
| – Income tax expense in relation to the sale of IML                                                                                                            | 17,923,226        | –                        |
| – Impairment of investments                                                                                                                                    | 4,885,205         | 81,607,936               |
| – Loss on revaluation of investment held at FVTPL                                                                                                              | 1,200,000         | 14,850,000               |
| – Adjustment in deferred commitments                                                                                                                           | (491,719)         | (1,498,567)              |
| – Fair value adjustments on X-RPU                                                                                                                              | 442,034           | 1,443,020                |
| – Take-up of liability relating to S-class shares issued by Aperio                                                                                             | 12,904,542        | –                        |
| – Loss on extinguishment/(gain on revaluation) of X-RPUs                                                                                                       | 844,242           | (17,845,924)             |
| – Termination fee for the early settlement of East West debt facility                                                                                          | –                 | 1,289,160                |
| – Amortisation of identifiable intangible assets                                                                                                               | 1,362,177         | 2,131,814                |
| – Deal costs and other legal and tax expenses including expenses in relation to the sale of IML, Simplification and X-RPU restructuring (2017: Simplification) | 2,361,334         | 1,860,110                |
| – Long-term incentives amortisation                                                                                                                            | 1,380,497         | 1,121,655                |
| – Foreign currency losses/(gains)                                                                                                                              | 2,638,552         | (1,419,589)              |
| – Share of non-controlling interests on the non-recurring/non-cash items                                                                                       | (576,273)         | (12,688,777)             |
| – Back-out of net Income tax (benefit)/expense for non-recurring/non-cash items and simplification accounting                                                  | (12,813,389)      | 12,103,468               |
| Total                                                                                                                                                          | (72,970,901)      | 82,578,593               |
| Underlying profit                                                                                                                                              | <b>17,836,980</b> | <b>16,618,839</b>        |
| Underlying earnings per share (in cents)                                                                                                                       | 37.44             | 53.30                    |
| Statutory earnings/(losses) per share (in cents)                                                                                                               | 189.39            | (165.34)                 |

### Funds Management/Business Performance

As at 30 June 2018, the Funds Under Management (FUM)<sup>1</sup> of the Company's asset managers was \$75.18 billion (2017: \$62.0 billion). The net increase in FUM was due to positive net inflows and market performance from the asset managers: Aperio Group, LLC (Aperio), GQG Partners LLC (GQG), Blackcrane Capital Partners, LLC (Blackcrane) and RARE Infrastructure Ltd (RARE), notwithstanding sale of IML and Goodhart Partners, LLC during the year.

<sup>1</sup> Note that the relationship between the asset managers' FUM and the economic benefits received by Aurora Trust can vary dramatically based on each boutique's fee levels, Aurora Trust's ownership stakes, and the specific economic features of each relationship. Accordingly, management cautions against simple extrapolation based on FUM trends.

### Nature of operations and principal activities

The Group invests in global asset managers, private placement and private equity firms. Its key function and the overall business is investment in these managers. It also provides distribution and management services on an as agreed basis. The Group also provides financing to asset managers in certain circumstances.

On 6 April 2018, the Group acquired an initial 20% equity in Capital Asset Management Group, LLC (CAMG), a recently created private infrastructure firm, based in London, United Kingdom (UK) and Washington DC in the US. The capital commitment was GBP4.0 million and GBP1.5 million was drawn at closing.

On 21 February 2018, the Group entered into a transaction to help finance the repurchase of EAM Global Investors, LLC (EAM Global) equity from an outside shareholder, while also increasing its stake in EAM Global from 15% to 18.75%. The EAM Global management team acquired 11.25% of equity in EAM Global from an outside party using financing provided by the Group, while the Group acquired an additional 3.75%. The financing provided by the Group to the EAM Global management team was US\$2.25 million with a term of six-years at 10% per annum. The acquisition cost of the 3.75% interest was US\$0.75 million upfront consideration and two deferred payments based on 2% and 1% of EAM's gross revenues in years 2022 and 2023, respectively.

On 26 January 2018, the Group sold its interest in Goodhart Partners, LLP (UK) for GBP1.68 million (US\$2.4m) following the approval by Financial Conduct Authority (FCA), the financial regulatory body in the United Kingdom. The Group may also be entitled to deferred consideration which is based upon a share of certain performance fees earned by Goodhart through 31 March 2019. The Group recognises the deferred consideration following the conclusion of the performance period upon notification from Goodhart Board of Directors of any further consideration due to the Group. The Group was notified of performance fees that crystallised up to 31 March 2018 in the amount of US\$1.2 million and was recognised as other income of the Group as at 30 June 2018.

On 3 October 2017, the Group sold its 40% equity ownership in IML to Natixis Global Asset Management for \$116.9 million consideration that included \$106.9 million cash and \$10.0 million as retention that was held in escrow, with \$5.0 million to be released after 18 months and the remaining \$5.0 million after 24 months. The release of the escrow was subject to customary commercial commitments being met.

On 28 September 2017, the Company and Aurora Investment Management Pty Ltd (the Trustee of the Trust) redeemed and cancelled the US\$21.0 million X-Redeemable Preference Units (X-RPUs) held by NLCP and Fund BNP Paribas Capital Partners Participations, represented by BNP Paribas Capital Partners (BNP Paribas). Repayment followed on 11 October 2017.

### Employees

The Group employed 19 full time equivalent employees as at 30 June 2018 (2017: 21).

### Earnings/(Losses) Per Share

The earnings/(losses) for the year reflect the operations of the Group for the year to 30 June 2018.

|                                             | 2018   | 2017<br>(restated) |
|---------------------------------------------|--------|--------------------|
| Basic earnings/(losses) per share (cents)   | 189.39 | (165.34)           |
| Diluted earnings/(losses) per share (cents) | 189.39 | (165.34)           |
| Underlying earnings per share (cents)       | 37.44  | 53.30              |

### Financial Position

The level of gearing of the Group was reduced with the redemption of the X-RPUs of US\$21.0 million and repayment of Seizert notes of US\$11.08 million. The proceeds from the sale of IML have provided the Group liquidity and flexibility to fund the future acquisition of new businesses.

The Board has declared a dividend of 22 cents per share for the year 2018 payable on 15 October 2018.

### Cash flow from operations

Cash flows from operations have increased from \$0.6 million to \$20.3 million. These were due to the decrease in payments to suppliers and employees from \$38.9 million to \$29.9 million; net increase of \$6.3 million in dividends received and reduction of income taxes paid during the year by \$5.3 million.

### Cash flow from investing activities

Cash flow from investing activities increased from a negative \$13.8 million to a positive \$91.5 million. This was mainly due to the proceeds from sale of IML and Goodhart, former associates of the Group totalling to \$110.1 million.

# DIRECTOR'S REPORT

continued

## Cash flow from financing activities

Cash flow from financing activities decreased from a positive of \$29.5 million to a negative of \$41.7 million. This was mainly due to repayments of financial liabilities totalling to \$42.4 million and payments of dividends totalling to \$8.6 million net of the proceeds from short-term borrowings of \$9.3 million during the year. Compared the prior year where the Company generated net \$29.5 million mainly arising from \$31.3 million issue of shares net of dividend payment of \$1.6 million.

## Business strategy

The core business of the Company is investing in boutique asset management firms. The primary criteria the Group looks for are high quality people, a robust investment process, competitive performance and strong growth potential. The strategy is to continue to enhance the resilience of the Group's earnings by diversifying into investments that are less susceptible to capital markets volatility and have low correlation to other assets in the Group's portfolio. The business continues to have high exposure to broader capital markets; however, this has declined with the addition of CAMG and Victory Park Capital (VPC) and the dispositions of IML and Aperio.

The Company continues to be agnostic in respect to geography so long as the investments meet the Group's criteria. The Group invests across the life cycle continuum, from start-up opportunities such as CAMG to established but growing businesses such as VPC. The portfolio is targeted to have a mix of businesses from those with solid earnings to those with dramatic earnings acceleration, albeit from a smaller investment base.

## Material business risks

The material business risks faced by the Group that are likely to have an impact on the financial prospects of the Company and how the Company manages some of these risks include:

### Global market risks

With a diversified global portfolio, the Group is exposed to a variety of risks related to global capital markets. Specifically, political, geographical and economic factors impact the performance of different capital markets in ways that are difficult to predict. Equity market declines represents perhaps the largest risk to the Group because many of its affiliates' revenues are directly tied to the performance of public equities.

### Fund manager performance

The aggregate FUM of many of the Group's affiliates are highly sensitive to the relative performance (results compared to a market benchmark) of each investment manager as well as the changing demand for specific types of investment strategies. In addition to performance-related risks, many boutique partners have high levels of key-person risk, making them vulnerable to the sudden departure of critically important investment professionals. Because many investments are made in new or young firms, there is often the risk of firms failing to reach critical mass and become self-sustaining, which can lead them to seek additional capital infusions from the Company or other parties.

## Regulatory environment

The business of the Group operates in a highly regulated environment that is frequently subject to review and regular change of law, regulations and policies. The Group is exposed to changes in the regulatory conditions under which it and its boutique fund managers operate in Australia, the US, the United Kingdom and India. Each member boutique has in-house risk and regulatory experts actively managing and monitoring each member boutique's regulatory compliance activities. Regulatory risk is also mitigated by the use of industry experts when the need arises. Other measures include the establishment of the risk committee composed of executives to ensure that risk management is monitored, managed and controlled.

## Loss of Key Personnel

The Group operates in an industry that requires talent, wide range of skills and expertise. Loss of these key people is detrimental to the continued success of the Group.

## Significant Events after the Balance Date

On 2 July 2018, the Group notified Legg Mason Holdings LP (Legg Mason) that it is exercising its put option in RARE. The Group held a residual 10% interest in RARE following the sale of majority of its holdings to Legg Mason in October 2015. The 10% residual is subject to a put/call option that was agreed at the time of sale. The expected proceeds of the exercise of the put option is \$21.5 million before tax.

On 3 July 2018, the Group acquired a 24.9% stake in VPC, a Chicago-based investment firm for \$94.6 million (US\$70.0 million). VPC is an investment firm specialising in managing funds and mandates investing in non-bank lending.

On 8 August 2018, the Group announced the sale of its 23.38% stake in Aperio. Aperio is an investment firm based in San Francisco operating in customer index -based solutions across active tax management, factor tilts and socially responsible investing. The Group originally acquired the stake for \$44.2 million (US\$31.8 million) in two tranches in January 2016 and January 2017. The expected net proceeds of the sale was US\$73.0 million before tax.

On 31 August 2018, the Directors of the Company declared a final dividend on ordinary shares in respect of the 2018 financial year. The total amount of the dividend is \$10,481,321 which represents a fully franked dividend of 22 cents per share. The dividend has not been provided for in the 30 June 2018 consolidated financial statements.

Apart from the above, there has been no matter or circumstance, which has arisen since 30 June 2018, that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2018, of the Group, or
- the results of those operations, or
- the state of affairs, in financial years subsequent to 30 June 2018, of the Group.

### Performance Rights

On 21 June 2018, the Company granted two (2) separate tranches of performance rights to Mr Greenwood as part of his new role effective 1 July 2018 subject to shareholders' approval in the next annual general meeting. One tranche covers the performance period 1 July 2018 to 30 June 2021 and the other tranche covers the performance period 1 July 2018 to 30 June 2022. Each tranche is subdivided into three (3) lots with different performance conditions, one requiring continuous employment and a share price hurdle and the other two requiring different total shareholder return hurdles to be satisfied (refer to Section 8 of the Remuneration Report for details).

On 5 October 2017, the Company granted 250,000 performance rights to Mr Greenwood as part of his employment package that was restructured in October 2016. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative TSR of the Company compared to the ASX 300 (Hurdle 1) and a group of seven other domestic and international fund managers (Hurdle 2). The value of each right for Tranche 1 and 2 were \$4.29 and \$3.83, respectively. The total value of these outstanding performance rights as at 30 June 2018 is \$1,014,107 amortised over two years and nine months from the grant date. The performance rights on issue were valued on 26 October 2017 by an independent adviser using a Monte Carlo pricing model. The vesting date of these rights is 1 July 2020.

AON Hewitt (AON) was commissioned to provide a report to determine whether the performance rights issued on 15 February 2016 have vested as at 1 July 2018. AON determined that none of these performance rights vested as at 1 July 2018 and accordingly, 1,069,000 performance rights have lapsed as at 1 July 2018.

Any securities to be allocated on vesting of the performance rights will be purchased on the market under the Long-Term Incentive Plan and therefore shareholder approval is not required or at Board's discretion, shareholder approval may be sought.

In the opinion of management performance rights do not have a dilutive effect on the earnings per share calculation because vesting of the rights is subject to certain conditions being met and any securities to be allocated on vesting of the performance rights will be purchased on market.

### Indemnification and Insurance of Directors and Officers

The Company has entered into an agreement for the purpose of indemnifying Directors and officers of the Company in certain circumstances against losses and liabilities incurred by the Directors or officers on behalf of the Company.

The following liabilities, except for a liability for legal costs, are excluded from the above indemnity:

- a. A liability owed to the Company or related body corporate;
- b. A liability for pecuniary penalty order under section 1317G or a compensation order under section 1317H of the *Corporations Act 2001*;
- c. A liability owed to someone other than the Company or a related body corporate and did not arise out of conduct in good faith; and
- d. Any other liability against which the Company is precluded by law from indemnifying the Director.

The insurance contract prohibits the disclosure of the insurance premium for insuring officers of the Company against a liability which may be incurred in that person's capacity as an officer of the Company.

## DIRECTOR'S REPORT

continued

### Letter from the Remuneration and Nomination Committee Chairman

Dear Shareholders

On behalf of the Board, I am pleased to present to you the Remuneration Report for the financial year ended 30 June 2018 (**FY2018**).

In my letter contained in the 2017 Annual Report, I said that I thought that the Company had 'the appropriate management structure and remuneration policies in place'. I believe that my words were prescient. The staff structure has reduced with natural attrition from 21 to 19, whilst staff performance has exceeded our expectations. This is reflected in our decision to award salary increases averaging 5% - the first increases for a number of years. Further, the Committee is delighted to advise that short-term incentive bonuses have now been increased given the groups, solid profit performance and increased dividend payment. The key management team's profit KPI's have all been exceeded (even after backing out the loss of the Investors Mutual Limited contribution) which is a remarkable performance.

The Board recently announced the appointment of Mr Greenwood as Managing Director & Chief Executive Officer (CEO) effective 1 July 2018. Mr Greenwood's new remuneration structure as Managing Director & CEO is described in considerable detail later in this Report. Mr Greenwood's package involves a higher base salary with a lower STI component. Paul's LTI's reward him as the Company's share price rises and contains hurdles that set minimum TSR rates for vesting.

The management team (led by Mr Greenwood) continues to present a number of investment opportunities to the Board for consideration. The Committee has recommended to the Board the adoption of a refreshed LTI plan, which is set out later in this report. The plan is to be put to Shareholders for approval at the Annual General Meeting.

On behalf of the Board, I invite you to review the full Remuneration Report. Thank you for your continued support of the Group.

Yours sincerely



**P. Kennedy**

Remuneration and Nomination Committee Chairman

28 September 2018

## Remuneration Report (Audited)

### Contents

1. About this report
2. Defined terms used in the remuneration report
3. Key management personnel (KMP)
4. Executive KMP remuneration in FY2018
5. Remuneration philosophy and structure
6. Relationship between the remuneration philosophy and company performance
7. Nature and amount of each element of KMP Remuneration in FY2018
8. Key terms of employment contracts of KMP
9. Remuneration of Non-executive Directors
10. Share based remuneration
11. KMP equity holdings
12. Performance Rights

### 1. About this Report

The Remuneration Report has been prepared and audited against the disclosure requirements of the *Corporations Act 2001* (Act) and its Regulations.

The Remuneration Report forms part of the Directors' Report and outlines the Company's remuneration framework and remuneration outcomes for the financial year ended 30 June 2018 (**FY2018**) for the Company's KMP.

### 2. Defined Terms used in the Remuneration Report

| TERM               | MEANING                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| EPS                | <b>Earnings per share</b> , which is used for the purpose of determining performance against agreed at risk remuneration performance targets. When measuring the growth in EPS to determine the vesting of the at risk remuneration, we define EPS as using both the underlying and statutory net profit after tax, divided by the weighted average number of shares issued during the year, so as to exclude the resultant profit or loss from one-off sales of boutique investments during the year.                                                                                                                             |
| Fixed Remuneration | Generally, <b>fixed remuneration</b> comprises cash salary, superannuation contribution benefits (in Australia – superannuation guarantee contribution and in North America – partial Company matching of employee 401k defined contribution), and the remainder as nominated benefits. Fixed remuneration is determined based on the role of the individual employee, including responsibility and job complexity, performance and local market conditions. It is reviewed annually based on individual performance and market data.                                                                                              |
| KMP                | <b>Key Management Personnel</b> . Those people who have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. KMP disclosed in the remuneration report are the Non-executive Directors, Mr Greenwood as Managing Director, CEO and Global Chief Investment Officer (CIO), Mr Ferragina as Chief Financial Officer (CFO) and Chief Operating Officer (COO) Australia.                                                                                                                                                                                       |
| LTI                | <b>Long Term Incentive</b> . It is awarded in the form of share performance rights to the CEO and Global CIO, the CFO and COO Australia, other senior executives and employees for the purpose of retention and to align the interests of employees with shareholders.                                                                                                                                                                                                                                                                                                                                                             |
| STI                | <b>Short Term Incentive</b> . The purpose of the STI is to provide financial rewards to the Managing Director, CEO and Global CIO, the CFO and COO Australia, other senior executives in recognition of performance aligned with business and personal objectives. The STI is a cash based incentive paid on an annual basis and at the discretion of the Board with reference to agreed outcomes and goals and company performance. Refer to the respective key employment terms of each KMP in Section 8 for the eligibility of STI's by assessing their performance against a set of pre-determined key performance indicators. |

# DIRECTOR'S REPORT

continued

## 3. Key Management Personnel (KMP)

The Group's KMP during or since the end of the financial year were:

| Name                           | Position                                                                | Term as KMP         |
|--------------------------------|-------------------------------------------------------------------------|---------------------|
| <b>Non-executive Directors</b> |                                                                         |                     |
| M. Fitzpatrick                 | Non-executive Chairman                                                  | Full financial year |
| M. Donnelly                    | Non-executive Director                                                  | Full financial year |
| G. Guérin                      | Non-executive Director                                                  | Full financial year |
| P. Kennedy                     | Non-executive Director                                                  | Full financial year |
| <b>Executive Directors</b>     |                                                                         |                     |
| P. Greenwood                   | Executive Director, President North America and Global CIO <sup>1</sup> | Full financial year |
| T. Robinson                    | Executive Director                                                      | Full financial year |
| <b>Senior executives</b>       |                                                                         |                     |
| J. Ferragina                   | CFO and COO Australia                                                   | Full financial year |

<sup>1</sup> Mr Greenwood was appointed Managing Director & CEO and Global Chief Investment Officer with effect from 1 July 2018. Prior to that, he held the role of President, North America and Global Chief Investment Officer.

## 4. Executive KMP remuneration in FY2018

### 4.1 Changes to Executive KMP remuneration in FY2018

During FY2018, there were no changes in Executive KMP remuneration. The changes to Mr Greenwood's Employment Agreement arising from his appointment to the role of Managing Director and CEO and Global CIO were effective from 1 July 2018 (refer to Section 8.1 of this Report).

**Performance Rights:** As announced to the ASX on 7 October 2016, Mr Greenwood was issued a further 250,000 performance rights on 5 October 2017, on the condition that he was still employed as at that date. For all directors and their associates, any securities to be allocated on vesting of the performance rights will either be purchased on market under the LTI plan and therefore shareholder approval is not required, or at the Board's discretion, shareholder approval may be sought.

### 4.2 Is FY2018 business performance reflected in Executive KMP remuneration?

The Group's FY2018 business performance is reflected in the outcome of the variable component of Executive KMP's total remuneration. Details of Executive KMP FY2018 remuneration is set out in Section 7 of this report.

## 5. Remuneration Philosophy and Structure

### 5.1 Remuneration philosophy

The performance of the Company depends upon the quality of its Directors and senior executives. The Company aims to provide market competitive remuneration and rewards to successfully attract, motivate and retain the highest quality individuals. The Company's remuneration and benefits are structured to reward people for their individual and collective contribution to our success for demonstrating our values, and for creating and enhancing value for the Group's stakeholders.

To this end, the Company embodies the following principles in its remuneration framework:

**Competitive:** provide competitive rewards to attract high calibre executives.

**Alignment:** link executive remuneration to company performance and enhancing shareholder value year on year.

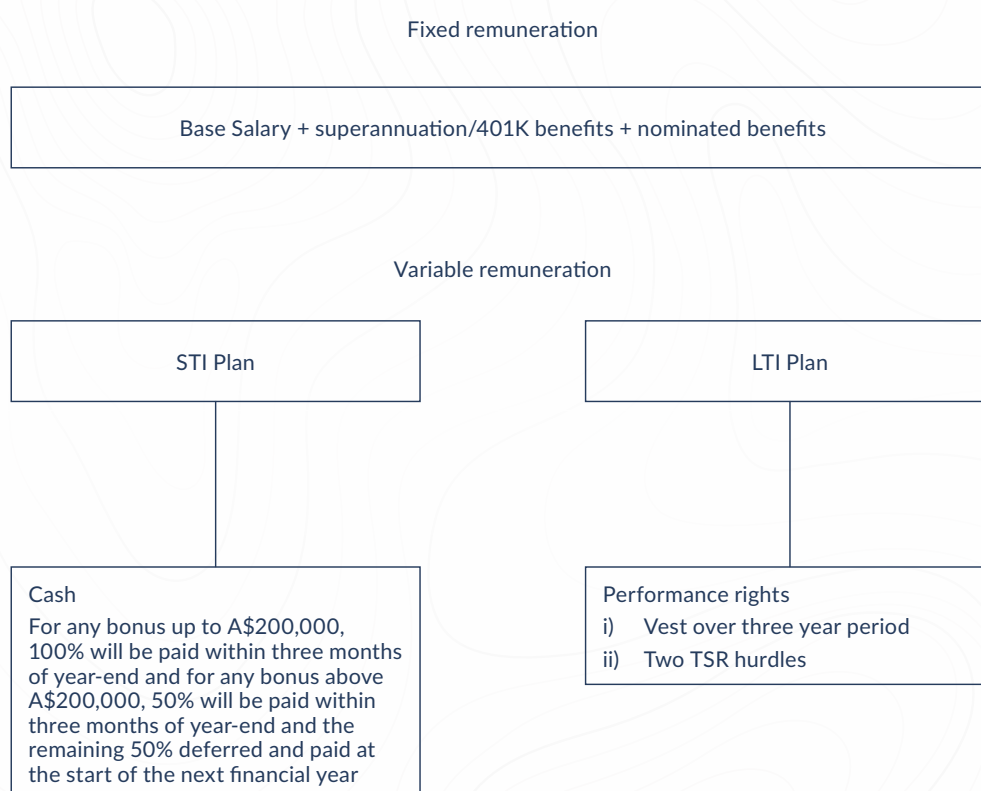
**At risk:** a significant portion of executive remuneration is 'at risk' and is dependent upon meeting pre-determined and agreed performance benchmarks.

## 5.2 Remuneration structure

The Group rewards its Executive KMP with a level and mix of remuneration that is relevant to their position, responsibilities and performance during the year, which is aligned with the Company's strategy, performance and returns to shareholders.

Executive KMP total remuneration comprises both fixed remuneration and variable remuneration, which includes short-term and long-term incentive opportunities. On recommendation from the Remuneration and Nomination Committee, the Board establishes the proportion of fixed remuneration and variable remuneration, reviews Executive KMP total remuneration annually, and considers performance, relevant comparative remuneration in the market and advice on policies and practices.

The chart below provides a summary of the structure of Executive KMP remuneration in FY2018:



Setting a target remuneration mix for Executive KMP is complicated due to the Company operating in different jurisdictions, which have their own target remuneration mix models. Accordingly, the Group has adopted the target remuneration mix that is appropriate for each jurisdiction. In Australia, variable remuneration is considered at risk until granted. In the US, variable remuneration is a contractual right subject to performance conditions being met. As a result, the risks associated with the different jurisdictions are different and the remuneration mix models differ to accommodate this.

### 5.2.1 Elements of Executive KMP remuneration

#### a) Fixed remuneration

Fixed remuneration consists of base salary, superannuation contribution benefits (in Australia – superannuation guarantee contribution and in North America – 401k defined contribution), and the remainder as nominated benefits. The level of fixed remuneration is set to provide a base level of remuneration that is both appropriate to the position and is competitive in the market.

# DIRECTOR'S REPORT

continued

## b) Variable remuneration

### i) STI

Under the STI Plan, Executive KMP have the opportunity to earn an annual incentive award, which is paid in cash. The STI Plan links the achievement of the Company's operational targets with the remuneration received by the Executive KMP charged with meeting those targets. The awarding of an STI cash award is fully at the discretion of the Board on recommendation by the Remuneration and Nomination Committee.

#### How is the STI paid?

Any STI award is paid after the assessment of annual performance for the financial year ended 30 June. For any bonus up to A\$200k, 100% will be paid within three months of year-end and for any bonus above A\$200k, 50% will be paid within three months of year-end and the remaining 50% deferred and paid at the start of the next financial year. This arrangement can be varied at the discretion of the Board.

#### How much can each Executive KMP earn?

For FY2018, Executive KMP have a target STI opportunity generally of up to 100% of base salary.

Each year, on recommendation from the Remuneration and Nomination Committee, the Board determines a total amount available for the payment of STIs (bonus pool), based on the underlying profit performance of the Group for the year. For FY2018, the total amount available for the payment of STIs to Executive KMP was \$1,661,600 (\$2017: \$449,015).

#### Outcomes and goals

The Board, on recommendation from the Remuneration and Nomination Committee, establishes outcomes and goals which it expects the Executive KMP to achieve, and against which performance is measured. The outcomes and goals are based on financial targets, Group and business unit statutory and underlying profit performance, growth and business development targets as well as operational management. The Board creates its goals and outcome expectations in a manner that is designed to increase returns to shareholders in the short and long-term.

The focus of the outcomes and goals is to drive decision making in a manner that increases returns to shareholders in the short and long-term. The Board also considers the general value add to the business and the Company's stakeholders through areas such as investor relations, deal origination and strategy.

#### How is performance measured?

The Board, on recommendation from the Remuneration and Nomination Committee, assesses the individual performance of each Executive KMP. The Board base their assessment of the Executive KMP's performance against the outcomes and goals set out above and other goals and Group and business unit underlying profit performance.

#### What happens if an Executive KMP leaves?

If an Executive KMP resigns or is terminated for cause before the end of the financial year, no STI is awarded for that financial year.

If the Executive KMP ceases employment during the financial year by reason of redundancy, ill health, death or other circumstances approved by the Board, the Executive KMP will be entitled to a pro-rata cash payment based on the Board's assessment of the Executive KMP's performance during the financial year up to the date of ceasing employment.

#### What happens if there is a change of control?

In the event of a change of control, a pro-rata cash payment will be made, based on the Remuneration and Nomination Committee's recommended assessment of performance during the financial year up to the date of the change of control and approval by the Board.

### ii) LTI Plan

#### What is the LTI Plan?

The LTI plan allows for grants to be in the form of performance rights, options or shares.

#### What is the objective of the LTI Plan?

The Board established the Pacific Current Group Limited Long-Term Incentive Plan (**LTI Plan**), with the objective to reward senior executives and officers in a manner that aligns the LTI element of total remuneration with the creation of shareholder wealth. The awarding of an LTI is fully discretionary and grants are determined by the Board, based on a recommendation from the Remuneration and Nomination Committee.

|                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How do the share performance rights vest?</b> | The performance rights vest subject to two different Total Shareholder Return ( <b>TSR</b> ) performance hurdles, namely: the achievement of TSR performance of the Company compared with the growth in TSR over a three-year period of the S&P ASX 300 companies ( <b>Hurdle 1</b> ) and separately compared with the growth in TSR over a three-year period of a selected comparator group of companies ( <b>Hurdle 2</b> ) – see 'Performance Conditions' in table below for further details.                                                                                                                                                                                                                                  |
| <b>Is shareholder approval required?</b>         | <p>Any securities to be allocated to directors and their associates on vesting of the performance rights, will either be purchased on-market under the LTI Plan and therefore shareholder approval is not required, or at the Board's discretion, shareholder approval may be sought.</p> <p>The Board, based on a recommendation from the Remuneration and Nomination Committee, has the discretion to amend the vesting terms and performance hurdles for each offer of performance rights to ensure that they are aligned to current market practice and ensure the best outcome for the Group. The Board also has the discretion to change the LTI Plan and to determine whether LTI grants will be made in future years.</p> |
| <b>What are the terms of the LTI Plan?</b>       | The structure of LTI Plan is set out below.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

### iii) LTI Plan Overview

| Feature                       | Terms of the LTI Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Type of security</b>       | Performance rights, which are an entitlement to receive fully, paid ordinary Company Shares (as traded on the ASX) on a one-for-one basis.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Valuation</b>              | An independent valuation is conducted using a monte-carlo simulation as well as binomial option pricing methodology.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Performance Period</b>     | The performance period is the three-year period following the grant date.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Performance Conditions</b> | <p>The performance rights are split into two equal groups, and each group are subject to a different TSR performance hurdle as described below. Broadly, TSR measures the return to a shareholder over the performance period in terms of changes in the market value of the shares plus the value of any dividends paid on the shares.</p> <p>Each TSR Hurdle compares the TSR performance of Company with the TSR performance of each of the entities in a comparator group described below.</p> <p><b>Hurdle 1</b><br/> <i>S&amp;P ASX 300 Comparator Group</i></p> <p>50% of the performance rights are subject to a TSR Hurdle that compares the TSR performance of the Company at the end of the performance period with the growth in TSR over the same period of the S&amp;P ASX 300 companies.</p> <p><b>Hurdle 2</b><br/> <i>Selected Comparator Group</i></p> <p>The other 50% of the performance rights are subject to a TSR Hurdle that compares the TSR performance of the Company at the end of the performance period with the growth in TSR over the same period of a selected comparator group of companies.</p> <p>In determining the outcome of the TSR Hurdle for this group of performance rights, each company in the comparator group will be weighted equally. The companies comprising the comparator group have similar performance drivers to the Company and will be subject to review on the basis of relevance and may change at the Board's discretion.</p> <p>The comparator group at the time of this Remuneration Report is as follows:</p> <ol style="list-style-type: none"> <li>Pendal Group Limited (ASX: PDL) (previously, BT Investment Management Limited (ASX: BTT))</li> <li>Perpetual Limited (ASX: PPT)</li> <li>Platinum Asset Management Limited (ASX: PTM)</li> </ol> |

# DIRECTOR'S REPORT

continued

| Feature                                                  | Terms of the LTI Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                 |                                  |                                      |      |                                                          |                                                                                                                    |                             |     |                                   |     |
|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|--------------------------------------|------|----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|-----------------------------|-----|-----------------------------------|-----|
|                                                          | <p>d. Magellan Financial Group Limited (ASX: MFG)</p> <p>e. Janus Henderson Group plc (ASX: JHG) (previously, Henderson Group plc (ASX: HGG))</p> <p>f. Affiliated Managers Group (NYSE: AMG)</p> <p>Together, Hurdle 1 and Hurdle 2 comprise the total performance conditions but act independently relative to their specific target component.</p> <p>The percentage of performance rights which vest (if any) will be determined by the Board by reference to the percentile ranking achieved by the Company over the performance period compared to the comparator group applying under the relevant TSR Hurdle for that group:</p> <table> <tr> <th>TSR growth – percentile ranking</th><th>Performance rights that vest (%)</th></tr> <tr> <td>75<sup>th</sup> percentile or above</td><td>100%</td></tr> <tr> <td>Between 50<sup>th</sup> and 75<sup>th</sup> percentile</td><td>Progressive pro rata vesting from 50% at 2% for everyone percentile increase above the 50<sup>th</sup> percentile</td></tr> <tr> <td>50<sup>th</sup> percentile</td><td>50%</td></tr> <tr> <td>Below 50<sup>th</sup> percentile</td><td>Nil</td></tr> </table>                                                                                                                                                                                                                                                                                                                                                                                                                                  | TSR growth – percentile ranking | Performance rights that vest (%) | 75 <sup>th</sup> percentile or above | 100% | Between 50 <sup>th</sup> and 75 <sup>th</sup> percentile | Progressive pro rata vesting from 50% at 2% for everyone percentile increase above the 50 <sup>th</sup> percentile | 50 <sup>th</sup> percentile | 50% | Below 50 <sup>th</sup> percentile | Nil |
| TSR growth – percentile ranking                          | Performance rights that vest (%)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                 |                                  |                                      |      |                                                          |                                                                                                                    |                             |     |                                   |     |
| 75 <sup>th</sup> percentile or above                     | 100%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                 |                                  |                                      |      |                                                          |                                                                                                                    |                             |     |                                   |     |
| Between 50 <sup>th</sup> and 75 <sup>th</sup> percentile | Progressive pro rata vesting from 50% at 2% for everyone percentile increase above the 50 <sup>th</sup> percentile                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                 |                                  |                                      |      |                                                          |                                                                                                                    |                             |     |                                   |     |
| 50 <sup>th</sup> percentile                              | 50%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                 |                                  |                                      |      |                                                          |                                                                                                                    |                             |     |                                   |     |
| Below 50 <sup>th</sup> percentile                        | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                 |                                  |                                      |      |                                                          |                                                                                                                    |                             |     |                                   |     |
| Re-testing                                               | There is no re-testing. Any unvested LTI after the test at the end of the performance period will lapse immediately.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                 |                                  |                                      |      |                                                          |                                                                                                                    |                             |     |                                   |     |
| Allocation of shares                                     | Any securities to be allocated on vesting of the performance rights will either be purchased on market under the LTI plan and therefore shareholder approval is not required or at the Board's discretion, shareholder approval may be sought.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                 |                                  |                                      |      |                                                          |                                                                                                                    |                             |     |                                   |     |
| Forfeiture                                               | <p>Performance rights will lapse for the following reasons:</p> <ol style="list-style-type: none"> <li>upon cessation of employment, except in a good leaver scenario detailed below;</li> <li>if the employee acts fraudulently, dishonestly or in breach of obligations;</li> <li>in connection with a change of control event as detailed below; or</li> <li>if the dealing restrictions are contravened.</li> </ol> <p><u>Good Leaver</u></p> <p>Any unvested performance rights will not lapse (unless the Board determines otherwise) if the participant's employment ceases due to death or total permanent disability. In these circumstances, performance rights will vest on the basis that the performance conditions applicable to those performance rights have been satisfied on a pro rata basis over the period from the grant date to the date of cessation of employment.</p> <p>The Board has discretion to allow vesting for other reasons, such as retirement or redundancy.</p> <p><u>Change of Control</u></p> <p>Generally, in the event of:</p> <ul style="list-style-type: none"> <li>– a takeover bid being made, recommended by the Board or becoming unconditional;</li> <li>– a scheme of arrangement, reconstruction or winding up of the Company being put to members; or</li> <li>– any other transaction, event or state of affairs that the Board in its discretion determines is likely to result in a change in control of the Company, the performance rights may vest at the Board's discretion in accordance with the LTI Plan rules.</li> </ul> |                                 |                                  |                                      |      |                                                          |                                                                                                                    |                             |     |                                   |     |
| Clawback                                                 | The Board has "clawback" powers if, amongst other things, the participant has acted fraudulently or dishonestly.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                 |                                  |                                      |      |                                                          |                                                                                                                    |                             |     |                                   |     |

### 5.3 Remuneration committee

The Remuneration and Nomination Committee is a committee of the Board. The remuneration objective of this committee is to assist the Board in the establishment of remuneration and incentive policies and practices for, and in discharging the Board's responsibilities relative to the remuneration setting and review of, the Company's Directors, executive Directors and other senior executives. The list of remuneration responsibilities of the Remuneration and Nomination Committee is set out in its charter, which is available on the Group's website at <http://paccurrent.com/shareholders/corporate-governance>.

### 5.4 External remuneration consultants

It is the Group's current intention to engage qualified external consultants every third year to ensure that its remuneration structure and framework remains current. This was last done in FY2016 when, the Group engaged AON Hewitt (**AON**) as an external remuneration consultant to provide guidance on several key executive and long-term incentive plan matters, including recommendations in relation to KMP. An internal review was undertaken in FY2018. AON was also engaged to perform the LTI vesting calculations for FY2018.

## 6. Relationship between the Remuneration Philosophy and Company Performance

The table below sets out summary information about the Company's earnings and movements in shareholder wealth for the five years to 30 June 2018. STI and/or LTI awards are paid based on individual and underlying Company performance. The Board, based on a recommendation from the Remuneration and Nomination Committee, has ultimate discretion in determining the amount of the bonus pool:

|                                        | 2018<br>\$ | 2017<br>(restated)<br>\$ | 2016<br>(restated)<br>\$ | 2015<br>(restated)<br>\$ | 2014<br>\$ |
|----------------------------------------|------------|--------------------------|--------------------------|--------------------------|------------|
| Revenue                                | 46,404,657 | 42,076,742               | 38,717,055               | (31,774,770)             | 2,323,656  |
| Statutory net profit/(loss) before tax | 95,409,529 | (60,465,404)             | 13,722,970               | (12,872,566)             | 15,187,652 |
| Statutory net profit/(loss) after tax  | 90,807,881 | (65,959,754)             | (12,515,638)             | (17,551,014)             | 13,061,814 |
| Share price at start of year (\$)      | 6.65       | 4.31                     | 9.50                     | 9.57                     | 7.07       |
| Share price at end of year (\$)        | 6.56       | 6.65                     | 4.31                     | 9.50                     | 9.57       |
| Interim dividend (cps) <sup>1</sup>    | –          | –                        | 20                       | 24                       | 23         |
| Final dividend (cps) <sup>1</sup>      | 22         | 18                       | 5                        | 28                       | 27         |
| EPS/(loss)                             | 189.39     | (165.34)                 | (44.60)                  | (68.51)                  | 56.60      |
| Diluted EPS/(loss)                     | 189.39     | (165.34)                 | (44.60)                  | (68.51)                  | 55.00      |
| KMP bonuses (\$)                       | 1,357,940  | 449,015                  | 1,049,421 <sup>2</sup>   | 576,185 <sup>3</sup>     | 629,500    |

<sup>1</sup> Franked to 100% at 30% corporate income tax.

<sup>2</sup> Notwithstanding the decline in the financial performance of the business during FY2016, the Board decided that certain STI payments would be made. This recognised that some significant achievements were made during the period and recognising the importance of KMP to the business going forward. In the case of Mr Greenwood, his role changed during the year and consequently changes were made to his employment contract.

<sup>3</sup> Awarded to Mr Greenwood and Mr Ferragina. These awards were recommended by the then CEO and approved by then Remuneration Committee based on their individual performances.

# DIRECTOR'S REPORT

continued

## 7. Nature and amount of each element of KMP Remuneration in FY2018

Details of the nature and amount of each element of the remuneration of each Director of the Company and each of the KMP of the Company and the consolidated entity for the financial year are set out below:

|                                                                     | Short term            |                      | Post-employment                | Share based payments |                                      | Others              | Total     | Performance related |
|---------------------------------------------------------------------|-----------------------|----------------------|--------------------------------|----------------------|--------------------------------------|---------------------|-----------|---------------------|
|                                                                     | Salary and fees<br>\$ | Cash bonus<br>\$     | Super-annuation/<br>401K<br>\$ | Shares<br>\$         | Options/<br>performance rights<br>\$ | Others<br>\$        | \$        |                     |
| <b>Non-executive Directors</b>                                      |                       |                      |                                |                      |                                      |                     |           |                     |
| M. Fitzpatrick – Chairman                                           |                       |                      |                                |                      |                                      |                     |           |                     |
| 2018                                                                | 117,650               | –                    | 12,350                         | –                    | –                                    | –                   | 130,000   | –                   |
| 2017                                                                | 118,722               | –                    | 11,278                         | –                    | –                                    | –                   | 130,000   | –                   |
| M. Donnelly – Non-executive Director                                |                       |                      |                                |                      |                                      |                     |           |                     |
| 2018                                                                | 76,925                | –                    | 8,075                          | –                    | –                                    | –                   | 85,000    | –                   |
| 2017                                                                | 77,626                | –                    | 7,374                          | –                    | –                                    | –                   | 85,000    | –                   |
| G. Guérin – Non-executive Director                                  |                       |                      |                                |                      |                                      |                     |           |                     |
| 2018                                                                | 80,000                | –                    | –                              | –                    | –                                    | –                   | 80,000    | –                   |
| 2017                                                                | 75,000                | –                    | –                              | –                    | –                                    | –                   | 75,000    | –                   |
| P. Kennedy – Non-executive Director                                 |                       |                      |                                |                      |                                      |                     |           |                     |
| 2018                                                                | 115,000               | –                    | –                              | –                    | –                                    | –                   | 115,000   | –                   |
| 2017                                                                | 120,000               | –                    | –                              | –                    | –                                    | –                   | 120,000   | –                   |
| J. Vincent – Non-executive Director (resigned 13 April 2017)        |                       |                      |                                |                      |                                      |                     |           |                     |
| 2018                                                                | –                     | –                    | –                              | –                    | –                                    | –                   | –         | –                   |
| 2017                                                                | 66,777                | –                    | –                              | –                    | –                                    | –                   | 66,777    | –                   |
| <b>Executive Directors</b>                                          |                       |                      |                                |                      |                                      |                     |           |                     |
| P. Greenwood – President, North America and Global CIO <sup>1</sup> |                       |                      |                                |                      |                                      |                     |           |                     |
| 2018                                                                | 870,942               | 820,440              | 14,193                         | –                    | 836,192                              | –                   | 2,541,767 | 32%                 |
| 2017                                                                | 895,565               | 199,015              | 14,716                         | –                    | 555,670                              | –                   | 1,665,966 | 12%                 |
| T. Robinson – Executive Director <sup>2</sup>                       |                       |                      |                                |                      |                                      |                     |           |                     |
| 2018                                                                | 279,951               | 200,000 <sup>2</sup> | 20,049                         | –                    | –                                    | –                   | 500,000   | 40%                 |
| 2017                                                                | 280,384               | 200,000 <sup>2</sup> | 19,616                         | –                    | –                                    | –                   | 500,000   | 40%                 |
| J. Ferragina – CFO and COO                                          |                       |                      |                                |                      |                                      |                     |           |                     |
| 2018                                                                | 429,951               | 337,500              | 20,049                         | –                    | 299,469                              | 33,873 <sup>3</sup> | 1,120,842 | 30%                 |
| 2017                                                                | 430,384               | 50,000               | 19,616                         | –                    | 307,879                              | –                   | 807,879   | 6%                  |
| <b>Total remuneration: KMP</b>                                      |                       |                      |                                |                      |                                      |                     |           |                     |
| 2018                                                                | 1,970,419             | 1,357,940            | 74,716                         | –                    | 1,135,661                            | 33,873              | 4,572,609 | 30%                 |
| 2017                                                                | 2,064,458             | 449,015              | 72,600                         | –                    | 864,549                              | –                   | 3,450,622 | 13%                 |

<sup>1</sup> Mr Greenwood was appointed Managing Director and CEO and Global CIO from 1 July 2018. Refer to Section 8.2 of this report for details of his new employment contract.

<sup>2</sup> On his appointment as an executive director on 26 April 2016, Mr. Robinson had the capability to earn a STI award of up to 100% of his base salary. There is no LTI component in Mr. Robinson's contract. Consideration of a FY2017 bonus for Mr Robinson was deferred as at 30 June 2017 as matters he was responsible for were still ongoing. The Board has now agreed that Mr Robinson will be paid an STI of A\$400,000 for his performance over the period 1 July 2016 to 30 June 2018 and that \$200,000 be allocated to FY2017 and \$200,000 be allocated to FY2018.

<sup>3</sup> Mr Ferragina monetised his annual leave credits during the year.

The relative proportions of the elements of remuneration of KMP that are linked to performance:

|              | Maximum potential of short-term incentive based on fixed remuneration |      | Actual short-term incentive based on fixed remuneration linked to performance |      | Maximum potential of long-term incentive based on fixed remuneration <sup>1</sup> |      | Actual long-term incentive based on fixed remuneration linked to performance <sup>1</sup> |      |
|--------------|-----------------------------------------------------------------------|------|-------------------------------------------------------------------------------|------|-----------------------------------------------------------------------------------|------|-------------------------------------------------------------------------------------------|------|
| Executives   | 2018                                                                  | 2017 | 2018                                                                          | 2017 | 2018                                                                              | 2017 | 2018                                                                                      | 2017 |
| P. Greenwood | 100%                                                                  | 100% | 90%                                                                           | 22%  | 100%                                                                              | 100% | 96%                                                                                       | 62%  |
| T. Robinson  | 100%                                                                  | 100% | 66%                                                                           | 66%  | N/A                                                                               | N/A  | N/A                                                                                       | N/A  |
| J. Ferragina | 100%                                                                  | 100% | 75%                                                                           | 12%  | 100%                                                                              | 100% | 65%                                                                                       | 77%  |

<sup>1</sup> Valuation based on fair-value at grant date using a monte-carlo simulation as well as binomial option pricing methodology.

## 8. Key Terms of Employment Contracts of KMP

### 8.1 Key Terms of Employment Contract of Paul Greenwood

|                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Contract Details</b> | Paul Greenwood, President, North America and Global Chief Investment Officer (up to 30 June 2018)<br>The following key terms of employment were applicable up to 30 June 2018                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Term of Contract</b> | A term of three years from 24 November 2014 and automatic renewal for successive one year periods thereafter until notice is given by either party. A First Addendum to Mr Greenwood's Employment Agreement was signed and effective from 1 July 2016 on his change in role to President, North America and Global Chief Investment Officer.                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Base Salary</b>      | US\$675,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>STI</b>              | Mr Greenwood is eligible for a short-term incentive of up to 100% of his base salary, with the percentage payable determined by assessing performance against a set of pre-determined key performance indicators.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>LTI</b>              | Mr. Greenwood's employment agreement (Contract) was amended in October 2016, and the changes were announced to the ASX on 7 October 2016, arising from the change in his role from Executive Director to his then new role as President, North America and Global Chief Investment Officer. As part of those contract changes, Mr. Greenwood was issued 250,000 performance rights as at 5 October 2016, and was issued a further 250,000 performance rights on 5 October 2017, provided that Mr. Greenwood was still employed on that date, subject to vesting conditions. Any securities to be allocated on vesting of the performance rights will be purchased on market and therefore shareholder approval is not required. |
| <b>Others</b>           | Plan Benefits, (iii) his Accrued Bonus Obligations, (iv) a lump sum payment equal to the Severance Amount payable by the Company, and (v) for a period equal to the Severance Period, continuation coverage payable by the Company under the Company's group health plans under which Executive and his dependents participated immediately prior to his date of termination.                                                                                                                                                                                                                                                                                                                                                   |

# DIRECTOR'S REPORT

continued

## 8.2 Key Terms of Employment Contract of Paul Greenwood (from 1 July 2018)

|                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Title</b>            | Managing Director and CEO and Global Chief Investment Officer<br>The following key terms of employment are applicable from 1 July 2018                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Term of Contract</b> | A term of three years from 24 November 2014 and automatic renewal for successive one year periods thereafter until notice is given by either party.<br>A First Addendum to Mr Greenwood's Employment Agreement was signed and effective from 1 July 2016 on Mr Greenwood's change in role to President, North America and Global Chief Investment Officer.<br>A Second Addendum was signed and effective from 1 July 2018 on his appointment as Chief Executive Officer and Global Chief Investment Officer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Base Salary</b>      | US\$725,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>STI</b>              | Mr Greenwood is eligible for Annual cash bonuses of up to US\$400,000 each year subject to satisfying the key performance indicators for the relevant year agreed by the board of Directors of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>LTI</b>              | <p>Mr Greenwood's long-term incentive is provided through the grant of the Company share entitlements conditional on certain performance criteria being met (<b>performance rights</b>) that are designed to give Mr Greenwood an outcome that is similar to the benefit that options would provide. It is comprised of two tranches, the first with a performance assessment period of three years and the second with a performance assessment period of four years.</p> <p>Each tranche is subdivided into three lots with different performance conditions, one lot requiring continuing employment and a share price hurdle to be met and the other two also requiring different total shareholder return hurdles to be met.</p> <p>Set out below is a more detailed summary of the performance rights:</p> <p><b>1<sup>st</sup> tranche – 1 July 2018 to 30 June 2021</b></p> <p>(a) If the 30-trading day volume weighted average price (<b>VWAP</b>) of an ordinary share (<b>Share</b>) in the Company ending on the last trading day of 30 June 2021 (<b>2021 VWAP</b>) exceeds A\$6.75, Mr Greenwood will be entitled to acquire for no cash consideration a number of Shares equal to:</p> $\frac{375,000 \times (2021 \text{ VWAP} - A\$6.75)}{2021 \text{ VWAP}}$ <p>PLUS</p> <p>(b) If the above price hurdle is exceeded and the 2021 VWAP plus the aggregate dividends paid on a Share during the period 1 July 2018 to 30 June 2021 (<b>2021 TSR</b>) is more than \$6.75 increased at the rate of 8.5% per annum compounding annually, Mr Greenwood will be entitled to acquire for no cash consideration an additional number of Shares equal to:</p> $\frac{437,500 \times (2021 \text{ VWAP} - A\$6.75)}{2021 \text{ VWAP}}$ <p>PLUS</p> <p>(c) If the above price hurdle is exceeded and the 2021 VWAP plus the aggregate dividends paid on a Share during the period 1 July 2018 to 30 June 2021 (<b>2021 TSR</b>) is more than A\$6.75 increased at the rate of 11% per annum compounding annually, Mr Greenwood will be entitled to acquire for no cash consideration an additional number of Shares equal to:</p> $\frac{437,500 \times (2021 \text{ VWAP} - A\$6.75)}{2021 \text{ VWAP}}$ <p><b>2<sup>nd</sup> tranche – 1 July 2018 to 30 June 2022</b></p> <p>(a) If the 30-trading day volume weighted average price (<b>VWAP</b>) of an ordinary share (<b>Share</b>) in the Company ending on the last trading day of 30 June 2022 (<b>2022 VWAP</b>) exceeds A\$6.75, Mr Greenwood will be entitled to acquire for no cash consideration a number of Shares equal to:</p> $\frac{375,000 \times (2022 \text{ VWAP} - A\$6.75)}{2022 \text{ VWAP}}$ |

PLUS

- (b) If the above price hurdle is exceeded and the 2022 VWAP plus the aggregate dividends paid on a Share during the period 1 July 2018 to 30 June 2022 (**2022 TSR**) is more than A\$6.75 increased at the rate of 8.5% per annum compounding annually, Mr Greenwood will be entitled to acquire for no cash consideration an additional number of Shares equal to:

$$\frac{437,500 \times (2022 \text{ VWAP} - \text{A\$6.75})}{2022 \text{ VWAP}}$$

PLUS

- (c) If the above price hurdle is exceeded and the 2022 VWAP plus the aggregate dividends paid on a Share during the period 1 July 2018 to 30 June 2022 (**2022 TSR**) is more than A\$6.75 increased at the rate of 11% per annum compounding annually, Mr Greenwood will be entitled to acquire for no cash consideration an additional number of Shares equal to:

$$\frac{437,500 \times (2022 \text{ VWAP} - \text{A\$6.75})}{2022 \text{ VWAP}}$$

Mr Greenwood's entitlement to acquire shares under his LTI is conditional on the Company shareholder approval, which is anticipated to be sought at the Company's next annual general meeting (likely to be held in November 2018).

#### Continuing employment

Mr Greenwood's entitlement to acquire any Shares is conditional on his full-time employment not having terminated at or before the time the Shares are required to be issued or transferred to Mr Greenwood, although where employment terminates due to his death or total and permanent disablement or his role becoming redundant due to operational reasons or Mr Greenwood being given notice of termination without cause, and some or all of the performance hurdles set out in the above formulae have in substance been achieved, Mr Greenwood will become entitled to some or all of the Shares that he would be entitled to if the date of termination of his employment were substituted in place of 30 June 2021 and 30 June 2022 in the formulae.

#### Adjustment

Where the share capital of the Company is reorganised or there is a bonus issue of Shares to Company shareholders, the terms of the long-term incentive (e.g. the share price hurdle and underlying share numbers in the above formulae) will be adjusted in a way that is comparable to the way options are required to be adjusted under the ASX Listing Rules.

#### Cash alternative

The Company may elect to pay to Mr Greenwood a cash equivalent amount instead of issuing or arranging to transfer all or any of the Shares to him. The Company expects that this will be an equity settled transaction.

#### Other employee benefit plans

Mr Greenwood is also entitled to participate in any and all other employee benefit plans which are made available to the senior executives of the Group from time to time. At present, Mr Greenwood participates in the Group's North American qualified retirement plan whereby matching contributions are paid towards Mr Greenwood's retirement benefits up to approximately US\$11,000 each year. He also participates in the Group's health plans whereby the Group pays for coverage for health-related services for Mr Greenwood and his dependents at a current net annual cost of approximately US\$20,600.

#### Termination of employment

##### Termination upon death or permanent disability

If Mr. Greenwood suffers a permanent disability or dies during the term of the Contract, Mr. Greenwood (or his estate, as applicable) will be entitled to receive (i) any amount of base salary not paid and any accrued but untaken annual leave (**Accrued Obligations**), (ii) any vested but unpaid amounts owed to Mr. Greenwood under the Company's retirement, non-qualified deferred compensation or incentive compensation plans (**Accrued Plan Obligations**), (iii) any other applicable bonus/incentive payments as per the terms of the contract and grant or plan documents (**Accrued Bonus Obligations**), and (iv) 12 months-continuation coverage under the Company's health plans under which Mr. Greenwood and his dependents participated immediately prior to Mr. Greenwood's date of death or permanent disability.

# DIRECTOR'S REPORT

continued

## Termination by the Company for cause

The Company may terminate Mr Greenwood's employment at any time for Cause by issuing a Cause Notice and allowing Mr Greenwood at least 15 days to discuss the reasons for the Cause Notice and at least 30 days to cure the reasons for the Cause Notice. If after that period Mr Greenwood has not cured the Cause Event, the Company may terminate his employment with immediate effect. In this circumstance, Mr Greenwood will be entitled to receive (i) his Accrued Obligations, (ii) his Accrued Plan Benefits and (iii) his Accrued Bonus Obligations.

## Termination by the Company without cause

The Company may terminate Mr Greenwood's employment without cause by giving six months' prior written notice. In this circumstance, Mr Greenwood will be entitled to (i) his Accrued Obligations, (ii) his Accrued Plan Benefits and (iii) his Accrued Bonus Obligations (iv) a lump sum severance payment equal to his then current 12 months' base salary, and (v) 12 months-continuation coverage under the Company's health plans under which Mr Greenwood and his dependents participated immediately prior to his date of termination.

## Resignation for Other than Good Reason

Mr Greenwood may voluntarily terminate his employment for any reason upon at least six months' prior written notice. On the date of termination, Mr Greenwood will be entitled to receive (i) his Accrued Obligations, (ii) his Accrued Plan Benefits and (iii) his Accrued Bonus Obligations.

## Resignation for Good Reason

Mr Greenwood may terminate his employment at any time for Good Reason by giving the Company written notice, which specifies the date of termination and the reason therefor. On the date of termination, Mr. Greenwood will be entitled to receive (i) his Accrued Obligations, (ii) his Accrued his Accrued Plan Benefits and (iii) his Accrued Bonus Obligations; (iv) a lump sum payment equal to the Severance Amount payable by the Company, and (v) for a period equal to the Severance Period, continuation coverage payable by the Company under the Company's group health plans under which Mr. Greenwood and his dependents participated immediately prior to his date of termination.

**Non-compete** Upon termination of his employment, Mr Greenwood will be subject to non-competition restrictions for 6 months (where termination is without cause or by Mr Greenwood for good reason) or 12 months (where termination is for any other reason).

**Dispute resolution** The terms of the long-term incentive are governed by the laws of the Commonwealth of Australia and the state of Victoria and all other provisions of the employment agreement are governed by the laws of the state of Washington, United States of America. Any controversy or claim is required to be resolved by arbitration in Seattle Washington. The Company is required to pay all costs and fees of the arbitration.

## 8.3 Key Terms of Employment Contract of Tony Robinson

**Contract Details** Tony Robinson, Executive Director

**Term of Contract** Ongoing until notice is given by either party

**Base Salary** \$300,000

**STI** Mr Robinson is eligible for a short-term incentive of up to 100% of his base salary, with the percentage payable determined by assessing performance against a set of pre-determined key performance indicators. The STI will be assessable and payable at the end of the period in which he fulfills an Executive Director role or early by agreement.

**LTI** There is no LTI component in Mr Robinson's contract.

**Termination of Employment** Under the terms of the contract, Mr Robinson or the Company may terminate the contract giving one month written notice with no termination benefits.

The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr Robinson is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

Where employment is terminated with notice, no further payments will be paid by the Company except unpaid salary accrued to the date of termination and accrued annual leave.

#### 8.4 Key Terms of Employment Contract of Joseph Ferragina

|                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Contract Details</b>          | Joseph Ferragina, CFO and COO Australia.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Term of Contract</b>          | Ongoing until notice is given by either party                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Base Salary</b>               | \$450,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>STI</b>                       | Mr Ferragina is eligible for a STI for up to 100% of base salary.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>LTI</b>                       | Mr Ferragina is eligible to participate in the Company's LTI Plan and the offers each year (if any) will be disclosed in the Remuneration Report. Any securities to be allocated to Mr Ferragina on vesting of his performance rights, will either be purchased on-market under the LTI Plan and therefore shareholder approval is not required, or at the Board's discretion, shareholder approval may be sought.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Termination of Employment</b> | <p>Under the terms of the contract, Mr Ferragina or the Company may terminate the contract giving three months written notice with no termination benefits.</p> <p>The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr Ferragina is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause, any unvested performance rights will immediately be forfeited.</p> <p>Where employment is terminated with notice, no further payments will be paid by the Company except unpaid salary accrued to the date of termination and accrued annual leave. Where employment is terminated with notice, deferred short-term incentives will also be paid. However, the Board retains the discretion to determine that some or all unvested performance rights vest or lapse with effect from or after the cessation date.</p> |

### 9. Remuneration of Non-executive directors

#### 9.1 Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Non-executive Directors of the highest caliber, whilst incurring a cost that is acceptable to shareholders.

#### 9.2 Structure

In accordance with the ASX Listing Rules, the aggregate remuneration of Non-executive Directors is determined from time to time by a general meeting of shareholders. An amount not exceeding the amount approved by shareholders is apportioned amongst Directors, as agreed by the Directors, and the manner in which it is apportioned amongst Directors is reviewed annually.

The last determination by shareholders of the aggregate remuneration of Non-executive Directors was at the general meeting held on 15 November 2006, when shareholders approved an aggregate remuneration of \$650,000 per annum, for the services of Non-executive Directors as Directors of the Company and its subsidiaries.

Non-executive Directors do not receive performance-based bonuses from the Company, nor do they receive fees that are contingent on performance, shares in return for their services, retirement benefits, other than statutory superannuation or termination benefits.

The Executive Directors are not remunerated separately for acting as Directors.

Following is the schedule of Non-executive Directors' fees:

|                                                                                               | 2018<br>\$ | 2017<br>\$ |
|-----------------------------------------------------------------------------------------------|------------|------------|
| <b>Chairman</b>                                                                               | 100,000    | 100,000    |
| Non-executive Director                                                                        | 60,000     | 60,000     |
| Audit and risk committee chairman                                                             | 20,000     | 20,000     |
| Audit and risk committee member                                                               | 15,000     | 15,000     |
| Remuneration committee member (includes chair, no fee difference between member and chairman) | 10,000     | 10,000     |
| Governance committee chairman                                                                 | 10,000     | 10,000     |
| Governance committee member                                                                   | 5,000      | 5,000      |

The fees above are inclusive of superannuation contributions, except for the Director fees paid to Mr Guérin. Total fees paid to Non-executive Directors in FY2018 were \$405,000 (FY2017: \$476,777). Refer to Section 7 of this report for details of remuneration paid to Non-executive Directors in FY2018.

# DIRECTOR'S REPORT

## continued

During FY2018, the Board undertook a review of existing compensation arrangements for Non-Executive Directors and resolved to approve the following revised Non-executive Directors' fees with effect from 1 July 2018:

|                                                | 2019<br>\$ |
|------------------------------------------------|------------|
| <b>Chairman</b>                                | 140,000    |
| Non-executive Director                         | 70,000     |
| Audit and risk committee chairman              | 30,000     |
| Audit and risk committee member                | 20,000     |
| Remuneration and nomination committee chairman | 20,000     |
| Remuneration and nomination committee member   | 15,000     |
| Governance committee chairman                  | 15,000     |
| Governance committee member                    | 10,000     |

There is no intention to seek to increase the Non-executive director fee pool of \$650,000 at the 2018 AGM.

Directors are not required under the constitution or any other Board policy to hold any shares in the Company. The shareholding level of Directors is detailed in the tables set out in Section 11 of this report.

## 10. Share Based Remuneration

### 10.1 Share-based payments granted as a compensation for the current financial year

3. As detailed in Section 5.2.1 of this report, the Group operates an LTI Plan for eligible employees. The number of performance rights granted are as detailed in the table below and further described in Section 5.2.1 of this report.

Details of share-based payments/performance rights granted as compensation to KMP during the current financial year:

|                      | During the financial year |                      |                |                   |                      | % of compensation for the year consisting of performance rights |
|----------------------|---------------------------|----------------------|----------------|-------------------|----------------------|-----------------------------------------------------------------|
|                      | Rights issues             | Numbers granted      | Numbers vested | % of grant vested | % of grant forfeited |                                                                 |
| <b>Executive KMP</b> |                           |                      |                |                   |                      |                                                                 |
| P. Greenwood         | 2018 <sup>1</sup>         | 250,000 <sup>2</sup> | –              | –                 | –                    | 33%                                                             |
|                      | 2017 <sup>1</sup>         | 250,000 <sup>2</sup> | –              | –                 | –                    | 17%                                                             |
| T. Robinson          | 2018                      | –                    | –              | –                 | –                    | –                                                               |
|                      | 2017                      | –                    | –              | –                 | –                    | –                                                               |
| J. Ferragina         | 2018                      | –                    | –              | –                 | –                    | 27%                                                             |
|                      | 2017 <sup>1</sup>         | 100,000 <sup>3</sup> | –              | –                 | –                    | 14%                                                             |

<sup>1</sup> No grants were made under the LTI Plan in FY2018 and FY2017.

<sup>2</sup> Arising from the amendments to his remuneration on a change in his role, Mr Greenwood became entitled to the issue of 250,000 performance rights on 5 October 2016 and another 250,000 performance rights on 5 October 2017.

<sup>3</sup> The grant of 100,000 performance rights to Mr Ferragina was made on 26 October 2016 in relation to his performance in FY2016.

## 11. KMP Equity Holdings

### 11.1 Fully paid ordinary shares of Pacific Current Group Limited

| 30 June 2018                   | Balance<br>1 July 2017 | Granted as<br>remuneration | Received on<br>vesting of<br>performance<br>rights | Net change<br>other | Balance<br>held nominally |
|--------------------------------|------------------------|----------------------------|----------------------------------------------------|---------------------|---------------------------|
| <b>Non-executive Directors</b> |                        |                            |                                                    |                     |                           |
| M. Fitzpatrick                 | 2,701,285              | –                          | –                                                  | –                   | 2,701,285                 |
| M. Donnelly                    | 20,000                 | –                          | –                                                  | –                   | 20,000                    |
| G. Guérin                      | –                      | –                          | –                                                  | –                   | –                         |
| P. Kennedy                     | 242,628                | –                          | –                                                  | –                   | 242,628                   |
| <b>Executive Directors</b>     |                        |                            |                                                    |                     |                           |
| P. Greenwood <sup>1</sup>      | 531,781                | –                          | –                                                  | –                   | 531,781                   |
| T. Robinson                    | –                      | –                          | –                                                  | 10,000              | 10,000                    |
| <b>Executive KMP</b>           |                        |                            |                                                    |                     |                           |
| J. Ferragina                   | 140,547                | –                          | –                                                  | (90,547)            | 50,000                    |

| 30 June 2017                         | Balance<br>1 July 2016 | Granted as<br>remuneration | Received on<br>vesting of<br>performance<br>rights | Net change<br>other | Balance<br>held nominally |
|--------------------------------------|------------------------|----------------------------|----------------------------------------------------|---------------------|---------------------------|
| <b>Non-executive Directors</b>       |                        |                            |                                                    |                     |                           |
| M. Fitzpatrick                       | 2,701,285              | –                          | –                                                  | –                   | 2,701,285                 |
| M. Donnelly                          | 20,000                 | –                          | –                                                  | –                   | 20,000                    |
| G. Guérin                            | –                      | –                          | –                                                  | –                   | –                         |
| P. Kennedy                           | 242,628                | –                          | –                                                  | –                   | 242,628                   |
| <b>Executive Directors</b>           |                        |                            |                                                    |                     |                           |
| J. Vincent (resigned 13 April 2017)  | –                      | –                          | –                                                  | –                   | –                         |
| T. Carver (resigned 21 October 2016) | –                      | –                          | –                                                  | –                   | –                         |
| P. Greenwood                         | –                      | –                          | –                                                  | 531,781             | 531,781                   |
| <b>Executive KMP</b>                 |                        |                            |                                                    |                     |                           |
| J. Ferragina                         | 141,400                | –                          | –                                                  | (853)               | 140,547                   |

<sup>1</sup> On 13 April 2017, the Company acquired the remaining units in the Trust by issuing 13,675,677 ordinary shares to the non-controlling interests. Mr Greenwood was among the holders of the non-controlling interests in the Group. Accordingly, Mr Greenwood was issued 531,781 ordinary shares representing 1 share for every 1.1 Class B Unit and/or Class B-1 unit he held.

# DIRECTOR'S REPORT

continued

## 12. Performance rights

Total performance rights outstanding as at 30 June 2018 were 1,669,000 (2017: 1,549,000) with a value of \$1,656,872 (2017: \$2,868,710).

Details of performance rights on issue are as follows:

|                               | Balance at 1 July 2017 | Granted as compensation | Received on vesting of performance rights/ options | Net change other | Balance 30 June 2018 | Balance Vested at 30 June 2018 | Vested but not exercisable | Vested and exercisable | Performance rights vested 30 June 2018 |
|-------------------------------|------------------------|-------------------------|----------------------------------------------------|------------------|----------------------|--------------------------------|----------------------------|------------------------|----------------------------------------|
| 30 June 2018                  | Number                 | Number                  | Number                                             | Number           | Number               | Number                         | Number                     | Number                 | Number                                 |
| <b>Executive KMP</b>          |                        |                         |                                                    |                  |                      |                                |                            |                        |                                        |
| P. Greenwood                  | 750,000                | 250,000                 | -                                                  | -                | 1,000,000            | -                              | -                          | -                      | -                                      |
| J. Ferragina                  | 405,000                | -                       | -                                                  | -                | 405,000              | -                              | -                          | -                      | -                                      |
| <b>Officers and employees</b> | 394,000                | -                       | -                                                  | (130,000)        | 264,000              | -                              | -                          | -                      | -                                      |
| <b>Total</b>                  | <b>1,549,000</b>       | <b>250,000</b>          | <b>-</b>                                           | <b>(130,000)</b> | <b>1,669,000</b>     | <b>-</b>                       | <b>-</b>                   | <b>-</b>               | <b>-</b>                               |

|                               | Balance at 1 July 2016 | Granted as compensation | Received on vesting of performance rights/ options | Net change other | Balance 30 June 2017 | Balance Vested at 30 June 2017 | Vested but not exercisable | Vested and exercisable | Performance rights vested 30 June 2017 |
|-------------------------------|------------------------|-------------------------|----------------------------------------------------|------------------|----------------------|--------------------------------|----------------------------|------------------------|----------------------------------------|
| 30 June 2017                  | Number                 | Number                  | Number                                             | Number           | Number               | Number                         | Number                     | Number                 | Number                                 |
| <b>Executive KMP</b>          |                        |                         |                                                    |                  |                      |                                |                            |                        |                                        |
| P. Greenwood                  | 500,000                | 250,000                 | -                                                  | -                | 750,000              | -                              | -                          | -                      | -                                      |
| J. Ferragina                  | 305,000                | 100,000                 | -                                                  | -                | 405,000              | -                              | -                          | -                      | -                                      |
| <b>Officers and employees</b> | 494,000                | -                       | -                                                  | (100,000)        | 394,000              | -                              | -                          | -                      | -                                      |
| <b>Total</b>                  | <b>1,299,000</b>       | <b>350,000</b>          | <b>-</b>                                           | <b>(100,000)</b> | <b>1,549,000</b>     | <b>-</b>                       | <b>-</b>                   | <b>-</b>               | <b>-</b>                               |

The amount of performance rights amortisation expense for FY2018 was \$1,380,497 (2017: \$1,121,655).

Grant and vesting dates and the valuation of performance rights outstanding as at the date of this report are as follows:

### 30 June 2018

| Issued to    | Number issued    | Grant Date <sup>1</sup> | Share price on Grant Date | Vesting Date | Valuation |
|--------------|------------------|-------------------------|---------------------------|--------------|-----------|
| P. Greenwood | 250,000          | 5 October 2017          | \$6.66                    | 1 July 2020  | \$4.06    |
|              | 250,000          | 5 October 2016          | \$4.00                    | 1 July 2019  | \$1.84    |
|              | 500,000          | 15 February 2016        | \$5.90                    | 1 July 2018  | \$1.86    |
| J. Ferragina | 100,000          | 26 October 2016         | \$4.58                    | 1 July 2019  | \$1.84    |
|              | 305,000          | 15 February 2016        | \$5.90                    | 1 July 2018  | \$1.86    |
| <b>Total</b> | <b>1,405,000</b> |                         |                           |              |           |

**30 June 2017**

| Issued to              | Number issued    | Grant Date <sup>1</sup> | Share price on Grant Date | Vesting Date | Valuation |
|------------------------|------------------|-------------------------|---------------------------|--------------|-----------|
| P. Greenwood           | 500,000          | 15 February 2016        | \$5.90                    | 1 July 2018  | \$1.86    |
|                        | 250,000          | 5 October 2016          | \$4.00                    | 1 July 2019  | \$1.84    |
| J. Ferragina           | 305,000          | 15 February 2016        | \$5.90                    | 1 July 2018  | \$1.86    |
|                        | 100,000          | 26 October 2016         | \$4.58                    | 1 July 2019  | \$1.84    |
| Officers and employees | 394,000          | 15 February 2016        | \$5.90                    | 1 July 2018  | \$1.86    |
| <b>Total</b>           | <b>1,549,000</b> |                         |                           |              |           |

<sup>1</sup> The rights issued on 15 February 2016 (FY16) have a performance period from 1 July 2015 to 1 July 2018. AON was commissioned to provide a report to determine whether the FY16 performance rights issued have vested as at 1 July 2018. AON determined that none of the FY16 performance rights vested as at 1 July 2018 and accordingly, 1,069,000 performance rights have lapsed as at 1 July 2018, with the balance of performance rights outstanding as at 1 July 2018 being 600,000, held by Mr Greenwood (500,000) and Mr Ferragina (100,000).

The rights issued on 5 and 26 October 2016 have a performance period from 1 July 2016 to 1 July 2019.

The rights issued on 5 October 2017 have a performance period from 1 July 2017 to 1 July 2020.

Refer to Section 5.2.1 of this report for applicable performance criteria and further details.

**13. Loans to directors and executives**

No loans were made to Directors and executives of the Company including their close family and entities related to them during FY2018.

**14. Shares under option**

There were no unissued ordinary shares of the Company under option outstanding at the date of this remuneration report.

Signed in accordance with a resolution of Directors.


**P. Kennedy**

Remuneration and Nomination Committee Chairman

28 September 2018

# DIRECTOR'S REPORT

continued

## Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

|               | Directors' Meetings               |                      | Audit & Risk Committee            |                      | Meetings of Committees<br>Remuneration Committee |                      | Governance Committee              |                      |
|---------------|-----------------------------------|----------------------|-----------------------------------|----------------------|--------------------------------------------------|----------------------|-----------------------------------|----------------------|
|               | Meetings<br>eligible to<br>attend | Meetings<br>attended | Meetings<br>eligible to<br>attend | Meetings<br>attended | Meetings<br>eligible to<br>attend                | Meetings<br>attended | Meetings<br>eligible to<br>attend | Meetings<br>attended |
| M Fitzpatrick | 13                                | 13                   | 4                                 | 4                    | 2                                                | 2                    | 3                                 | 3                    |
| P. Greenwood  | 13                                | 13                   | –                                 | –                    | –                                                | –                    | –                                 | –                    |
| T. Robinson   | 13                                | 13                   | –                                 | –                    | –                                                | –                    | –                                 | –                    |
| M. Donnelly   | 13                                | 13                   | 4                                 | 4                    | –                                                | –                    | 3                                 | 2                    |
| G. Guérin     | 13                                | 11                   | –                                 | –                    | 2                                                | 2                    | 3                                 | 3                    |
| P. Kennedy    | 13                                | 13                   | 4                                 | 4                    | 2                                                | 2                    | –                                 | –                    |

## Committee Membership

As at the date of this report, the Company had an Audit & Risk Committee, a Remuneration and Nomination Committee and a Governance Committee of the Board of Directors.

Members acting on the committees of the Board during the year were:

| Audit & Risk              | Remuneration and Nomination | Governance           |
|---------------------------|-----------------------------|----------------------|
| M. Donnelly (Chairperson) | P. Kennedy (Chairman)       | G. Guérin (Chairman) |
| M. Fitzpatrick            | M. Fitzpatrick              | M. Fitzpatrick       |
| P. Kennedy                | G. Guérin                   | M. Donnelly          |

## Tax Consolidation

As at the date of this report, Pacific Current Group Limited, Aurora Investment Management Pty Limited, Aurora Trust, Treasury Group Investment Services Ltd, Treasury ROC Pty Ltd and Treasury Evergreen Pty Ltd are the members of the tax consolidated entity.

The Company is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned entities on a pro-rata basis. Under a tax funding agreement, each member of the tax consolidated group is responsible for funding their share of any tax liability. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

## Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Group support the principles of corporate governance. The Company's corporate governance statement is available on the Group's website [www.paccurrent.com](http://www.paccurrent.com).

### **Environmental Regulation and Performance**

The Company's operations are not presently subject to significant environmental regulation under the law of the Commonwealth and State.

### **Non-audit Services**

The Directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

### **Auditor Independence**

The Directors received an independence declaration from the auditors of the Group. A copy of the declaration is set out on page 36.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'M. Fitzpatrick', is positioned above the printed name.

**M. Fitzpatrick**

Chairman

28 September 2018

# AUDITOR'S INDEPENDENCE DECLARATION



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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The Board of Directors  
Pacific Current Group Limited  
Level 29, 259 George St  
Sydney NSW 2000

28 September 2018

Dear Board Members

**Pacific Current Group Limited**

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

As lead audit partner for the audit of the financial statements of Pacific Current Group Limited for the financial year ended 30 June 2018, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

A handwritten signature in dark ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in dark ink that reads "Declan O'Callaghan".

Declan O'Callaghan  
Partner  
Chartered Accountants

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2018

|                                                                                              | Note | 2018<br>\$          | 2017<br>(restated)*<br>\$ |
|----------------------------------------------------------------------------------------------|------|---------------------|---------------------------|
| <b>Revenues</b>                                                                              |      |                     |                           |
| Revenue                                                                                      | 6    | 46,404,657          | 42,076,742                |
| Net gains on investments and financial liabilities                                           | 6    | 102,987,087         | 3,532,658                 |
|                                                                                              |      | <b>149,391,744</b>  | <b>45,609,400</b>         |
| <b>Expenses</b>                                                                              |      |                     |                           |
| Salaries and employee benefits                                                               | 7    | (22,648,597)        | (22,216,676)              |
| Impairment expense                                                                           | 7    | (5,665,827)         | (81,607,935)              |
| Other expenses                                                                               | 7    | (18,006,717)        | (11,819,654)              |
| Depreciation and amortisation expense                                                        | 7    | (1,613,379)         | (2,347,007)               |
| Interest expense                                                                             | 7    | (1,674,141)         | (5,069,961)               |
|                                                                                              |      | <b>(49,608,661)</b> | <b>(123,061,233)</b>      |
| Share of net (losses)/profits of associates accounted for using the equity method            | 7    | (4,373,554)         | 16,986,429                |
| <b>Profit/(loss) before income tax expense</b>                                               |      | <b>95,409,529</b>   | <b>(60,465,404)</b>       |
| Income tax expense                                                                           | 8    | (4,601,648)         | (5,494,350)               |
| <b>Profit(loss) for the year</b>                                                             |      | <b>90,807,881</b>   | <b>(65,959,754)</b>       |
| <b>Attributable to:</b>                                                                      |      |                     |                           |
| The members of the parent                                                                    | 24   | 90,231,608          | (51,573,339)              |
| Non-controlling interests                                                                    | 25   | 576,273             | (14,386,415)              |
|                                                                                              |      | <b>90,807,881</b>   | <b>(65,959,754)</b>       |
| <b>Earnings per share (cents per share):</b>                                                 |      |                     |                           |
| — basic earnings/(loss) for the year attributable to ordinary equity holders of the parent   | 10   | 189.39              | (165.34)                  |
| — diluted earnings/(loss) for the year attributable to ordinary equity holders of the parent | 10   | 189.39              | (165.34)                  |
| <b>Franked dividends paid per share (cents per share) for the year</b>                       | 9    | 22                  | 18                        |

The accompanying notes form part of these consolidated financial statements.

\* The consolidated statement of profit or loss for the year ended 30 June 2017 has been restated. Refer to Notes 1, 3 (aa) and 34 for the explanation.

# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

|                                                                                                                   | Note | 2018<br>\$         | 2017<br>(restated)*<br>\$ |
|-------------------------------------------------------------------------------------------------------------------|------|--------------------|---------------------------|
| <b>Profit/(loss) for the year</b>                                                                                 |      | 90,807,881         | (65,959,754)              |
| <b>Other comprehensive income/(loss):</b>                                                                         |      |                    |                           |
| Reversal of the share of net fair value gain on AFS financial assets of an associate derecognised during the year | 23   | (131,494)          | -                         |
| Reversal of the share on net fair value loss on AFS financial assets derecognised during the year                 | 23   | -                  | 617,660                   |
|                                                                                                                   |      | <b>(131,494)</b>   | <b>617,660</b>            |
| <b>Items that may be reclassified subsequently to profit or loss</b>                                              |      |                    |                           |
| Change in fair value of AFS financial assets, net of income tax                                                   | 23   | 20,488,840         | 3,645,124                 |
| Share of net fair value (loss)/gain on AFS financial assets of an associate                                       | 23   | (106,430)          | 215,637                   |
| Exchange differences on translating foreign operations                                                            | 23   | 12,181,121         | (7,509,547)               |
|                                                                                                                   |      | <b>32,563,531</b>  | <b>(3,648,786)</b>        |
| <b>Other comprehensive income for the year</b>                                                                    |      | 32,432,037         | (3,031,126)               |
| <b>Total comprehensive income/(loss)</b>                                                                          |      | <b>123,239,918</b> | <b>(68,990,880)</b>       |
| <b>Attributable to:</b>                                                                                           |      |                    |                           |
| The members of the parent                                                                                         |      | 122,668,246        | (54,655,919)              |
| Non-controlling interests                                                                                         |      | 571,672            | (14,334,961)              |
|                                                                                                                   |      | <b>123,239,918</b> | <b>(68,990,880)</b>       |

The accompanying notes form part of these consolidated financial statements.

\* The consolidated statement of comprehensive income for the year ended 30 June 2017 has been restated. Refer to Notes 1, 3 (aa) and 34 for the explanation.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

|                                                    | Note | 2018<br>\$         | 2017<br>(restated)*<br>\$ | 1 July<br>2016<br>(restated)*<br>\$ |
|----------------------------------------------------|------|--------------------|---------------------------|-------------------------------------|
| <b>Current assets</b>                              |      |                    |                           |                                     |
| Cash and cash equivalents                          | 12   | 110,095,965        | 40,248,286                | 23,781,878                          |
| Short-term deposits                                | 13   | 20,000,000         | –                         | –                                   |
| Trade and other receivables                        | 14   | 9,134,499          | 6,726,673                 | 8,193,029                           |
| Loans and other receivables                        | 15   | 5,775,011          | 303,682                   | –                                   |
| Other assets                                       | 16   | 5,441,551          | 2,606,694                 | 2,017,151                           |
| <b>Total current assets</b>                        |      | <b>150,447,026</b> | <b>49,885,335</b>         | <b>33,992,058</b>                   |
| <b>Non-current assets</b>                          |      |                    |                           |                                     |
| Loans and other receivables                        | 15   | 7,325,234          | 3,292,247                 | 5,295,915                           |
| Other financial assets                             | 17   | 75,115,604         | 52,874,338                | 60,812,382                          |
| Investments in associates                          | 18   | 46,022,216         | 79,498,593                | 92,044,454                          |
| Intangible assets                                  | 19   | 104,825,559        | 102,409,990               | 175,790,348                         |
| Other assets, plant and equipment                  | 16   | 3,706,435          | 12,093,400                | 8,360,008                           |
| <b>Total non-current assets</b>                    |      | <b>236,995,048</b> | <b>250,168,568</b>        | <b>342,303,107</b>                  |
| <b>Total assets</b>                                |      | <b>387,442,074</b> | <b>300,053,903</b>        | <b>376,295,165</b>                  |
| <b>Current liabilities</b>                         |      |                    |                           |                                     |
| Trade and other payables                           | 20   | 6,646,933          | 4,821,961                 | 13,291,376                          |
| Financial liabilities                              | 21   | 13,139,546         | 27,981,577                | 21,874,929                          |
| Provisions                                         |      | 292,595            | 345,102                   | 236,468                             |
| Current tax liabilities                            | 8    | 13,778,202         | 5,086,306                 | 15,171,248                          |
| <b>Total current liabilities</b>                   |      | <b>33,857,276</b>  | <b>38,234,946</b>         | <b>50,574,021</b>                   |
| <b>Non-current liabilities</b>                     |      |                    |                           |                                     |
| Financial liabilities                              | 21   | 12,428,386         | 28,710,254                | 73,939,097                          |
| Provisions                                         |      | 191,206            | 150,614                   | 175,268                             |
| Deferred tax liabilities                           | 8    | 17,665,031         | 25,702,951                | 12,153,674                          |
| <b>Total non-current liabilities</b>               |      | <b>30,284,623</b>  | <b>54,563,819</b>         | <b>86,268,039</b>                   |
| <b>Total liabilities</b>                           |      | <b>64,141,899</b>  | <b>92,798,765</b>         | <b>136,842,060</b>                  |
| <b>Net assets</b>                                  |      | <b>323,300,175</b> | <b>207,255,138</b>        | <b>239,453,105</b>                  |
| <b>Equity</b>                                      |      |                    |                           |                                     |
| Share capital                                      | 22   | 166,278,560        | 166,278,319               | 74,556,705                          |
| Reserves                                           | 23   | 60,360,848         | 26,543,713                | 28,504,228                          |
| Retained earnings                                  | 24   | 96,040,081         | 14,384,092                | (14,118,742)                        |
| Total equity attributable to owners of the Company |      | 322,679,489        | 207,206,124               | 88,942,191                          |
| Non-controlling interests                          | 25   | 620,686            | 49,014                    | 150,510,914                         |
| <b>Total equity</b>                                |      | <b>323,300,175</b> | <b>207,255,138</b>        | <b>239,453,105</b>                  |

The accompanying notes form part of these consolidated financial statements.

\* The consolidated statement of financial position as at 30 June 2017 and 1 July 2016 have been restated. Refer to Notes 1, 3 (aa) and 34 for the explanation.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

|                                                                      | Share<br>capital<br>\$ | Reserves<br>\$    | Retained<br>earnings<br>\$ | Non-<br>controlling<br>interests<br>\$ | Total<br>equity<br>\$ |
|----------------------------------------------------------------------|------------------------|-------------------|----------------------------|----------------------------------------|-----------------------|
| <b>Balance as at 1 July 2016</b>                                     |                        |                   |                            |                                        |                       |
| <b>As previously reported</b>                                        | 74,556,705             | 21,401,642        | 91,471,250                 | –                                      | 187,429,597           |
| <b>Impact of restatement*</b>                                        | –                      | 7,102,586         | (105,589,992)              | 150,510,914                            | 52,023,508            |
| <b>As restated</b>                                                   | 74,556,705             | 28,504,228        | (14,118,742)               | 150,510,914                            | 239,453,105           |
| <b>Loss for the year</b>                                             | –                      | –                 | (51,573,339)               | (14,386,415)                           | (65,959,754)          |
| <b>Other comprehensive income:</b>                                   |                        |                   |                            |                                        |                       |
| (i) Net movement in investment revaluation reserve net of income tax | –                      | 1,413,645         | –                          | 3,064,776                              | 4,478,421             |
| (ii) Net movement in foreign currency translation reserve            | –                      | (4,495,815)       | –                          | (3,013,732)                            | (7,509,547)           |
| <b>Total comprehensive income for the year</b>                       | –                      | (3,082,170)       | (51,573,339)               | (14,335,371)                           | (68,990,880)          |
| <b>Transactions with owners in their capacity as owners:</b>         |                        |                   |                            |                                        |                       |
| (i) Issuance of ordinary shares (Note 22)                            | 91,721,614             | –                 | –                          | –                                      | 91,721,614            |
| (ii) Recognition of non-controlling interest (Note 25)               | –                      | –                 | –                          | 5,802,390                              | 5,802,390             |
| (iii) Dividends paid (Note 9)                                        | –                      | –                 | (1,406,298)                | –                                      | (1,406,298)           |
| (iv) Acquisition of non-controlling interest (Note 22)               | –                      | –                 | 81,482,471                 | (141,928,919)                          | (60,446,448)          |
| (v) Share based payments expensed (Note 27)                          | –                      | 1,121,655         | –                          | –                                      | 1,121,655             |
| <b>Total transactions with owners in their capacity as owners</b>    | <b>91,721,614</b>      | <b>1,121,655</b>  | <b>80,076,173</b>          | <b>(136,126,529)</b>                   | <b>36,792,913</b>     |
| <b>Balance as at 30 June 2017</b>                                    | <b>166,278,319</b>     | <b>26,543,713</b> | <b>14,384,092</b>          | <b>49,014</b>                          | <b>207,255,138</b>    |
|                                                                      |                        |                   |                            |                                        |                       |
|                                                                      | Share<br>capital<br>\$ | Reserves<br>\$    | Retained<br>earnings<br>\$ | Non-<br>controlling<br>interests<br>\$ | Total<br>equity<br>\$ |
| <b>Balance as at 1 July 2017</b>                                     |                        |                   |                            |                                        |                       |
| <b>As previously reported</b>                                        | 166,278,319            | 7,958,207         | 100,693,841                | 253,809                                | 275,184,176           |
| <b>Impact of restatement*</b>                                        | –                      | 18,585,506        | (86,309,749)               | (204,795)                              | (67,929,038)          |
| <b>As restated</b>                                                   | 166,278,319            | 26,543,713        | 14,384,092                 | 49,014                                 | 207,255,138           |
| <b>Profit for the year</b>                                           | –                      | –                 | 90,231,608                 | 576,273                                | 90,807,881            |
| <b>Other comprehensive income/(loss):</b>                            |                        |                   |                            |                                        |                       |
| (i) Net movement in investment revaluation reserve net of income tax | –                      | 20,250,916        | –                          | –                                      | 20,250,916            |
| (ii) Net movement in foreign currency translation reserve            | –                      | 12,185,722        | –                          | (4,601)                                | 12,181,121            |
| <b>Total comprehensive income for the year</b>                       | –                      | <b>32,436,638</b> | <b>90,231,608</b>          | <b>571,672</b>                         | <b>123,239,918</b>    |
| <b>Transactions with owners in their capacity as owners:</b>         |                        |                   |                            |                                        |                       |
| (i) Issuance of ordinary shares (Note 22)                            | 241                    | –                 | –                          | –                                      | 241                   |
| (ii) Dividends paid (Note 9)                                         | –                      | –                 | (8,575,619)                | –                                      | (8,575,619)           |
| (iii) Share based payments expensed (Note 27)                        | –                      | 1,380,497         | –                          | –                                      | 1,380,497             |
| <b>Total transactions with owners in their capacity as owners</b>    | <b>241</b>             | <b>1,380,497</b>  | <b>(8,575,619)</b>         | <b>–</b>                               | <b>(7,194,881)</b>    |
| <b>Balance as at 30 June 2018</b>                                    | <b>166,278,560</b>     | <b>60,360,848</b> | <b>96,040,081</b>          | <b>620,686</b>                         | <b>323,300,175</b>    |

The accompanying notes form part of these consolidated financial statements.

\* The consolidated statement of changes in equity for the year ended 30 June 2017 has been restated. Refer to Notes 1, 3 (aa) and 34 for the explanation.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

|                                                             | Note         | 2018<br>\$          | 2017<br>(restated)*<br>\$ |
|-------------------------------------------------------------|--------------|---------------------|---------------------------|
| <b>Cash flow from operating activities</b>                  |              |                     |                           |
| Receipts from customers                                     |              | 36,904,020          | 38,743,496                |
| Payments to suppliers and employees                         |              | (29,845,213)        | (38,941,931)              |
| Dividends and distributions received                        |              | 18,585,663          | 12,325,421                |
| Interest received                                           |              | 1,075,396           | 953,109                   |
| Interest paid                                               |              | (1,101,963)         | (1,856,035)               |
| Income tax paid                                             |              | (5,335,180)         | (10,646,928)              |
| <b>Net cash provided by operating activities</b>            | <b>12(b)</b> | <b>20,282,723</b>   | <b>577,132</b>            |
| <b>Cash flow from investing activities</b>                  |              |                     |                           |
| Proceeds from sale of associates                            |              | 110,065,290         | 8,802,078                 |
| Repayment of loans by associates                            |              | 3,675,825           | 1,864,984                 |
| Payments for the purchase of associates                     |              | (2,723,918)         | –                         |
| Additional contributions to associates                      |              | (143,744)           | (1,259,482)               |
| Payment for the deferred consideration of an associate      |              | –                   | (20,447,966)              |
| Investment in short-term deposits                           |              | (20,000,000)        | –                         |
| Receipts of funds previously held in escrow                 |              | 6,513,770           | –                         |
| Increase in loans and receivables                           |              | (3,039,870)         | –                         |
| Payments for the purchase of AFS investment                 |              | (1,749,767)         | (3,869,411)               |
| Proceeds from sale of AFS investment                        |              | –                   | 1,664,052                 |
| Additional loans to associates                              |              | –                   | (164,998)                 |
| Payment for the purchase of plant and equipment             |              | (1,088,120)         | (416,244)                 |
| <b>Net cash provided/(used in) by investing activities</b>  |              | <b>91,509,466</b>   | <b>(13,826,987)</b>       |
| <b>Cash flow from financing activities</b>                  |              |                     |                           |
| Proceeds from issuance of shares (net of transaction costs) |              | 241                 | 31,275,166                |
| Proceeds from borrowing                                     |              | 9,269,171           | 12,820,533                |
| Dividends paid                                              |              | (8,575,619)         | (1,406,298)               |
| Repayments of financial liabilities                         |              | (42,429,814)        | (13,157,179)              |
| <b>Net cash (used in)/provided by financing activities</b>  |              | <b>(41,736,021)</b> | <b>29,532,222</b>         |
| <b>Net increase in cash and cash equivalents held</b>       |              | <b>70,056,168</b>   | <b>16,282,367</b>         |
| Cash at beginning of the financial year                     |              | 40,248,286          | 23,781,878                |
| Unrealised foreign exchange difference in cash              |              | (208,489)           | 184,041                   |
| <b>Cash at end of financial year</b>                        | <b>12(a)</b> | <b>110,095,965</b>  | <b>40,248,286</b>         |
| <b>Non-cash investing and financing activities</b>          |              |                     |                           |
| Financing activities                                        | <b>12(c)</b> | –                   | 66,242,567                |
|                                                             |              | –                   | <b>66,242,567</b>         |

The accompanying notes form part of these consolidated financial statements.

\* The consolidated statement of cash flows for the year ended 30 June 2017 has been restated. Refer to Notes 1, 3 (aa) and 34 for the explanation.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 1. Corporate Information

The consolidated financial report of Pacific Current Group Limited (the Company) and together with its controlled entities (the Group) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 28 September 2018.

In the Group's financial report for the half year ended 31 December 2017, the Company restated its comparative consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 30 June 2017 and the comparative consolidated statement of financial position for the year ended 30 June 2017 and at 1 July 2016. This was a result of the recommendation of the Australian Securities and Investment Commission (ASIC) that Aurora Trust (the Trust) should have been consolidated since the Company's acquisition of its initial interest in the Trust on 25 November 2014.

A further restatement was required post the restatement recognised at the half-year ended 31 December 2017 to recognise that the tax status of the Company for US tax purposes had changed. This occurred when the Company acquired the remaining units in the Trust held by the Class B unitholders in exchange for Company shares on 13 April 2017. The Company became the ultimate entity liable for the tax obligations in the US. Similarly, the origination of deferred tax on Aurora Trust's blackhole deductions, accruals and provisions were also taken up in 13 April 2017 and not in 28 September 2017 when the Trust joined the tax consolidated group. Accordingly, the recognition of the deferred tax impact relating to the US goodwill and other identifiable intangible assets in the half year were adjusted; the deferred tax on all US investments and the deferred tax on the Trust's blackhole deductions and other temporary differences were recognised. There were no changes in the deferred tax liabilities relating to the deferred tax position for Australian investments (principally IML and RARE) that were taken up in the half year restatement.

Refer also to Notes 3 (aa) and 34 for further information.

The Company is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

The nature of operations and principal activities of the Company are disclosed in the Directors' Report.

## 2. Application of New and Revised Accounting Standards

### (a) Amendments to Accounting Standards and the new Interpretation that are mandatorily effective for the current year

The following new and revised accounting standards that are mandatorily effective for the current year have been adopted by the Group:

- AASB 2016-1 *Amendments to Australian Accounting Standards* – Recognition of Deferred Tax Assets for Unrealised Losses;
- AASB 2016-2 *Amendments to Australian Accounting Standards* – Disclosure Initiative: Amendments to AASB 107; and
- AASB 2017-2 *Amendments to Australian Accounting Standards* – Further Annual Improvements 2014-2016 Cycle.

Adoption of the above new and revised accounting standards resulted to new disclosures but had no material financial impact on the Group.

### (b) Standards and interpretations in issue not yet adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements.

At the date of authorisation of the consolidated financial statements, the Standards and Interpretations that were issued but not yet effective are listed below. Their adoption may affect the accounting for future transactions or arrangements.

| Standard/Interpretation                                                                                                                                                                                                                                                                               | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------|
| AASB 9 <i>Financial Instruments</i> , AASB 2014-7<br>Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9                                                                                             | 1 January 2018                                               | 30 June 2019                                                  |
| AASB 15 <i>Revenue from Contracts with Customers</i> 2014-5<br>Amendments to Australian Accounting Standards arising from AASB 15, 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15, 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 | 1 January 2018                                               | 30 June 2019                                                  |

| Standard/Interpretation                                                                                                                                | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------|
| AASB 16 Leases                                                                                                                                         | 1 January 2019                                               | 30 June 2020                                                  |
| AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128                                      | 1 January 2018                                               | 30 June 2019                                                  |
| AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions                         | 1 January 2018                                               | 30 June 2019                                                  |
| AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments | 1 January 2018                                               | 30 June 2019                                                  |
| Interpretation 22 Foreign Currency Transactions and Advance Consideration                                                                              | 1 January 2018                                               | 30 June 2019                                                  |
| Interpretation 23 Uncertainty over Income Tax Treatments                                                                                               | 1 January 2019                                               | 30 June 2020                                                  |

At the date of authorisation of the consolidated financial statements, there have been no IASB Standards and IFRIC Interpretations that are issued but not yet effective that could impact the Group.

– **AASB 9 Financial Instruments, AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9**

These Standards will replace AASB 139: *Financial Instruments: Recognition and Measurement*. The Group will apply AASB 9 Financial Instruments from 1 July 2018. AASB 9 introduces new requirements for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment for financial assets; and
- General hedge accounting.

Interests in subsidiaries, associates and joint ventures continue to be recognised under AASB 10: *Consolidated Financial Statements* and AASB 128: *Investments in Associates and Joint Ventures*.

Details of these requirements and the impact on the Group's consolidated financial statements are described below.

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

A financial asset shall be measured at amortised cost if the following conditions are met (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (b) the contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In relation to debt instruments, those that are held within a business model whose objective is both to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are subsequently measured at amortised cost. For those debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 2. Application of New and Revised Accounting Standards (continued)

Equity instruments have been chosen to be designated as Fair Value through Other Comprehensive Income (FVTOCI). Dividends received from these investments will be reflected in the Profit or Loss. Fair value movements will be reflected in reserves including any profit or loss on the realisation of investments. The following investments will be designated as FVTOCI:

- Investment in EAM – EAM is modelled and independently valued to test the carrying value. It has been treated as Available for Sale but will be designated as FVTOCI under AASB 9.
- Investment in GQG – GQG is modelled and independently valued to test the carrying value. It has been treated as Available for Sale but will be designated as FVTOCI under AASB 9.
- Investment in Nereus – This investment was written down to zero. The model is updated periodically. Any changes in value will be taken through Other Comprehensive Income. It has been treated as Available for Sale but will be designated as FVTOCI under AASB 9.

For equity instruments designated as Fair Value through Profit or Loss (FVTPL), fair value movements will be reflected in profit or loss including any profit or loss on the realisation of investments. Below is the investment that will be designated as FVTPL:

- Investment in RARE – RARE is treated as FVTPL and is currently under negotiation to be sold.

Based on an assessment of the current debt instruments held, no debt instruments that meet the amortised cost or FVTOCI will be designated as FVTPL. The investments typically satisfy the test of solely payments of principal and interest. Also, the business model is not one that actively sells debt instruments.

The Group does not expect the new guidance to have significant impact on the classification, measurement or derecognition of the Group's financial assets.

### Impairment of Financial Assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

AASB 9 requires the Group to recognise a loss allowance for expected credit losses on (i) trade receivables, (ii) debt investments subsequently measured at amortised cost and (iii) lease receivables.

The new impairment model is an expected credit loss model which may result in the earlier recognition of credit losses. The Group does not expect its impairment provisions to be significantly impacted by the new rules.

The result of the assessment also included the following instruments:

- Receivable from other party – The amount of \$10 million relates to deferred settlement proceeds from the sale of IML. The amount is to be paid in two instalments, April 2019 and October 2019. The amount is held in escrow and contingent on meeting customary commercial commitments. The amount is held in a trust account under the control of Computershare. There is no expected credit loss as the money is held outside the control of Natixis, the acquirer of IML. The release of the money is not contingent on warranties. The probability of default is low, the expected credit loss is not deemed to be material.
- Receivable from EAM – The Group provided financing for the EAM executive team to buy the equity from a part owner WHV, the Group is responsible for the sales and distribution of EAM. The expected credit loss is minimal. The loan is governed by the Secured Promissory Note deed. The Group has visibility of the growth and operations of EAM. Based on the current pipeline of FUM growth, EAM will see significant increase in revenues. There are various protective features in the promissory notes such as the maintenance of an escrow account to hold a reserve requirement, quarterly repayments, reporting obligations including on the escrow account, security over the units acquired by EAM members. The probability of default is low, the expected credit loss is not deemed to be material.
- Receivable from Raven – The Chief Investment Officer has regular correspondence with Raven management. The sales agreement also allows for the provision of periodic information and certification. These will support the level of growth and the timing as to when the triggers are hit for the repayment to be made. The probability of default is low, the expected credit loss is not deemed to be material.

### Classification and measurement of financial liabilities

Based on the current financial liabilities, there will be no change in the accounting policy under the new standard.

### Impact of AASB 9 to the Group's associates

The Group assessed that this guidance has no material impact to the Group's associates.

– **AASB 15 Revenue from Contracts with Customers, 2014 5 Amendments to Australian Accounting Standards arising from AASB 15, 2015 8 Amendments to Australian Accounting Standards – Effective date of AASB 15, 2016 3 Amendments to Australian Accounting Standards – Clarifications to AASB 15**

The new accounting standard AASB 15 *Revenue from Contracts with Customers* is not expected to materially affect the recognition of income by asset managers within the Group. According to the standard “the objective of AASB 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract and a customer”. In the application to the Group, the main forms of revenue are at the asset manager level. The ultimate risk being mitigated is the recognition of income that needs to be subsequently reversed.

The Group will need to adopt AASB 15 for the financial year commencing 1 July 2018. The implications from adopting this standard on the financial results is not expected to be material. The asset managers are still undergoing a review of their contracts but based on the understanding of their business models and client arrangements, there is no expectation of a material impact on their results. The main impact will be the timing of the recognition of performance related income such as carried interest and performance fees recognized by the asset management businesses within the Group.

The standard requires that such income only be recognised when there is virtual certainty of the performance hurdle being achieved. This will be determined at close to the end of the life of the fund and only if there is no possibility of any revenue being reversed. Based on an assessment of the last two years, no income was recognised by any of the asset managers in the Group that had not been realised.

The Group intends to adopt the prospective method on transition to AASB15.

– **AASB 16: Leases**

AASB 16 will replace AASB 117: *Leases* and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
  - a. investment property, the lessee applies the fair value model in AASB 140: *Investment Property* to the right-of-use asset; or

- b. property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: *Property, Plant and Equipment* to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

As at the end of the reporting period the Group has non-cancellable undiscounted operating lease commitments of \$4.6 million as disclosed in Note 26. The commitments relate to its office premises which will require recognition of right of use assets and associated lease liabilities. The Group is currently assessing the impact of the new requirements on the consolidated financial statements however the impact is expected to materially ‘gross-up’ the Group’s Consolidated Statement of Financial Position impacting key financial ratios. In the Consolidated Statement of Profit or Loss, recording of lease expense will change to depreciation expense and finance costs in respect to the unwinding of the lease liability. In the Consolidated Statement of Cash Flows, classification of lease payments will change from operating activities to investing activities. The quantitative and qualitative disclosure will be provided once the assessment of the impact has been finalised.

The Group intends to adopt the modified retrospective method on transition to AASB16.

– **Other Standards**

The Group is in the process of assessing the impact of AASB 2015-10, AASB 2016-5, AASB 2017-1, Interpretation 22 and Interpretation 23. At the date of this report, the Group does not expect that these standards will have a material impact.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 3. Accounting Policies

### (a) Basis of preparation of the financial report

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The Company has restated the comparatives this reporting period. This was a result of ASIC's recommendation that the Trust should have been consolidated since the acquisition of the initial interest on 25 November 2014.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

In addition, the tax status of the Group for US tax purposes had changed when the Company acquired the remaining units in the Trust held by the Class B unitholders in exchange for Company shares on 13 April 2017. The Company became the ultimate entity liable for the tax obligations in the US. Refer also to Notes 1, 3 (aa) and 34 for further information.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (IFRS).

The following is a summary of the material accounting policies adopted by the Group in the preparation and presentation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

### Historical Cost Convention

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise stated.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payments', leasing transactions that are within the scope of AASB 117 'Leases' and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 'Inventories' or value in use in AASB 136 'Impairment of Assets'.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income/(loss) are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. The financial statements of the Australian and US subsidiaries are prepared for the same reporting period as the Company (30 June).

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

### **(c) Revenue**

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### **Service fees and commission revenue**

Services fees charged for providing administrative services to related companies are accrued as services are provided. Commission revenue is recognised as income when the provision of the services are provided.

#### **Management fees**

Management fees on asset management activities are accrued as services are provided.

#### **Interest income**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### **Distributions and dividends**

Distribution and dividend income from investments is recognised when the shareholder's right to receive payment has been established. Distributions or dividends received from the equity accounted investments in associates are not recognised in profit or loss but are reduced from the equity accounted investments' carrying values.

#### **Carried interest**

##### **(i) Realised carried interest**

Carried Interest may be realised by the Group in situations where the General Partner (GP) investment income (and corresponding cash) is generated and it is determined that the cumulative profits of the Fund provide enough cash to exceed performance thresholds (return of capital and preferred return).

##### **(ii) Unrealised carried interest**

The Group does not book any carried interest income until it is virtually certain and reliably measurable. The point that performance can be reasonably measured, as being when the Fund is close to its expected life and the likelihood of reversing the unearned carried interest is less likely. Deferring this income recognition until later in a Fund's existence minimises the time horizon where underlying asset values may fluctuate broadly enough to erode the unrealised carried interest allocable to the GP entity. It also reduces the amount of additional returns needed to satisfy preferred returns to limited partners.

### **(d) Recognition of gain or loss on sale of investments**

Gain or loss is recognised in the consolidated profit or loss which is determined as the difference between the carrying amount of the assets and liabilities being transferred or deemed sold and the fair value of the consideration received.

### **(e) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### **Operating leases**

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

### **(f) Borrowing costs**

Borrowing costs directly attributable to the acquisition of investment assets are capitalised as part of the loan and amortised over the term of the loan.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **(g) Income tax**

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to the profit or loss is the tax payable on taxable income measured at the amounts expected to be paid to or recovered from the relevant taxation authority.

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

Current and deferred income tax (benefit)/expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 3. Accounting Policies (continued)

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, 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 and 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.

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 assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) 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.

The Company has applied the Stand-Alone Taxpayer approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidation group. The tax funding agreement provides each member of the tax consolidated group to pay a tax equivalent amount to or from the parent in accordance with their current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after lodgment of the consolidated return and payment of the tax liability.

The deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 'Income Taxes'.

### Tax Consolidation

As at the date of this report, the Company, Aurora Investment Management Pty Limited the Trustee of Aurora Trust (Trustee), the Trust and Treasury Group Investment Services Ltd (TIS), Treasury ROC Pty Ltd and Treasury Evergreen Pty Ltd are the members of the tax consolidated entity.

Members of the tax consolidated group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned entities on a pro-rata basis. Under a tax funding agreement, each member of the tax consolidated group is responsible for funding their share of any tax liability. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

## (h) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position consist of cash at bank and in hand and short-term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For short-term deposits with an original maturity of more than three months to one year, these are classified separately as short-term deposits in the consolidated statements of financial position within the current assets.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above net of bank overdrafts, which are shown within trade and other payables in the current liabilities.

## (i) Trade, other and loan receivables

### (i) Trade and other receivables

Trade receivables, which are generally on 30 days terms, are recognised at fair value and subsequently valued at amortised cost using the effective interest method, less any allowance for uncollectible amounts. Cash flows relating to short term receivables are not discounted as any discount would be immaterial.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt. Financial difficulties of the debtor or default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. The Group did not have any impaired trade receivables (2017: Nil).

### (ii) Loans and other receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and other receivables'. Loans and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

## (j) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities [other than financial assets and financial liabilities at fair value through profit or loss (FTVPL)] are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### Other Financial assets

Financial assets are classified into the following specified categories: 'loans and receivables', financial assets 'at FVTPL', 'held-to-maturity' investments, and available-for sale (AFS) financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### (i) Financial assets at FVTPL

A financial asset other than a financial asset held for trading may be designated as an FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividends on FVTPL investments are recognised in profit or loss when the Group's right to receive the dividends is established.

#### (ii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The Group has investments in unlisted shares that are not traded in an active market but are classified as AFS financial assets and stated at fair value at the end of each reporting period (because the Directors consider that fair value can be reliably measured). Fair value is determined in the manner described in Note 3(a). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on that balance date.

Dividends on AFS financial assets are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the financial asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

#### (iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS financial assets, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be an objective evidence of impairment for unlisted shares classified as available-for-sale.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal repayments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 3. Accounting Policies (continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS financial assets, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

### (iv) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

## Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

### (i) Financial liabilities at fair value through profit or loss

A financial liability other than held for trading may be designated as an FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

### (ii) Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

**(iii) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

**(iv) Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Hedges of net investments in foreign operations**

Debt instrument such as Notes payable – Seizert is designated as hedged instrument in respect of foreign currency risk as hedge of net investment in foreign operation.

At the inception of the hedge relationship, the relationship between the hedged instruments (Notes payable- Seizert) and the hedged item (net investment in Northern Lights MidCo, LLC (Midco)), a US-based subsidiary with a reporting currency all of which are based in US dollar, along with its risk management objectives and the strategy for undertaking various hedge transactions are documented. Furthermore, at the inception of the hedge and on an ongoing basis, the documentation shows whether the hedged instruments are highly effective in offsetting the changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation. Refer to Note 4(d) for the hedge effectiveness of the Group.

**(k) Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The financial statements of the equity accounted investments that are domiciled in Australia are prepared for in the same reporting period as the Group (30 June). For the US domiciled equity accounted investments, their reporting period vary between 31 December and 31 March. For equity accounting purposes, the Group takes up the proportionate share of the net profits/losses of these US domiciled investments based on their pro-rata financial statements to align the period covered of the proportionate share of their net profits/losses to be the same as the Group.

The results of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income or loss of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

Distributions or dividends received from the equity accounted investments in associates are reduced from the investments' carrying value. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 'Financial Instruments: Recognition and Measurement' are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 3. Accounting Policies (continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### (l) Intangible assets

#### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described in Note 3(k).

#### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### Other identifiable intangible assets (with finite lives) acquired in a business combination

Other identifiable intangible assets with finite lives acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, other identifiable intangible assets with finite lives acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. These are amortised on straight line basis over their estimated useful life.

### (m) Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Major depreciation methods and periods are:

| Class of plant and equipment | Period       | Depreciation basis |
|------------------------------|--------------|--------------------|
| Furniture and fittings       | 5 – 10 years | Straight line      |
| Office equipment             | 3 – 5 years  | Straight line      |
| Leasehold improvements       | 5 – 15 years | Straight line      |

Plant and equipment are depreciated based on the cost of the assets over their useful lives, which range from three to ten years, with the exception of leasehold improvements that are depreciated using straight-line methods over the shorter of their useful lives or the lease term.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

### Disposal

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss in the year the asset is derecognised.

### (n) Impairment

#### Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is equal to the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

### (o) Trade and other payables

Trade payables and other payables are carried at amortised cost and due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of the goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### (p) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (q) Provisions

Provisions are recognised when the Group has a present obligation (contractual, legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 3. Accounting Policies (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### (r) Employee benefits

#### Short term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave in the period the related service is rendered when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

### (s) Share-based payments

#### Equity-settled transactions

The Company provides benefits to employees (including senior executives and Directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The Company's Long Term Incentive plan is in place whereby the Company, at the discretion of the Board of Directors, awards performance rights to Directors, executives and certain members of staff of the Company. Each performance right at the time of grant represents one company share upon vesting.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the vesting period based on the Group's estimate of equity instruments that will eventually vest.

The cumulative expense recognised for equity-based transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The consolidated statement of profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No cumulative expense is recognised for awards that do not ultimately vest due to the non-fulfilment of a non-market condition.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award as described in the previous paragraph.

In the opinion of the management performance rights do not have a dilutive effect on the earnings per share calculation because vesting of the rights is subject to certain conditions being met and any securities to be allocated on vesting of the performance rights will be purchased on market.

### (t) Interest bearing liabilities

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest rate method.

### (u) X-redeemable Preference Units (X-RPUs)

A liability is initially measured at fair value. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

### (v) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (w) Earnings/(loss) per share

Basic earnings/(loss) per share is calculated as net profit attributable to members of the Company, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for costs of servicing equity (other than dividends), if any:

- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;

- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus if any.

## **(x) Foreign currency translations and balances**

### **Functional and presentation currency**

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in Australian dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollar using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

For partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

### **(y) Rounding of amounts to nearest dollar**

In accordance with *ASIC Corporations (Rounding of Financial/ Directors' Reports) Instrument 2016/191*, the amounts in the consolidated financial statements have been rounded to the nearest dollar.

### **(z) Comparatives**

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

### **(aa) Restatement**

On 25 November 2014, the Company acquired 61.22% in Aurora Trust, an unlisted unit Trust domiciled in Australia. The Company referred to its investment in the Trust as a Joint Venture and the principles of the equity accounting method were applied from the acquisition of the Trust up to 12 April 2017. The Company acquired the remaining ownership in the Trust on 13 April 2017 and commenced consolidating the results of the Trust from this date.

Following a review from ASIC, ASIC recommended the Company apply the principles of consolidation in accounting for the Trust upon acquisition of the initial interest in the Trust on 25 November 2014. The Company considered the recommendation of ASIC and applied it retrospectively as if the consolidation occurred since 25 November 2014.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 3. Accounting Policies (continued)

A further restatement was required post the restatement recognised at the half-year ended 31 December 2017, to recognise that the tax status of the Company for US tax purposes had changed. This occurred when the Company acquired the remaining units in the Trust held by the Class B unitholders in exchange for Company shares on 13 April 2017 at which date the Company became the ultimate entity liable for the tax obligations in the US. The Company became the ultimate entity liable for the tax obligations in the US. Similarly, the origination of deferred tax on Aurora Trust's blackhole deductions, accruals and provisions were also taken up in 13 April 2017 and not in 28 September 2017 when the Trust joined the tax consolidated group. Accordingly, the recognition of the deferred tax impact relating to the US goodwill and other identifiable intangible assets in the half year were adjusted; the deferred tax on all US investments and the deferred tax on the Trust's blackhole deductions and other temporary differences were recognised. There were no changes in the deferred tax liabilities relating to the deferred tax position for Australian investments (principally IML and RARE) that were taken up in the half year restatement.

The prior period financial statements of the Company have been restated in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Refer to Note 34 for the impact of the restatement in the comparative periods.

## 4. Financial Risk Management

The Group is exposed to a variety of financial risks comprising:

- Interest rate risk
- Credit risk
- Liquidity risk
- Foreign currency risk
- Price risk

The Board of Directors (the Board) have overall responsibility for identifying and managing operational and financial risks.

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

The Group holds the following financial instruments:

|                                                         | 2018<br>\$         | 2017<br>(restated)<br>\$ |
|---------------------------------------------------------|--------------------|--------------------------|
| <b>Financial assets</b>                                 |                    |                          |
| <b>At amortised cost</b>                                |                    |                          |
| Cash and cash equivalents                               | 110,095,965        | 40,248,286               |
| Short-term deposits                                     | 20,000,000         | -                        |
| Trade and other receivables                             | 9,134,499          | 6,726,673                |
| Loans and other receivables – current                   | 5,775,011          | 303,682                  |
| Loans and other receivables – non-current               | 7,325,234          | 3,292,247                |
| Other assets – Receivable from Raven                    | 4,329,937          | 3,917,420                |
| Other assets – Sublease receivable                      | 802,796            | 951,425                  |
| <b>At fair value through other comprehensive income</b> |                    |                          |
| AFS investments                                         | 53,615,604         | 30,174,338               |
| <b>At fair value through profit or loss</b>             |                    |                          |
| Investment held at FVTPL                                | 21,500,000         | 22,700,000               |
|                                                         | <b>232,579,046</b> | <b>108,314,071</b>       |
| <b>Financial liabilities</b>                            |                    |                          |
| <b>At amortised cost</b>                                |                    |                          |
| Trade and other payables                                | 6,646,933          | 4,821,961                |
| Financial liabilities – current                         | 13,139,546         | 27,981,577               |
| Financial liabilities – non-current                     | 12,428,386         | 28,710,254               |
|                                                         | <b>32,214,865</b>  | <b>61,513,792</b>        |

**(a) Interest rate risk**

The Group's direct exposure to market interest rates relates primarily to the Group's cash and cash equivalents, bank overdraft and the Notes payable – Seizert.

At the balance date, the Group had the following financial assets and liabilities exposed to global variable interest rate risk:

|                              | Interest bearing  |                   |
|------------------------------|-------------------|-------------------|
|                              | 2018<br>\$        | 2017<br>\$        |
| <b>Financial instruments</b> |                   |                   |
| <b>Financial assets</b>      |                   |                   |
| Cash and cash equivalents    | 110,095,965       | 40,248,286        |
| <b>Financial liabilities</b> |                   |                   |
| Bank overdraft               | 9,269,171         | –                 |
| Notes payable – Seizert      | 13,417,476        | 26,240,639        |
|                              | <b>22,686,647</b> | <b>26,240,639</b> |

**Sensitivity**

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date.

If interest rates had moved during the year as illustrated in the table below (using an average balance), with all other variables held constant, post tax profit/(loss) would have been affected as follows:

|                                                               | 2018<br>\$ | 2017<br>(restated)<br>\$ |
|---------------------------------------------------------------|------------|--------------------------|
| <b>Net impact on profit/(loss) after tax</b>                  |            |                          |
| +0.75% [2017:0.75%]/(75 basis points), [2017:75 basis points] | 279,765    | 17,143                   |
| -0.75% [2017:0.75%]/(75 basis points), [2017:75 basis points] | (279,765)  | (17,143)                 |

The movements in profit/(loss) are due to higher/(lower) interest income from cash and cash equivalents net of interest expense in bank overdraft and notes payable – Seizert.

**(b) Credit risk**

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade, loans and other receivables. The Group's exposure to credit risk arises from potential default of the counterparty, with the maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with related parties and recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Receivables balances and loans made to related entities are monitored on an ongoing basis and remain within approved levels, with the result that the Group's exposure to bad debts is not significant.

It is a core part of the Company's policy to extend loans to new companies in the Group to provide them financing until they reach profitability. As with all new start-ups there is a risk that a new venture will fail, in which case the Company would have to write the loan off. All loans made to new ventures are monitored on an ongoing basis at Board level to minimise the risk of a write off occurring. The maximum exposure to credit risk is the carrying value of loans.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 4. Financial Risk Management (continued)

### (c) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and banking by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

| 2018                                       | Weighted<br>average<br>effective<br>interest rate | 1 to 3 months  | 3 months to<br>1 year | 1 to 2 years     | 2 to 5 years     | Total             |
|--------------------------------------------|---------------------------------------------------|----------------|-----------------------|------------------|------------------|-------------------|
| Short-term deposits                        | 2.40%                                             | 119,671        | 20,127,562            | –                | –                | 20,247,233        |
| Receivable due from other party            | 1.25%                                             | –              | 5,188,810             | 5,031,452        | –                | 10,220,262        |
| Loans receivables due from associates      | 7.00%                                             | 43,942         | –                     | –                | –                | 43,942            |
| Receivable from EAM Global investment team | 10.00%                                            | 376,885        | 569,265               | 1,380,790        | 1,440,453        | 3,767,393         |
| Receivable from Raven                      | 9.03%                                             | 151,933        | 2,886,734             | 1,688,149        | –                | 4,726,816         |
| Sublease receivable                        | 7.25%                                             | 66,201         | 203,585               | 565,198          | 121,012          | 955,996           |
|                                            |                                                   | <b>758,632</b> | <b>28,975,956</b>     | <b>8,665,589</b> | <b>1,561,465</b> | <b>39,961,642</b> |
| <b>2017</b>                                |                                                   |                |                       |                  |                  |                   |
| Advances to other related party            | 8.00%                                             | –              | 315,829               | –                | –                | 315,829           |
| Loans receivables due from associates      | 8.00%                                             | –              | –                     | 188,824          | 3,496,871        | 3,685,695         |
| Receivable from Raven                      | 8.00%                                             | –              | –                     | –                | 4,559,639        | 4,559,639         |
| Sublease receivable                        | 7.25%                                             | 20,600         | 190,205               | 528,728          | 393,456          | 1,132,989         |
|                                            |                                                   | <b>20,600</b>  | <b>506,034</b>        | <b>717,552</b>   | <b>8,449,966</b> | <b>9,694,152</b>  |

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

| 2018                          | Weighted average effective interest rate | 1 to 3 months    | 3 months to 1 year | 1 to 2 years      | 2 to 5 years   | Total             |
|-------------------------------|------------------------------------------|------------------|--------------------|-------------------|----------------|-------------------|
| Bank overdraft                | 8.23%                                    | –                | 9,428,012          | –                 | –              | 9,428,012         |
| Notes payable – Seizert       | 5.56%                                    | –                | 1,637,735          | 12,463,268        | –              | 14,101,003        |
| Share of deferred commitments | –                                        | 1,160,000        | 885,000            | –                 | –              | 2,045,000         |
| Sublease liability            | 7.25%                                    | 55,167           | 169,773            | 475,506           | 82,573         | 783,019           |
| Financial liability at FVTPL  | –                                        | –                | –                  | –                 | 168,747        | 168,747           |
|                               |                                          | <b>1,215,167</b> | <b>12,120,520</b>  | <b>12,938,774</b> | <b>251,320</b> | <b>26,525,781</b> |

| 2017                          |       |                  |                   |                   |                   |                   |
|-------------------------------|-------|------------------|-------------------|-------------------|-------------------|-------------------|
| Notes payable – Seizert       | 5.56% | 7,867,251        | –                 | 11,000,648        | 10,029,235        | 28,897,134        |
| X-RPUs                        | –     | –                | 27,460,440        | –                 | –                 | 27,460,440        |
| Share of deferred commitments | 8.00% | 1,500,000        | –                 | 2,340,000         | –                 | 3,840,000         |
| Sublease liability            | 7.25% | –                | –                 | 208,744           | 755,294           | 964,038           |
|                               |       | <b>9,367,251</b> | <b>27,460,440</b> | <b>13,549,392</b> | <b>10,784,529</b> | <b>61,161,612</b> |

#### (d) Foreign currency risk

During the year, the Group hedged its dollar net assets for its Investment in Midco for foreign exchange exposure arising between the A\$ and US\$. The Group's designated external borrowings denominated in US\$ [(Notes payable – Seizert held by the Trustee with a total fair value of US\$9.6 million) (2017: Notes payable – Seizert and X-RPUs held by the Trustee with a total fair value of US\$40.1 million)] as hedging instruments to hedge a designated portion of the Trust's net investment in Midco. For the period of the hedge relationship, foreign exchange movements on the US\$ hedging instruments (being the US\$ external borrowings) are recognised in other comprehensive income as part of the foreign currency translation reserve, offsetting the exchange differences, recognised in other comprehensive income arising on the translation of the designated dollar net assets of Midco to AU\$. The cumulative foreign exchange movement recognised in other comprehensive income will only be reclassified to profit or loss upon loss of control over Midco. There was no hedge ineffectiveness recognised in profit or loss during the year.

|                         | 2018<br>\$        | 2017<br>\$        |
|-------------------------|-------------------|-------------------|
| Notes payable – Seizert | 13,417,476        | 26,240,639        |
| X-RPUs                  | –                 | 26,040,479        |
|                         | <b>13,417,476</b> | <b>52,281,118</b> |

#### Consolidated statement of financial position

The Group is an international multi boutique business with operations primarily attributable to Australia and the US and the impact of foreign currency translations are taken up in the equity reserves of the Group as disclosed in Note 3(x) to the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 4. Financial Risk Management (continued)

### Consolidated statement of profit or loss

Profits and losses are translated at an average exchange rate. A falling A\$ relative to the US\$ results in a higher net profit in the Group. The day to day expenses in Australia and US operations are funded with cash flows from the local operations.

At year end, the carrying amounts of the Group's foreign currency denominated financial assets and liabilities are as follows:

|                                | 2018<br>\$         | 2017<br>(restated)<br>\$ |
|--------------------------------|--------------------|--------------------------|
| <b>Financial assets</b>        |                    |                          |
| Cash including restricted cash | 107,507,396        | 33,806,879               |
| Trade and other receivables    | 8,595,657          | 6,659,947                |
| Loans and other receivables    | 3,007,779          | 3,595,929                |
| Other assets                   | 5,132,733          | 4,868,845                |
| AFS financial assets           | 53,615,604         | 30,174,338               |
|                                | <b>177,859,169</b> | <b>79,105,938</b>        |
| <b>Financial liabilities</b>   |                    |                          |
| Trade and other payables       | 4,509,053          | 2,194,143                |
| Notes payable – Seizert        | 13,417,476         | 26,240,639               |
| Sublease liability             | 667,538            | 820,793                  |
| Financial liability at FVTPL   | 168,747            | –                        |
| X-RPUs                         | –                  | 26,040,479               |
|                                | <b>18,762,815</b>  | <b>55,296,054</b>        |

### Sensitivity

As at year end, the Group's exposure in foreign currency is mitigated by hedging its debt instruments against its net investment in Midco.

### (e) Price risk

The Group is exposed to price risk on financial instruments held at fair value.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets of the Group are determined (the valuation techniques and inputs used):

| Financial assets                                                 | Fair values at |            | Fair value hierarchy | Valuation techniques and key inputs                                                                                                                                     | Significant unobservable inputs                                                                                                            | Relationship of unobservable input                                                                             |
|------------------------------------------------------------------|----------------|------------|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
|                                                                  | 2018<br>\$     | 2017<br>\$ |                      |                                                                                                                                                                         |                                                                                                                                            |                                                                                                                |
| AFS – Investment in EAM Global Investors, LLC (EAM) <sup>1</sup> | 10,128,893     | 9,200,000  | Level 3              | Discounted cash flow. Future cash flows are determined based on current and projected FUM of the business using various growth rates discounted at 18.5% (2017: 16.5%). | Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries. | The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value. |

| Financial assets                                                  | Fair values at |            |                      | Valuation techniques and key inputs                                                                                                                                                                                                                                                                                                                             | Significant unobservable inputs                                                                                                            | Relationship of unobservable input                                                                             |
|-------------------------------------------------------------------|----------------|------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
|                                                                   | 2018 \$        | 2017 \$    | Fair value hierarchy |                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                            |                                                                                                                |
| AFS – Investment in GQG Partners, LLC (GQG) <sup>2</sup>          | 43,486,712     | 20,974,338 | Level 3              | Discounted cash flow. Future cash flows are determined based on current and projected FUM of the business using various growth rates discounted at 15% (2017: 16.5%).                                                                                                                                                                                           | Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries. | The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value. |
| AFS – Investment in Nereus Holdings LP (Nereus) <sup>3</sup>      | –              | –          | Level 3              | Discounted cash flow. Future cash flows are determined from expected cash available for distribution to shareholders. Net cash flows are based on revenues and expenses generated by the two solar projects discounted at 10.7% (2017: 10.5%).                                                                                                                  | Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries. | The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value. |
| FVTPL – Investment in RARE Infrastructure Ltd (RARE) <sup>4</sup> | 21,500,000     | 22,700,000 | Level 3              | The fair value as at 30 June 2018 was based on midpoint valuation of the independent parties appointed by Legg Mason and the Group. The valuer appointed by the Group used discounted cash flows. Future cash flows are determined based on current and projected FUM of the business using various growth rates discounted at 12.5% to 13% (2017: 12% to 14%). | Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries. | The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value. |

The fair values of the financial assets included in the Level 3 category have been determined in accordance with generally accepted pricing models based a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 on the degree to which the fair value is observable.

There were no transfers between any levels.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 4. Financial Risk Management (continued)

### Significant assumptions in determining fair value of financial assets

The fair values of the AFS investments are estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

#### <sup>1</sup> EAM

In determining the fair value of the investment in EAM, a revenue growth derived from FUM growth factors ranging from 5% to 42.8% based on current fund maturity profile and known fund-raising activities. Significant growth of potentially 42.8% in the first half of FY 2019 based on the expectation of a US\$125m mandate being awarded which had been assigned a 100% probability weighting. In addition, a couple of mandates with a total amount of US\$80.0m which will be funded have been assigned a 75% probability. Similarly, an inflow assumption of US\$195.0m have been assigned a probability weighting of 10% and 25%.

In addition, a discount factor of 18.5% has been applied and no compression was assumed. If these revenue inputs to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the equity would increase by \$213,382 and decrease by \$320,073.

#### <sup>2</sup> GQG

In determining the fair value of the investment in GQG, a revenue growth derived from FUM growth factors ranging from 10% to 50% has been used with appropriate probabilities assigned to each, applying an average fee rate based on the expected, weighted average fees across all funds. In addition, 5% fee compression has been used, discount factor of 15% and 3% terminal growth have been applied. If the terminal growth was 1% lower or higher, while all the other variables were held constant, the carrying amount of the equity would increase by \$1,920,438 and decrease by \$1,600,365 net of tax.

#### <sup>3</sup> Nereus

In determining the fair value of the investment in Nereus, revenues were derived from applying terms of long-term power purchase agreements to the expected output of the solar power projects owned by Nereus. Power output was determined using PVSyst, the standard in solar output forecasting. Expenses are based on executed long-term operating and maintenance contracts for the service of the solar projects. With output/revenues and expenses effectively stable, varying the cost of capital demands of a potential acquirer is the primary variable for determining the value of Nereus. Applying a 10.7% cost of capital to the projected earnings of the projects, the total value of the

Nereus is approximately US\$20.70 million. After redemption of the preferred Class H Shares (US\$20.7 million) the net proceeds available would be approximately zero. Under the agreement, the first US\$1.25 million of any net proceeds are payable to Nereus management, if net proceeds are less than US\$1.25 million then Nereus management would receive only the net proceeds. Any net proceeds above US\$1.25 million will then go to the Company.

Thus, the value of Nereus to the Company is nil at 10.7%. Applying a 9.7% cost of capital would result in value in Nereus of approximately US\$22.18 million. The proceeds after redemption of the preferred Class H Shares (US\$20.70 million) would be \$1.45 million. Of these proceeds, Nereus management would receive the full value of the US\$1.25 million and the Company would receive the remaining US\$0.2 million (\$308,215). Conversely, an assumed increase in cost of capital of a potential acquirer would reduce the net proceeds of a sale of the Nereus projects, and the value to the Company. For example, an 11.7% cost of capital would result in a value in Nereus of approximately US\$19.39 million with the redemption of the preferred Class H Shares remaining at \$US20.7 million the Company would have an obligation to fund an approximate US\$1.31m (\$1,768,935) to redeem the Class H Shares.

#### <sup>4</sup> RARE

The fair value as at 30 June 2018 was based on midpoint valuation of the independent parties appointed by Legg Mason and the Group. The fair value determined by the valuer appointed by the Group was based on the net present value using a discount cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. In determining the fair value, a revenue growth derived from FUM growth factors at 5% has been used with appropriate probabilities assigned to each. In addition, 2.5% fee compression has been used and a discount factor of 12.5% to 13% has been applied. The nature of the instrument entitles the Group to receive a revenue share based on a sliding scale proportion of the net revenues of RARE that if these revenue inputs to the valuation model were 10% higher while all the other variables were held constant, the carrying amount of the equity would increase by \$3,500,000. On the other hand, if these revenue inputs to the valuation model were 10% lower while all the other variables were held constant, the carrying amount of the equity would increase by \$2,800,000.

### Sensitivity

As at year end, if the key inputs have moved as per the above, post tax profit/(loss) and reserves would have been affected as follows:

|                                                                                 | 2018<br>\$  | 2017<br>\$  |
|---------------------------------------------------------------------------------|-------------|-------------|
| <b>AFS investments</b>                                                          |             |             |
| Decrease in variable inputs – impact on profit/(loss) after tax <sup>1</sup>    | (1,768,935) | (195,413)   |
| Increase in variable inputs – impact on equity                                  | 2,422,035   | 3,282,581   |
| Decrease in variable inputs – impact on equity                                  | (1,920,438) | (1,068,617) |
| <b>Investment held at FVTPL</b>                                                 |             |             |
| 10% (2017: 10%) increase in variable inputs – impact on profit/(loss) after tax | 3,500,000   | 910,000     |
| 10% (2017: 10%) decrease variable inputs – impact on profit/(loss) after tax    | 2,800,000   | (2,100,000) |

<sup>1</sup> Changes in variable inputs (for example, a lower discount rate applied in the valuation of the Investment in Nereus would result in an obligation to the Group to make up for the shortfall in the redemption value of the Class H in Nereus). This additional obligation will have an impact in the profit or loss. Refer to Note 4 (e)<sup>3</sup>.

Any increase in variable inputs would not have an impact in the profit or loss.

### Reconciliation of recurring level 3 fair value movements

For each asset categorised as recurring level 3 fair value measurements, the following table presents the reconciliation of fair value from opening balances to the closing balances.

|                                                               | 2018<br>\$        | 2017<br>(restated)<br>\$ |
|---------------------------------------------------------------|-------------------|--------------------------|
| <b>AFS investments</b>                                        |                   |                          |
| Beginning balance                                             | 30,174,338        | 23,262,382               |
| Contributions                                                 | 1,918,514         | 3,799,700                |
| Disposal                                                      | –                 | (1,313,105)              |
| Impairment                                                    | (780,622)         | (7,647,988)              |
| Net gains and losses recognised in other comprehensive income | 21,233,483        | 12,602,669               |
| Foreign currency movement                                     | 1,069,890         | (529,320)                |
| Closing balance                                               | <b>53,615,604</b> | <b>30,174,338</b>        |
| <b>Investment held at FVTPL (RARE)</b>                        |                   |                          |
| Beginning balance                                             | 22,700,000        | 37,550,000               |
| Revaluation for investment held at FVTPL                      | (1,200,000)       | (14,850,000)             |
| Closing balance                                               | <b>21,500,000</b> | <b>22,700,000</b>        |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the consolidated financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions.

### Significant accounting judgments, estimates and assumptions

Significant judgments, estimates and assumptions made by management in the preparation of these consolidated financial statements are outlined below.

#### Income Tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

#### Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

#### Tax cost base reset and determination of Allocable Cost Amount (ACA)

During the year, the Trust joined the tax consolidated group headed by the Company. The tax cost bases of the Trust's assets were reset in accordance with the prescribed process under the tax laws and regulations. This process involved an independent expert who was engaged to assist in determining the market values of the Trust's investments for the purpose of the ACA allocation. The independent expert applied significant judgement and assumptions in determining the fair values of the Trust's investments. Refer to Note 8.

The tax cost base reset exercise involved an estimation of the cost allocable amount.

#### Valuation of investments

In preparing the consolidated financial statements of the Group, management exercises significant judgement in areas that are highly subjective (refer to Note 4). The valuation of assets and the assessment of carrying values as per Note 17 require that a detailed assessment be undertaken which reflects assumptions on markets, manager performance and expected growth to project future cash flows that are discounted at a rate that imputes relative risk and cost of capital considerations.

#### Impairment of investments

At the end of each reporting period, management is required to assess the carrying values of each of the underlying assets of the Group. Should assets underperform or not meet expected growth targets, a resulting impairment of the investments is recognised if that deterioration in performance is deemed not be derived from short term factors such as market volatility. Factors that are considered in assessing possible impairment in addition to financial performance include changes to key investment staff, significant investment underperformance and litigation. A significant or prolonged decline in the fair value of equity accounted associate below its cost is also an objective evidence of impairment. During the year, the investments were assessed for impairment and an impairment of \$5,665,827 (2017: \$14,183,838) was recognised. Refer to Note 7(b) for details.

#### Impairment of goodwill and other identifiable intangible assets

At the end of each reporting period, management is required to assess the level of goodwill and other identifiable intangible assets of each of the underlying assets of the Group. Should assets underperform or not meet expected growth targets from prior expectations, a resulting impairment of the goodwill is recognised if that deterioration in performance is deemed not be derived from short term factors such as market volatility. Factors that are considered in assessing possible impairment in addition to financial performance include changes to key investment staff, significant investment underperformance and litigation. Impairments of goodwill in relation to subsidiaries cannot be reversed if a business recovers or exceeds previous levels of financial performance. During the year, the goodwill and other identifiable intangible assets were assessed for impairment and they were deemed not to be impaired (2017: \$67,424,097). Refer to Note 7(b).

#### Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using hybrid Monte-Carlo/binomial option pricing model with the assumptions detailed in Note 27. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity. In the opinion of the management performance rights do not have a dilutive effect on the earnings per share calculation as the vesting of these rights is uncertain.

### Recognition of unrealised carried interest

The Group does not book any carried interest income until it is certain and reliably measurable. The point that performance can be reasonably measured, as being when the Fund is close to its expected life and the likelihood of reversing the unearned carried interest is remote. Deferring this income recognition until later in a Fund's existence minimises the time horizon where underlying asset values may fluctuate broadly enough to erode the unrealised carried interest allocable to the GP entity. It also reduces the amount of additional returns needed to satisfy preferred returns to limited partners.

## 6. Revenues

|                                                                                     | 2018<br>\$         | 2017<br>(restated)<br>\$ |
|-------------------------------------------------------------------------------------|--------------------|--------------------------|
| <b>Revenue</b>                                                                      |                    |                          |
| – Fund management fee                                                               | 30,919,740         | 32,593,953               |
| – Commission revenue                                                                | 6,251,298          | 1,956,595                |
| – Service fees                                                                      | 75,891             | 74,113                   |
|                                                                                     | <b>37,246,929</b>  | <b>34,624,661</b>        |
| <b>Other revenue</b>                                                                |                    |                          |
| Dividends and distributions                                                         |                    |                          |
| – Dividends                                                                         | 5,292,712          | 2,270,317                |
|                                                                                     | <b>5,292,712</b>   | <b>2,270,317</b>         |
| Interest income                                                                     |                    |                          |
| – Related parties – associates                                                      | 178,214            | 656,236                  |
| – Other persons/corporations                                                        | 1,411,546          | 374,483                  |
|                                                                                     | <b>1,589,760</b>   | <b>1,030,719</b>         |
| <b>Other income</b>                                                                 |                    |                          |
| – Retainer revenue                                                                  | 186,655            | 259,824                  |
| – Rental income                                                                     | 30,182             | 77,906                   |
| – Adjustment in deferred commitments                                                | 491,719            | 1,498,567                |
| – Gain from termination of lease                                                    | –                  | 779,724                  |
| – Sundry income (2018: share in performance fees from Goodhart, 2017: Other income) | 1,566,700          | 1,535,024                |
|                                                                                     | <b>2,275,256</b>   | <b>4,151,045</b>         |
| <b>Total revenues</b>                                                               | <b>46,404,657</b>  | <b>42,076,742</b>        |
| <b>Net gains on investments and financial liabilities</b>                           |                    |                          |
| – Gain on sale of investments (refer to Note 18(b))                                 | 105,031,330        | 486,750                  |
| – Loss on revaluation of financial assets at FVTPL                                  | (1,200,000)        | (14,850,000)             |
| – Loss on redemptions and cancellation of X-RPUs                                    | (844,243)          | –                        |
| – Gain on revaluation of X-RPUs                                                     | –                  | 17,845,924               |
| – Others                                                                            | –                  | 49,984                   |
| <b>Total net gains on investments and financial liabilities</b>                     | <b>102,987,087</b> | <b>3,532,658</b>         |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 7. Expenses and Share in Profits/(Losses)

|                                                                                            | 2018<br>\$        | 2017<br>(restated)<br>\$ |
|--------------------------------------------------------------------------------------------|-------------------|--------------------------|
| <b>Profit/(loss) before income tax has been determined after:</b>                          |                   |                          |
| <b>(a) Salaries and employee benefits:</b>                                                 |                   |                          |
| – Salaries and employee benefits                                                           | 21,268,100        | 21,095,021               |
| – Share-based payment expense arising from equity-settled share-based payment transactions | 1,380,497         | 1,121,655                |
| <b>Total salaries and employee benefits</b>                                                | <b>22,648,597</b> | <b>22,216,676</b>        |
| <b>(b) Impairment expenses:</b>                                                            |                   |                          |
| – Aether Investment Partners, LLC (Aether) <sup>1</sup>                                    | –                 | 51,318,027               |
| – Blackcrane Capital LLC <sup>2</sup>                                                      | –                 | 3,699,459                |
| – Goodhart Partners, LLP <sup>2</sup>                                                      | –                 | 14,564                   |
| – Global Value Investors Ltd (GVI) <sup>2</sup>                                            | –                 | 245,932                  |
| – Nereus Holdings LP (Nereus) <sup>3</sup>                                                 | 780,622           | 7,647,988                |
| – Northern Lights Alternative Advisors Ltd (NLAA) <sup>2</sup>                             | 4,817,853         | 2,404,122                |
| – Raven Capital Management LLC (Raven) <sup>2</sup>                                        | 67,352            | 417,705                  |
| – Seizert Capital Partners (Seizert) <sup>2</sup>                                          | –                 | 15,860,138               |
| <b>Total impairment expenses</b>                                                           | <b>5,665,827</b>  | <b>81,607,935</b>        |
| <b>(c) Other expenses:</b>                                                                 |                   |                          |
| – Accounting and audit fees                                                                | 2,003,521         | 1,934,363                |
| – Commission and marketing expenses                                                        | 3,254,976         | 180,624                  |
| – Directors' fees                                                                          | 405,000           | 476,777                  |
| – Insurance expenses                                                                       | 1,208,239         | 1,348,492                |
| – Legal and compliance fees                                                                | 2,759,750         | 3,803,844                |
| – Net foreign exchange loss/(gain)                                                         | 2,638,552         | (1,419,589)              |
| – Operating lease rental – minimum lease payments                                          | 1,171,420         | 1,473,405                |
| – Payroll tax                                                                              | 108,263           | 83,435                   |
| – Share registry and ASX fees                                                              | 157,834           | 219,427                  |
| – Travel and accommodation costs                                                           | 1,164,629         | 2,073,734                |
| – Other expenses                                                                           | 3,134,533         | 1,645,142                |
| <b>Total other expenses</b>                                                                | <b>18,006,717</b> | <b>11,819,654</b>        |

|                                                                            | 2018<br>\$         | 2017<br>(restated)<br>\$ |
|----------------------------------------------------------------------------|--------------------|--------------------------|
| <b>(d) Depreciation and amortisation expenses:</b>                         |                    |                          |
| – Depreciation expense                                                     | 251,202            | 303,355                  |
| – Amortisation of management rights                                        | 1,362,177          | 1,886,099                |
| – Amortisation of client relationships                                     | –                  | 157,553                  |
| <b>Total depreciation and amortisation expenses</b>                        | <b>1,613,379</b>   | <b>2,347,007</b>         |
| <b>(e) Interest expense:</b>                                               |                    |                          |
| – Notes payable – Seizert                                                  | 1,125,358          | 1,569,243                |
| – Unwinding of discount on the retention payments to RARE                  | 106,749            | 191,413                  |
| – X-RPUs                                                                   | 442,034            | 1,443,020                |
| – East West debt facility                                                  | –                  | 1,856,035                |
| – Other                                                                    | –                  | 10,250                   |
| <b>Total interest expense</b>                                              | <b>1,674,141</b>   | <b>5,069,961</b>         |
| <b>Total expenses</b>                                                      | <b>49,608,661</b>  | <b>123,061,233</b>       |
| <b>(f) Share of net (losses)/profits of equity accounted investments:</b>  |                    |                          |
| – Share in net (losses)/profits from associates                            | (4,373,554)        | 16,986,429               |
| <b>Total share of net (losses)/profits of equity accounted investments</b> | <b>(4,373,554)</b> | <b>16,986,429</b>        |

<sup>1</sup> In prior year, this was due to the fund size which was lower than originally expected.

<sup>2</sup> For the current year, these were driven by delays in the receipt of Funds Under Advice for NLAA and change in discount rate from 8% to 9.03% to determine the net present value of future payments from Raven. In prior year, the other impairments were driven by FUM outflow, or delays in launching funds.

<sup>3</sup> This was due to the delay in the commissioning projects and the failure to secure additional projects in the time expected.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 8. Income Tax

|                                                                                                                                                                                 | 2018<br>\$        | 2017<br>(restated)<br>\$ |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------|
| <b>(a) Income tax expense recognised in profit or loss</b>                                                                                                                      |                   |                          |
| The major components of income tax expense are:                                                                                                                                 |                   |                          |
| Current tax                                                                                                                                                                     | 13,960,977        | 17,522                   |
| Deferred tax                                                                                                                                                                    | (9,443,096)       | 5,476,828                |
| Under/(over) provision in prior years                                                                                                                                           | 83,767            | -                        |
| <b>Total income tax expense recognised in the current year</b>                                                                                                                  | <b>4,601,648</b>  | <b>5,494,350</b>         |
| <b>(b) Reconciliation between aggregate tax expense recognised in the consolidated statement of profit or loss and tax expense calculated per the statutory income tax rate</b> |                   |                          |
| A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Company's applicable income tax rate is as follows:        |                   |                          |
| Prima facie income tax expense on profit/(loss) before income tax at 30% (2017: 30%)                                                                                            | <b>28,622,859</b> | <b>(18,139,621)</b>      |
| Add tax effect of:                                                                                                                                                              |                   |                          |
| - Non-deductible realised foreign exchange loss                                                                                                                                 | 1,346,538         | -                        |
| - Foreign unrecognised deductible temporary differences and non-taxable amounts                                                                                                 | 880,054           | -                        |
| - Share-based payments                                                                                                                                                          | 414,149           | 336,497                  |
| - Redemption and cancellation of X-RPUs                                                                                                                                         | 132,099           | -                        |
| - Under provision in prior years                                                                                                                                                | 83,767            | -                        |
| - Recognition of deferred tax liabilities (DTL) on US investments                                                                                                               | -                 | 13,125,664               |
| - Non-assessable income, elimination of expenses and income tax expense of the Trust                                                                                            | -                 | 12,488,350               |
| - Non-deductible loss on sale of disposal of investment                                                                                                                         | -                 | 185,298                  |
| - Others                                                                                                                                                                        | -                 | 730,070                  |
|                                                                                                                                                                                 | <b>2,856,607</b>  | <b>26,865,879</b>        |
| Less tax effect of:                                                                                                                                                             |                   |                          |
| - Impact of the Trust joining the tax consolidated group                                                                                                                        | 21,602,760        | -                        |
| - Franking credits received net of tax                                                                                                                                          | 2,765,471         | 2,924,612                |
| - Impact of reduction in US corporate tax rate <sup>1</sup>                                                                                                                     | 1,785,255         | -                        |
| - Difference in corporate tax rates in foreign countries                                                                                                                        | 337,716           | 11,466                   |
| - Capital losses recognised                                                                                                                                                     | -                 | 295,830                  |
| - Others                                                                                                                                                                        | 386,616           | -                        |
|                                                                                                                                                                                 | <b>26,877,818</b> | <b>3,231,908</b>         |
| <b>Income tax expense attributable to profit/(loss)</b>                                                                                                                         | <b>4,601,648</b>  | <b>5,494,350</b>         |
| <b>(c) Provision for income tax</b>                                                                                                                                             |                   |                          |
| Provision for income tax                                                                                                                                                        | <b>13,778,202</b> | <b>5,086,306</b>         |

<sup>1</sup> On 22 December 2017, the US enacted the Tax Cuts and Jobs Act (the "TCJA"). Among other things, the TCJA reduces the US federal corporate tax rate from 35% to 21% percent effective on 1 January 2018. The Group remeasured its US deferred tax asset and liability balances at 30 June 2018 based on the rates at which they are expected to reverse in the future, which is 21%.

|                                                                                                                                                        | 2018<br>\$         | 2017<br>(restated)<br>\$ |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------------|
| <b>(d) Deferred tax</b>                                                                                                                                |                    |                          |
| Deferred tax relates to the following:                                                                                                                 |                    |                          |
| <b>Deferred tax assets</b>                                                                                                                             |                    |                          |
| The balance comprises:                                                                                                                                 |                    |                          |
| Accruals and provisions                                                                                                                                | 1,761,331          | 1,885,893                |
| Deductible capital expenditures                                                                                                                        | 558,653            | 1,023,846                |
| Unrealised foreign exchange loss from bank deposits                                                                                                    | 62,257             | –                        |
| Tax losses carried forward                                                                                                                             | –                  | 3,339,441                |
|                                                                                                                                                        | <b>2,382,241</b>   | <b>6,249,180</b>         |
| <b>Deferred tax liabilities</b>                                                                                                                        |                    |                          |
| The balance comprises:                                                                                                                                 |                    |                          |
| Investments                                                                                                                                            | 17,019,532         | 31,952,131               |
| Retention payments                                                                                                                                     | 3,027,740          | –                        |
|                                                                                                                                                        | 20,047,272         | 31,952,131               |
| Net deferred tax liabilities                                                                                                                           | <b>17,665,031</b>  | <b>25,702,951</b>        |
| During the year, the Group did not recognise deferred tax asset arising from unrealised capital losses from other jurisdiction amounting to \$507,468. |                    |                          |
| <b>(e) Deferred income tax (revenue)/expense included in income tax expense comprises</b>                                                              |                    |                          |
| Investments                                                                                                                                            | (16,060,202)       | 10,347,905               |
| Tax losses                                                                                                                                             | 3,339,441          | (3,339,441)              |
| Retention payments                                                                                                                                     | 3,027,740          | –                        |
| Accruals and provisions                                                                                                                                | 519,090            | (921,360)                |
| Deductible capital expenditures                                                                                                                        | –                  | (1,373,468)              |
| Impairment of ARCM                                                                                                                                     | –                  | 217,017                  |
| Others                                                                                                                                                 | (269,165)          | 546,175                  |
|                                                                                                                                                        | <b>(9,443,096)</b> | <b>5,476,828</b>         |
| <b>(f) Deferred income tax related to items charged or credited directly to equity</b>                                                                 |                    |                          |
| Movement of the Group's investment revaluation reserve                                                                                                 | (744,643)          | (8,957,545)              |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 8. Income Tax (continued)

### (g) Tax consolidation

As at the date of this report, the Company, Aurora Investment Management Pty Limited (AIM) the Trustee of Aurora Trust (Trustee), the Trust and Treasury Group Investment Services Ltd (TIS), Treasury ROC Pty Ltd and Treasury Evergreen Pty Ltd are the members of the tax consolidated entity.

The Company is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned entities on a pro-rata basis. Under a tax funding agreement, each member of the tax consolidated group is responsible for funding their share of any tax liability. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

### Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group allocate current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*. Allocations are made at the end of each year.

The allocation of taxes is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the Company being the head of tax consolidated group.

## 9. Dividends Paid and Proposed

|                                                                                                                                                                                                | 2018<br>\$        | 2017<br>\$               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------|
| Previous year final:                                                                                                                                                                           |                   |                          |
| Fully franked dividend (18 cents per share) (2017: 5 cents per share)                                                                                                                          | 8,575,619         | 1,406,298                |
| Total paid during the year (18 cents per share) (2017: 5 cents per share)                                                                                                                      | <b>8,575,619</b>  | <b>1,406,298</b>         |
| <b>Dividends declared after the reporting period and not recognised*</b>                                                                                                                       |                   |                          |
| Since the end of the reporting period the Directors have recommended/declared a dividend at 22 cents per share (2017: 18 cents) fully franked at 30%.                                          | 10,481,321        | 8,575,619                |
|                                                                                                                                                                                                |                   |                          |
|                                                                                                                                                                                                | 2018<br>\$        | 2017<br>(restated)<br>\$ |
| <b>Franking credit balance</b>                                                                                                                                                                 |                   |                          |
| The amount of franking credits available for the subsequent financial year are:                                                                                                                |                   |                          |
| – franking account balance as at the end of the financial year at 30% (2017: 30%) <sup>1</sup>                                                                                                 | 26,511,302        | 22,057,878               |
| – franking credits that will arise from the receipt of dividends/distributions recognised as receivables by the parent entity at the reporting date                                            | 31,112            | 4,178,017                |
|                                                                                                                                                                                                | <b>26,542,414</b> | <b>26,235,895</b>        |
| Franking credits that will arise on payment of current tax liability                                                                                                                           | 11,297,139        | 4,912,287                |
| The amounts of franking credits available for future reporting periods:                                                                                                                        |                   |                          |
| – impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the year | (4,491,995)       | (3,675,265)              |
|                                                                                                                                                                                                | <b>33,347,558</b> | <b>27,472,917</b>        |

<sup>1</sup> The increase in franking credits arose from the payment of current tax liabilities.

The tax rate at which paid dividends have been franked is 30% (2017: 30%).

Dividends proposed will be franked at the rate of 30% (2017: 30%).

## 10. Earnings Per Share

|                                                                                                                                    | 2018<br>\$        | 2017<br>(restated)<br>\$ |
|------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------|
| <b>The following reflects the income and share data used in the calculations of basic and diluted earnings/(losses) per share:</b> |                   |                          |
| Net profit/(loss) attributable to the members of the parent                                                                        | 90,231,608        | (51,573,339)             |
| <b>Weighted average number of shares</b>                                                                                           |                   |                          |
| Weighted average number of ordinary shares used in calculating basic earnings/(losses) per share:                                  | 47,642,356        | 31,192,444               |
| <b>Effect of dilutive securities:</b>                                                                                              |                   |                          |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings/(losses) per share                        | —                 | —                        |
|                                                                                                                                    | <b>47,642,356</b> | <b>31,192,444</b>        |
| <b>Earnings/(losses) per share (cents per share):</b>                                                                              |                   |                          |
| Basic profit/(loss) for the year attributable to the members of the parent                                                         | 189.39            | (165.34)                 |
| Diluted profit/(loss) for the year attributable to the members of the parent                                                       | 189.39            | (165.34)                 |

In the opinion of the management performance rights do not have a dilutive effect on the earnings per share calculation because vesting of the rights is subject to certain conditions being met and any securities to be allocated on vesting of the performance rights will be purchased on market.

## 11. Segment Information

### (a) Reportable segments

Information reported to the Company's Board of Directors as chief operating decision maker (CODM) for the purposes of resource allocation and assessment of performance is focused on the profit/(loss) after tax earned by each segment.

As at 30 June 2018, the Group's reportable segments under AASB 8 'Operating Segments' are as follows:

- Core boutiques (include Seizert and Aether which are being consolidated; Aperio and IML as equity accounted investments and RARE as FVTPL investment);
- Growth boutiques (include ROC Group and Blackcrane as equity accounted investments and EAM and GQG as AFS investments); and
- Other boutiques (Strategic Capital Investments, LLP (SCI)) which is consolidated and all other equity accounted investments).

Core boutiques include holdings in larger strategic partnerships with well established businesses with a relatively stable/growing earnings contribution.

Growth boutiques include smaller capital commitments compared to core boutiques. These are highly scalable opportunities, though generally riskier than core holdings. Early stage managers offer the ability for rapid growth and value creation.

Other boutiques vary considerably, same as early stage businesses, and contributes less earnings than Core and Growth boutiques.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 11. Segment Information (continued)

### (b) Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segments:

|                                                    | Segment revenue for the year |                          | Share of net profits of equity accounted investments for the year |                          | Segment profit/(loss) after tax for the year |                          |
|----------------------------------------------------|------------------------------|--------------------------|-------------------------------------------------------------------|--------------------------|----------------------------------------------|--------------------------|
|                                                    | 2018<br>\$                   | 2017<br>(restated)<br>\$ | 2018<br>\$                                                        | 2017<br>(restated)<br>\$ | 2018<br>\$                                   | 2017<br>(restated)<br>\$ |
| Core boutiques                                     | 29,856,682                   | 20,119,920               | (6,080,945)                                                       | 15,463,545               | 11,141,988                                   | (58,869,964)             |
| Growth boutiques                                   | 10,651,344                   | 376,936                  | 439,457                                                           | 363,450                  | 13,291,776                                   | (8,400,467)              |
| Other boutiques                                    | 1,857,961                    | 2,252,016                | 1,267,934                                                         | 1,159,434                | (3,373,622)                                  | (5,586,521)              |
|                                                    | 42,365,987                   | 22,748,872               | (4,373,554)                                                       | 16,986,429               | 21,060,142                                   | (72,856,952)             |
| Central administration                             | 107,025,757                  | 22,860,528               | -                                                                 | -                        | 69,747,739                                   | 6,897,198                |
| Total per consolidated statement of profit or loss | <b>149,391,744</b>           | <b>45,609,400</b>        | <b>(4,373,554)</b>                                                | <b>16,986,429</b>        | <b>90,807,881</b>                            | <b>(65,959,754)</b>      |
| <b>Central administration consists of:</b>         |                              |                          |                                                                   |                          |                                              |                          |
| Gain on sale of IML <sup>1</sup>                   | 104,292,733                  | -                        | -                                                                 | -                        | 104,292,733                                  | -                        |
| Gain on sale of Goodhart                           | 738,597                      | -                        | -                                                                 | -                        | 738,597                                      | -                        |
| Interest income                                    | 1,105,165                    | 457,788                  | -                                                                 | -                        | 1,105,165                                    | 457,788                  |
| Commission and distribution income                 | 10,440                       | 1,950,597                | -                                                                 | -                        | 10,440                                       | 1,950,597                |
| Loss on redemption and cancellation of X-RPUs      | (844,243)                    | -                        | -                                                                 | -                        | (844,243)                                    | -                        |
| Gain on revaluation of X-RPUs                      | -                            | 17,845,924               | -                                                                 | -                        | -                                            | 17,845,924               |
| Gain from termination of lease                     | -                            | 779,724                  | -                                                                 | -                        | -                                            | 779,724                  |
| Retainer revenue                                   | -                            | 259,824                  | -                                                                 | -                        | -                                            | 259,824                  |
| Sundry                                             | 1,723,065                    | 1,566,671                | -                                                                 | -                        | 1,723,065                                    | 1,566,671                |
| Salaries and employee benefits expenses            | -                            | -                        | -                                                                 | -                        | (10,346,640)                                 | (9,549,560)              |
| Foreign exchange loss                              | -                            | -                        | -                                                                 | -                        | (2,691,080)                                  | -                        |
| Interest expense on X-RPUs and subleases           | -                            | -                        | -                                                                 | -                        | (442,034)                                    | (1,443,020)              |
| Interest expense on East West debt facility        | -                            | -                        | -                                                                 | -                        | -                                            | (1,856,035)              |
| Depreciation expense                               | -                            | -                        | -                                                                 | -                        | (211,175)                                    | (252,526)                |
| Other operational expenses                         | -                            | -                        | -                                                                 | -                        | (11,122,338)                                 | (7,864,086)              |
| Income tax (expense)/benefit                       | -                            | -                        | -                                                                 | -                        | (12,464,751)                                 | 5,001,897                |
|                                                    | <b>107,025,757</b>           | <b>22,860,528</b>        | <b>-</b>                                                          | <b>-</b>                 | <b>69,747,739</b>                            | <b>6,897,198</b>         |

<sup>1</sup> The gain on sale of IML and the related income tax expense is classified under central administration. The allocated income tax expense does not necessarily reconcile back to the income tax expense as per the profit and loss.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit after tax earned by each segment without allocation of central administration costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

**(c) Segment assets and liabilities**

|                                                                           | Segment assets at<br>end of the financial year |                          | Segment liabilities at<br>end of the financial year |                          |
|---------------------------------------------------------------------------|------------------------------------------------|--------------------------|-----------------------------------------------------|--------------------------|
|                                                                           | 2018<br>\$                                     | 2017<br>(restated)<br>\$ | 2018<br>\$                                          | 2017<br>(restated)<br>\$ |
| Core boutiques                                                            | 173,146,534                                    | 210,233,713              | 19,663,515                                          | 51,218,349               |
| Growth boutiques                                                          | 63,722,515                                     | 39,939,654               | 10,629,476                                          | 11,466,431               |
| Other boutiques                                                           | 8,071,969                                      | 18,309,072               | (429,425)                                           | 288,514                  |
|                                                                           | 244,941,018                                    | 268,482,439              | 29,863,566                                          | 62,973,294               |
| Central administration                                                    | 142,501,056                                    | 31,571,464               | 34,278,333                                          | 29,825,471               |
| <b>Total per consolidated statement of financial position</b>             | <b>387,442,074</b>                             | <b>300,053,903</b>       | <b>64,141,899</b>                                   | <b>92,798,765</b>        |
| <b>Central administration consists of:</b>                                |                                                |                          |                                                     |                          |
| Cash and cash equivalents                                                 | 102,229,283                                    | 23,221,622               | –                                                   | –                        |
| Short-term deposits                                                       | 20,000,000                                     | –                        | –                                                   | –                        |
| Trade and other receivables                                               | 2,596,896                                      | 1,452,217                | –                                                   | –                        |
| Current and non-current loan and receivables                              | 10,093,666                                     | –                        | –                                                   | –                        |
| Prepayments                                                               | 831,262                                        | 1,224,226                | –                                                   | –                        |
| Other receivables                                                         | 4,329,937                                      | 3,917,420                | –                                                   | –                        |
| Other current and non-current assets                                      | 1,020,971                                      | 1,289,448                | –                                                   | –                        |
| Plant and equipment                                                       | 1,399,041                                      | 466,531                  | –                                                   | –                        |
| Trade creditors, provisions and other payables                            | –                                              | –                        | 5,533,591                                           | 3,631,011                |
| Bank overdraft                                                            | –                                              | –                        | 9,269,171                                           | –                        |
| X- RPU liability                                                          | –                                              | –                        | –                                                   | 26,040,479               |
| Current and non-current sublease liability                                | –                                              | –                        | 667,538                                             | 820,793                  |
| Current and non-current provision for annual leave and long service leave | –                                              | –                        | 483,801                                             | 495,716                  |
| Provision for income tax                                                  | –                                              | –                        | 13,778,201                                          | 5,086,306                |
| Net deferred tax liabilities/(assets)                                     | –                                              | –                        | 4,546,031                                           | (6,248,834)              |
|                                                                           | <b>142,501,056</b>                             | <b>31,571,464</b>        | <b>34,278,333</b>                                   | <b>29,825,471</b>        |
|                                                                           |                                                |                          |                                                     |                          |
|                                                                           |                                                |                          | 2018<br>\$                                          | 2017<br>(restated)<br>\$ |
| <b>Segment net assets at end of the financial year</b>                    |                                                |                          |                                                     |                          |
| Core boutiques                                                            |                                                |                          | 153,483,019                                         | 159,015,364              |
| Growth boutiques                                                          |                                                |                          | 53,093,039                                          | 28,473,223               |
| Other boutiques                                                           |                                                |                          | 8,501,394                                           | 18,020,558               |
|                                                                           |                                                |                          | <b>215,077,452</b>                                  | <b>205,509,145</b>       |
| Central administration                                                    |                                                |                          | 108,222,723                                         | 1,745,993                |
| <b>Total per consolidated statement of financial position</b>             |                                                |                          | <b>323,300,175</b>                                  | <b>207,255,138</b>       |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 11. Segment Information (continued)

### (d) Other segment information

|                                                           | 2018<br>\$       | 2017<br>(restated)<br>\$ |
|-----------------------------------------------------------|------------------|--------------------------|
| <b>Depreciation and amortisation of segment</b>           |                  |                          |
| Core boutiques                                            | 1,399,366        | 2,092,303                |
| Growth boutiques                                          | -                | -                        |
| Other boutiques                                           | 2,839            | 2,178                    |
|                                                           | <b>1,402,205</b> | <b>2,094,481</b>         |
| Central administration                                    | 211,174          | 252,526                  |
| <b>Total per consolidated statement of profit or loss</b> | <b>1,613,379</b> | <b>2,347,007</b>         |

### (e) Geographical information

|                                      | Core<br>boutiques<br>\$ | Growth<br>boutiques<br>\$ | Other<br>boutiques<br>\$ | Unallocated<br>\$ | Total<br>\$  |
|--------------------------------------|-------------------------|---------------------------|--------------------------|-------------------|--------------|
| <b>2018</b>                          |                         |                           |                          |                   |              |
| <b>Revenues</b>                      |                         |                           |                          |                   |              |
| Australia                            | 530,683                 | 164,430                   | 40,435                   | 104,110,772       | 104,846,320  |
| US                                   | 29,325,999              | 10,486,914                | 3,531                    | 2,176,388         | 41,992,832   |
| UK                                   | -                       | -                         | 1,813,995                | 738,597           | 2,552,592    |
| <b>Share in net profits/(losses)</b> |                         |                           |                          |                   |              |
| Australia                            | 2,132,784               | 229,928                   | 302,022                  | -                 | 2,664,734    |
| US                                   | (8,213,729)             | 209,529                   | 545,216                  | -                 | (7,458,984)  |
| UK                                   | -                       | -                         | 420,696                  | -                 | 420,696      |
| <b>Profit/(loss) after tax</b>       |                         |                           |                          |                   |              |
| Australia                            | 1,916,881               | 394,358                   | 301,957                  | 83,532,421        | 86,145,617   |
| US                                   | 9,225,107               | 12,897,418                | (824,958)                | (14,523,279)      | 6,774,288    |
| UK                                   | -                       | -                         | (2,850,621)              | 738,597           | (2,112,024)  |
| <b>2017</b>                          |                         |                           |                          |                   |              |
| <b>Revenues</b>                      |                         |                           |                          |                   |              |
| Australia                            | (10,882,950)            | 376,936                   | 765,600                  | 19,257,679        | 9,517,265    |
| US                                   | 31,002,870              | -                         | 286,428                  | 3,602,849         | 34,892,147   |
| UK                                   | -                       | -                         | 1,199,988                | -                 | 1,199,988    |
| <b>Share in net profits/(losses)</b> |                         |                           |                          |                   |              |
| Australia                            | 10,467,447              | 363,450                   | 403,312                  | -                 | 11,234,209   |
| US                                   | 4,996,098               | -                         | (147,628)                | -                 | 4,848,470    |
| UK                                   | -                       | -                         | 903,750                  | -                 | 903,750      |
| <b>Profit/(loss) after tax</b>       |                         |                           |                          |                   |              |
| Australia                            | 2,238,907               | 761,885                   | 829,529                  | 15,018,814        | 18,849,135   |
| US                                   | (61,108,871)            | (9,162,352)               | (4,900,877)              | (8,121,616)       | (83,293,716) |
| UK                                   | -                       | -                         | (1,515,173)              | -                 | (1,515,173)  |

Other than Australia and US, no other country represents more than 10% of revenue for the Group and its associates.

**(f) Information about major customers**

No individual customer represents more than 10% of revenue for the Group and its associates.

**12. Cash and Cash Equivalents**

|                              | 2018<br>\$         | 2017<br>(restated)<br>\$ |
|------------------------------|--------------------|--------------------------|
| Cash at bank and on hand     | 110,095,965        | 32,322,411               |
| Restricted cash <sup>1</sup> | –                  | 7,925,875                |
|                              | <b>110,095,965</b> | <b>40,248,286</b>        |

<sup>1</sup> The restricted cash referred to the cash held in escrow for the benefit of the Trust as part of the agreement when the Trustee issued the notes (Notes payable – Seizert) to the former owners of Seizert as part of the consideration for the acquisition by Midco for the equity interest in Seizert as per Note 21.

Under the promissory note, in the event the Trustee sells a material asset, or strategy or receives a distribution with respect to a sale of a material asset or strategy, then the Trustee will deposit the lesser of 1) Cash Obligations or (2) 10% of the net proceeds from such sale, up to the total amount of cash obligations, into an interest bearing separate account held for the benefit of the Trust. Cash obligations mean all obligations at the applicable time, less the amount of securities obligations, at the applicable time, in all cases minus any amounts set-off. The sale of the 75% of the equity previously held by the Trust in RARE in October of 2015 was considered a sale of a material asset.

On 12 August 2017, the restricted cash held in escrow amounting to US\$6,083,938 was released and paid to the holders of Notes payable – Seizert as an initial payment on the notes.

**(a) Reconciliation of cash**

Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

|                           |                    |                   |
|---------------------------|--------------------|-------------------|
| Cash and cash equivalents | <b>110,095,965</b> | <b>40,248,286</b> |
|---------------------------|--------------------|-------------------|

**(b) Reconciliation of cash flow from operations with profit after income tax**

|                                                         |               |              |
|---------------------------------------------------------|---------------|--------------|
| Profit/(loss) from ordinary activities after income tax | 90,807,881    | (65,959,753) |
| <b>Adjustments and non-cash items:</b>                  |               |              |
| Dividends received from associates                      | 13,365,545    | 10,055,104   |
| Non-operating foreign exchange transactions             | 6,854,015     | (3,754,755)  |
| Impairment of assets                                    | 5,665,827     | 81,607,935   |
| Share of net loss/(profit) from associates              | 4,373,554     | (16,986,429) |
| Depreciation and amortisation expense                   | 1,613,379     | 2,347,007    |
| Share based payments                                    | 1,380,497     | 1,121,655    |
| Non-operating interest expense                          | 548,783       | 3,213,926    |
| Non-operating lease expense                             | 30,215        | 882,494      |
| Minority interest non-cash distributions from the Trust | –             | 5,796,119    |
| Write-off of plant and equipment                        | –             | 595,333      |
| Net gains on investments                                | (102,987,087) | (3,532,657)  |
| Adjustment in deferred commitments                      | (491,719)     | (1,498,567)  |
| Non-operating interest income                           | (480,907)     | (77,610)     |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 12. Cash and Cash Equivalents (continued)

|                                                                              | 2018<br>\$        | 2017<br>(restated)<br>\$ |
|------------------------------------------------------------------------------|-------------------|--------------------------|
| <b>Changes in operating assets and liabilities:</b>                          |                   |                          |
| (Increase)/decrease in trade and other receivables                           | (2,407,826)       | 1,466,356                |
| Decrease/(increase) in other assets                                          | 288,176           | (820,381)                |
| Increase/(decrease) in trade and other payables                              | 1,824,971         | (8,469,415)              |
| Increase/(decrease) in current tax liabilities                               | 8,691,896         | (10,084,942)             |
| Net (increase) in deferred taxes                                             | (8,782,563)       | 4,591,732                |
| (Decrease)/increase in provisions                                            | (11,915)          | 83,980                   |
| Cash flows from operating activities                                         | <b>20,282,723</b> | <b>577,132</b>           |
| <b>(c) Non-cash investing and financing activities</b>                       |                   |                          |
| Financing activities                                                         |                   |                          |
| Issuance of units in the Trust to the minority interests                     | –                 | 5,796,119                |
| Issuance of ordinary shares in exchange for the remaining units of the Trust | –                 | 60,446,448               |
|                                                                              | <b>–</b>          | <b>66,242,567</b>        |

## (d) Bank facility

The Group has a bank facility of \$15,000,000 of which \$9,269,171 was utilised as at 30 June 2018.

## 13. Short-Term Deposits

|                |                   |   |
|----------------|-------------------|---|
| <b>Current</b> |                   |   |
| Term deposit   | <b>20,000,000</b> | – |

The term deposit bears 2.4% per annum and matures on 5 October 2018.

## 14. Trade and Other Receivables

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| <b>Current</b>                  |                  |                  |
| Trade receivables               | 8,595,658        | 6,531,277        |
| Dividend receivable – associate | 72,594           | –                |
| Sundry receivables              | 466,247          | 195,396          |
|                                 | <b>9,134,499</b> | <b>6,726,673</b> |

Trade receivables are non-interest bearing and generally on 30-day terms.

**(a) Allowance for impairment loss**

Trade and other receivables ageing analysis at 30 June is:

|                            | Gross<br>2018<br>\$ | Gross<br>2017<br>\$ |
|----------------------------|---------------------|---------------------|
| Not past due               | 9,033,995           | 6,726,673           |
| Past due 31-60 days        | 80,693              | –                   |
| Past due 61-90 days        | 11,090              | –                   |
| Past due more than 91 days | 8,721               | –                   |
|                            | <b>9,134,499</b>    | <b>6,726,673</b>    |

Receivables past due but not impaired is \$100,504 (2017: Nil). Management is satisfied that payment will be received in full.

Bad debts written off during the financial year was Nil (2017: \$82,864).

An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No allowance for impairment losses has been made.

**(b) Related party receivables**

For terms and conditions of related party receivables refer to Note 32.

**(c) Fair value and credit risk**

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

Trade receivables represent the Group's outstanding invoices for management fees receivable from related parties and the credit risk is therefore very low.

**15. Loans and Other Receivables**

|                                                         | 2018<br>\$       | 2017<br>(restated)<br>\$ |
|---------------------------------------------------------|------------------|--------------------------|
| <b>Current</b>                                          |                  |                          |
| Receivable due from other party <sup>1</sup>            | 5,046,233        | –                        |
| Receivable from EAM Global investment team <sup>2</sup> | 686,510          | –                        |
| Loans receivable due from associates <sup>3</sup>       | 42,268           | –                        |
| Advances to other related party <sup>4</sup>            | –                | 303,682                  |
|                                                         | <b>5,775,011</b> | <b>303,682</b>           |
| <b>Non-Current</b>                                      |                  |                          |
| Receivable due from other party <sup>1</sup>            | 5,046,233        | –                        |
| Receivable from EAM Global investment team <sup>2</sup> | 2,279,001        | –                        |
| Loans receivable due from associates <sup>3</sup>       | –                | 3,292,247                |
|                                                         | <b>7,325,234</b> | <b>3,292,247</b>         |

All amounts are not considered past due or impaired.

<sup>1</sup> This is the retention amount held in escrow relating to the sale of IML. The escrow account is an interest bearing corporate trust account held with an Australian bank. It bears a commercial rate of interest.

<sup>2</sup> On 21 February 2018, the Group provided financing of US\$2,250,000 to the EAM Global management team a six-year term loan with interest of 10% per annum to help the EAM Global management team to finance the repurchase of EAM equity from an outside shareholder.

<sup>3</sup> The loans receivable from associates represent the loans to Alphashares and ROC. The loan to Alphashares bears a compounded interest rate of 7%. The loan to ROC had a maturity date of five (5) years from first drawdown date which was 29 May 2014 and interest rate of 8%. The loan to ROC was repaid in full as at 30 June 2018.

<sup>4</sup> The advances to other related party of \$303,682 had been received as at 30 June 2018. Interest rate on the advances was 8%.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 15. Loans and Other Receivables (continued)

### (a) Movement of loans and other receivables

|                                            | Opening<br>balance<br>\$ | Additions<br>\$  | Interest<br>accrued<br>\$ | Repayments<br>\$   | Reclassi-<br>fication<br>\$ | Foreign<br>currency<br>movement<br>\$ | Total<br>\$      |
|--------------------------------------------|--------------------------|------------------|---------------------------|--------------------|-----------------------------|---------------------------------------|------------------|
| <b>2018</b>                                |                          |                  |                           |                    |                             |                                       |                  |
| <b>Current</b>                             |                          |                  |                           |                    |                             |                                       |                  |
| Receivable due from other party            | -                        | 5,000,000        | 46,233                    | -                  | -                           | -                                     | 5,046,233        |
| Receivable from EAM Global investment team | -                        | -                | -                         | -                  | 686,510                     | -                                     | 686,510          |
| Loans receivable due from associates       | -                        | 1,200            | -                         | -                  | 41,068                      | -                                     | 42,268           |
| Advances to other related party            | 303,682                  | -                | 10,253                    | (313,935)          | -                           | -                                     | -                |
| Balance                                    | <b>303,682</b>           | <b>5,001,200</b> | <b>56,486</b>             | <b>(313,935)</b>   | <b>727,578</b>              | <b>-</b>                              | <b>5,775,011</b> |
| <b>Non-current</b>                         |                          |                  |                           |                    |                             |                                       |                  |
| Receivable due from other party            | -                        | 5,000,000        | 46,233                    | -                  | -                           | -                                     | 5,046,233        |
| Receivable from EAM Global investment team | -                        | 3,038,670        | 82,490                    | (139,258)          | (686,510)                   | (16,391)                              | 2,279,001        |
| Loans receivable due from associates       | 3,292,247                | -                | 167,961                   | (3,419,140)        | (41,068)                    | -                                     | -                |
| Balance                                    | <b>3,292,247</b>         | <b>8,038,670</b> | <b>296,684</b>            | <b>(3,558,398)</b> | <b>(727,578)</b>            | <b>(16,391)</b>                       | <b>7,325,234</b> |
| <b>2017</b>                                |                          |                  |                           |                    |                             |                                       |                  |
| <b>Current</b>                             |                          |                  |                           |                    |                             |                                       |                  |
| Advances to other related party            | -                        | -                | 297,637                   | (593,955)          | 600,000                     | -                                     | 303,682          |
| Balance                                    | <b>-</b>                 | <b>-</b>         | <b>297,637</b>            | <b>(593,955)</b>   | <b>600,000</b>              | <b>-</b>                              | <b>303,682</b>   |
| <b>Non-current</b>                         |                          |                  |                           |                    |                             |                                       |                  |
| Loans receivable due from associates       | 4,695,915                | 164,998          | 358,599                   | (1,927,265)        | -                           | -                                     | 3,292,247        |
| Advances to other related party            | 600,000                  | -                | -                         | -                  | (600,000)                   | -                                     | -                |
| Balance                                    | <b>5,295,915</b>         | <b>164,998</b>   | <b>358,599</b>            | <b>(1,927,265)</b> | <b>(600,000)</b>            | <b>-</b>                              | <b>3,292,247</b> |

## 16. Other Assets

|                                                     | 2018<br>\$       | 2017<br>(restated)<br>\$ |
|-----------------------------------------------------|------------------|--------------------------|
| <b>Current</b>                                      |                  |                          |
| Prepayments                                         | 2,159,726        | 2,359,907                |
| Receivable from Raven <sup>1</sup>                  | 2,836,021        | –                        |
| Sublease receivable                                 | 269,786          | 232,091                  |
| Other current assets                                | 176,018          | 14,696                   |
|                                                     | <b>5,441,551</b> | <b>2,606,694</b>         |
| <b>Non-Current</b>                                  |                  |                          |
| Receivable from Raven <sup>1</sup>                  | 1,493,916        | 3,917,420                |
| Sublease receivable                                 | 533,010          | 719,334                  |
| Security deposit – HSBC escrow account <sup>2</sup> | –                | 6,513,770                |
| Other security deposits and assets                  | 280,468          | 381,156                  |
| Plant and equipment                                 | 1,399,041        | 561,720                  |
|                                                     | <b>3,706,435</b> | <b>12,093,400</b>        |

<sup>1</sup> This is the earn-out component as part of the consideration on the sale of the investment in Raven on 14 October 2016. The Group will be paid 33% of the management fees earned by Raven on the new FUM. Payments will be calculated quarterly until the US\$3,500,000 earn-out cap is met. The earn-out was discounted by using 9.03% (2017: 8%) rate to determine the net present value of the future payments from Raven.

<sup>2</sup> Pursuant to and in connection with the Aurora Share Subscription and Assignment Deed, dated 28 July 2015, by and between Hareon Solar Singapore Private Limited (Hareon), the Trustee, Nereus Capital Investments (Singapore) Pte. Ltd (NCI), and Nereus, Holdings LP, (Nereus), the Trust agreed to make a contingent "Additional Contribution" to NCI of up to US\$25,000,000. This Additional Contribution can be drawn by NCI only to fund the exercise of the Put Option, which is held by Hareon, when and if it is exercised. The exercise of the put option and the potential US\$25.0 million contingent additional contribution have been factored in the fair value calculation. Pursuant to the Shareholders' Deed, dated 28 July 2015, Hareon may put its Class H Shares back to NCI at the "Put Option Price" any time within 60 days following the sixth anniversary of the commissioning of the first solar project sponsored by NCI, which occurred in June 2016. The Trust further agreed to place US\$5,000,000 in an escrow account with the Hong Kong and Shanghai Banking Corporation Limited Singapore (the Escrow Account). The amounts can be drawn upon by NCI if and when certain prescribed thresholds with regard to annual revenues of NCI are not achieved. The Trust shall contribute additional amounts to the Escrow Account equal to any amounts drawn down by NCI pursuant to the previous sentence, so that the balance of the Escrow Account will be US\$5,000,000. The account will be closed and all funds distributed to the Trust at the redemption of the Class H Shares of NCI, which are held by Hareon. NCI currently expects to redeem all Class H Shares in the next twelve months through the proceeds of a sale of the solar assets held by NCI. Nereus was accounted as AFS investment. As at 30 June 2018, the fair value is Nil (2017: Nil). Refer to Note 4(e) and Note 17.

On 17 November 2017, the Group received the US\$5,000,000 held in escrow with the Hong Kong and Shanghai Banking Corporation Limited, Singapore. A new escrow agreement is being negotiated with another financial institution. It is expected that the US\$5.0 million will be transferred to this new financial institution.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 17. Other Financial Assets

|                                                           | 2018<br>\$        | 2017<br>(restated)<br>\$ |
|-----------------------------------------------------------|-------------------|--------------------------|
| <b>Non-Current</b>                                        |                   |                          |
| <b>Financial assets at FVTPL</b>                          |                   |                          |
| Investment in RARE Infrastructure Ltd (RARE) <sup>1</sup> | 21,500,000        | 22,700,000               |
| <b>AFS investments</b>                                    |                   |                          |
| Investment in EAM <sup>2</sup>                            | 10,128,893        | 9,200,000                |
| Investment in GQG <sup>3</sup>                            | 43,486,712        | 20,974,338               |
| Investment in Nereus <sup>4</sup>                         | –                 | –                        |
| Total available-for-sale financial assets                 | <b>53,615,604</b> | <b>30,174,338</b>        |
| <b>Total other financial assets</b>                       | <b>75,115,604</b> | <b>52,874,338</b>        |

<sup>1</sup> Investment held at FVTPL represents 10% interest in RARE subject to a two-year differentiated option pricing: call option by Legg Mason at a fixed multiple of RARE revenues or put option by the Trust at 'fair market value'. The fair value as at 30 June 2018 was based on midpoint valuation of the independent parties appointed by Legg Mason and the Group. The fair value as at 30 June 2017 was based on net present value of the discounted cash flows of this investment. Refer to Note 4(e) for details.

<sup>2</sup> EAM Investors, LLC (EAM), founded in July 2007 is organised as a California Limited Liability Company. EAM Global Investors LLC (EAM Global), founded in March 2014 is organised as a Delaware Limited Liability Company. EAM and EAM Global collectively (the EAM) comprise a privately-owned investment advisor with EAM and EAM Global each individually being registered with the U.S. Securities and Exchange Commission. EAM offers investment advisory services on a discretionary basis to mutual funds, private pools, pension and profit sharing plans, trusts, estates, and charitable organisations. Client relationship asset levels generally range between \$5 million and \$150 million. The EAM generates the majority of its revenues by providing advisory services to domestic customers. Fees for such services are asset based and as a result, the EAM's revenues are variable and subject to market volatility.

On 21 February 2018, the Group acquired an additional 3.75% in EAM for a consideration of \$750,000 and two deferred payments based on 2% and 1% of EAM's gross revenues as at 31 March 2022 and 31 March 2023, respectively. Ownership in EAM has increased to 18.75%. The deferred payments were accounted for as financial liability through profit or loss with a balance of \$167,747. Refer to Note 21.

<sup>3</sup> GQG Partners, LLC (GQG) was formed on April 4, 2016 in the state of Delaware as a limited liability company. GQG is registered with the Securities and Exchange Commission as an investment advisor and provides investment advisory and asset management services to a number of investment funds and managed accounts for US and Non-US investors. The Company acts as investment manager for GQG Partners International Equity Fund, GQG Partners Global Equity Fund, GQG Partners Emerging Markets Equity Fund as well as two mutual funds that invest in global and emerging markets equities. The Group owns 5% in GQG.

<sup>4</sup> The Group owns interests in Nereus, a private equity firm based in India focused on renewable energy assets, and in NCI. The fair value as at 30 June 2018 was based on net present value of the discount cash flows of this investment. Additional investments in Nereus during the year of \$780,622 (2017: \$7,647,988) were fully impaired.

Refer to Note 4(e) for details of the fair values of AFS investments.

## 18. Investments in Associates

|                           | 2018<br>\$ | 2017<br>(restated)<br>\$ |
|---------------------------|------------|--------------------------|
| <b>Non-Current</b>        |            |                          |
| Investments in associates | 46,022,216 | 79,498,593               |

## (a) Name of associates

| Associates                                                            | Reportable segments | Principal activity | Ownership interest |           | Place of incorporation and operation |
|-----------------------------------------------------------------------|---------------------|--------------------|--------------------|-----------|--------------------------------------|
|                                                                       |                     |                    | 2018<br>%          | 2017<br>% |                                      |
| Aether GPs <sup>1</sup>                                               | Other               | Funds Management   | 25.00              | 25.00     | USA                                  |
| AlphaShares, LLC <sup>2</sup>                                         | Other               | Funds Management   | 36.53              | 36.53     | USA                                  |
| Aperio Group, LLC <sup>3</sup>                                        | Core                | Funds Management   | 23.38              | 23.38     | USA                                  |
| Blackcrane Capital, LLC <sup>4</sup>                                  | Growth              | Funds Management   | 25.00              | 25.00     | USA                                  |
| Capital & Asset Management Group, LLC <sup>5</sup>                    | Other               | Funds Management   | 20.00              | –         | USA/UK                               |
| Celeste Funds Management Limited – ordinary shares <sup>6</sup>       | Other               | Funds Management   | 27.48              | 27.48     | Australia                            |
| Freehold Investment Management Limited – ordinary shares <sup>7</sup> | Other               | Funds Management   | 30.89              | 30.89     | Australia                            |
| Goodhart Partners, LLP (UK) <sup>8</sup>                              | Other               | Funds Management   | –                  | 18.81     | USA/UK                               |
| Investors Mutual Ltd – ordinary shares <sup>9</sup>                   | Core                | Funds Management   | –                  | 45.44     | Australia                            |
| Northern Lights Alternative Advisors Ltd <sup>10</sup>                | Other               | Funds Management   | 29.87              | 29.87     | UK                                   |
| ROC Group <sup>11</sup>                                               | Growth              | Funds Management   | 17.59              | 17.59     | Australia                            |

<sup>1</sup> Aether Real Assets GP I, LLC, Aether Real Assets GP II, LLC, Aether Real Assets GP III, LLC, Aether Real Assets III Surplus GP, LLC (collectively the Aether GPs) are the General Partners of Aether Real Assets I, L.P., Aether Real Assets II, L.P., Aether Real Assets III, L.P., and Aether Real Assets III Surplus, L.P. (collectively the Funds). The Aether GPs are responsible for the operation of the Funds and the conduct and management of its business.

<sup>2</sup> AlphaShares, LLC provides investors with direct exposure to Chinese markets primarily through a series of China related equity indexes.

<sup>3</sup> Aperio Group, LLC (Aperio), based in Sausalito, California is an investment management firm with highly customised index-based portfolios using Aperio's expertise in tax management, factor tilts and passive investments. It is a pioneer in designing and managing custom portfolios to track index benchmarks or deliver targeted risk, factor, geographic, or industry exposures, customised to a client's specific tax situation, values and/or desired economic exposure. Aperio works with both taxable and tax-exempt investors to track a broad range of USA and international indexes. The Trust holds two of six board seats at Aperio. On 8 August 2018, the Group announced the sale of its interest in Aperio for a net proceeds of US\$73,000,000 to Golden Gate Capital.

<sup>4</sup> Blackcrane Capital, LLC is boutique asset management firm focusing on global and international equities.

<sup>5</sup> Capital & Asset Management Group, LLC (CAMG) is a private infrastructure investment firm based in London and Washington DC. On 6 April 2018, the Group acquired 20% equity ownership in CAMG for an initial consideration of GBP1,500,000 with a capital commitment of up to GBP4,000,000.

<sup>6</sup> Celeste Funds Management Limited is an Australian equity manager with smaller company focus.

<sup>7</sup> Freehold Investment Management Limited is a specialist investment manager focusing on Australian and global real estate and infrastructure sectors.

<sup>8</sup> Goodhart Partners, LLP (UK) is a multi-boutique manager with investment strategies across global equities, Japan equities and emerging markets. On 26 January 2018, the Group sold its 18.81% interest in Goodhart to the members of Goodhart. The proceeds of US\$2,384,599 were received following the approval of the sale by Financial Conduct Authority (FCA), the financial regulatory body in the United Kingdom (UK). This transaction has resulted in the recognition of a gain of US\$572,430.

The Group may also be entitled to deferred consideration which is based upon a share of certain performance fees earned by Goodhart through 31 March 2019. The Group recognises the deferred consideration following the conclusion of the performance period upon notification from Goodhart Board of Directors of any further consideration due to the Group. The Group was notified of performance fees that crystallised up to 31 March 2018 in the amount of US\$1.2 million and was recognised as other income of the Group as at 30 June 2018.

<sup>9</sup> Investors Mutual Ltd provides a funds management capability specialising in Australian equities to both institutional and retail investors. At 30 June 2017, the Group held 40% equity stake in IML. The investment in IML was equity accounted for accounting purposes at 45.44% interest due to share options issued by IML to its employees that had not vested. On 3 October 2017, the Group sold its 40% legal interest on a fully diluted basis to Natixis Global Asset Management for \$116,879,324 consideration that included \$106,879,324 cash and \$10,000,000 as retention that was held in escrow, with the \$5,000,000 to be released after 18 months and the remaining \$5,000,000 after 24 months. The escrow attracts a commercial rate of interest. The release of the escrow was subject to certain customary commercial commitments being met. This transaction has resulted in the recognition of a gain of \$104,292,732.

<sup>10</sup> Northern Lights Alternative Advisors Ltd is a strategic partner and placement agent for hedge funds and private equity.

<sup>11</sup> ROC Group includes ROC Partners Pty Ltd, ROC Management Services Trust and ROC Partners (Cayman) Limited. ROC Partners is a leading alternative investment manager specializing in private equity in the Asia Pacific Region.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 18. Investments in Associates (continued)

### (b) Carrying amount of investments in associates

|                                                                        | 2018<br>\$        | 2017<br>(restated)<br>\$ |
|------------------------------------------------------------------------|-------------------|--------------------------|
| Beginning balance                                                      | 79,498,593        | 92,044,454               |
| Acquisition of an associate                                            | 2,723,918         | –                        |
| Contribution to associates                                             | 143,744           | 1,259,482                |
| Share of net (losses)/profits of associates                            | (4,373,554)       | 16,986,429               |
| Share of unrealised (loss)/gain reserve of an associate (Note 23)      | (106,430)         | 215,637                  |
| Reversal of share of unrealised gain reserve of an associate (Note 23) | (131,494)         | –                        |
| Dividends and distributions received/receivable                        | (13,365,545)      | (10,055,104)             |
| Sale of an investment in associate <sup>12</sup>                       | (15,033,960)      | (12,392,711)             |
| Impairment                                                             | (4,817,853)       | (6,535,850)              |
| Foreign currency movement                                              | 1,484,797         | (2,023,744)              |
| <b>Balance at the end of the year</b>                                  | <b>46,022,216</b> | <b>79,498,593</b>        |

<sup>12</sup> Sale of Goodhart<sup>8</sup> and IML<sup>9</sup> (2017: sale of Raven):

|                                                         |                    |                |
|---------------------------------------------------------|--------------------|----------------|
| Considerations received and receivable                  | 120,065,290        | 12,688,387     |
| Less: Carrying amount of investment on the date of sale | 15,033,960         | 12,392,711     |
| <b>Gain recognised on the sale</b>                      | <b>105,031,330</b> | <b>295,676</b> |

**(c) Summarised financial information for associates**

| 2018                                                                                  | Aperio Group,<br>LLC<br>\$ | Investors<br>Mutual Group<br>\$ | Aggregate<br>of other<br>associates<br>which are<br>not deemed<br>material<br>\$ | Total<br>\$         |
|---------------------------------------------------------------------------------------|----------------------------|---------------------------------|----------------------------------------------------------------------------------|---------------------|
| <b>Financial Position</b>                                                             |                            |                                 |                                                                                  |                     |
| Current assets                                                                        | 21,705,590                 | –                               | 16,791,381                                                                       | 38,496,971          |
| Non-current assets                                                                    | 947,928                    | –                               | 24,149,068                                                                       | 25,096,996          |
| Current liabilities                                                                   | (71,484,313) <sup>1</sup>  | –                               | (8,456,725)                                                                      | (79,941,038)        |
| Non-current liabilities                                                               | –                          | –                               | (5,803,796)                                                                      | (5,803,796)         |
| Net (liabilities)/assets                                                              | <b>(48,830,795)</b>        | <b>–</b>                        | <b>26,679,928</b>                                                                | <b>(22,150,867)</b> |
| <b>The above amounts of assets and liabilities include the following:</b>             |                            |                                 |                                                                                  |                     |
| Cash and cash equivalents                                                             | 19,697,316                 | –                               | 8,501,563                                                                        | 28,198,879          |
| Current financial liabilities (excluding trade and other payables and provisions)     | (64,796,135)               | –                               | (1,722,915)                                                                      | (66,519,050)        |
| Non-current financial liabilities (excluding trade and other payables and provisions) | –                          | –                               | (4,364,075)                                                                      | (4,364,075)         |
| <b>Comprehensive Income</b>                                                           |                            |                                 |                                                                                  |                     |
| Revenue for the year/period                                                           | 61,555,690                 | 14,136,510                      | 41,334,201                                                                       | 117,026,401         |
| (Loss)/profit after tax for the year/period                                           | (31,783,017) <sup>1</sup>  | 6,613,673                       | 8,100,813                                                                        | (17,068,531)        |
| Other comprehensive income for the year/period                                        | –                          | (237,924)                       | –                                                                                | (237,924)           |
| <b>Total comprehensive (loss)/income for the year/period</b>                          | <b>(31,783,017)</b>        | <b>6,375,749</b>                | <b>8,100,813</b>                                                                 | <b>(17,306,455)</b> |
| Dividends/distributions received during the period/year                               | 4,102,918                  | 7,804,740                       | 1,457,887                                                                        | 13,365,545          |
| <b>The above profit after tax for the period includes the following:</b>              |                            |                                 |                                                                                  |                     |
| Depreciation and amortisation                                                         | 122,518                    | 62,720                          | 1,008,739                                                                        | 1,193,977           |
| Interest income                                                                       | –                          | 50,912                          | 6,834                                                                            | 57,746              |
| Interest expense                                                                      | –                          | –                               | 458,038                                                                          | 458,038             |
| Income tax expense                                                                    | –                          | 2,834,431                       | 1,137,566                                                                        | 3,971,997           |

<sup>1</sup> Aperio's net loss for the year ended 30 June 2018 included \$62,643,408 valuation of the S Class units which were accounted for as share based payments, of which \$12,904,542 was the share of the Group. The corresponding liability was included as part of current liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 18. Investments in Associates (continued)

| 2018                                                                                                                                                                       | Aperio Group,<br>LLC<br>\$ | Investors<br>Mutual Group<br>\$ | Aggregate<br>of other<br>associates<br>which are<br>not deemed<br>material<br>\$ | Total<br>\$       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|---------------------------------|----------------------------------------------------------------------------------|-------------------|
| Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements: |                            |                                 |                                                                                  |                   |
| Net (liabilities)/assets of the associates before determination of fair values                                                                                             | (48,830,795)               | -                               | 26,679,928                                                                       | (22,150,867)      |
| Ownership interest in %                                                                                                                                                    | 20.38% <sup>1</sup>        | -                               | 23.20% <sup>2</sup>                                                              | -                 |
| Proportion of the Group's ownership interest in the associates                                                                                                             | (9,951,716)                | -                               | 6,191,072                                                                        | (3,760,644)       |
| Goodwill                                                                                                                                                                   | 41,186,322                 | -                               | 7,924,961                                                                        | 49,111,283        |
| Undistributed profits                                                                                                                                                      | -                          | -                               | 671,577                                                                          | 671,577           |
| <b>Balance at the end of the year</b>                                                                                                                                      | <b>31,234,606</b>          | <b>-</b>                        | <b>14,787,610</b>                                                                | <b>46,022,216</b> |

## 2017

### Financial Position

|                         |                  |                   |                   |                   |
|-------------------------|------------------|-------------------|-------------------|-------------------|
| Current assets          | 10,308,829       | 24,465,316        | 20,557,797        | 55,331,942        |
| Non-current assets      | 541,735          | 19,212,947        | 24,468,908        | 44,223,590        |
| Current liabilities     | (4,182,204)      | (9,495,753)       | (7,308,303)       | (20,986,260)      |
| Non-current liabilities | (1,476,522)      | (661,317)         | (12,814,262)      | (14,952,101)      |
| <b>Net assets</b>       | <b>5,191,838</b> | <b>33,521,193</b> | <b>24,904,140</b> | <b>63,617,171</b> |

### The above amounts of assets and liabilities include the following:

|                                                                                       |             |            |             |             |
|---------------------------------------------------------------------------------------|-------------|------------|-------------|-------------|
| Cash and cash equivalents                                                             | 9,855,102   | 16,681,987 | 10,991,668  | 37,528,757  |
| Current financial liabilities (excluding trade and other payables and provisions)     | (1,472,112) | -          | (2,074,411) | (3,546,523) |
| Non-current financial liabilities (excluding trade and other payables and provisions) | -           | -          | (7,341,805) | (7,341,805) |

<sup>1</sup> Relates to effective ownership interest in Aperio.

<sup>2</sup> The rate relates to multiple different % across multiple entities.

| 2017                                             | Aperio Group,<br>LLC<br>(restated)<br>\$ | Investors<br>Mutual Group<br>(restated)<br>\$ | Aggregate<br>of other<br>associates<br>which are<br>not deemed<br>material<br>(restated)<br>\$ | Total<br>(restated)<br>\$ |
|--------------------------------------------------|------------------------------------------|-----------------------------------------------|------------------------------------------------------------------------------------------------|---------------------------|
| <b>Comprehensive Income</b>                      |                                          |                                               |                                                                                                |                           |
| Revenue for the year                             | 47,980,374                               | 50,890,865                                    | 37,154,536                                                                                     | 136,025,775               |
| Profit after tax for the period                  | 24,796,021                               | 24,101,159                                    | 14,515,582                                                                                     | 63,412,762                |
| Other comprehensive income for the period        | -                                        | 246,280                                       | -                                                                                              | 246,280                   |
| <b>Total comprehensive income for the period</b> | <b>24,796,021</b>                        | <b>24,347,439</b>                             | <b>14,515,582</b>                                                                              | <b>63,659,042</b>         |
| Dividends/distributions received during the year | 4,510,727                                | 5,215,431                                     | 328,946                                                                                        | 10,055,104                |

| 2017                                                                                                                                                                       | Aperio Group,<br>LLC<br>(restated)<br>\$ | Investors<br>Mutual Group<br>(restated)<br>\$ | Aggregate<br>of other<br>associates<br>which are<br>not deemed<br>material<br>(restated)<br>\$ | Total<br>(restated)<br>\$ |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-----------------------------------------------|------------------------------------------------------------------------------------------------|---------------------------|
| <b>The above profit after tax for the period includes the following:</b>                                                                                                   |                                          |                                               |                                                                                                |                           |
| Depreciation and amortisation                                                                                                                                              | 94,556                                   | 230,314                                       | 1,045,968                                                                                      | 1,370,838                 |
| Interest income                                                                                                                                                            | –                                        | 142,765                                       | 3,571                                                                                          | 146,336                   |
| Interest expense                                                                                                                                                           | –                                        | 732                                           | 818,693                                                                                        | 818,425                   |
| Income tax expense                                                                                                                                                         | –                                        | 10,740,080                                    | 685,064                                                                                        | 11,425,144                |
| Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements: |                                          |                                               |                                                                                                |                           |
| Net assets of the associates                                                                                                                                               | 5,191,838                                | 33,521,193                                    | 24,904,140                                                                                     | 63,617,171                |
| Ownership interest in %                                                                                                                                                    | 23.38%                                   | 45.44%                                        | 23.32% <sup>1</sup>                                                                            |                           |
| Proportion of the Group's ownership interest in the associates                                                                                                             | 1,213,852                                | 15,232,030                                    | 5,807,256                                                                                      | 22,253,138                |
| Goodwill                                                                                                                                                                   | 41,452,355                               | –                                             | 12,285,373                                                                                     | 53,737,728                |
| Undistributed profits                                                                                                                                                      | –                                        | 3,074,619                                     | 433,108                                                                                        | 3,507,727                 |
| Balance at the end of the year                                                                                                                                             | 42,666,207                               | 18,306,649                                    | 18,525,737                                                                                     | 79,498,593                |

<sup>1</sup> The rate relates to multiple different % across multiple entities.

## 19. Intangible Assets

|                                               | 2018<br>\$         | 2017<br>(restated)<br>\$ |
|-----------------------------------------------|--------------------|--------------------------|
| Goodwill, net of impairment <sup>1</sup>      | 79,976,920         | 77,158,732               |
| Other identifiable assets, at carrying amount |                    |                          |
| Brand and trademark                           | 17,125,732         | 16,520,031               |
| Management rights                             | 7,722,907          | 8,731,227                |
| Total other identifiable assets               | <b>24,848,639</b>  | <b>25,251,258</b>        |
| Total intangible assets                       | <b>104,825,559</b> | <b>102,409,990</b>       |
| <b>(a) Cash-generating units (CGUs)</b>       |                    |                          |
| Goodwill                                      | 79,976,920         | 77,158,732               |
| Allocation:                                   |                    |                          |
| Aether <sup>2</sup>                           | 43,640,517         | 42,097,044               |
| Seizert <sup>3</sup>                          | 36,336,403         | 35,061,688               |
|                                               | <b>79,976,920</b>  | <b>77,158,732</b>        |

<sup>1</sup> These are the goodwill and other identifiable intangible assets related to the acquisition of Aether and Seizert that are denominated in US\$ which are translated to AU\$ every reporting period. The goodwill is assessed for impairment every reporting period. No impairment of goodwill for the year ended 30 June 2018 (2017: impairment was \$53,920,072).

<sup>2</sup> Aether

The recoverable amount of Aether as a cash-generating unit is determined based on a value in use calculation which uses cash flow projections by Aether for the business which includes expected revenues from existing funds which are largely certain and anticipated new fund raising every two years. A ten-year discrete period was applied as it is believed that it is sufficient time for the business to be in steady state in terms of launching new funds based on the existing plan for the business. A weighted average discount rate of 15.5% (2017: 16%) was applied in the cash flow projections during the discrete period. In addition, a tax rate of 21% (2017: 35%) was applied. The tax benefits associated with the tax deductible amortisation of acquired intangibles in the assessed value was also included in the cash flow projections. The terminal growth rate of 4% (2017: 3%) was applied.

Management believes that there is a sufficient headroom as at 30 June 2018 because the net present value of the projected cash flows is higher due to change of lower tax rate applied from 35% to 21%.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2018

### <sup>3</sup> Seizert

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections by Seizert for the business which includes expected revenues from existing funds (which are largely certain), as well as expectation of timing and size of funds to be launched covering a five-year period. A market growth rate of 5% (2017: 5%) per annum based on a relatively conservative estimate of prospective returns from the underlying asset classes. No new inflows until FY2019 are assumed. Once stabilised, the Manager is projected to have inflows of 6% based on its previous track record and further diversification of distribution sources from defined benefit funds into retail and other channels. A weighted average discount rate of 13.5% (2017: 13.5%) was applied in the cash flow projections during the discrete period. In addition, a tax rate of 21% (2017: 35%) is applied. The terminal growth rate of 4% (2017: 3%) was applied.

Management believes that there is a sufficient headroom as at 30 June 2018 because the net present value of the projected cash flows is higher due to change of lower tax rate applied from 35% to 21%.

The goodwill is assessed annually for impairment.

The following useful lives are used in the calculation of amortisation:

|         | Brand and trademark | Management rights |
|---------|---------------------|-------------------|
| Aether  | Not applicable      | 6.67 years        |
| Seizert | Not applicable      | Not applicable    |

### (b) Reconciliation

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year:

|                                        | Goodwill<br>\$    | Brand and<br>Trademark <sup>4</sup><br>\$ | Management<br>rights<br>\$ | Client<br>relationships<br>\$ | Total<br>\$        |
|----------------------------------------|-------------------|-------------------------------------------|----------------------------|-------------------------------|--------------------|
| <b>2018</b>                            |                   |                                           |                            |                               |                    |
| Beginning balance                      | 77,158,732        | 16,520,031                                | 8,731,227                  | –                             | 102,409,990        |
| Amortisation                           | –                 | –                                         | (1,362,177)                | –                             | (1,362,177)        |
| Effect of foreign currency differences | 2,818,188         | 605,701                                   | 353,857                    | –                             | 3,777,746          |
| Balance at end of the year             | <b>79,976,920</b> | <b>17,125,732</b>                         | <b>7,722,907</b>           | <b>–</b>                      | <b>104,825,559</b> |
| <b>2017 (restated)</b>                 |                   |                                           |                            |                               |                    |
| Beginning balance                      | 134,184,913       | 24,857,155                                | 14,535,186                 | 2,213,094                     | 175,790,348        |
| Amortisation                           | –                 | –                                         | (1,886,099)                | (157,553)                     | (2,043,652)        |
| Impairment                             | (53,920,072)      | (7,720,633)                               | (3,509,701)                | (2,027,760)                   | (67,178,166)       |
| Effect of foreign currency differences | (3,106,109)       | (616,491)                                 | (408,159)                  | (27,781)                      | (4,158,540)        |
| Balance at end of the year             | <b>77,158,732</b> | <b>16,520,031</b>                         | <b>8,731,227</b>           | <b>–</b>                      | <b>102,409,990</b> |

<sup>4</sup> These intangibles have indefinite lives.

## 20. Trade and Other Payables

|                 | 2018<br>\$       | 2017<br>(restated)<br>\$ |
|-----------------|------------------|--------------------------|
| <b>Current</b>  |                  |                          |
| Trade creditors | 1,616,508        | 214,429                  |
| Other payables  | 5,030,425        | 4,607,532                |
|                 | <b>6,646,933</b> | <b>4,821,961</b>         |

### (a) Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

### (b) Related party payables

For terms and conditions relating to related party payables please refer to Note 32.

### (c) Interest rate and liquidity risks

Trade and other payables are non-interest bearing. Liquidity risk exposure is not regarded as significant. Trade, other and related party payables are all due within less than 90 days.

## 21. Financial Liabilities

|                                            | 2018<br>\$        | 2017<br>(restated)<br>\$ |
|--------------------------------------------|-------------------|--------------------------|
| <b>Current</b>                             |                   |                          |
| Bank overdraft (Note 12(d))                | 9,269,171         | –                        |
| Notes payable – Seizert <sup>1</sup>       | 1,600,435         | –                        |
| Share of deferred commitments <sup>2</sup> | 2,045,000         | 1,732,353                |
| Sublease liability                         | 224,940           | 208,745                  |
| X-RPUs <sup>3</sup>                        | –                 | 26,040,479               |
|                                            | <b>13,139,546</b> | <b>27,981,577</b>        |
| <b>Non-Current</b>                         |                   |                          |
| Notes payable – Seizert <sup>1</sup>       | 11,817,041        | 26,240,639               |
| Sublease liability                         | 442,598           | 612,048                  |
| Financial liability at FVTPL <sup>4</sup>  | 168,747           | –                        |
| Share of deferred commitments <sup>2</sup> | –                 | 1,857,567                |
|                                            | <b>12,428,386</b> | <b>28,710,254</b>        |

<sup>1</sup> Notes payable – Seizert

In November 2015, the Trust issued notes for A\$20,226,070 (US\$17,500,000) to the former owners of Seizert as part of the consideration for the acquisition by Midco for the equity interest in Seizert. The interest rate associated with the note equals the twelve month LIBOR rate plus 5%.

The Trustee made payments to holders of Notes payable – Seizert an amount of \$7,920,501 (US\$6,083,938) and \$6,471,009 (US\$4,992,905) on 12 August 2017 and 30 November 2017, respectively. The current portion is due on 24 November 2018 and the non-current portion is due on 24 November 2019.

<sup>2</sup> Share of deferred commitments

This represents the 40% share of the Trust for the deferred commitments to RARE in accordance with the side agreement amongst the former owners of RARE to lock in the employment of the investment team with RARE for a certain number of years. An 8% discount rate was applied to determine the net present value of this liability as at 21 October 2015. The amount of \$1,160,000 and \$885,000 are due in September 2018 and December 2018, respectively.

<sup>3</sup> X-RPUs

As at 15 March 2017, the Trust resettled its X PRUs. Before resettlement, full payment of the US\$42 million face value of the X RPUs was contingent on the performance of six previously held Northern Lights asset management firms, relative to two asset management firms previously owned by the Company before forming the Aurora Trust. The Settlement Transaction resulted in the new face value of this debt being a fixed amount of US\$21 million, to be repaid on or before 31 March 2018, and will bear interest at a rate beginning at 10% per annum if not repaid by that date. A 7.25% discount rate was applied to determine the net present value of this liability as at 15 March 2017. The gain on revaluation of the instrument of \$2,538,069 which was the difference between the fair value of the instrument as at 31 December 2016 and the net present value of \$25,789,371 was recorded by the Trust on 15 March 2017 before the Trust was consolidated to the Company's accounts.

On 28 September 2017, the Trustee redeemed and cancelled the X-RPUs. Repayment followed on 11 October 2017 for \$27,073,889 (US\$21 million). A loss of \$844,243 was recognised on the redemption and cancellation of X-RPUs. Refer to Note 6.

<sup>4</sup> Financial liability at FVTPL

This is the deferred payment on the acquisition of the additional 375 preferred units in EAM representing additional 3.75% equity ownership in EAM. This is based on the projected 2% and 1% of EAM's gross revenues as at 31 March 2022 and 31 March 2023, respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 21. Financial Liabilities (continued)

### (a) Movement of financial liabilities

| 2018                             | Opening<br>balance<br>\$ | Additions<br>\$  | Imputed<br>and interest<br>accrued/<br>Amortisation<br>of loan fees<br>\$ | Repayments<br>\$    | Reclassifi-<br>cation to/<br>(from)<br>current<br>portion<br>\$ | Revaluation/<br>Adjustment<br>\$ | Foreign<br>currency<br>movement<br>\$ | Total<br>\$       |
|----------------------------------|--------------------------|------------------|---------------------------------------------------------------------------|---------------------|-----------------------------------------------------------------|----------------------------------|---------------------------------------|-------------------|
| <b>Current</b>                   |                          |                  |                                                                           |                     |                                                                 |                                  |                                       |                   |
| Bank overdraft                   | -                        | 9,269,171        | -                                                                         | -                   | -                                                               | -                                | -                                     | 9,269,171         |
| Notes payable –<br>Seizert       | -                        | -                | -                                                                         | -                   | 1,581,510                                                       | -                                | 18,925                                | 1,600,435         |
| Share of deferred<br>commitments | 1,732,353                | -                | -                                                                         | (1,159,950)         | 2,045,000                                                       | (572,403)                        | -                                     | 2,045,000         |
| Sublease liability               | 208,745                  | -                | 8,161                                                                     | (205,386)           | 224,940                                                         | -                                | (11,520)                              | 224,940           |
| X RPU's                          | 26,040,479               | -                | 442,034                                                                   | (27,073,889)        | -                                                               | 844,243                          | (252,867)                             | -                 |
| Balance                          | <b>27,981,577</b>        | <b>9,269,171</b> | <b>450,195</b>                                                            | <b>(28,439,225)</b> | <b>3,851,450</b>                                                | <b>271,840</b>                   | <b>(245,462)</b>                      | <b>13,139,546</b> |
| <b>Non-current</b>               |                          |                  |                                                                           |                     |                                                                 |                                  |                                       |                   |
| Notes payable –<br>Seizert       | 26,240,639               | -                | 1,125,358                                                                 | (14,391,509)        | (1,581,510)                                                     | -                                | 424,063                               | 11,817,041        |
| Sublease liability               | 612,048                  | -                | 22,054                                                                    | -                   | (224,940)                                                       | -                                | 33,436                                | 442,598           |
| Financial liability<br>at FVTPL  | -                        | 162,541          | -                                                                         | -                   | -                                                               | -                                | 6,206                                 | 168,747           |
| Share of deferred<br>commitments | 1,857,567                | -                | 106,749                                                                   | -                   | (2,045,000)                                                     | 80,684                           | -                                     | -                 |
| Balance                          | <b>28,710,254</b>        | <b>162,541</b>   | <b>1,254,161</b>                                                          | <b>(14,391,509)</b> | <b>(3,851,450)</b>                                              | <b>80,684</b>                    | <b>463,705</b>                        | <b>12,428,386</b> |

| 2017 (restated)                      | Opening balance<br>\$ | Additions<br>\$  | Imputed and interest accrued/<br>Amortisation of loan fees<br>\$ | Repayments<br>\$    | Reclassification to/<br>(from) current portion<br>\$ | Revaluation/<br>Adjustment<br>\$ | Foreign currency movement<br>\$ | Total<br>\$       |
|--------------------------------------|-----------------------|------------------|------------------------------------------------------------------|---------------------|------------------------------------------------------|----------------------------------|---------------------------------|-------------------|
| <b>Current</b>                       |                       |                  |                                                                  |                     |                                                      |                                  |                                 |                   |
| Share of deferred commitments        | -                     | -                | -                                                                | -                   | 1,675,400                                            | 56,953                           | -                               | 1,732,353         |
| X-RPUs                               | -                     | -                | 532,009                                                          | -                   | 25,508,470                                           | -                                | -                               | 26,040,479        |
| Sublease liability                   | -                     | 208,493          | 2,815                                                            | -                   | -                                                    | -                                | (2,563)                         | 208,745           |
| Deferred consideration – Aperio      | 21,874,929            | -                | -                                                                | (21,874,929)        | -                                                    | -                                | -                               | -                 |
| East West debt facility <sup>1</sup> | -                     | 6,168,976        | 1,680,577                                                        | (7,925,092)         | -                                                    | -                                | 75,539                          | -                 |
| Balance                              | <b>21,874,929</b>     | <b>6,377,469</b> | <b>2,215,401</b>                                                 | <b>(29,800,021)</b> | <b>27,183,870</b>                                    | <b>56,953</b>                    | <b>72,976</b>                   | <b>27,981,577</b> |
| <b>Non-current</b>                   |                       |                  |                                                                  |                     |                                                      |                                  |                                 |                   |
| Notes payable- Seizert               | 25,479,866            | -                | 1,569,243                                                        | -                   | -                                                    | -                                | (808,470)                       | 26,240,639        |
| Share of deferred commitments        | 4,897,074             | -                | 191,413                                                          | -                   | (1,675,400)                                          | (1,555,520)                      | -                               | 1,857,567         |
| X-RPUs                               | 43,562,157            | -                | 911,011                                                          | -                   | (25,508,470)                                         | (17,845,924)                     | (1,118,774)                     | -                 |
| Sublease liability                   | -                     | 680,225          | 7,435                                                            | -                   | -                                                    | (68,974)                         | (6,638)                         | 612,048           |
| East West debt facility <sup>1</sup> | -                     | 6,651,557        | 175,458                                                          | (6,908,674)         | -                                                    | -                                | 81,659                          | -                 |
| Balance                              | <b>73,939,097</b>     | <b>7,331,782</b> | <b>2,854,560</b>                                                 | <b>(6,908,674)</b>  | <b>(27,183,870)</b>                                  | <b>(19,470,418)</b>              | <b>(1,852,223)</b>              | <b>28,710,254</b> |

<sup>1</sup> On 14 December 2016, the Group secured a debt facility of US\$10 million from East West Bank with a US Prime plus 3.50% interest rate secured over a two year period to fund the second and final payment of US\$16.3 million for the Group's investment in Aperio. The balance of the repayment for the investment in Aperio was funded out of existing cash. The debt facility was fully paid in 29 June 2017.

## 22. Share Capital

### (a) Issued capital

|                                       | 2018<br>\$         | 2017<br>\$  |
|---------------------------------------|--------------------|-------------|
| Issued and fully paid ordinary shares | <b>166,278,560</b> | 166,278,319 |

### (b) Movements in ordinary shares on issue

|                            | 2018              |                    | 2017              |                    |
|----------------------------|-------------------|--------------------|-------------------|--------------------|
|                            | No of shares      | \$                 | No of shares      | \$                 |
| Opening balance            | 47,642,330        | 166,278,319        | 28,125,955        | 74,556,705         |
| Shares issued:             |                   |                    |                   |                    |
| 18 October 2017            | 37                | 241                |                   |                    |
| 13 April 2017              | -                 | -                  | 13,675,667        | 60,446,448         |
| 21 June 2017               | -                 | -                  | 5,840,708         | 31,275,166         |
|                            | 37                | 241                | 19,516,375        | 91,721,614         |
| Balance at end of the year | <b>47,642,367</b> | <b>166,278,560</b> | <b>47,642,330</b> | <b>166,278,319</b> |

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital nor par value in respect of its issued shares.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 22. Share Capital (continued)

On 23 June 2017, the Company completed an Institutional Placement to raise approximately \$33 million at \$5.65 per fully paid ordinary share. A total of 5,840,708 new shares were issued. Total transaction costs of \$1,724,835 were deducted from the proceeds and capitalised against the share issue. The issue was fully underwritten and the new shares rank equally with existing shares and entitled to the final dividend for 2017. The proceeds of the placement were used to strengthen the balance sheet with the repayment of debt that was originally sourced to finance the second tranche of Aperio and to satisfy obligations on the deferred settlement with respect to Seizert. In addition, an accelerated payment was made with respect to the tax liability that had arisen due to the capital gain crystallised on the sale of RARE in October 2015.

On 13 April 2017, the Company acquired the remaining units in the Trust by issuing 13,675,667 ordinary shares to the non-controlling interests. The excess of the carrying value of the non-controlling interests acquired (\$141,928,919) over the market value of the shares issued (\$60,446,448) was credited to retained earnings for \$81,482,471.

### Rights of each type of share

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

### Long-term incentives – performance rights

Refer to Note 27 for the issue of performance rights.

### Capital management

The Company's capital management policies focus on ordinary share capital. When managing capital, the board's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits to other stakeholders.

During the year ended 30 June 2018, the Company paid dividends of \$8,575,619 (2017: \$1,406,298) and repaid financial liabilities amounting to \$42,429,814 (2017: \$13,157,179). The Board anticipates that the payout ratio is 50% to 80% of the underlying earnings of the Group. The Board continues to monitor the appropriate dividend payout ratio over the medium term.

### Capital management

The board is constantly reviewing the capital structure to take advantage of favourable cost of capital or high returns on assets. As the market is constantly changing, the board may change the amount of dividends to be paid to shareholders or conduct share buybacks.

## 23. Reserves

|                                          | 2018<br>\$        | 2017<br>(restated)<br>\$ |
|------------------------------------------|-------------------|--------------------------|
| Investment revaluation reserve           | 23,315,003        | 3,064,087                |
| Foreign currency translation reserve     | 31,288,342        | 19,102,620               |
| Equity-settled employee benefits reserve | 5,757,503         | 4,377,006                |
|                                          | <b>60,360,848</b> | <b>26,543,713</b>        |

### (a) Investment revaluation reserve

This reserve records the Group's gain on its AFS investments.

#### Movements in reserve

|                                                                                                                   |                   |                  |
|-------------------------------------------------------------------------------------------------------------------|-------------------|------------------|
| Opening balance                                                                                                   | 3,064,087         | 1,650,442        |
| Reversal of the share of net fair value gain on AFS financial assets of an associate derecognised during the year | (131,494)         | -                |
| Reversal of the share on fair value loss on AFS financial assets derecognised during the year                     | -                 | 617,660          |
| Net fair value gain on AFS financial net of income tax                                                            | 20,488,840        | 3,645,124        |
| Share of net fair value (loss)/gain on AFS financial assets of an associate (refer to Note 18(b))                 | (106,430)         | 215,637          |
| Share of non-controlling interests                                                                                | -                 | (3,064,776)      |
| Closing balance                                                                                                   | <b>23,315,003</b> | <b>3,064,087</b> |

**(b) Foreign currency translation reserve**

The reserve records the Group's foreign currency translation reserve on foreign operations.

*Movements in reserve*

|                                                                                         |                   |                   |
|-----------------------------------------------------------------------------------------|-------------------|-------------------|
| Opening balance                                                                         | 19,102,620        | 23,598,435        |
| Exchange differences on translating foreign operations of the Group                     | 12,181,121        | (7,509,547)       |
| Share of non-controlling interests                                                      | 4,601             | 3,013,732         |
| Closing balance, net of the foreign currency translation reserve of a hedged instrument | <b>31,288,342</b> | <b>19,102,620</b> |

**(c) Equity settled employee benefits reserve**

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration. Refer to Note 27 for further details of these plans.

|                               | 2018<br>\$       | 2017<br>(restated)<br>\$ |
|-------------------------------|------------------|--------------------------|
| <i>Movements in reserve</i>   |                  |                          |
| Opening balance               | 4,377,006        | 3,255,351                |
| Share based payments expensed | 1,380,497        | 1,121,655                |
| Closing balance               | <b>5,757,503</b> | <b>4,377,006</b>         |

**24. Retained Earnings**

|                                                             |                   |                   |
|-------------------------------------------------------------|-------------------|-------------------|
| Retained earnings/(accumulated losses) at beginning of year | 14,384,092        | (14,118,742)      |
| Net profit/(loss)                                           | 90,231,608        | (51,573,339)      |
| Acquisition of non-controlling interest                     | –                 | 81,482,471        |
| Dividends paid                                              | (8,575,619)       | (1,406,298)       |
|                                                             | <b>96,040,081</b> | <b>14,384,092</b> |

**25. Non-Controlling Interests**

|                                                                        |                |               |
|------------------------------------------------------------------------|----------------|---------------|
| Balance at beginning of year                                           | 49,014         | 150,510,914   |
| Recognition of non-controlling interest                                | –              | 5,802,390     |
| Share of profit/(losses) attributable to the non-controlling interests | 576,273        | (14,386,415)  |
| Share of net movement in investment revaluation reserve                | –              | 3,064,776     |
| Share of net movement in foreign currency translation reserve          | (4,601)        | (3,013,732)   |
| Acquisition of non-controlling interests (refer to Note 22)            | –              | (141,928,919) |
| Balance at end of the year                                             | <b>620,686</b> | <b>49,014</b> |

The non-controlling interests represents 40% (2017: 46%) in SCI.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 26. Capital and Operating Lease Commitments

### Capital Commitments

At 30 June 2018, the Group has outstanding capital commitments as follows:

- \$4,458,920 (GBP2,500,000) in respect to the acquisition of 20% equity in CAMG on 6 April 2018;
- \$1,800,693 (US\$1,333,334) in respect to GQG to be drawn to fund the operations of the business; and
- \$540,208 (US\$400,000) in respect to NLAA that can be called upon to be further invested at anytime up to 10 April 2019.

### Operating Lease Commitments

The Company has entered into commercial property leases to meet its office accommodation requirements. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

|                                                              | 2018<br>\$       | 2017<br>\$       |
|--------------------------------------------------------------|------------------|------------------|
| Future minimum rentals:                                      |                  |                  |
| Minimum lease payments                                       |                  |                  |
| – not later than one year                                    | 1,010,356        | 922,075          |
| – later than one year and not later than five years          | 2,947,731        | 2,230,246        |
| – later than five years                                      | 659,596          | 232,082          |
| Aggregate lease expenditure contracted for at reporting date | <b>4,617,683</b> | <b>3,384,403</b> |
| Amounts not provided for:                                    |                  |                  |
| – rental commitments                                         | 4,617,683        | 3,384,403        |
| Aggregate lease expenditure contracted for at reporting date | <b>4,617,683</b> | <b>3,384,403</b> |

## 27. Employee Benefits and Superannuation Commitments

### The Group Long-Term Incentive Plan

#### (a) Performance rights of Mr Greenwood

On 21 June 2018, the Company granted two (2) separate tranches of performance rights to Mr Greenwood as part of his new role effective 1 July 2018 subject to shareholders' approval in the next annual general meeting. One tranche covers the performance period 1 July 2018 to 30 June 2021 and the other tranche covers the performance period 1 July 2018 to 30 June 2022. Each tranche is subdivided into three (3) lots with different performance conditions, one requiring continuous employment and a share price hurdle and the other two requiring different total shareholder return hurdles to be satisfied.

On 5 October 2017, the Company granted 250,000 performance rights to Mr Greenwood as part of his employment package that was restructured in October 2016. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative TSR of the Company compared to the ASX 300 (Hurdle 1) and a group of seven other domestic and international fund managers (Hurdle 2). The value of each right for Tranche 1 and 2 were \$4.29 and \$3.83, respectively. The total value of these outstanding performance rights as at 30 June 2018 is \$1,014,107 amortised over two years and nine months from the grant date. The performance rights on issue were valued on 26 October 2017 by an independent adviser using a Monte Carlo pricing model. The vesting date of these rights is 1 July 2020.

On 5 October 2016, the Company granted 250,000 performance rights to Mr Greenwood. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative TSR of the Company compared to the ASX 300 (Hurdle 1) and a group of seven other domestic and international fund managers (Hurdle 2). The value of each right for Hurdle 1 and Hurdle 2 were \$1.65 and \$2.02, respectively. Total value of the outstanding performance rights is \$458,765 amortised over two years and seven months from the grant date. The performance rights on issue were valued on 5 October 2016 by an independent adviser using a Monte Carlo pricing model. The vesting date of these rights is 1 July 2019.

**(b) Performance rights of Mr Ferragina**

On 26 October 2016, the Company granted 100,000 performance rights to Mr Ferragina. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative TSR of the Company compared to the ASX 300 (Hurdle 1) and a group of seven other domestic and international fund managers (Hurdle 2). The value of each right for Hurdle 1 and Hurdle 2 were \$1.65 and \$2.02, respectively. Total value of the outstanding performance rights is \$184,000 amortised over two years and seven months from the grant date. The performance rights on issue were valued on 26 October 2016 by an independent adviser using a Monte Carlo pricing model. The vesting date of these rights is 1 July 2019.

**(c) Performance rights of officers and employees**

On 15 February 2016, the Company granted 1,199,000 performance rights which have a vesting date of 1 July 2018 to officers and certain employees as part of their long-term incentives. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative TSR of the Group compared to the ASX 300 (Hurdle 1) and a group of seven other domestic and international fund managers (Hurdle 2). The value of each right for Hurdle 1 and Hurdle 2 were \$1.26 and \$2.46, respectively. Total value of the outstanding performance rights is \$2,225,945 amortised over two years and four months from the grant date. The performance rights on issue were valued based on the valuation on 5 October 2016 made by an independent adviser using a Monte Carlo pricing model. The vesting date of these rights is 1 July 2018.

AON Hewitt (AON) was commissioned to provide a report to determine whether the performance rights issued on 15 February 2016 have vested as at 1 July 2018. AON determined that none of these performance rights vested as at 1 July 2018 and accordingly, 1,069,000 performance rights have lapsed as at 1 July 2018.

In the opinion of the management performance rights do not have a dilutive effect on the earnings per share calculation because vesting of the rights is subject to certain conditions being met and any securities to be allocated on vesting of the performance rights will be purchased on market.

The amount of performance rights amortisation expense for the year was \$1,380,497 (2017: \$1,121,655).

**28. Events Subsequent to Reporting Date**

On 2 July 2018, the Group notified Legg Mason Holdings LP (Legg Mason) that it is exercising its put option in RARE. The Group held a residual 10% interest in RARE following the sale of majority of its holdings to Legg Mason in October 2015. The 10% residual is subject to a put/call option that was agreed at the time of sale. The expected proceeds from the exercise of the put option is \$21.5 million before tax.

On 3 July 2018, the Group acquired a 24.9% stake in Victory Capital, a Chicago based investment for \$94.6 million (US \$70.0 million). Victory Capital is an investment firm specialising in managing funds and mandates investing in non-bank lending.

On 8 August 2018, the Group announced the sale of its 23.38% stake in Aperio. Aperio is an investment firm based in San Francisco operating in customer index -based solutions across active tax management, factor tilts and socially responsible investing. The Group originally acquired the stake for \$44.2 million (US\$31.8 million) in two tranches in January 2016 and January 2017. The expected net proceeds of the sale is US\$73.0 million before tax.

On 31 August 2018, the Directors of the Company declared a final dividend on ordinary shares in respect of the 2018 financial year. The total amount of the dividend is \$10,481,321 which represents a fully franked dividend of 22 cents per share. The dividend has not been provided for in the 30 June 2018 consolidated financial statements.

Apart from the above, there has been no matter or circumstance, which has arisen since 30 June 2018 that has significantly affected or may significantly affect:

- a. the operations, in financial years subsequent to 30 June 2018, of the Group, or
- b. the results of those operations, or
- c. the state of affairs, in financial years subsequent to 30 June 2018, of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 29. Key Management Personnel Disclosures

|                                                                                   | 2018<br>\$       | 2017<br>\$       |
|-----------------------------------------------------------------------------------|------------------|------------------|
| <b>(a) Compensation received by key management personnel (KMP) of the Company</b> |                  |                  |
| – short term employee benefits                                                    | 3,362,232        | 2,513,473        |
| – post employment benefits                                                        | 74,716           | 72,600           |
| – share based payments                                                            | 1,135,661        | 864,549          |
|                                                                                   | <b>4,572,609</b> | <b>3,450,622</b> |

### (b) The names of KMP during the year are:

| Name                               | Position                       | Term as KMP         |
|------------------------------------|--------------------------------|---------------------|
| <i>(i) Non-executive Directors</i> |                                |                     |
| M. Fitzpatrick                     | Chairman                       | Full financial year |
| M. Donnelly                        | Non executive Director         | Full financial year |
| G. Guérin                          | Non executive Director         | Full financial year |
| P. Kennedy                         | Non executive Director         | Full financial year |
| <i>(ii) Executive Directors</i>    |                                |                     |
| T. Robinson                        | Executive Director             | Full financial year |
| P. Greenwood                       | Managing Director, CEO and CIO | Full financial year |
| <i>(iii) Senior executive</i>      |                                |                     |
| J. Ferragina                       | COO and CFO Australia          | Full financial year |

The policy for the payment of KMP STI cash awards was changed to:

(i) for any bonus up to \$200,000 in total, 100% will be paid within three months of year-end; and

(ii) for any bonus above \$200,000 in total, 50% will be paid within three months of year-end and the remaining 50% deferred and paid at the start of the next financial year; and

The new policy was effective from 1 July 2018 and was implemented for the payment of FY2018 bonuses.

For the comparative, the KMP STI were paid in two installments being 50% following the performance year in August and 50% in June the following year. Only 50% of the KMPs' STI in FY 2017 was provided as at 30 June 2017.

### (c) Transactions with directors and director-related entities

In FY2017, Mr Greenwood was a Class B and B 1 unitholder in the Trust. As a result of the Company acquiring the remaining units in the Trust in exchange for the shares issued, Mr Greenwood received 531,781 ordinary shares of the Company.

### (d) Loans to KMP

No loans have been advanced to KMP at any stage during the financial year ended 30 June 2018 (2017: Nil).

### 30. Auditors' Remuneration

|                                                                                        | 2018<br>\$       | 2017<br>(restated)<br>\$ |
|----------------------------------------------------------------------------------------|------------------|--------------------------|
| Amounts received or due and receivable by Deloitte Touche Tohmatsu:                    |                  |                          |
| – an audit or review of the financial report of the entity                             | 992,966          | 1,172,500                |
| – audit services related to the restatement of the Group's accounts                    | 220,000          | –                        |
| – other non-audit services                                                             | 40,120           | 37,370                   |
| Amounts received or due and receivable by related parties of Deloitte Touche Tohmatsu: |                  |                          |
| – tax advisory and compliance services                                                 | 384,839          | 104,350                  |
| Other firms:                                                                           |                  |                          |
| – amount received or due receivable by other audit firms                               | 405,716          | 579,291                  |
|                                                                                        | <b>2,043,641</b> | <b>1,893,511</b>         |

### 31. Interests In Subsidiaries

The following are the Company's subsidiaries:

| Name of subsidiaries                                           | Country of incorporation | Ownership interest held by the Company |        |
|----------------------------------------------------------------|--------------------------|----------------------------------------|--------|
|                                                                |                          | 2018 %                                 | 2017 % |
| <b>Subsidiaries of Pacific Current Group Limited</b>           |                          |                                        |        |
| Aurora Investment Management Pty Ltd, the Trustee of the Trust | Australia                | 100                                    | 100    |
| Aurora Trust                                                   | Australia                | 100                                    | 100    |
| <b>Subsidiaries of Aurora Trust</b>                            |                          |                                        |        |
| Northern Lights MidCo, LLC (Midco)                             | US                       | 100                                    | 100    |
| Treasury Evergreen Pty Ltd <sup>1</sup>                        | Australia                | 100                                    | 100    |
| Treasury Group Investment Services Ltd (TIS)                   | Australia                | 100                                    | 100    |
| Treasury ROC Pty Ltd <sup>1</sup>                              | Australia                | 100                                    | 100    |
| <b>Subsidiaries of Midco</b>                                   |                          |                                        |        |
| Northern Lights Capital Group, LLC                             | US                       | 100                                    | 100    |
| Northern Lights Capital Partners (UK) Ltd                      | UK                       | 100                                    | 100    |
| Northern Lights MidCo II, LLC (MidCo II)                       | US                       | 100                                    | 100    |
| <b>Subsidiary of Northern Lights Capital Group, LLC</b>        |                          |                                        |        |
| NLCG Distributors, LLC                                         | US                       | 100                                    | 100    |
| <b>Subsidiary of Northern Lights Capital Partners (UK) Ltd</b> |                          |                                        |        |
| Strategic Capital Investments, LLP (SCI)                       | UK                       | 60                                     | 54     |
| <b>Subsidiaries of Northern Lights Mid Coll, LLC</b>           |                          |                                        |        |
| Aether Investment Partners, LLC (Aether)                       | US                       | 100                                    | 100    |
| Seizert Capital Partners, LLC (Seizert) <sup>2</sup>           | US                       | 50                                     | 50     |

<sup>1</sup> These subsidiaries are holding companies and non-operating.

<sup>2</sup> The Trust owns 50% of the common units which are entitled to the 50% voting rights and the 100% of the preferential units which have a preference in the allocation of income and the majority of Board seats which are the basis of control and therefore the treatment of Seizert as a subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 30 June 2018

## 32. Related Party Transactions

The following transactions with related parties were on normal terms and conditions. Bad debts written off during the financial year were Nil (2017: \$82,864) and there were no provisions for bad debts as at year end (2017: Nil).

### Transactions with associates and affiliated entities

#### *Commission income*

During the year, the Group is entitled to \$5,406,221 (2017: \$1,758,428) commission mainly from GQG.

#### *Retainer fees*

During the year, the Group is entitled to \$112,263 (2017: \$259,824) retainer fees from affiliated entities.

#### *Service fees*

During the period 1 July 2017 to 30 June 2018, no distribution services were provided to Investors Mutual Limited. In the prior year, distribution services were provided and fees of \$16,667 were received.

#### *Dividends and distributions*

During the year, dividends and distributions of \$13,365,545 (2017: \$10,055,104) were received or receivable from the associates. These are disclosed in Note 18 of the financial report.

#### *Receivables*

As at 30 June 2018, receivables from affiliated entities amounted to \$1,509,218 (2017: \$1,275,654).

#### *Loans and other receivables*

As at 30 June 2018, the Group made total loans to associates of \$3,006,578 (2017: \$3,595,930). During the year, \$3,281,027 including interest was fully repaid by ROC Partners Pty Ltd and \$313,935 including interest was fully repaid by Freehold Investment Management Pty Ltd (2017: \$1,927,265 including interest were repaid by ROC Partners Pty Ltd and \$593,955 including interest was repaid by Freehold Investment Management Pty Ltd).

### Transactions with Directors

Transactions with the Directors are disclosed in Note 29.

### 33. Parent Entity Disclosure

Summarised presentation of the parent entity, Pacific Current Group Limited, financial statements:

|                                                                                               | 2018<br>\$          | 2017<br>(restated)<br>\$ |
|-----------------------------------------------------------------------------------------------|---------------------|--------------------------|
| <b>(a) Summarised statement of financial position</b>                                         |                     |                          |
| <b>Assets</b>                                                                                 |                     |                          |
| Current assets                                                                                | 22,055,846          | 6,162,912                |
| Non-current assets                                                                            | 225,087,747         | 242,905,333              |
| <b>Total assets</b>                                                                           | <b>247,143,593</b>  | <b>249,068,245</b>       |
| <b>Liabilities</b>                                                                            |                     |                          |
| Current liabilities                                                                           | 38,944,106          | 6,608,897                |
| Non-current liabilities                                                                       | 2,249,110           | –                        |
| <b>Total liabilities</b>                                                                      | <b>41,193,216</b>   | <b>6,608,897</b>         |
| <b>Net assets</b>                                                                             | <b>205,950,377</b>  | <b>242,459,348</b>       |
| <b>Equity</b>                                                                                 |                     |                          |
| Share capital                                                                                 | 166,278,560         | 166,278,319              |
| Retained earnings                                                                             | 36,070,426          | 73,358,560               |
| Reserves                                                                                      | 3,601,391           | 2,822,469                |
| <b>Total equity</b>                                                                           | <b>205,950,377</b>  | <b>242,459,348</b>       |
| <b>(b) Summarised consolidated statement of profit or loss and other comprehensive income</b> |                     |                          |
| (Loss)/profit for the year                                                                    | (21,711,058)        | 163,193                  |
| Other comprehensive income for the year                                                       | –                   | –                        |
| <b>Total comprehensive (loss)/income for the year</b>                                         | <b>(21,711,058)</b> | <b>163,193</b>           |

The accounting policies of the parent are consistent with the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 34. Restatement of Financial Statements

The Company previously accounted for the merger (the merger) with Northern Lights Capital Partners, LLC (NLCP) on 25 November 2014 as a divestment of its investments into a joint venture, the Trust. The Company previously accounted for its investment in the Trust as an equity method investment from 25 November 2014 to 12 April 2017 when the Company acquired the remaining interest in the Trust that it did not currently hold as at 12 April 2017. The Company previously accounted for the transaction on 13 April 2017 as a business combination applying the acquisition method under AASB 3 *Business Combinations* to its investment in the Trust at that date. Under the acquisition method of accounting, acquired assets and liabilities are measured at fair value and the excess of consideration paid over the fair value of the acquired net assets is accounted for as goodwill.

### Consolidation restatement

As discussed in Notes 1 and 3 (aa), the Company restated its prior period consolidated financial statements to account for its investment in the Trust as a subsidiary with effect from the merger date on 25 November 2014. The principal impact of this restated accounting, which is discussed further below, is that the Company's investments in certain subsidiaries and associates that were divested into the Trust continue to be recognised on a historic cost basis and the acquisition method of accounting is applied as at 25 November 2014 only to those investments that the Trust acquired from NLCP. Furthermore, as the Company is considered to have controlled the Trust from its acquisition on 25 November 2014, the transaction on 13 April 2017 whereby the Company acquired the 34.85% in the Trust that it did not previously own is now accounted for as a transaction between shareholders through shareholders' equity in the restated consolidated financial statements.

As a result of consolidating the Trust from 25 November 2014, the following investments which were previously indirectly recognised through the equity method investment in the Trust have been directly recognised in the consolidated financial statements as follows:

- As subsidiaries on a historic cost basis: GVI and TIS being those subsidiaries held by the Company at 25 November 2014 and divested into the Trust on merger;
- As subsidiaries acquired from NLCP and fair valued using the acquisition method of accounting at 25 November 2014: Aether and Seizert;
- As associates on a historic cost basis: Celeste, FIM, IML, RARE (until the majority interest was sold and the residual interest was treated as FTVPL) and ROC Group;
- As associates acquired from NLCP: AlphaShares, Blackcrane, Goodhart, NLAA, Aether GPs; and
- As AFS: EAM and Nereus.

In addition to the adjustments arising from the accounting for the investments referred to above, the restatement also resulted in the Company directly recognising operational income and expenses that are recognised in the Trust and which were previously indirectly recognised in the equity accounting for the Trust. Non-controlling interests had been recognised, as the Company owned 65.15% of the Trust, in respect of the ownership interest held by NLCP and BNP during the year ended 30 June 2017.

### Tax restatement

A further restatement was required post the restatement recognised at the half-year ended 31 December 2017, to recognise that the tax status of the Company for US tax purposes had changed when the Company acquired the remaining units in the Trust held by the Class B unitholders in exchange for Company shares on 13 April 2017.

Midco, the US-domiciled subsidiary of the Trust was a pass-through vehicle and deemed a foreign partnership for US tax purposes. Upon full acquisition by the Company of the Trust, the Company became the ultimate entity liable for the tax obligations in the US. As a result, the net deferred tax liabilities on the underlying assets and liabilities of Midco were recognised. The deferred tax liabilities were based on the difference between the tax basis and book value of the underlying US assets and liabilities at 35% income tax rate. The Company lodges the federal tax return in the US.

Similarly, the origination of deferred tax on Aurora Trust's blackhole deductions, accruals and provisions were also taken up in 13 April 2017.

Accordingly, the recognition of the deferred tax impact relating to the US goodwill and other identifiable intangible assets in the half year were adjusted; the deferred tax on all US investments and the deferred tax on the Trust's blackhole deductions and other temporary differences were recognised. There were no changes in the deferred tax liabilities relating to the deferred tax position for Australian investments (principally IML and RARE) that were taken up in the half year restatement.

### Consolidated Statement of Profit or Loss

The following tables disclose the impact of the restatement on the consolidated statement of profit and loss and the consolidated statement of other comprehensive income for the year ended 30 June 2017.

|                                                                                              | 30 June 2017                 |                                    |                           |                     |
|----------------------------------------------------------------------------------------------|------------------------------|------------------------------------|---------------------------|---------------------|
|                                                                                              | Previously<br>Reported<br>\$ | Consolidation<br>Restatement<br>\$ | Tax<br>Restatement<br>\$  | Restated<br>\$      |
| Revenue                                                                                      | 16,040,058                   | 26,036,684                         | –                         | 42,076,742          |
| Net gains on investments                                                                     | 4,517,149                    | (984,491)                          | –                         | 3,532,658           |
|                                                                                              | 20,557,207                   | 25,052,193                         | –                         | 45,609,400          |
| Salaries and employee benefits                                                               | (7,356,851)                  | (14,859,825)                       | –                         | (22,216,676)        |
| Impairment expenses                                                                          | (667,651)                    | (80,940,284)                       | –                         | (81,607,935)        |
| Other expenses                                                                               | (4,611,830)                  | (7,207,824)                        | –                         | (11,819,654)        |
| Depreciation and amortisation expense                                                        | (858,737)                    | (1,488,270)                        | –                         | (2,347,007)         |
| Interest expense                                                                             | (2,169,719)                  | (2,900,242)                        | –                         | (5,069,961)         |
|                                                                                              | (15,664,788)                 | (107,396,445)                      | –                         | (123,061,233)       |
| Share of net (loss)/profits of joint venture/associates                                      | 11,393,895                   | 5,592,534                          | –                         | 16,986,429          |
| (Loss)/profit before income tax expense                                                      | 16,286,314                   | (76,751,718)                       | –                         | (60,465,404)        |
| Income tax benefit/(expense)                                                                 | (5,701,317)                  | 19,196,838                         | (18,989,871) <sup>1</sup> | (5,494,350)         |
| (Loss)/profit for the year                                                                   | 10,584,997                   | (57,554,880)                       | (18,989,871)              | (65,959,754)        |
| <b>Attributable to:</b>                                                                      |                              |                                    |                           |                     |
| The members of the parent                                                                    | 10,628,889                   | (43,212,357)                       | (18,989,871) <sup>1</sup> | (51,573,339)        |
| Non controlling interests                                                                    | (43,892)                     | (14,342,523)                       | –                         | (14,386,415)        |
|                                                                                              | <b>10,584,997</b>            | <b>(57,554,880)</b>                | <b>(18,989,871)</b>       | <b>(65,959,754)</b> |
| <b>Earnings per share (cents per share):</b>                                                 |                              |                                    |                           |                     |
| - basic earnings/(loss) for the year attributable to ordinary equity holders of the parent   | 34.08                        | (138.54)                           | (60.88)                   | (165.34)            |
| - diluted earnings/(loss) for the year attributable to ordinary equity holders of the parent | 34.08                        | (138.54)                           | (60.88)                   | (165.34)            |

<sup>1</sup> The amount of the tax restatement consisted of the reversal of \$8.1 million on the previously recognised deferred tax asset related to the US goodwill and other identifiable intangible assets in the half year and recognition of \$13.1 million as deferred tax liability on the Group's US investments at 35% income tax rate. This was offset by \$2.4 million relating to other temporary differences of the Trust.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 34. Restatement of Financial Statements (continued)

|                                                                                                   | 30 June 2017                 |                                    |                           |                     |
|---------------------------------------------------------------------------------------------------|------------------------------|------------------------------------|---------------------------|---------------------|
|                                                                                                   | Previously<br>Reported<br>\$ | Consolidation<br>Restatement<br>\$ | Tax<br>Restatement<br>\$  | Restated<br>\$      |
| <b>Consolidated Statement of Other Comprehensive Income</b>                                       |                              |                                    |                           |                     |
| (Loss)/profit for the year                                                                        | 10,584,997                   | (57,554,880)                       | (18,989,871) <sup>1</sup> | (65,959,754)        |
| <b>Items that were reclassified to profit or loss</b>                                             |                              |                                    |                           |                     |
| Reversal of the share on translating foreign operations derecognised during the year              | (12,745,725)                 | 12,745,725 <sup>2</sup>            | –                         | –                   |
| Reversal of the share on net fair value gain on AFS financial assets derecognised during the year | (5,467,897)                  | 6,085,557                          | –                         | 617,660             |
|                                                                                                   | (18,213,622)                 | 18,831,282                         | –                         | 617,660             |
| <b>Items that may be reclassified subsequently to profit or loss</b>                              |                              |                                    |                           |                     |
| Change in fair value of available for sale (AFS) financial assets                                 | 7,358,414                    | 5,244,255                          | (8,957,545) <sup>3</sup>  | 3,645,124           |
| Share of net fair value (loss)/gain on AFS financial assets of an associate                       | –                            | 215,637                            | –                         | 215,637             |
| Exchange differences on translating foreign operations                                            | (3,709,882)                  | (4,140,297)                        | 340,632 <sup>4</sup>      | (7,509,547)         |
|                                                                                                   | 3,648,532                    | 1,319,595                          | (8,616,913)               | (3,648,786)         |
| <b>Other comprehensive income/(loss) for the year</b>                                             | (14,565,090)                 | 20,150,877                         | (8,616,913)               | (3,031,126)         |
| <b>Total comprehensive (loss)/income</b>                                                          | <b>(3,980,093)</b>           | <b>(37,404,003)</b>                | <b>(27,606,784)</b>       | <b>(68,990,880)</b> |
| <b>Attributable to:</b>                                                                           |                              |                                    |                           |                     |
| The members of the parent                                                                         | (3,936,201)                  | (23,112,934)                       | (27,606,784)              | (54,655,919)        |
| Non-controlling interests                                                                         | (43,892)                     | (14,291,069)                       | –                         | (14,334,961)        |
|                                                                                                   | <b>(3,980,093)</b>           | <b>(37,404,003)</b>                | <b>(27,606,784)</b>       | <b>(68,990,880)</b> |

<sup>1</sup> The amount of the tax restatement consisted of the reversal of \$8.1 million on the previously recognised deferred tax asset related to the US goodwill and other identifiable intangible assets in the half year and recognition of \$13.1 million as deferred tax liability on the Group's US investments at 35% income tax rate. This was offset by \$2.4 million relating to other temporary differences of the Trust.

<sup>2</sup> The previously recognised share in the joint venture foreign currency translation reserve and investment revaluation reserve were derecognised at point of obtaining control.

<sup>3</sup> Recognition of the deferred tax liability on the change in fair value of US AFS financial assets at 35% income tax rate.

<sup>4</sup> Recognition of the impact of the foreign exchange differences on the tax restatements.

### Consolidated Statement of Financial Position

The following tables disclose the net impact of the restatement on the consolidated statement of financial position as at 1 July 2016 and 30 June 2017.

Previously under the equity method of accounting the Company accounted for the simplification on 13 April 2017 as a business combination and fair valued the acquired assets and liabilities of the Trust and recognised goodwill of \$40.1 million for the excess of the fair value of its equity issued over the fair value of the assets and liabilities acquired. In its restated financial statements, the simplification transaction has been treated as an acquisition of non-controlling interests directly through equity rather than a business combination with the result that acquisition accounting was not applied at 13 April 2017 and consequently no fair value uplifts in the investment portfolio are recognised as at 13 April 2017. Notwithstanding that no acquisition accounting has been applied at 13 April 2017, various investment valuation reductions were taken at 13 April 2017 and such impairments continue to be reflected in the restated consolidated financial statements.

The principal impacts of not applying acquisition accounting at 13 April 2017 as discussed in the previous paragraph in the restated consolidated financial statements as at and for the period ended 30 June 2017 are as follows:

- The statement of financial position for 2017 reflects the reversal of the increment in value of IML and Aperio that arose on the application of acquisition accounting in addition to the resetting of the carrying value of IML, Celeste, ROC to historic carrying values.
- The retained earnings are affected by the loss recorded on the revaluation decrements in Aether and Seizert.
- Deferred tax liabilities were adjusted in reflection of the restated carrying value of Australian investments and deferred tax assets and liabilities associated with the goodwill and other identifiable intangible assets relating to Aether and Seizert.

| Consolidated Statement of Financial Position (Continued) | 1 July 2016            |                              |                          | 30 June 2017           |                              |                          |                          |
|----------------------------------------------------------|------------------------|------------------------------|--------------------------|------------------------|------------------------------|--------------------------|--------------------------|
|                                                          | Previously Reported \$ | Consolidation Adjustments \$ | Restated <sup>1</sup> \$ | Previously Reported \$ | Consolidation Restatement \$ | Tax Restatement \$       | Restated \$              |
| <b>Current assets</b>                                    |                        |                              |                          |                        |                              |                          |                          |
| Cash and cash equivalents                                | 2,997,744              | 20,784,134                   | 23,781,878               | 40,248,286             | –                            | –                        | 40,248,286               |
| Trade and other receivables                              | 11,906,851             | (3,713,822)                  | 8,193,029                | 6,846,038              | (119,365)                    | –                        | 6,726,673                |
| Loans and other receivables                              | –                      | –                            | –                        | 303,682                | –                            | –                        | 303,682                  |
| Other assets                                             | –                      | 2,017,151                    | 2,017,151                | 2,606,694*             | –                            | –                        | 2,606,694                |
| <b>Total current assets</b>                              | <b>14,904,595</b>      | <b>19,087,463</b>            | <b>33,992,058</b>        | <b>50,004,700</b>      | <b>(119,365)</b>             | <b>–</b>                 | <b>49,885,335</b>        |
| <b>Non-current assets</b>                                |                        |                              |                          |                        |                              |                          |                          |
| Loans and other receivables                              | –                      | 5,295,915                    | 5,295,915                | 3,292,247              | –                            | –                        | 3,292,247                |
| Other financial assets                                   | –                      | 60,812,382                   | 60,812,382               | 52,874,277             | 61                           | –                        | 52,874,338               |
| Investments in a joint venture                           | 210,056,666            | (210,056,666) <sup>1</sup>   | –                        | –                      | –                            | –                        | –                        |
| Investments in associates                                | –                      | 92,044,454 <sup>2</sup>      | 92,044,454               | 188,974,745            | (109,476,152) <sup>2</sup>   | –                        | 79,498,593               |
| Intangible assets                                        | –                      | 175,790,348 <sup>3</sup>     | 175,790,348              | 64,846,258             | 37,563,732                   | –                        | 102,409,990 <sup>3</sup> |
| Deferred tax assets                                      | –                      | –                            | –                        | –                      | 1,886,625                    | (1,886,625) <sup>4</sup> | –                        |
| Other assets, property and equipment                     | –                      | 8,360,008                    | 8,360,008                | 12,093,400*            | –                            | –                        | 12,093,400               |
| <b>Total non-current assets</b>                          | <b>210,056,666</b>     | <b>132,246,441</b>           | <b>342,303,107</b>       | <b>322,080,927</b>     | <b>(70,025,734)</b>          | <b>(1,886,625)</b>       | <b>250,168,568</b>       |
| <b>Total assets</b>                                      | <b>224,961,261</b>     | <b>151,333,904</b>           | <b>376,295,165</b>       | <b>372,085,627</b>     | <b>(70,145,099)</b>          | <b>(1,886,625)</b>       | <b>300,053,903</b>       |

<sup>1</sup> The Company previously accounted for its investment in the Trust as a joint venture upon acquisition of the initial interest of 61.22% (65.15% as at 31 December 2016 and 30 June 2017) originally measured at fair value on the date of acquisition and subsequently adjusted for the Company's share of the Trust's profit or loss, reserves and distributions received from the Trust. Under consolidation accounting, the investment in the joint venture is removed and the Trust is fully consolidated in the Company's financial statements. Investments in subsidiaries, associates and other financial assets held directly by the Trust were previously indirectly recognised through the investment in joint venture.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 34. Restatement of Financial Statements (continued)

\* A reclassification of \$232,091 from non-current to current portion was made in comparison to the disclosure in Note 33 in the half year consolidated financial statements.

<sup>2</sup> The Trust's equity accounted investments represented the Trust's investments in associates at their fair values at acquisition date of \$232.8 million on 25 November 2014 and subsequently adjusted under the equity accounted method for the Trust's share of profits/losses and reserves and for distributions received from the associates. The fair values of all of the Trust's investments in associates were originally determined at 25 November 2014 under the acquisition method of accounting which resulted in the carrying value of the investments in associates including goodwill and other identifiable intangible assets. The other identifiable intangible assets with finite lives were being amortised according to their expected lives with the amortisation taken up as a reduction in the share of profits or increase in the share of losses of the associates. In the restated consolidated financial statements, the investments in associates held by the Trust are recognised directly.

As discussed above, in the restated consolidated financial statements investments originally held by the Company and divested into the Trust on 25 November 2014 continue to be accounted for on a historic cost basis and only the associates acquired from NLCP are accounted for using the acquisition method at 25 November 2014. As result of certain investments in associates being accounted for on a historic cost basis in the restated consolidated financial statements as at 1 July 2016 and 30 June 2017 fair value uplifts within the Trust's associates of \$69.3 million and \$68.3 million (of which \$66.0 million for both periods relate to IML), respectively, and the related amortisation charges have been eliminated upon consolidation.

<sup>3</sup> The intangible assets of the Group consisted of goodwill of \$187.3 million and other identifiable intangible assets of \$38.7 million upon acquisition of its subsidiaries being Aether and Seizert on 25 November 2014. As at 1 July 2016, the intangible assets consisted of goodwill of \$134.2 million and other identifiable intangible assets of \$41.6 million.

As at 30 June 2017, the intangible assets of the Group consisted of goodwill of \$77.2 million and other identifiable intangible assets of \$25.2 million, net of \$81.6 million impairment and \$8.2 million of foreign currency movement.

<sup>4</sup> The amount in the tax restatement column is the reversal of the previously recognised deferred tax asset relating to the US goodwill and other identifiable intangible assets and reclassification of the deferred tax liability relating to the deferred tax position for Australian investments (principally IML and RARE) that were taken up in the half year restatement.

| Consolidated Statement of Financial Position (Continued) | 1 July 2016            |                              |                          | 30 June 2017           |                              |                     |                         |
|----------------------------------------------------------|------------------------|------------------------------|--------------------------|------------------------|------------------------------|---------------------|-------------------------|
|                                                          | Previously Reported \$ | Consolidation Adjustments \$ | Restated <sup>1</sup> \$ | Previously Reported \$ | Consolidation Restatement \$ | Tax Restatement \$  | Restated \$             |
| <b>Current liabilities</b>                               |                        |                              |                          |                        |                              |                     |                         |
| Trade and other payables                                 | 2,000,884              | 11,290,492                   | 13,291,376               | 4,821,961              | –                            | –                   | 4,821,961               |
| Financial liabilities                                    | –                      | 21,874,929                   | 21,874,929               | 27,981,577             | –                            | –                   | 27,981,577              |
| Provisions                                               | 236,468                | –                            | 236,468                  | 345,102                | –                            | –                   | 345,102                 |
| Current tax liabilities                                  | 14,157,614             | 1,013,634                    | 15,171,248               | 5,069,098              | –                            | 17,208              | 5,086,306               |
| <b>Total current liabilities</b>                         | <b>16,394,966</b>      | <b>34,179,055</b>            | <b>50,574,021</b>        | <b>38,217,738</b>      | <b>–</b>                     | <b>17,208</b>       | <b>38,234,946</b>       |
| <b>Non-current liabilities</b>                           |                        |                              |                          |                        |                              |                     |                         |
| Financial liabilities                                    | –                      | 73,939,097 <sup>5</sup>      | 73,939,097               | 28,710,254             | –                            | –                   | 28,710,254              |
| Provisions                                               | 175,268                | –                            | 175,268                  | 150,614                | –                            | –                   | 150,614                 |
| Deferred tax liabilities                                 | 20,961,430             | (8,807,756) <sup>6</sup>     | 12,153,674               | 29,822,845             | (29,822,845)                 | 25,720,951          | 25,702,951 <sup>7</sup> |
| <b>Total non-current liabilities</b>                     | <b>21,136,698</b>      | <b>65,131,341</b>            | <b>86,268,039</b>        | <b>58,683,713</b>      | <b>(29,822,845)</b>          | <b>25,720,951</b>   | <b>54,563,819</b>       |
| <b>Total liabilities</b>                                 | <b>37,531,664</b>      | <b>99,310,396</b>            | <b>136,842,060</b>       | <b>96,901,451</b>      | <b>(29,822,845)</b>          | <b>27,720,159</b>   | <b>92,798,765</b>       |
| <b>Net assets</b>                                        | <b>187,429,597</b>     | <b>52,023,508</b>            | <b>239,453,105</b>       | <b>275,184,176</b>     | <b>(40,322,254)</b>          | <b>(27,606,784)</b> | <b>207,255,138</b>      |

<sup>5</sup> This includes the financial liabilities of the Trust made up of \$25.5 million for Seizert Notes, \$43.5 million for the X-RPU and \$4.9 million for the share of retention payments to RARE.

<sup>6</sup> The Company initially recognised a deferred tax liability based on the disposal of assets from the Company to the Trust at acquisition date. The fair value of the Company's investment in the Trust was measured based on the fair value of the Trust's underlying assets and liabilities which were significantly higher than historic cost. This created a large deferred tax liability at original acquisition date. Under consolidation accounting, given the investments are required to be recognised at historic cost, the deferred tax liabilities are required to be remeasured on the same basis.

<sup>7</sup> The restated amount consisted of \$22.0 million deferred tax liability on US investments including deferred tax liability on US AFS investments taken up through reserves and \$9.9m deferred tax liability relating to Australian assets (principally IML and RARE) being restated at historical cost. This is reduced by \$2.9 million deferred tax asset on the Company and the Trust's blackhole deductions and other temporary differences and \$3.3million tax losses.

| Consolidated Statement of Financial Position (Continued) | 1 July 2016            |                              |                          | 30 June 2017           |                              |                          |                    |
|----------------------------------------------------------|------------------------|------------------------------|--------------------------|------------------------|------------------------------|--------------------------|--------------------|
|                                                          | Previously Reported \$ | Consolidation Adjustments \$ | Restated <sup>1</sup> \$ | Previously Reported \$ | Consolidation Restatement \$ | Tax Restatement \$       | Restated \$        |
| <b>Equity</b>                                            |                        |                              |                          |                        |                              |                          |                    |
| Share capital                                            | 74,556,705             | –                            | 74,556,705               | 166,278,319            | –                            | –                        | 166,278,319        |
| Reserves                                                 | 21,401,642             | 7,102,586                    | 28,504,228               | 7,958,207              | 27,202,419                   | (8,616,913) <sup>9</sup> | 26,543,713         |
| Retained earnings/ (accumulated losses)                  | 91,471,250             | (105,589,992)                | (14,118,742)             | 100,693,841            | (67,319,878)                 | (18,989,871)             | 14,384,092         |
| Total equity attributable to owners of the Company       | 187,429,597            | (98,487,406)                 | 88,942,191               | 274,930,367            | (40,117,459)                 | (27,606,784)             | 207,206,124        |
| Non-controlling interests                                | –                      | 150,510,914 <sup>8</sup>     | 150,510,914              | 253,809                | (204,795)                    | –                        | 49,014             |
| <b>Total equity</b>                                      | <b>187,429,597</b>     | <b>52,023,508</b>            | <b>239,453,105</b>       | <b>275,184,176</b>     | <b>(40,322,254)</b>          | <b>(27,606,784)</b>      | <b>207,255,138</b> |

<sup>8</sup> This is the non-controlling interests of the Group determined upon formation of the Trust. In the restated consolidated financial statements, the initial equity contribution of the non-controlling interests at 25 November 2014 was \$161.9 million, which was subsequently adjusted as at and for the periods ended 31 December 2016 and 30 June 2017 by the attribution of profit or loss and each component of other comprehensive income. As at 1 July 2016, the non-controlling interest was \$150.5 million. On 13 April 2017, the Company acquired the remaining units in the Trust by issuing 13,675,667 ordinary shares to the non-controlling interests. In the restated consolidated financial statements this had been accounted for as a transaction between shareholders in their capacity as shareholders and the excess of the carrying value of the non-controlling interests acquired (\$141.9 million) over the market value of the shares issued (\$60.4 million) has been credited to retained earnings in the amount of \$81.4 million.

<sup>9</sup> The amount in the tax restatement column consisted of the \$9.0 million deferred tax liability of the US AFS financial assets less \$0.4 million of the impact of foreign currency translation.

| Consolidated Statement of Cash Flows                                                     | 30 June 2017           |                              |                   |
|------------------------------------------------------------------------------------------|------------------------|------------------------------|-------------------|
|                                                                                          | Previously Reported \$ | Consolidation Restatement \$ | Restated \$       |
| Net cash provided/(used in) by operating activities                                      | (7,180,391)            | 7,757,523                    | 577,132           |
| Net cash provided by/(used in) investing activities                                      | 1,400,649              | (15,227,636)                 | (13,826,987)      |
| Net cash (used in)/provided by financing activities                                      | 16,446,868             | 13,085,354                   | 29,532,222        |
| Net increase/(decrease) in cash and cash equivalents held                                | 10,667,126             | 5,615,241                    | 16,282,367        |
| Cash at beginning of the financial year                                                  | 2,997,744              | 20,784,134                   | 23,781,878        |
| Unrealised foreign exchange difference in cash                                           | 184,041                | –                            | 184,041           |
| Add: Cash and cash equivalents from the acquired subsidiary through business combination | 26,399,375             | (26,399,375)                 | –                 |
| <b>Cash at end of financial year</b>                                                     | <b>40,248,286</b>      | <b>–</b>                     | <b>40,248,286</b> |

## DIRECTORS' DECLARATION

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In accordance with a resolution of the Directors of Pacific Current Group Limited, I state that:

In the opinion of the Directors:

- a. the consolidated financial statements and notes are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date;
  - ii. complying with Accounting Standards and Corporations Regulations 2001; and
  - iii. complying with International Financial Reporting Standards, as stated in Note 3 to the consolidated financial statements;
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2018.

On behalf of the Board



**M. Fitzpatrick**

Chairman

28 September 2018

# INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2018

**Deloitte.**

Deloitte Touche Tohmatsu  
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## Independent Auditor's Report to the members of Pacific Current Group Limited

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of Pacific Current Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2018

## Deloitte

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | How the scope of our audit responded to the Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Assessment for impairment of the investments in associates</b></p> <p>Refer to:</p> <ul style="list-style-type: none"> <li>- note 3(k) and (n) for the Group's accounting policy for impairment of investments in associates;</li> <li>- note 5 for the Group's approach to impairment set out in the Critical Accounting Judgements and Key Sources of Estimation Uncertainty; and</li> <li>- information on the Group's Associates set out in note 18.</li> </ul> <p>At 30 June 2018, the carrying value of the investments in associates is \$46,022,216. These investments are assessed for impairment annually. The identification of impairment events and the determination of any impairment charge requires the application of significant judgement by management, in particular the timing and quantum of future cash flows, growth rates and discount rates.</p>                                                                                                                                      | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Assessing the design and implementation of key controls within management's impairment assessment;</li> <li>• Engaging internal valuation specialists to assist in challenging management's assumptions applied in calculating the fair value of the investments, including future cash flows, growth rates, underlying funds under management (FUM) forecasts, discount rate and terminal value calculations;</li> <li>• Performing a retrospective review of the historic results to assess whether forecasted results are reasonable;</li> <li>• Comparing forecast FUM flows, performance and margins to recent industry data;</li> <li>• Performing an independent sensitivity analysis to determine whether reasonably foreseeable changes to the key assumptions would trigger a material impairment; and</li> <li>• Comparing management's assessment of the fair value of the investments to the carrying value to determine whether there is any evidence of impairment.</li> </ul> <p>We also assessed the appropriateness of the disclosures in the notes to the financial statements.</p> |
| <p><b>Assessment for impairment of goodwill and other identifiable intangible assets</b></p> <p>Refer to:</p> <ul style="list-style-type: none"> <li>- note 3(l) and (n) for the Group's accounting policy for impairment of goodwill and intangibles;</li> <li>- note 5 for the Group's approach to impairment set out in the Critical Accounting Judgements and Key Sources of Estimation Uncertainty; and</li> <li>- Intangible assets disclosures, including goodwill, in note 19.</li> </ul> <p>As at 30 June 2018 the carrying value of goodwill and other identifiable intangible assets is \$104,825,559.</p> <p>Goodwill and other identifiable intangible assets are assessed for impairment on an annual basis. The impairment testing process for these assets is subject to significant judgement around the identification of indicators of impairment and key inputs and assumptions applied in the value in use calculations. Key inputs and assumptions that require judgement and a high level of</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Assessing the design and implementation of key controls within management's impairment assessment;</li> <li>• Engaging internal valuation specialists to assist in the evaluation of management's assumptions applied in calculating the value in use of the identified cash generating units ("CGUs"), including future cash flows, growth rates, underlying FUM forecasts, discount rates and terminal value calculations;</li> <li>• Performing a retrospective review of the historic results to assess whether forecasted results are reasonable;</li> <li>• Comparing forecast FUM flows, performance and margins to recent industry data;</li> <li>• Performing an independent sensitivity analysis to determine whether reasonably foreseeable changes to the key inputs and assumptions would trigger a material impairment;</li> <li>• Assessing the appropriateness of the allocation of goodwill between CGUs; and</li> </ul>                                                                                                                                                              |

## Deloitte

| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | How the scope of our audit responded to the Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>estimation include future cash flows, growth rates, underlying FUM forecasts, discount rates and terminal value calculations.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>Comparing the value in use of the CGUs to the carrying value to determine whether there is any evidence of impairment.</li> </ul> <p>We also assessed the appropriateness of the disclosures in the notes to the financial statements.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p><b>Fair value of available for sale financial assets and financial assets designated at fair value through profit or loss</b></p> <p><i>Refer to:</i></p> <ul style="list-style-type: none"> <li>note 3(j) for the Group's accounting policy for financial instruments;</li> <li>note 4(e) for disclosure in relation to 'level 3' financial instruments; and</li> <li>note 17 for details of the carrying value of these investments.</li> </ul> <p>As at 30 June 2018, the Group's available for sale financial assets were valued at \$53,615,604 and financial assets designated at fair value through profit or losses were valued at \$21,500,000.</p> <p>Significant judgement is involved in estimating the fair value of these financial assets classified as Level 3 fair values in the Fair Value hierarchy, and values are derived substantially from unobservable inputs. The most significant of these include forecast future cash flows, growth rates, underlying FUM forecasts, discount rates and terminal value calculations.</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Assessing the design and implementation of key controls within management's valuation assessment;</li> <li>Where a recent market transaction has occurred, comparing the value of the market transaction to the proposed fair value as at 30 June and determining whether there are any indicators to suggest that this is not appropriate;</li> <li>Where a recent transaction has not occurred:             <ul style="list-style-type: none"> <li>Engaging internal valuation specialists to assist in challenging management's key assumptions in the fair value calculations including the future cash flows, growth rates, underlying FUM forecasts, discount rate and terminal value calculations;</li> <li>Performing a retrospective review of the historic results to assess whether forecasted results are reasonable;</li> <li>Comparing forecast FUM flows, performance and margins to recent industry data; and</li> <li>Assessing the reasonableness of management's sensitivity analysis of the impact of reasonably foreseeable changes to the key inputs and assumptions to the fair value assessment.</li> </ul> </li> <li>In relation to RARE Infrastructure Limited we have assessed the appropriateness of the fair value determined at 30 June 2018 based upon the midpoint of the management's expert valuation and the external buyer's valuation as specified under the contractual arrangement with the purchaser, which is the determined price for the sale of the Group's interest in the investment following the exercise of its put option over the investment.</li> </ul> <p>We also assessed the appropriateness of the disclosures in the notes to the financial statements.</p> |
| <p><b>Accounting for Income Taxes</b></p> <p><i>Refer to:</i></p> <ul style="list-style-type: none"> <li>note 3(g) for the Group's accounting policy on income tax; and</li> <li>note 8 for disclosure of the current and deferred income tax information.</li> </ul> <p>The Group has current and deferred tax balances arising out of operations in Australia,</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Obtaining management's independent advisors' report on the tax calculations for the years ended 30 June 2018 and 30 June 2017 for Australia, the US and the United Kingdom.</li> <li>Assessing the competency, objectivity and independence of management's independent tax advisors;</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

# INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2018



| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | How the scope of our audit responded to the Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>the United States of America (the US) and the United Kingdom. From 13 April 2017, when Pacific Current Group acquired the remaining interest in its subsidiary Aurora Trust, Pacific Current Group became the tax payer for the US subsidiaries of the Group. The previous tax structure within the Group, which had allocated US source income substantially to the partners of Northern Lights Capital Group and Australian source income to Pacific Current Group via Aurora Trust, was unwound from 13 April 2017.</p> <p>Furthermore, following the extinguishment in the current period of the X-Redeemable Preference Unit class which was classified as an equity instrument for tax purposes, Pacific Current Group Limited has formed a revised tax consolidated group including Aurora Trust. This tax consolidation process has resulted in the tax base of Aurora Trust's assets and liabilities being reset from the date of tax consolidation being 28 September 2017.</p> <p>In determining the allocable cost base Pacific Current Group is required to conclude upon the fair value of the assets and liabilities acquired as at the date of tax consolidation, 28 September 2017, and the related tax balances under the requirements of AASB 112 Income Taxes and the relevant tax rulings for Australia, the US and the UK.</p> | <ul style="list-style-type: none"> <li>Procedures performed over the 30 June 2017 tax calculations were undertaken as part of procedures performed over the restatement of financial information disclosed in note 34 to the financial statements, included the assessment of the methodology, assumptions and calculations in the tax computation of the current tax provision and deferred tax balances in conjunction with our internal tax specialists.</li> </ul> <p>Specific procedures performed in relation to tax consolidation at 28 September 2017:</p> <ul style="list-style-type: none"> <li>Reviewing management's independent advisors' report at tax consolidation for the allocable cost allocation process; and</li> <li>Assessing management's valuation report on the investments held by Aurora Trust that support the allocation of tax cost bases within the tax consolidation entry process. We engaged internal valuation specialists to assist in challenging management's key assumptions in the fair value calculations including the future cash flows, growth rates, underlying FUM forecasts, discount rate and terminal value calculations.</li> </ul> <p>We also assessed the appropriateness of the disclosures in the notes to the financial statements.</p> |
| <p><b>Restatement of prior period financial information, including the:</b></p> <ul style="list-style-type: none"> <li><b>Consolidation of Aurora Trust and its controlled entities; and</b></li> <li><b>Restatement of tax balances.</b></li> </ul> <p>Refer to:</p> <ul style="list-style-type: none"> <li>note 3(aa) for the Group's accounting policy on restatements; and</li> <li>note 34 for disclosure of the impact of the restatement.</li> </ul> <p><b>Consolidation of Aurora Trust</b></p> <p>As set out in its half year financial report for the six months ended 31 December 2017, the Group has restated its 2017, 2016 and 2015 consolidated financial statements to account for its investment in the Aurora Trust as a subsidiary, previously classified as a joint venture, with effect from the Company's acquisition of its initial interest in the Trust on 25 November 2014.</p> <p><b>Taxation Restatements – Australia</b></p> <p>As a result of the consolidation of Aurora Trust from 25 November 2014, the deferred tax balances attributable to the investments held by</p>                                                                                                                                                                                                                                              | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Assessing the design and implementation of key controls within management's financial reporting processes;</li> <li>Reviewing management's restated financial information for the years ended 30 June 2015, 30 June 2016 and 30 June 2017 and obtaining evidence to support the material adjustments to the previously disclosed financial information of the Group;</li> <li>Engaging our technical accounting, valuation and tax specialists to assist in the assessment of the validity, completeness and accuracy of the adjustments; and</li> <li>Recalculating the impact of the restatement adjustments on the financial statements and notes to the financial statements for the current year and comparative financial information.</li> </ul> <p>We also assessed the appropriateness of the disclosures in the notes to the financial statements.</p>                                                                                                                                                                                                                                                                                                                                |

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| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | How the scope of our audit responded to the Key Audit Matter |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| <p>Aurora Trust were restated at 30 June 2017.</p> <p>Management have identified further restatements to the financial report for the year ended 30 June 2017 in relation to the recognition of deferred tax balances of Aurora Trust, as deferred tax had not been previously recognised appropriately on certain other assets and liabilities of Aurora Trust.</p> <p><b>Tax restatements – US and UK operations</b></p> <p>As a consequence of the equity ownership restructure on 13 April 2017, Pacific Current Group acquired the remaining interest in Aurora Trust and became the tax payer for the US subsidiaries of the group from that date.</p> <p>The deferred tax balances attributable to the investments, other assets and liabilities held through the Group's subsidiary, Northern Lights MidCo LLC, were restated at 30 June 2017.</p> <p><b>Overall impact</b></p> <p>The impact of the restatements is disclosed in Note 34 to the financial statements.</p> |                                                              |

### Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report and Shareholder Information, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Company Description, Results in Brief, Business Summary, Corporate Governance Report, additional ASX disclosures, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the ASX additional information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

# INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2018

## Deloitte

### *Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Remuneration Report

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 17 - 33 of the Directors' Report for the year ended 30 June 2018.

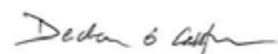
In our opinion, the Remuneration Report of Pacific Current Group Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan  
Partner  
Chartered Accountants  
Sydney, 28 September 2018

## ASX ADDITIONAL INFORMATION

### Corporate Governance

In accordance with ASX Listing Rule 4.10.3, the Group's Corporate Governance Statement can be found on its website at [www.paccurrent.com/shareholders/corporate-governance/](http://www.paccurrent.com/shareholders/corporate-governance/).

The Directors approved the 2018 Corporate Governance Statement on 28 September 2018.

### Shareholder Information as at 19 September 2018

Additional information required by the Australian Securities Exchange listing rules and not shown elsewhere in this report is as follows:

#### a. Distribution of equity securities (as at 19 September 2018)

The number of shareholders by size of holding for fully paid ordinary shares are:

| Holding          | Number of shareholders | Number of shares  | %             |
|------------------|------------------------|-------------------|---------------|
| 1 – 1,000        | 1,335                  | 637,051           | 1.34          |
| 1,001 – 5,000    | 1,369                  | 3,488,237         | 7.32          |
| 5,001 – 10,000   | 289                    | 2,116,641         | 4.44          |
| 10,001 – 100,000 | 167                    | 4,172,447         | 8.76          |
| 100,001 and over | 31                     | 37,227,991        | 78.14         |
| <b>Total</b>     | <b>3,191</b>           | <b>47,642,367</b> | <b>100.00</b> |

The number of shareholders holding less than a marketable parcel of 75 shares is 220, a total of 2,845 shares.

#### b. Twenty largest shareholders (as at 19 September 2018)

The names of the twenty largest holders of quoted shares are:

| Name                                                                        | Number of shares  | %            |
|-----------------------------------------------------------------------------|-------------------|--------------|
| 1 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                                 | 13,707,495        | 28.77        |
| 2 NATIONAL NOMINEES LIMITED                                                 | 5,794,157         | 12.16        |
| 3 J P MORGAN NOMINEES AUSTRALIA LIMITED                                     | 3,106,707         | 6.52         |
| 4 CITICORP NOMINEES PTY LIMITED                                             | 2,769,919         | 5.81         |
| 5 SQUITCHY LANE HOLDINGS PTY LTD                                            | 2,401,500         | 5.04         |
| 6 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED<br><NT-COMNWLTH SUPER CORP A/C> | 949,651           | 1.99         |
| 7 BNP PARIBAS NOMS PTY LTD <DRP>                                            | 876,187           | 1.84         |
| 8 BOND STREET CUSTODIANS LIMITED <RSALTE - D64848 A/C>                      | 766,900           | 1.61         |
| 9 BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>                         | 704,304           | 1.48         |
| 10 UBS NOMINEES PTY LTD                                                     | 690,502           | 1.45         |
| 11 PAUL GREENWOOD                                                           | 531,781           | 1.12         |
| 12 MRS ANTONIA COLLOPY                                                      | 525,000           | 1.10         |
| 13 MR TIMOTHY GERARD RYAN                                                   | 484,573           | 1.02         |
| 14 BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP                | 443,666           | 0.93         |
| 15 MR MICHAEL BRENDAN PATRICK DE TOCQUEVILLE                                | 400,000           | 0.84         |
| 16 BANSON NOMINEES PTY LTD                                                  | 370,854           | 0.78         |
| 17 NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>                     | 318,818           | 0.67         |
| 18 AMAZING INVESTMENTS LLC                                                  | 308,013           | 0.65         |
| 19 CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>              | 301,695           | 0.63         |
| 20 HFM INVESTMENTS PTY LTD                                                  | 250,000           | 0.52         |
| <b>Total</b>                                                                | <b>35,701,722</b> | <b>74.94</b> |
| <b>Balance of Register</b>                                                  | <b>11,940,645</b> | <b>25.06</b> |

**c. Substantial shareholders**

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

| <b>Name</b>                                                    | <b>Number of Shares</b> | <b>Current Interest</b> |
|----------------------------------------------------------------|-------------------------|-------------------------|
| Perpetual Limited and its related bodies corporate             | 7,426,151               | 15.59%                  |
| Paradice Investment Management Pty Ltd                         | 4,070,687               | 8.54%                   |
| Wilson Asset Management Group and its related bodies corporate | 2,940,453               | 6.17%                   |
| Copia Investment Partners Ltd                                  | 2,780,000               | 5.84%                   |
| Michael Fitzpatrick                                            | 2,701,285               | 5.67%                   |

**d. Voting rights**

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

**e. Buyback**

There is no current on-market buy-back.

## CORPORATE INFORMATION

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ABN 39 006 708 792

### Directors

M. Fitzpatrick, Chairman

P. Greenwood, Managing Director and Chief Executive Officer (CEO) (effective 1 July 2018) and Chief Investment Officer (CIO)

T. Robinson, Executive Director

M. Donnelly, Non-executive Director

G. Guérin, Non-executive Director

P. Kennedy, Non-executive Director

### Company Secretaries

P. Mackey

### Registered Office

Level 29

259 George Street

Sydney, NSW, 2000

Phone +61 2 8243 0400

Facsimile +61 2 8243 0410

### Share Register

Computershare Investor Services Pty Ltd

452 Johnston Street

Abbotsford, Victoria, 3067

Phone +61 3 9415 5000

### Bankers

Westpac Banking Corporation

### Auditors

Deloitte Touche Tohmatsu

### Internet Address

[www.paccurrent.com](http://www.paccurrent.com)



An aerial photograph of a coastal landscape. The top half of the image shows a vast, turquoise sea. The bottom half shows a patchwork of green and brown fields, with a winding river or estuary flowing through them towards the sea. The coastline is irregular, with small inlets and peninsulas.

## **SYDNEY**

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## **DENVER**

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## **TACOMA**

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