Moelis Australia Limited ABN 68 142 008 428

Appendix 4E Preliminary Final Report

for the year ended 31 December 2017 as required by Listing Rule 4.3A

1 **Details of the reporting period and the prior corresponding period**

Current period	1 January 2017 to 31 December 2017
Prior Corresponding period	1 January 2016 to 31 December 2016

2 **Results for announcement to the market**

	Year ended 31 December 2017 $m	Year ended 31 December 2016 $m	Movement $m	Movement %
Underlying results:				
Revenue	107.2	61.8	45.4	+73%
EBITDA	41.6	19.7	21.9	+111%
NPAT	29.1	13.8	15.3	+111%
Statutory results:				
Revenue	104.8	62.6	42.2	+67%
EBITDA	43.1	14.4	28.7	+199%
Profit after tax	29.6	10.1	19.5	+193%
Total comprehensive income	31.9	9.8	22.1	+226%

3 Dividend information	**Amount per share**	**Franked amount per share**
Final dividend	7.0 cents	7.0 cents
Record date	28 February 2018	
Payment date	6 March 2018	

The Company's Dividend Reinvestment Plan will not apply to the final dividend.

4 Net tangible assets	**31 December 2017**	**31 December 2016**
Net tangible assets per share:	$1.24	$0.31

Additional Appendix 4E disclosure requirements can be found in the Annual Report of Moelis Australia Limited which contains the Directors' Report and the 31 December 2017 Consolidated Financial Statements and accompanying notes. This report is based on the consolidated financial statements which have been audited by Deloitte Touche Tohmatsu.

2017 Annual Report

MOELIS AUSTRALIA LIMITED
ACN 142 008 428

www.moelisaustralia.com

MOELIS
AUSTRALIA

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The Moelis Australia Symbol is an award-winning design that was originally developed for the Moelis Australia Asset Management division to help facilitate cultural alignment with its Chinese clients. The design was premised on Chinese tradition, and its belief that certain numbers are auspicious. The word for 'eight' (八 Pinyin: bā) sounds similar to the word that means 'prosper' or 'wealth'. Three eights are considered very lucky. The symbol was adopted by Moelis Australia upon its public listing given the significant synergies between Moelis Australia's three business divisions and the strong growth forecast by the Asset Management division.

About Moelis Australia

Moelis Australia is an ASX listed diversified financial services group. Moelis Australia was founded in 2009 and operates two business segments: Corporate Advisory & Equities and Asset Management.

Moelis Australia employs more than 130 staff in Australia[1] and operates offices in Sydney and Melbourne.

Moelis Australia was established with a philosophy to offer unbiased advice of the highest quality to its clients. This philosophy is fostered throughout the global strategic alliance between Moelis Australia and Moelis & Company.

Moelis Australia creates lasting client relationships by providing strategic and innovative advice through a highly collaborative and global approach not limited to specific products or particular regions. Moelis Australia believes in a partnership-style culture, where momentum and commitment to excellence create an environment that attracts and retains high-quality talent.

Moelis Australia's vision, as embodied by the global 'Moelis Standard', nurtures a culture of partnership, passion, innovation, optimism and hard work, which inspires the highest level of quality and integrity in every interaction with clients and each other.

The Moelis Standard

We measure our performance by the long-term success of our clients

We foster a culture of partnership, passion, optimism and hard work

We stay ahead of the changing environment to provide the most relevant advice and innovative solutions

We share ideas and experience across our organisations to achieve the best results for our clients

We will not compromise our vision or values

We deliver more

1. As at 12 February 2018 and includes Redcape Hotel Group head office management

Chairman & Chief Executive Officer's Letter

Dear Shareholder

We are delighted to present our maiden 2017 Annual Report as an ASX listed company.

Moelis Australia's financial result and overall business development was very pleasing. In particular we are very proud of achieving many milestones in our eighth year of operation. Highlights included:

> Initial Public Offering on the ASX;

> Record Underlying EBITDA of $41.6 million derived from Underlying Revenue of $107.2 million;

> Underlying EBITDA exceeded Prospectus forecast by 77%;

> Growth in Assets Under Management from $1.1 billion to $2.9 billion; and

> Declaration of a fully franked dividend of 7.0 cents per share.

We would like to thank our Board and executives for all of their hard work and dedication to the business in 2017. Their efforts, in what was an incredibly busy and fruitful year, were exceptional and we believe our financial results reflect this.

All of Moelis Australia's business divisions performed strongly and our overall result demonstrated the power of our business model and quality of our executives. We are very proud of the stability of our executive team and believe that the alignment of interests between executives, shareholders and investors in our various managed funds is of paramount importance.

Moelis Australia executives own approximately 40% of the Company and are subject to long term vesting restrictions. We believe that this provides appropriate incentive to focus on long term growth, always acting as owners – rather than employees. We are also delighted that Moelis Australia executives continue to invest in many of our managed funds out of choice – again demonstrating an alignment of interests with clients and confidence in our investment process.

We have a strong balance sheet with net assets of $215.6 million, including $118.2 million of cash and liquid investments. This is a competitive advantage and management is focused on utilising this capital in a judicious fashion to maximise returns to shareholders. We will not be rushed into deploying this capital. History has taught us that patience is rewarded and we are confident our investment process will uncover attractive opportunities for Moelis Australia, its investors and its shareholders.

We believe that our asset management business is well positioned for growth in the coming years. Our investment in businesses such as Redcape Hotel Group and Infinite Care provide exciting platforms for growth. Recent market volatility reminds us all that assets can fall in value as readily as go up. However, we play the long game and believe that hard work, diligence of process and executive alignment will deliver for all stakeholders in the long term.

Our corporate advisory business performed very strongly in 2017 across most of the sectors we focus on and is well positioned for another strong year in 2018.

We look forward to the year ahead and thank you for your ongoing support of Moelis Australia.

Yours sincerely,

Jeffrey Browne
Chairman

Andrew Pridham
Chief Executive Officer

2017 Year in Review

2017 OVERVIEW

In its eighth year of operation, 2017 was a milestone year for Moelis Australia. On 10 April, the business successfully listed on ASX with an issue price of $2.35 per Share. We grew assets under management ("AUM") from $1.1 billion to $2.9 billion and in the process, invested in three great businesses: Armada Funds Management, Redcape Hotel Group[1] and Infinite Care[1]. Collectively, these businesses represent approximately $1.7+ billion in AUM to Moelis Australia and we expect their value to grow strongly in the future. Throughout the year, our Corporate Advisory division advised on some of the largest, most high profile deals in Australia. Examples of these include the sale of Network Ten to CBS, Hunter Hall's merger with Pengana Capital and the $1.2 billion restructure of Bis Industries.

We believe that success can ultimately only be measured by results. In 2017 our financial results materially exceeded the forecasts contained in our Prospectus. This pleasing performance can be attributed to a number of factors:

> Our unique business model and capital structure;

> The synergies between Corporate Advisory, Equities and Asset Management;

> Our strong balance sheet and access to capital (we were opportunistic in acquiring quality businesses that have long-term value);

> The strong alignment between executives who own approximately 40% of the Company, many of whom have a material proportion of their net wealth invested in Moelis Australia;

> The longstanding and active strategic alliance with NYSE listed investment bank Moelis & Company delivering access to high quality expert bankers located throughout the world;

> The hard work and expertise of our dedicated Board and executive team; and

> The support of our clients and shareholders, many of whom are also investors in our numerous managed funds.

	Prospectus Forecast	FY17 Result	Outperformance
Underlying Revenue	**$73.2 million**	**$107.2 million**	**46%**
Underlying EBITDA	**$23.5 million**	**$41.6 million**	**77%**
Underlying NPAT	**$16.8 million**	**$29.1 million**	**73%**
Underlying Earnings Per Share[2]	**13.5 cents**	**23.0 cents**	**70%**
EBITDA Margin	**32%**	**39%**	**22%**
AUM	**$1.5 billion (by 31/12/17)**	**$2.9 billion (at 31/12/17)**	**93%**

Moelis Australia is and will always remain a client-centric business and strives to provide the most relevant advice and most innovative solutions. We achieve this by drawing upon the numerous years of experience in our senior management, mentoring and developing the best talent from within and providing our staff with the best available resources. During 2017, our financial services group grew from 69[3] to 83[3] fulltime employees.

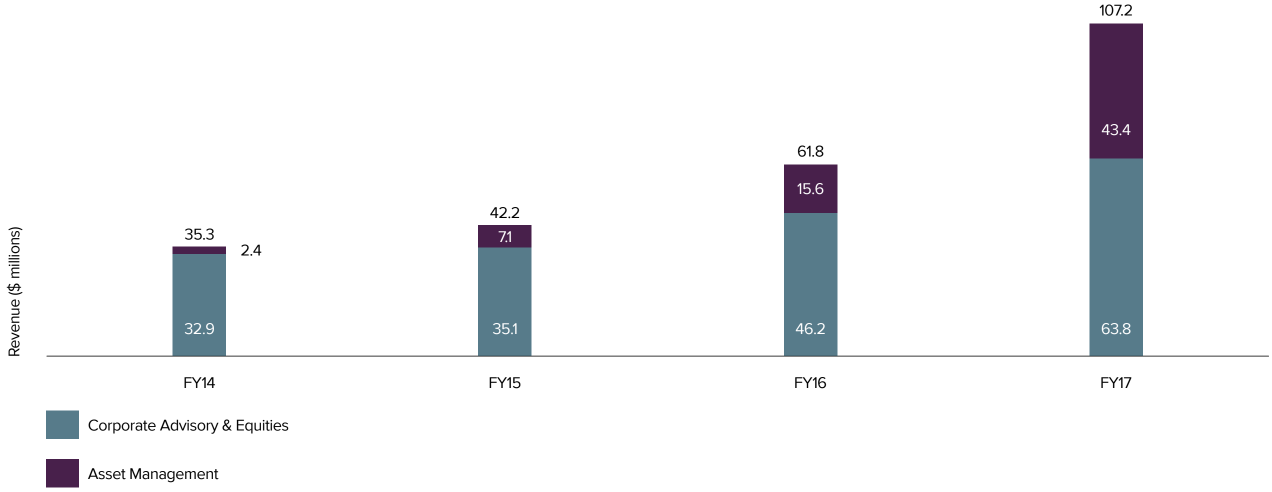
1. Purchased by a Moelis Australia managed fund. Moelis Australia co-invested on the same terms as clients
2. Based on average annual shares outstanding during 2017
3. Average annual full time employees in financial services and excludes Redcape Hotel Group head office management

2017 Year in Review (cont.)

GROUP PERFORMANCE

Moelis Australia generated $107.2 million of Underlying Revenue in 2017, a 73% increase on 2016 (up from $61.8 million). The business produced Underlying EBITDA of $41.6 million, an increase of 111% on 2016 (up from $19.7 million). Pleasingly, the Group's Underlying EBTIDA Margin increased to 39% (up from 32% in 2016), reflecting an increase in contribution from Asset Management and cost control during a period of high growth.

MOELIS AUSTRALIA REVENUE



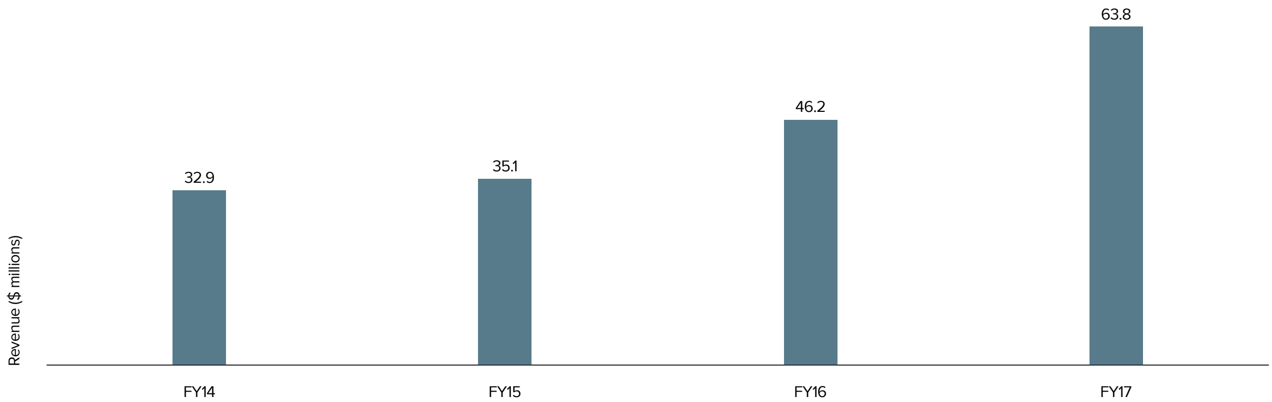
The Company's IPO and subsequent access to capital markets was a key driver of success in 2017, with the capital raised acting as a catalyst for attracting and closing transactions. In addition, Moelis Australia is a highly cash generative business, with monthly recurring cash flows (base management fees, investment income and equities commissions) more than covering monthly operating expenses (excluding bonuses). This is expected to continue into 2018 and, combined with the Group's strong balance sheet ($118.2 million in cash and liquid investments), should help facilitate transactions and further increase the strength of our balance sheet.

Cross divisional synergies were a highlight for the Group in 2017 and proved highly valuable in achieving positive outcomes for clients. Our ability to use market leading expertise in Corporate Advisory & Equities and work in conjunction with Asset Management's distribution, structuring and investment management capabilities is a key feature of Moelis Australia's business model, and was validated this financial year.

CORPORATE ADVISORY & EQUITIES PERFORMANCE

The Corporate Advisory & Equities division generated $63.8 million of Underlying Revenue in 2017, a 38% increase on 2016 (up from $46.2 million). This result was achieved by an increase in productivity of existing executives, not highly priced hires in Corporate Advisory. Revenue per executive was approximately $1.5 million in 2017 (up from $1.1 million in 2016). This was a great achievement and was well above our long-term target of $1.1 million to $1.3 million per executive.

CORPORATE ADVISORY & EQUITIES REVENUE



2017 Year in Review *(cont.)*

Corporate Advisory generated $8.6 million in total monthly retainer fees during 2017. Retainers are an important component of our revenue model when working on transactions with uncertain outcomes, and are beneficial from a cash flow perspective. Historically, retainers have represented approximately 20% of annual Corporate Advisory revenue.

A key measure of success in Corporate Advisory is the quality of relationships forged with clients. Moelis Australia measures this by the number of repeat clients (those advised on more than one prior transaction) accumulated as multiple engagements serve to solidify relationships and validate work. In 2017, we generated seven additional repeat clients which is a record equalling result. Since inception in 2009, Corporate Advisory has generated 38 repeat clients on average achieving five to six additional repeat clients annually.

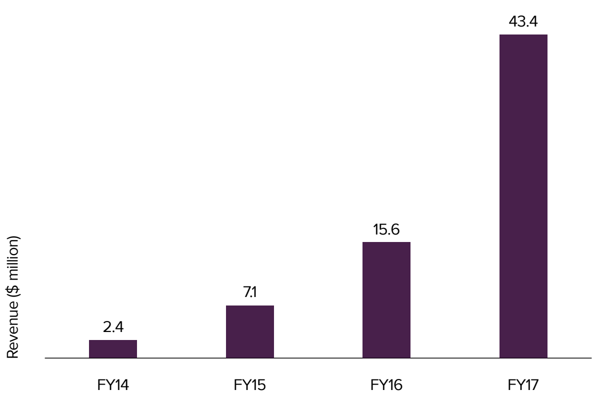
CORPORATE ADVISORY REPEAT CLIENTS

The Equities division performed well and commissions were in line with 2016's record result. Equities remains focused on providing the best research and trading services to our clients and was an important enabler for many equity capital markets transactions throughout 2017. The Equities division is highly valuable to the synergies generated across the Group.

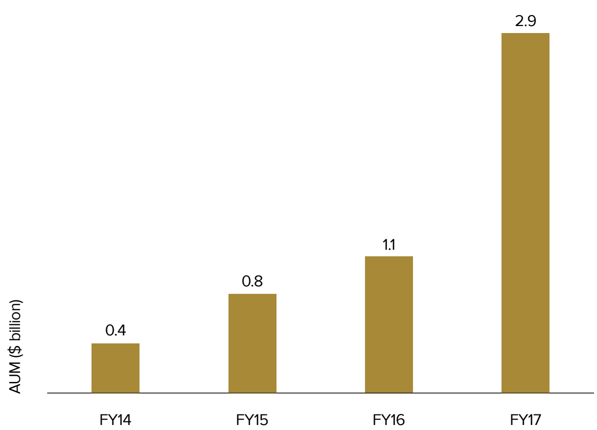
ASSET MANAGEMENT PERFORMANCE

Asset Management generated $43.4 million of Underlying Revenue in 2017, a 178% increase on 2016 (up from $15.6 million), increased its AUM by more than $1.8 billion to more than $2.9 billion; and grew its investor base significantly. Throughout the year Moelis Australia seeded and generated many new managed funds with a primary focus on sectors that have strong macroeconomic tailwinds in areas which we have market-leading expertise. Demand for Moelis Australia managed funds was strong, with many being significantly oversubscribed. The recurring management fees generated by our managed funds are fundamental to growing long-term shareholder value.

ASSET MANAGEMENT REVENUE



ASSETS UNDER MANAGEMENT



2017 Year in Review (cont.)

Base management fees were $29.9 million, a 108% increase on 2016 (up from $14.4 million). Base fees for the second half of the year were $19.7 million, a 90% increase on the first half of the year (up from $10.3 million). The second half increase is a reflection of the quality of funds established and the acquisitions made following our listing in April 2017. A full year of base management fees from 2017's funds and acquisitions will be reflected in FY18 and beyond.

Income from strategic/co-investments was $5.2 million, and these earnings also represent a part year for many funds, acquisitions and other investments. Collectively, income on cash yielding investments and base management fees accounted for approximately 81% of 2017 Asset Management revenue; therefore, Asset Management enters 2018 with a large portion of its revenue highly visible.

Transaction fees of $8.3 million were generated in 2017. Transaction fees are charged on a variety of transactions, including acquisitions, fund capital raisings and asset due diligence. These fees are generally based on a percentage of total fund value and therefore, in absolute terms, are highly correlated to the size of a fund. However, fund size, and overall AUM, is not a key focus of Asset Management. Rather, we focus on the quality of investment opportunities, taking the view that good fund performance will lead to client loyalty and demand for new investment funds.

No event-driven performance fees were booked in 2017. Management will not book performance fees prior to a realisation or similar event, at which time the performance fee would be payable. While management does not provide guidance on performance fees, they are likely to eventuate as funds mature.

Asset Management's contribution to Group performance experienced a step-change in 2017 and management is focused on its growth. It is expected that earnings growth in Asset Management will remain strong and EBITDA margins will remain relatively high. Accordingly, an increase in the EBITDA contribution from Asset Management should drive a higher Group EBITDA margin.

BALANCE SHEET MANAGEMENT

The management of our strong balance sheet is critically important to our business and to the returns we deliver to shareholders over the long term. As at 31 December 2017, Moelis Australia had net tangible assets of $190.2 million. It is our strategy to use our capital in a number of ways:

> Underwriting client-related capital raisings (debt and equity);

> Co-investing in managed funds to demonstrate alignment and achieve attractive investment returns;

> Taking strategic holdings pending establishment of new funds; and

> Managing liquidity for day-to-day operations.

We operate in a dynamic market where business conditions fluctuate, reflecting underlying economic and political conditions. Part of our strategy is to maintain a strong balance sheet and to use this capital to facilitate growth in the business and to take advantage of attractive opportunities as they arise. When managing our day-to-day liquidity we are mindful to seek investments that can deliver attractive risk-adjusted returns but at the same time to avoid the temptation to deploy available capital simply because it is there.

MOELIS AUSTRALIA INVESTORS

Moelis Australia has welcomed a large number of investors to its business over the year, including those who invested in Moelis Australia shares and those who have or are invested in Moelis Australia managed funds. At December 2017, investors across the Moelis Australia platform included retail investors, high net worth investors, institutional investors and Moelis Australia staff.

Moelis Australia acknowledges and appreciates the trust that investors have placed in the Group, and takes the responsibility of being the custodian of their money with great care. Moelis Australia will endeavour to return this trust with high-quality products and services.

2017 Year in Review *(cont.)*

PEOPLE

Moelis Australia's business is based on delivering the highest quality long-term outcomes to clients and investors. To achieve this, we need outstanding people.

Over 2017, Moelis Australia welcomed a number of very talented executives to the Group, and we continuously search for additional talent that can complement our current team. In particular, Asset Management grew considerably over 2017, with a number of senior hires covering marketing and distribution, investment management and legal & compliance.

Finding and retaining the best talent is always a challenge, so we are fortunate that the Group has managed to have very low staff turnover since its establishment in 2009. We continue to strive to ensure that Moelis Australia is an employer of choice, and that we maintain an environment that fosters our junior and senior executives to be future leaders of the Company and the community.

CULTURE

Moelis Australia's culture is based on employee and client trust, and we aim to hire innovative people who perpetuate a culture of partnership, passion, innovation, optimism and hard work. The Board and senior management focus on developing strong working relationships and creating a safe, inclusive and innovative working environment for all employees.

The Moelis Australia brand and reputation are core assets of our business and we encourage all employees to benchmark themselves to the Moelis Standard (see page 1).

Moelis Australia encourages staff to be proactive in giving back to the community, and the Moelis Australia Foundation is reflective of this belief (see page 11).

Overview of Business Segments

CORPORATE ADVISORY & EQUITIES OVERVIEW

Corporate Advisory Overview

Corporate Advisory provides strategic and financial advice and equity capital markets services to sophisticated and corporate clients. Corporate Advisory currently employs 37 advisory executives[1] with expertise in a range of areas including mergers & acquisitions, equity capital markets, debt markets, restructuring & recapitalisations, and special situations advisory.

Corporate Advisory has a strong track record in providing innovative financial advisory solutions to clients, who benefit from our culture of partnership, passion, optimism and hard work. Moelis Australia strives to set a high standard and our reputation for excellence in transaction execution continues to grow. The transactions highlighted below are a sample of transactions advised on in 2017.

December 2017
~A$1.2 billion
Capital Restructuring
Financial Advisor to Bis Industries

December 2017
A$110 million
Purchase of Brownes Dairy
Financial Advisor to Ground Food Tech Co. Ltd

December 2017
~US$318 million
Capital Restructuring
Financial Advisor to Noteholders

December 2017
~A$16 million
Follow-on Funding
Lead Manager and Financial Advisor

October 2017
A$90 million
Acquisition of controlling interest in Infinite Care
Exclusive Financial Advisor to Moelis Australia Aged Care Fund

August 2017
~A$609 million Restructure
~A$213 million Sale
Capital Restructuring and Sale
Financial Advisor

July 2017
A$677 million
Acquisition of Redcape Group
Exclusive Financial Advisor to Moelis Australia Redcape Hotel Group

June 2017
A$419 million
Merger of Centuria Metropolitan and Centuria Urban REITs
Financial Advisor

June 2017
US$26 million
Series "B" financing round
Lead Investor and Financial Advisor

June 2017
A$330 million
Merger with Pengana Capital
Financial Advisor to Hunter Hall Limited

May 2017
Undisclosed sum
Sale of New Zealand Steel Mining Asset
Financial Advisor

April 2017
A$976 million
Takeover of Bradken Limited
Financial Advisor to Hitachi Construction Machinery

As the Moelis Australia brand, executive team and network mature, we are hopeful of achieving superior productivity and margins from our Corporate Advisory business.

Corporate Advisory revenue is generated across a broad range of advisory assignments, predominantly in relation to either financial or strategic advice. Fees charged for Corporate Advisory assignments fall into two main categories: transaction fees and monthly retainers. Traditionally, the split between transaction fees and monthly retainers has been around 80%/20%. In FY17, monthly retainers represented 16% of Corporate Advisory revenue.

1. As at 12 February 2017

Overview of Business Segments *(cont.)*

Corporate Advisory's key performance indicator for productivity is the annual revenue generated per Advisory executive. Our long-term productivity has been in the range of $1.1 million to $1.5 million per Advisory executive. The actual revenue per Advisory executive will vary depending on market activity levels, our market share and the level of growth in our Advisory team. For example, in years where we add Advisory executives, our revenue per head productivity measure may be diluted for the period that new executives take to generate material revenue in a new environment. During 2017, revenue per Advisory executive was approximately $1.5 million, reflecting strong activity levels and relatively few new hires. There was an average of 34 Advisory executives in 2017, and this number will continue to grow organically. Moelis Australia is focused on hiring the best graduates and training our current group of executives to develop them into senior executives.

Equities Overview

Equities operates a securities business that provides research, sales and trading execution services to institutional and high net worth clients. Equities also provides equity capital markets and distribution capabilities to facilitate the execution of equity capital markets transactions.

Revenue is generated in the Equities business through three main sources: securities commissions, fees for research and equity capital markets revenue.

The environment for equities commissions has undergone significant change in the last 10 years, with new technology and regulations making market conditions more difficult. The strategy of the Equities business is to be highly focused on servicing clients, and, in particular, maintaining market leadership in areas of overall focus for Moelis Australia. These areas include REITS, small cap and emerging companies and technology companies. There was an average of 19 full-time employees in Equities during 2017.

ASSET MANAGEMENT OVERVIEW

Asset Management provides investment management services to domestic and foreign high net worth and institutional investors.

We measure our performance by the long-term success of our clients and our investment philosophy is guided by focusing on asset classes we understand and co-investment by the Group and staff.

As at 31 December 2017, Asset Management is responsible for the stewardship of approximately $2.9 billion of AUM across more than 30 funds. These funds are invested in both traditional and alternative asset classes.

Asset Management has an established investment and distribution platform that is capitalising on the broader global trend of increasing asset allocation into alternative asset classes. Within this trend, Moelis Australia is particularly well placed to capture equity inflows from the large and growing market of high net worth individuals, both domestically and abroad. Since its establishment, Asset Management has developed a substantial network of Asian investors and Asian based marketing channels, with a focus on China.

The investment management philosophy of Asset Management is based on developing focused and bespoke investment strategies primarily outside of traditional asset classes. This is a key differentiator for the business, as it is able to provide investors with exposure to alternative asset classes across a range of industry sectors not generally accessible to individual investors. This focus is supported by Asset Management's collaboration with Corporate Advisory which provides, transaction flow and direct access to unique investment opportunities including direct asset backed investments, special situations, and debt-equity hybrid or credit opportunities. Asset Management manages funds that invest in the following alternative asset classes:

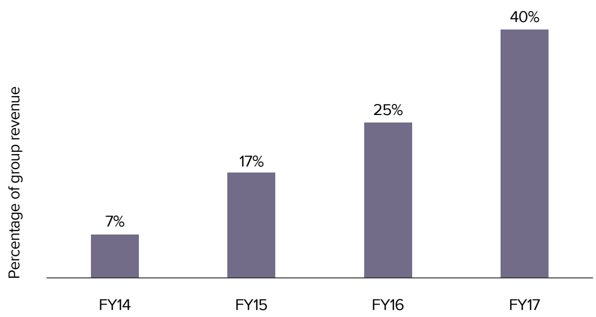
- Real estate assets (commercial, retail, hotels, gaming hotels and industrial);
- Private equity and venture capital (in a range of sectors, including agriculture, technology, aged care and childcare); and
- Credit, hybrid securities and structured investments.

Asset Management also manages traditional asset classes, including cash, bonds and listed equities.

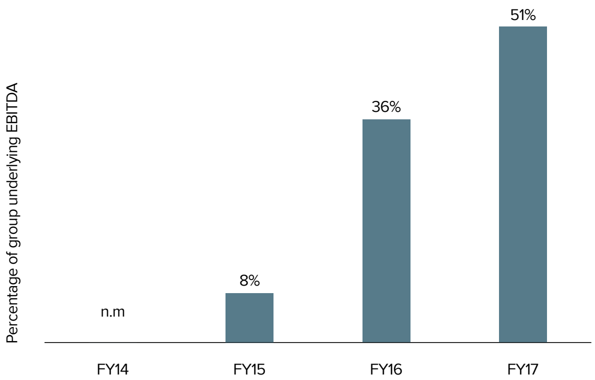
Overview of Business Segments (cont.)

Asset Management has materially increased its revenue contribution in recent years and is responsible for a significant proportion of the Group's revenue growth. For the year ended 31 December 2017, Asset Management contributed approximately 40% of Group revenue up from 25% in 2016. On an EBITDA basis, 51% of 2017 Group EBITDA came from Asset Management compared with 36% in 2016.

ASSET MANAGEMENT REVENUE CONTRIBUTION TO GROUP



ASSET MANAGEMENT UNDERLYING EBITDA CONTRIBUTION TO GROUP



There was an average of 20 full time employees in Asset Management during 2017[1]. At 31 December 2017, the head count was 25[1], reflecting the strong growth in the business. Management is focused on expanding this business segment and is constantly looking for quality people who share the firm's values and can positively contribute to our culture.

1. Excludes Redcape Hotel Group head office management

Additional Information on Moelis Australia

MOELIS AUSTRALIA FOUNDATION

The Moelis Australia Foundation ("MAF") was established following our IPO to support community initiatives that align with the culture and broader community interests of Moelis Australia and its executives.

The Independent Chairman of the MAF is Mark Nelson. Mark is a founder and chairman of the Caledonia Investment Group and a director of The Caledonia Foundation. He is the Vice President of the Art Gallery of NSW Board of Trustees, a deputy chairman of Art Exhibitions Australia and Kaldor Public Art Projects; a trustee of the Sydney Swans Foundation; and governor of the Florey Institute of Neuroscience. Andrew Pridham and Chris Wyke (Head of Corporate Finance Advisory) are also directors of the MAF.

Moelis Australia and its executives believe strongly in the importance of giving back to the community via philanthropic efforts. Corporate giving is a vital element of supporting the community we live in, so we can play our part to make it strong, fair and caring. Being a good and generous corporate citizen is an important element of Moelis Australia's core values.

Moelis Australia supports the community in numerous ways. In particular, it encourages staff members to participate in community focused organisations and events and financially through the MAF. All staff members are eligible to request that Moelis Australia donate to MAF in lieu of what may otherwise have been compensation paid to them individually for their services. We believe that this is a win-win where collectively Moelis Australia and its executives can give generously to causes of importance to them, under the governance of Moelis Australia, without a material impact on shareholder returns.

Requests by staff members to direct what otherwise may have been paid to them in 2017 totalled $2.2 million. In addition Moelis Australia separately contributed $200,000 to MAF in 2017. Participating staff are encouraged to nominate eligible charitable causes of importance to them for which MAF may provide financial support.

MOELIS & COMPANY STRATEGIC ALLIANCE

Moelis & Company is a leading global independent investment bank listed on the New York Stock Exchange with a market capitalisation of approximately US$2.7 billion[1].

Moelis & Company owns approximately 33% of the issued capital in Moelis Australia[1].

The Moelis Australia and Moelis & Company strategic alliance agreement is designed to ensure that Moelis Australia continues to remain integrated with Moelis & Company in the delivery and execution of corporate advisory services to its Australian and global clients.

The strategic alliance is highly beneficial to both parties and will continue to benefit Moelis Australia by:

- Providing access to a global network of advisory executives sharing intellectual capital and access to client relationships;
- Allowing cooperation on cross-border or industry specific advisory mandates; and
- Leveraging a strong and recognisable global brand in Moelis & Company.

CORPORATE GOVERNANCE STATEMENT

Moelis Australia's Corporate Governance Statement has been approved by the Board and lodged with ASX. A copy of the Corporate Governance Statement is available at investors.moelisaustralia.com/corporate-governance/

1. As at 31 December 2017

Directors' Report

The Directors of Moelis Australia Limited ("Company") present their report together with the consolidated financial report of the Company and its subsidiaries ("Group") for the year ended 31 December 2017.

DIRECTORS

The Directors of the Company are:

Mr Jeffrey Browne (Independent Chairman and non-executive Director) appointed 27 February 2017
Mr Kenneth Moelis (non-executive)
Mr Joseph Simon (non-executive)
Mr Andrew Pridham (Chief Executive Officer)
Mr Julian Biggins appointed 2 February 2017
Mr Hugh Thomson resigned 2 February 2017

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

INFORMATION ON CURRENT DIRECTORS AND COMPANY SECRETARY

Mr Jeffrey Browne

Independent Non-Executive Director and Chairman

Experience and expertise

Jeff was appointed to the Board on 27 February 2017.

Jeff was a senior executive at Nine Network Australia from 2006 until 2013, including serving as Managing Director from 2010 to 2013. Jeff holds a degree in Arts from La Trobe University, Melbourne and a degree in law from Monash University, Melbourne.

Other directorships

Chairman of carsales.com Ltd (ASX: CAR); and
Chairman of Premoso Pty Ltd (owner of the business of "Holden Special Vehicles").

Special responsibilities

Chairman of the Board
Chairman of the Audit and Risk Committee
Chairman of the Nomination and Remuneration Committee

Interests in the Company

Share Options: 781,250

Directors' Report (cont.)

Mr Kenneth Moelis

Non-Executive Director

Experience and expertise

Ken has served as a Director since the formation of Moelis Australia in 2010.

Ken is Chairman of Moelis & Company Group LP and has served as Chief Executive Officer of that company since 2007. Ken has over 30 years of investment banking and mergers and acquisitions experience. Prior to founding Moelis & Company, Ken worked at UBS from 2001 to 2007, where he was most recently President of UBS Investment Bank. Ken holds a Bachelor of Science and an MBA from the Wharton School at the University of Pennsylvania.

Other directorships

Chairman and CEO of Moelis & Company Group LP ("Moelis & Company")

Special responsibilities

Member of the Nomination and Remuneration Committee

Interests in the Company

Ken has 86.2% of the combined voting power of Moelis & Company class A and class B common stock. As a result, Ken has a deemed relevant interest in all Shares held by Moelis & Company. However, Ken does not have any rights to acquire or control the voting rights attached to the Shares held by Moelis & Company.

Mr Joseph Simon

Non-Executive Director

Experience and expertise

Joe was appointed to the Board on 7 June 2016.

Joe is the Chief Financial Officer of Moelis & Company serving in that role since joining in 2010. Joe has over 25 years of experience as a senior manager of financial controls, operations and strategy and has particular experience with financial services firms. Joe holds a Bachelor of Science from Cornell University and an MBA from The University of Michigan. He is a Certified Public Accountant in the United States.

Other directorships

None

Special responsibilities

Member of the Audit and Risk Committee

Interests in the Company

None

Directors' Report (cont.)

Mr Andrew Pridham

Executive Director and CEO

Experience and expertise

Andrew has served as a Director since the formation of Moelis Australia in 2010.

Andrew has over 20 years of experience in corporate advisory and prior to the formation of Moelis Australia he served as Executive Chairman of Investment Banking at JP Morgan Australia. Andrew holds a Bachelor of Applied Science from the University of South Australia.

Other directorships

Chairman of Sydney Swans Limited

Special responsibilities

Member of the Nomination and Remuneration Committee

Interests in the Company

Shares: Andrew has a beneficial equity interest in 21,807,514 Shares as a result of his holding in the Existing Staff Trusts. As a result of Andrew's ownership of the Staff Trustee, Andrew has a deemed relevant interest in 53,737,567 Shares.

Mr Julian Biggins

Executive Director

Experience and expertise

Julian has served as an executive of Moelis Australia since its formation in 2010 and was appointed to the Board on 2 February 2017.

Julian has over 17 years of investment banking experience covering the real estate industry including a senior role within JP Morgan's Investment Banking division and UBS' Equities research division. Julian holds a Bachelor of Business (Real Estate) and a Bachelor of Business (Banking & Finance) from the University of South Australia.

Other directorships

None

Special responsibilities

Member of the Audit and Risk Committee

Interests in the Company

Shares: Julian has a beneficial equity interest in 6,530,670 shares as a result of his holding in the Existing Staff Trusts.

Share Rights: 144,326

Company Secretary

The Company Secretary, Mr Peter Dixon, was appointed to the position of Company Secretary on 7 February 2017. Mr Hugh Thomson acted as Company Secretary prior to this.

Peter joined Moelis Australia's corporate advisory division in 2010, before taking on the role of General Counsel in August 2015. Peter has over 20 years experience in the legal, funds management and investment banking industries having previously worked at Macquarie Group, Mallesons Stephen Jacques (now King & Wood Mallesons) and Linklaters.

Peter holds a Bachelor of Commerce (Finance) and a Bachelor of Laws from the University of New South Wales and is admitted to practice as a solicitor in New South Wales.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member).

	BOARD MEETING		AUDIT AND RISK COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE	
	A	B	A	B	A	B
Mr Jeffrey Browne	5	5	4	4	2	2
Mr Kenneth Moelis	5	6	#	#	2	2
Mr Joseph Simon	6	6	4	4	#	#
Mr Andrew Pridham	6	6	#	#	2	2
Mr Julian Biggins	6	6	4	4	#	#

A = Number of meetings attended
B = Number of meetings held during the time the Director held office during the year
# = Not a member of committee

PRINCIPAL ACTIVITIES

The Group is a financial services provider established in 2010 with offices in Sydney and Melbourne. The Group's principal activities in the course of the year were providing corporate advisory, equities and asset management services.

CHANGES IN STATE OF AFFAIRS AND SIGNIFICANT EVENTS

During the year the following significant events occurred:

Listing of Moelis Australia

On 10 April 2017 Moelis Australia Limited was listed on the Australian Securities Exchange, issuing 25,000,000 new shares representing 20% of the expanded issued capital of the Company, and raised $58.8 million.

Termination of Onerous Contract

During April 2017, the Group paid out a lump sum of $12.8 million to terminate an agreement with a service provider associated with the promotion of the Group's Significant Investor Visa funds ("Onerous Contract"). The Group now undertakes the promotional activities itself. The net present value of the liability ($12.6 million) was provided for at 31 December 2016.

Acquisition of Armada Funds Management

On 1 June 2017, the Group acquired Rockford Capital Pty Ltd and its subsidiaries ("Armada Funds Management"), a real estate funds manager, for a total consideration of $30.7 million, comprising $10.5 million in cash and the remainder in Shares issued on 18 July 2017. Armada Funds Management manages 10 real estate investment funds which in aggregate own interests in retail shopping centres valued at approximately $800 million.

Establishment of Moelis Australia Redcape Hotel Group

On 10 July 2017 Moelis Australia Redcape Hotel Group ("Redcape Fund"), a fund managed by the Group, acquired the Redcape Hotel Group ("Redcape"). Redcape's portfolio consisted of 25 gaming focused hotels in NSW and Queensland and was valued at approximately $677 million. Moelis Australia invested $40 million in the Redcape Fund (representing 10% of the Fund's issued equity), which combined with funds raised from other Moelis Australia managed funds and third party investors was used to settle the acquisition and associated costs.

Equity raising and Unsecured Note Programme

The Group raised $110 million through a placement of 22 million new shares at an issue price of $5.00 per share to institutional and wholesale investors, with $59.7 million received in September 2017 and $50.3 million received in October 2017 after shareholder approval was obtained.

In September 2017 the Group also raised $32 million in debt through the issue of three year unsecured notes. This is the Group's only borrowings.

Establishment of Moelis Australia Senior Secured Credit Fund II

The Group established the Moelis Australia Senior Secured Credit Fund II ("Credit Fund") with a mandate to invest in debt instruments. At 31 December 2017 the Credit Fund had $43 million of loans receivable, with these investments funded by the Group and consolidated in the Group's results. The loans were provided in December 2017 and consequently the contribution to the Group's results is not material. The Credit Fund is currently being marketed to prospective investors, and it is anticipated the Group's holding in the Credit Fund will reduce on close of the Credit Fund's capital raising. The Group committed a further $85 million in credit facilities in December 2017, of which $24.6 million was drawn in January 2018.

OPERATING AND FINANCIAL REVIEW

The Group recorded total comprehensive income for the year of $31.9 million (2016: $9.8 million) and profit after tax for the year of $29.6 million (2016: $10.1 million). Total comprehensive income and profit after tax have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, which comply with International Financial Reporting Standards.

The Group recorded net profit after tax ("NPAT") of $29.1 million (2016: $13.8 million). Underlying NPAT and other measures of underlying performance are not prepared in accordance with International Financial Reporting Standards and are not audited. Underlying NPAT excludes certain items which are disregarded by management when assessing the Group's performance. The table below reconciles the Group's total comprehensive income prepared in accordance with International Financial Reporting Standards to Underlying NPAT.

YEAR ENDING 31 DECEMBER ($'000s)	2017	2016
Total comprehensive income for the year (as disclosed in the Financial Report)	**31,859**	**9,762**
Management adjustments:		
Listing costs[1]	989	–
Termination of Onerous Contract[2]	189	5,727
Armada Funds Management acquisition adjustments[3]	3,260	–
Share Rights issued to staff[4]	(8,444)	–
Tax on above	1,201	(1,661)
Underlying NPAT	**29,054**	**13,828**

1 The costs relating to the Company's Initial Public Offering.

2 Relates to an agreement accounted for as an onerous contract (refer note 35). The agreement was terminated in April 2017.

3 The adjustment for Armada comprises legal and other acquisition expenses, the amortisation of its intangible assets and the share based payment expenses relating to the shares issued to the vendors of Armada Funds Management who are now Moelis Australia Group employees.

4 In the financial statements the value of Share Rights granted to employees is amortised over the vesting period (which is up to five years), with only a portion of the value being expensed in 2017. The underlying result includes the full value of the Share Rights grant as an expense in 2017.

The table below shows the contributions to Underlying NPAT of the Group's two key business segments:

YEAR ENDING 31 DECEMBER ($'000s)	2017	2016
Corporate Advisory and Equities	20,494	12,556
Asset Management	21,130	7,140
Underlying EBITDA*	**41,624**	**19,696**
Depreciation and amortisation	(266)	(273)
Net interest income	452	331
Tax	(12,756)	(5,926)
Underlying NPAT	**29,054**	**13,828**

* Earnings before interest, tax, depreciation and amortisation.

Directors' Report (cont.)

Please refer to section "2017 Year in Review" on page 03 and "Overview of Business Segments" on page 08 for:

> a review of operations during the year and the results of those operations;

> likely developments in the operations in future financial years and the expected results of those operations; and

> comments on business strategies and prospects for future financial years.

In respect of likely developments, business strategies and prospects for future financial years, material which if included would be likely to result in unreasonable prejudice to the Group, has been omitted.

Earnings per share

	2017		2016	
	UNDERLYING	STATUTORY	UNDERLYING	STATUTORY
Basic EPS (cents/share)	23.0	23.4	13.8	10.1
Diluted EPS (cents/share)	22.4	22.8	13.8	10.1

Financial position

The Group raised approximately $199 million of capital net of costs during the year:

CAPITAL RAISED (NET OF COSTS)	TIMING	$ MILLION
Initial Public Offering	April	57
Placements	October	110
Borrowings	October	32
Total capital raised		**199**

The capital raised significantly increased the Group's ability to participate in transactions and establish new managed funds. The table below shows the major uses for the capital raised:

USE OF FUNDS	$ MILLION
Acquisition of Armada Funds Management	10
Investing in Moelis Australia managed funds	52
Warehousing assets for Credit Fund II	43
Termination of Onerous Contract	13
Investment in listed equities	27
Total use of funds	**145**

The summarised financial position at the end of the year is shown in the table below:

$ MILLIONS	2017	2016
Cash and cash equivalents	87.8	37.2
Listed investments	30.7	2.9
Unlisted investments*	107.0	6.7
Goodwill and other intangibles	25.4	–
Other assets	34.0	26.8
Total Assets	**284.9**	**73.6**
Borrowings	(32.2)	–
Other liabilities	(37.1)	(40.8)
Total Liabilities	**(69.3)**	**(40.8)**
Net assets	**215.6**	**32.8**

* including equity investments in joint ventures, cornerstone investments in Moelis managed funds, and warehoused assets.

Directors' Report (cont.)

DIVIDENDS

A fully franked dividend of $31 million in relation to the pre-IPO retained earnings of the Group was paid to the pre-IPO shareholders on 18 April 2017.

No dividend was paid or declared in the prior year.

The Directors have declared a fully franked dividend of 7.0 cents per Share for the full year ended 31 December 2017, payable on 6 March 2018.

SHARE OPTIONS

The Company had 5,807,150 Share Options outstanding at 31 December 2017. For details on Share Options issued during the year refer to note 34 to the financial statements.

SUBSEQUENT EVENTS

At 31 December 2017 the Group had commitments of $85.0 million in undrawn credit facilities. In January 2018, the Group lent $24.6 million under the credit facilities, reducing its commitments to $60.4 million.

A fully franked dividend of 7.0 cents per Share totalling $10,776,684 was declared.

LIKELY DEVELOPMENTS

The Group continues to pursue its strategy of focusing on its core operations. In particular the Group will continue to market its managed funds, and launch new managed funds with the aim of growing asset management fee revenue.

ENVIRONMENTAL REGULATION

The Group's operations are not subject to any significant environmental regulation.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the year, the Company paid a premium in respect of a contract insuring the directors and officers of the Company against liabilities and legal expenses incurred as a result of carrying out their duties as a director or officer. The Directors have not included details of the nature of the liabilities covered or the amount of premium paid in respect of this insurance, as such disclosure is prohibited under the terms of the contract.

The Company has agreed to indemnify all current and former directors and company secretaries and certain officers of the Company and its controlled entities against all liabilities to persons (other than the Company or a related body corporate) which arise out of the performance of their normal duties as a director, company secretary or officer to the extent permitted by law and unless the liability relates to conduct involving wilful misconduct, bad faith or conduct known to be in breach of law.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such an officer or auditor.

NON-AUDIT SERVICES

During the financial year, Deloitte Touche Tohmatsu, the Group's auditor, has performed services in addition to the audit and review of the financial statements. Details of amounts paid or payable to the auditor are outlined in Note 24 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Directors' Report (cont.)

The Directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence, for the following reasons:

> all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and

> none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

ROUNDING OF AMOUNTS

The Group is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors.

Jeffrey Browne
Independent Director and Chairman
19 February 2018

Andrew Pridham
Managing Director and Chief Executive Officer
19 February 2018

AUDITOR'S INDEPENDENCE DECLARATION

As auditor for the audit of Moelis Australia Limited for the year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respet of Moelis Australia Limited and the entities it controlled during the period.

Delarey Nell
Partner
Deloitte Touche Tohmatsu

Sydney
19 February 2017

Liability limited by a scheme approved under Professional Standards Legislation

DIRECTORS' REPORT SCHEDULE: REMUNERATION REPORT

The remuneration report provides information about the remuneration arrangements for key management personnel (KMP), which includes Non-Executive Directors and the Group's most senior management, for the year to 31 December 2017.

The report includes:

> Details of KMP covered in this report

> Remuneration policy and link to performance

> Remuneration of Non-Executive Directors

> Remuneration of Executive KMP

> Performance of KMP

> Statutory remuneration table

> Key terms of employment contracts

> KMP equity holdings and other transactions

Details of Key Management Personnel

The following persons are considered Key Management Personnel of the Group during or since the end of the most recent financial year:

NAME	ROLE
Mr Jeffrey Browne	Independent Non-Executive Director and Chairman
Mr Kenneth Moelis	Non-Executive Director
Mr Joseph Simon	Non-Executive Director
Mr Andrew Pridham	Executive Director and CEO
Mr Julian Biggins	Executive Director and Head of Real Estate Advisory
Mr Hugh Thomson	Chief Operating Officer and Executive Director

The named persons held their roles for the whole of the financial year and since the end of the financial year, except for Mr Julian Biggins who became an Executive Director on 2 February 2017 and Mr Hugh Thomson who ceased to be an Executive Director on 2 February 2017.

Remuneration policy and link to performance

The Board recognises the important role people play in achieving the Group's long-term objectives and as a key source of competitive advantage. To grow and be successful, the Group must be able to attract, motivate and retain capable individuals. When determining remuneration the Board focuses on the following:

> Ensuring competitive rewards are provided to attract and retain talent;

> Linking remuneration to performance so that higher levels of performance attract higher rewards;

> Aligning rewards of all staff, but particularly senior management, to the creation of long term value to shareholders; and

> Ensuring the overall cost of remuneration allows for an appropriate return to shareholders over the long term.

Directors' Report (cont.)

Remuneration of Non-Executive Directors

The total amount provided to Non-Executive Directors for their services must not exceed in aggregate and in any financial year the amount fixed by the Company at its annual general meeting. This amount has been fixed by the Company at $500,000 per annum. Any change to the aggregate annual sum is required to be approved by shareholders.

Remuneration of Non-Executive Directors during the year

Mr Kenneth Moelis and Mr Joseph Simon do not receive any remuneration for their role as Non-Executive Directors.

Mr Jeffery Browne is paid a fixed fee of $150,000 per annum plus reimbursement of expenses for his role as Non-Executive Director and Independent Chairman.

Remuneration of Executive Key Management Personnel

In this Remuneration Report the term "Executive KMP" is used to refer to Mr Pridham, Mr Biggins and Mr Thomson, being the key management personnel who receive a variable level of remuneration.

To achieve the aims of attracting, motivating and retaining capable individuals remuneration for all employees includes a mix of fixed and variable remuneration. The fixed component is delivered through a base salary inclusive of superannuation. The variable component is delivered through the annual bonus scheme. The process for determining remuneration is the same for all employees, but in this Remuneration Report the process is described to the extent it applies to Executive KMP.

Each Executive KMP is eligible to participate in the annual bonus scheme. The Executive KMP must be employed at the time bonuses are paid in order to receive a bonus. Payment of bonuses may be in cash or in equity, or a combination of both.

The review of salaries and the payment of bonuses to Executive KMP and whether it is delivered in cash and/or equity is determined annually by the Board on recommendation from the Nomination and Remuneration Committee. In determining salary increases (if any) and the bonus amounts (if any) for Executive KMP, the Board takes into account a range of factors including the performance of the Group, market remuneration levels, key metrics such as total compensation of all employees as a percentage of Group revenue, as well as the performance of each Executive KMP. In determining what proportion of the aggregate annual bonus is provided in equity, the Board takes into account a number of factors including the need to align Executive KMP with the goals of the Group as well as market practice.

The Group's Equity Incentive Plan allows a variety of types of equity to be issued to employees (including to Executive KMP), including Shares, rights to receive Shares in the future, or Share Options. Such equity is subject to vesting conditions as determined by the Board including continuation of employment with the Group. Generally employees who leave before the relevant vesting dates will forfeit their equity. The Board retains discretion to allow employees to retain their equity upon ceasing employment, and may do so depending on the particular circumstances of an employee's departure. Recipients of equity grants are not allowed to hedge their economic interest.

For the 2017 year-end bonus, the Board has granted employees a combination of cash and the right to receive Shares in the future ("2017 Share Rights"). The 2017 Share Rights are subject to a continuation of employment vesting condition, with one fifth vesting every year commencing on 1 January 2019, and then each successive year until the last fifth vests on 1 January 2023. The 2017 Share Rights entitle the recipient to receive a payment equivalent to the dividend paid by the Company (if any), but excluding the dividend to be paid in March 2018.

The 2017 Share Rights vesting conditions do not include meeting future performance hurdles or targets, as the Board considers that the 2017 annual bonus, including the 2017 Share Rights granted to Executive KMP and all other employees is remuneration for performance during the 2017 year.

The value of each 2017 Share Right was $6.08, determined by reference to the trading in the Company's shares in the five business days up to and including 22 December 2017, adjusted for the dividend to be paid in March 2018.

Directors' Report (cont.)

The table below sets out the 2017 Share Rights granted to Executive KMP in relation to the 2017 annual bonus:

KEY MANAGEMENT PERSONNEL	NUMBER OF 2017 SHARE RIGHTS GRANTED	VALUE OF 2017 SHARE RIGHTS GRANTED
Andrew Pridham	–	–
Julian Biggins	144,326	$877,502
Hugh Thomson	27,632	$168,003

The 2017 year is the first year that a component of the annual bonus has been delivered in equity, and as such there were no equity rights vesting or forfeited during 2017.

The 2017 Share Rights vest 1/5th each year and are subject to continuous employment. Should the Executive KMP leave prior to 31 December 2018, and the Board not exercise any discretion, the Executive KMP would forfeit 100% of their Share Rights. If the Executive KMP were to remain employed with the group for five years to 1 January 2023, then the Executive KMP will have received the maximum number of Shares shown in the table above.

The Shares required to discharge the liability under the Share Rights granted to Mr Biggins will be acquired by the Employee Share Trust through purchases on-market.

The table below provides the relative proportions of 2017 remuneration, including the 2017 annual bonus:

	FIXED	VARIABLE (CASH) BONUS	VARIABLE (EQUITY) BONUS
Andrew Pridham	100%	–%	–%
Julian Biggins	19%	45%	37%
Hugh Thomson	42%	38%	20%

Mr Pridham elected not to be considered for a bonus.

Performance of Key Management Personnel

The review of the performance of the Executive KMPs includes both qualitative and quantitative factors, including the financial performance of the Group. The performance of each Executive KMP determines his or her annual bonus and any salary increase. The Independent Chairman receives a fixed fee regardless of performance, and the other two Non-Executive Directors receive no remuneration.

For financial performance, a key measurement is how the Group has performed compared to the forecast included in its Prospectus. As part of the listing 20% of the expanded share capital of the Group was offered to the public at a price of $2.35. The table below compares the Group's actual performance for 2017 against the forecast included in the Prospectus. As 2017 is the first year that the Group has been listed, the table does not include the performance of the preceding four years.

	YEAR ENDED 2017	IPO FORECAST	% CHANGE
Statutory EBITDA $ million	43.1	25.4	70%
Statutory Comprehensive Income $ million	31.8	18.0	77%
Statutory EPS (cents/share)	23.4	14.3	64%
Underlying EBITDA $ million	41.6	23.5	77%
Underlying NPAT $ million	29.1	16.8	73%
Underlying EPS (cents/share)	23.0	13.5	70%
Company Share price (ASX Code: MOE)	$6.72	$2.35	186%
Dividend declared (cents/Share)	7.0	n/a*	

	2017	2016	
Remuneration of KMP** $ million	3.9	4.4	-30%

* Excludes pre-IPO dividend of $31 million.

** The remuneration of KMP shown in the table above includes salary and annual bonus, including the value of 2017 Share Rights granted.

Statutory remuneration table

The following table discloses total remuneration of Key Management Personnel in accordance with the *Corporations Act 2001*:

	SHORT-TERM EMPLOYEE BENEFITS			LONG-TERM EMPLOYEE BENEFITS	SHARE BASED PAYMENTS	TOTAL REMUNERATION
2017	SALARY & FEES (INCLUDING SUPERANNUATION)	NON-MONETARY AND OTHER	BONUS (CASH COMPONENT)	LONG SERVICE LEAVE	BONUS (EQUITY COMPONENT) & OPTIONS	
Andrew Pridham	$450,000	$37,205	–	$7,117	–	$494,322
Julian Biggins	$450,000	–	$1,072,500	$7,112	$224,873	$1,754,485
Hugh Thomson	$350,000	–	$312,000	–	$43,053	$705,053
Jeffrey Browne	$151,250	–	–	–	$5,226	$156,476
Kenneth Moelis	–	–	–	–	–	–
Joseph Simon	–	–	–	–	–	–
Total	**$1,401,250**	**$37,205**	**$1,384,500**	**$14,229**	**$273,152**	**$3,110,336**

The annual bonus (both cash and equity components) granted to KMP was determined by the Board as explained in the preceding sections of this report. Mr Pridham elected to not be considered for a bonus.

	PAID DURING THE YEAR *		% VESTING IN FUTURE YEARS**	
2017	AMOUNT	% OF TOTAL REMUNERATION	AMOUNT	% OF TOTAL REMUNERATION
Andrew Pridham	$487,205	99%	–	–
Julian Biggins	$1,522,500	63%	$877,502	37%
Hugh Thomson	$662,000	80%	$168,003	20%
Jeffrey Browne	$151,250	84%	$29,431	16%
Total	**$2,822,955**	**72%**	**$1,081,655**	**28%**

* Includes cash component of 2017 annual bonus which will be paid in March 2018.

** In relation to Executive Key Management Personnel, the amount shown as vesting in future years is the 2017 Share Rights which will vest in five annual equal instalments commencing 1 January 2019 and ending 1 January 2023. Vesting is subject to continuation of employment.

Key terms of employment contracts

Chief Executive Officer

Mr Andrew Pridham was appointed as Chief Executive Officer of the Group in 2010. The major terms and conditions of his employment contract are summarised as follows:

> Fixed compensation inclusive of minimum superannuation contributions;

> Car parking within the building occupied by the Group;

> Eligible to participate in the annual bonus incentive scheme, with payment in any one year determined at the discretion of the Board;

> The Group may terminate this employment contract by providing three months written notice or provide payment in lieu of the notice period. Any payment in lieu of notice will be based on the total fixed compensation package. Mr Pridham may terminate this employment contract by providing three months written notice; and

> The Group may terminate the employment contract at any time without notice if serious misconduct has occurred. When termination with cause occurs the CEO is only entitled to remuneration up to the date of termination.

The terms of Mr Pridham's contract were agreed when Moelis Australia was established in 2010 and were based on market conditions at that time. The terms have not been varied since. There are no terms in the contract which affect compensation in future periods.

Directors' Report (cont.)

Other Executive KMP

The employment contracts of other Executive KMP are on the same terms as that of the CEO, but with no car parking entitlement.

KMP equity holdings and other transactions

KMP share holdings

The following table sets out each KMP's interest in shares in the Company as at the date of this report:

	SHARES		
SHARES IN THE COMPANY	BALANCE AT 10 APRIL 2017 (DATE OF LISTING)	ACQUIRED DURING THE PERIOD	BALANCE AT SIGNING DATE
Jeffrey Browne	–	–	–
Kenneth Moelis*	–	–	–
Joseph Simon	–	–	–
Andrew Pridham**	21,552,456	255,058	21,807,514
Julian Biggins**	6,454,411	76,260	6,530,671
Hugh Thomson**	507,469	11,515	518,984

	SHARE RIGHTS		
SHARE RIGHTS IN THE COMPANY	BALANCE AT 10 APRIL 2017 (DATE OF LISTING)	ACQUIRED DURING THE PERIOD	BALANCE AT SIGNING DATE
Jeffrey Browne	–	–	–
Kenneth Moelis	–	–	–
Joseph Simon	–	–	–
Andrew Pridham	–	–	–
Julian Biggins	–	144,326	144,326
Hugh Thomson	–	27,632	27,632

* Mr Moelis has 86.2% of the combined voting power of Moelis & Company class A and class B common stock. As a result, Mr Moelis has a deemed relevant interest in all Shares held by Moelis & Company. However, Mr Moelis does not have any rights to acquire or control the voting rights attached to the Shares held by Moelis & Company.

** Each have a beneficial interest in the number of shares set out in this table as a result of their holdings in the Existing Staff Trusts. Shares beneficially acquired during the year resulted from redemptions of units in the Existing Staff Trusts.

Chairman's options

Prior to its listing, the Company offered Mr Jeffrey Browne (and Mr Browne accepted) the opportunity to purchase 781,250 Share Options, with each option carrying the right to acquire one Share in the Company at a future date. The Share Options were offered to Mr Browne to provide him an interest in the Company, and are not subject to any performance conditions other than continuing to serve as the Company's Independent Chairman. Details of the Share Options granted to Mr Browne on 4 April 2017 are shown in the table below. No Share Options held by Mr Browne were exercised or forfeited during the year.

NUMBER OF OPTIONS ISSUED IN THE YEAR	GRANT DATE SHARE PRICE	EXERCISE PRICE OF OPTION	EARLIEST DATE OF EXERCISE	EXPIRY DATE	VALUE OF OPTIONS AT GRANT DATE (CENTS PER OPTION)	AMOUNT PAID (CENTS PER OPTION)
390,625	$2.35	$2.80	8 April 2019	7 April 2020	5.1	1.7
390,625	$2.35	$3.00	8 April 2020	7 April 2021	4.2	1.8

Loans to KMP

In 2015, Mr Hugh Thomson was granted a loan secured by the units he owned in the Existing Share Trusts. The outstanding loan balance at 31 December 2016 was $179,999. The loan was repaid in full during 2017. The loan was limited recourse to Mr Thomson's units in the Existing Share Trusts, carried nil interest and was for a maximum term of five years. If interest had been charged at an arm's-length basis on the outstanding loan balance during the year, it would have amounted to $4,988.

Transactions with KMP

As a matter of Board policy, all transactions with Directors and Director-related entities are conducted on arm's-length commercial or employment terms.

During the year, the Group paid fees to entities associated with an Executive KMP totalling $79,500 for capital commitments provided to the Company in relation to the Company's underwriting activities.

Financial Report

Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2017

	NOTES	2017 $'000	2016 $'000
Fee and commission income	4	106,889	70,582
Fee and commission expense	3	(6,781)	(8,665)
Net fee and commission income		**100,108**	**61,917**
Other gains and losses	6	3,447	113
Share of profits of associates	27	23	107
Investment income	5	1,257	453
Net income		**104,835**	**62,590**
Personnel expenses	25	44,925	35,130
Marketing and business development expenses		3,873	1,755
Occupancy expenses		2,436	1,658
Communications, data and information technology expenses		3,377	2,224
Termination of onerous contract	35	189	5,728
Depreciation and amortisation	13, 15	968	273
Interest expense	8	488	–
Other expenses	9	6,037	1,330
Total expenses		**62,293**	**48,098**
Profit before income tax		**42,542**	**14,492**
Income tax expense	7	(12,975)	(4,405)
Profit after income tax		**29,567**	**10,087**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		3,625	–
Unrealised (loss)/gain on AFS investments	32	(1,333)	(325)
Total comprehensive income		**31,859**	**9,762**
Profit is attributable to:			
Owners of Moelis Australia Limited		**29,567**	**10,087**
Total comprehensive income is attributable to:			
Owners of Moelis Australia Limited		**31,859**	**9,762**

EARNINGS PER SHARE	NOTES	CENTS	CENTS
Basic earnings per share	36	23.4	10.1
Diluted earnings per share	36	22.8	10.1

The above consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 31 December 2017

	NOTES	2017 $'000	2016 $'000
Assets			
Current assets			
Cash and cash equivalents	22	87,786	37,229
Receivables	10	17,034	17,398
Other financial assets	26	30,459	2,703
Other assets	11	1,559	2,083
Total current assets		**136,838**	**59,413**
Non-current assets			
Restricted cash	12	14,239	1,773
Loans receivable	16	42,500	243
Other financial assets	26	4,763	1,630
Property, plant and equipment	13	1,205	666
Investments in associates and joint ventures	27	59,966	5,242
Deferred tax assets	7	–	3,282
Intangible assets	15	15,560	–
Goodwill	14	9,827	1,326
Total non-current assets		**148,060**	**14,162**
Total assets		**284,898**	**73,575**
Liabilities			
Current liabilities			
Trade and other payables	17	10,106	5,104
Income tax payable	7	5,957	4,498
Provisions	19	14,405	30,277
Total current liabilities		**30,468**	**39,879**
Non-current liabilities			
Creditors		56	111
Borrowings	18	32,150	–
Provisions	19	1,389	611
Deferred tax liability	7	4,767	–
Deferred rent		437	221
Total non-current liabilities		**38,799**	**943**
Total liabilities		**69,267**	**40,822**
Net assets		**215,631**	**32,753**
Equity			
Contributed equity	20	191,507	14,796
Reserves	32	8,493	893
Retained earnings		15,631	17,064
Total shareholders' equity		**215,631**	**32,753**

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

	CONTRIBUTED EQUITY $'000 NOTE 20	SHARE BASED PAYMENT RESERVE $'000 NOTE 34	RETAINED EARNINGS $'000	INVESTMENTS REVALUATION RESERVE $'000 NOTE 32	TOTAL EQUITY $'000
Balance at 1 January 2016	14,796	–	6,977	1,218	22,991
Profit/(loss) for the period	–	–	10,087	–	10,087
Other comprehensive income for the period	–	–	–	(325)	(325)
Balance at 31 December 2016	**14,796**	**–**	**17,064**	**893**	**32,753**
Balance at 1 January 2017	14,796	–	17,064	893	32,753
Profit/(loss) for the period	–	–	29,567	–	29,567
Other comprehensive income for the period	–	–	–	2,292	2,292
Payment of dividends	–	–	(31,000)	–	(31,000)
Issue of ordinary shares	180,141	–	–	–	180,141
Costs of issuing ordinary shares	(1,419)	–	–	–	(1,419)
Treasury shares	(2,011)	–	–	–	(2,011)
Share based payments	–	5,308	–	–	5,308
Balance at 31 December 2017	**191,507**	**5,308**	**15,631**	**3,185**	**215,631**

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2017

	NOTES	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		102,567	62,718
Interest and dividends received		2,974	733
Amounts received/(repaid) to affiliates (Moelis & Company)		280	(202)
Payments to suppliers and employees		(68,144)	(46,044)
Cash generated from operations		**37,677**	**17,205**
Interest paid		(3)	–
Income taxes (paid)/refunded		(9,328)	763
Net cash from operating activities	22	**28,346**	**17,968**
Cash flows from investing activities			
Payments to acquire financial assets		(33,280)	(5,640)
Proceeds on sale of financial assets		4,388	1,356
Amounts (advanced) to third parties		(44,951)	–
Receipts/(payments) for employee loans		1,497	(213)
Payments to acquire shares in associates		(54,750)	–
Capital returns received from associates		3,234	–
Net cash outflows to acquire shares in subsidiary companies	33	(9,645)	–
Payments to acquire property, plant and equipment		(805)	(249)
Net cash used in investing activities		**(134,312)**	**(4,746)**
Cash flows from financing activities			
Proceeds from issue of shares		169,150	–
Share issue transaction costs		(2,414)	–
Proceeds from borrowings		32,150	–
Amounts paid to Employee Share Trust		(11,105)	–
Proceeds from share based payments		133	–
Amounts received/(advanced) to related parties		64	(64)
Dividends paid		(31,000)	–
Net cash used in financing activities		**156,978**	**(64)**
Net increase in cash and cash equivalents		**51,012**	**13,158**
Cash and cash equivalents at the beginning of the year		37,229	24,009
Effects of exchange rate changes on the balance of cash held in foreign currencies		(455)	62
Cash and cash equivalents at the end of the year	22	**87,786**	**37,229**

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a Basis of preparation

The principal accounting policies adopted in the preparation of this Financial Report and that of the previous financial year are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

This Financial Report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and complies with other requirements of the law. The Financial Report comprises the consolidated financial statements of the Group and accompanying notes. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The Group is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

All amounts are presented in Australian dollars.

The financial statements were authorised for issue by Directors on 19 February 2018.

Compliance with International Financial Reporting Standards

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

Historic cost convention

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair value at the end of the reporting period. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

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 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 measurements that have some similarities to fair value but are not fair value, such as 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.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the Financial Report requires the use of judgment, estimates and assumptions. Should different assumptions or estimates be applied, the resulting values may change, impacting the net assets and income of the Group. These estimates and assumptions are reviewed on an ongoing basis. The nature of the significant estimates and judgments made are noted below.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

a Basis of preparation (cont.)

(i) Assessment of control and significant influence

Three of the funds that the Group manages (Moelis Australia Redcape Hotel Group, Global Wealth Partners Credit Opportunity Fund I and Moelis Australia Aged Care Fund) (each a "Fund"), have investors that include the Group, in its corporate capacity, and other funds the Group manages. The accounting treatment of the Group's investment in a Fund depends on whether the Group is deemed to control the Fund (in which case the Fund is to be consolidated), or whether the Group has significant influence over the Fund (in which case the investment in the Fund is to be equity accounted). AASB 10 *Consolidated Financial Statements* sets out the factors to be taken into consideration when determining whether the power that the Group may have over a Fund constitutes control. The factors include considering the magnitude and variability of returns that the Group may receive by virtue of its remuneration as the Fund's trustee or manager, its direct investment in the Fund and the holdings that other Moelis managed funds may have in the Fund. AASB 10 does not include a prescriptive method of calculation, nor a 'bright line' as to the level of magnitude or variability above which the Group would be deemed to control a Fund. The Group has undertaken the exercise of quantifying magnitude and variability of returns for each Fund, and has concluded that it does not control any of the Funds but does retain significant influence for each of them.

Refer to note 27 for financial information on the performance and financial position of each of the Funds.

(ii) Determining fair value of finite life intangible asset

During the year the Group acquired Armada Funds Management, a real estate funds manager that earns revenue from existing fund management contracts and has the potential to generate additional revenue from the establishment of new funds. The aggregate value of the forecast profit generated from each existing fund has been recorded as an intangible asset. In determining the values of the forecast profit generated from each existing fund, a number of estimates and assumptions were required to be made including:

- likely life of each fund;
- assumptions as to revaluation of fund assets, maintenance of fee rates and transactional fees;
- reduction in overheads as funds are terminated; and
- appropriate discount rate to apply to forecast cashflows (refer to note 15 for further information).

(iii) Impairment of intangible assets including goodwill

Determining whether goodwill or other intangible asset is impaired requires an estimation of the fair value less costs and/or the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Information on the judgements used in determining the value in use is provided in note 14 for goodwill and note 15 for intangible assets.

The carrying amount of goodwill at 31 December 2017 was $9.8 million (31 December 2016 $1.3 million). The carrying amount of intangible assets at 31 December 2017 was $15.6 million (31 December 2016 $nil).

(iv) Employee benefits

Employee benefits include share rights granted to staff on commencement of employment and as part of the 2017 bonus, the vesting of which are subject to continuous employment. The value of these grants is amortised over the vesting period, on the basis that employees do not leave prior to vesting. The value of the grant has been determined by reference to the trading in the Company's shares. The amortising period commences from the date employees first had an expectation of receiving an equity component to their annual bonus, and was assessed as 1 March 2017. Determination of this date required a degree of judgement. Further information on share based payments is included in note 34.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

(v) Impairment of investments available for sale, interests in associates and joint ventures

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The Group assesses impairment of non-financial assets (other than goodwill and other indefinite life intangible assets) at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment indicator exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in notes 27 and 29.

(vi) Impairment of loans and receivables

The recovery of each loan and each account receivable balance is assessed individually. The assessment takes into account a range of factors including the age of the debt, prior history of the debtor, prior experience in recovery of similar debts and the particular circumstances of the debtor, for instance if it has entered into administration. Where full recovery is in doubt a provision for impairment is raised. For further information refer note 10.

(vii) Options

The Company granted options to employees and its Chairman prior to its IPO. For accounting purposes, the fair value of the options is amortised as an expense over the life of the options. Determining the fair value for accounting purposes required a number of assumptions and judgements to be made, particularly as the Company's shares had no prior history of traded price. Refer note 34 for details.

(viii) Revenue recognition

Fees on Corporate Advisory assignments are typically subject to performance criteria and other conditions, including ones outside of the Group's control. The Group is required to exercise judgement when recognising revenue, as to whether it is highly probable that any conditions attached to earning a fee will not affect its ultimate receipt.

b Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

> has power over the investee;

> is exposed to, 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.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

b Basis of consolidation (cont.)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

c Revenue recognition

Fee and commission income includes fees from fund management, brokerage, corporate advisory, and underwriting and is recognised as the related services are performed. Where commissions and fees are subject to clawback or meeting certain performance hurdles, they are recognised as income when it is highly probable those conditions will not affect the outcome. Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are capitalised and included in the effective interest rate and recognised in the income statement over the expected life of the instrument. Performance fees from Moelis Australia managed unlisted funds are recognised when the fee can be reliably measured and its receipt is highly probable. Factors that are taken into consideration include:

> the proportion of assets already realised;

> returns on assets realised to-date;

> downside valuation on remaining unrealised assets and reliability of those estimates; and

> nature of unrealised investments and their returns.

Dividends and distributions are recognised as income when the Group becomes entitled to the dividend or distribution.

Interest income is brought to account using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs associated with loans are capitalised and included in the effective interest rate and recognised in the income statement over the expected life of the instrument.

Interest income is included with dividend and distribution income as "investment income" in the consolidated statement of profit or loss and other comprehensive income.

d Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

e Foreign Currency Transactions

The financial statements of the Group are presented in the currency of the primary economic environment in which the Group 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 Group 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. Foreign exchange differences arising on translation are recognised in the profit or loss. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The rate used to translate foreign currency denominated assets and liabilities balances at year end was USD 0.7807 and CAD 0.9800.

Notes to the Consolidated Financial Statements *(cont.)*

for the year ended 31 December 2017

f Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, bonus, annual leave and long service leave in the period the related service is rendered.

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 the reporting date.

g Taxation

The Group is a tax-consolidated group (Tax Group) under Australian taxation law, of which Moelis Australia Limited is the head entity. As a result, Moelis Australia Limited is subject to income tax as the head entity of the Tax Group. The consolidated current and deferred tax amounts for the Tax Group are allocated to the members of the Tax Group using the 'separate taxpayer within group' approach, with deferred taxes being allocated by reference to the carrying amounts in the financial statements of each member entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

Entities within the Tax Group have entered into a tax funding agreement and a tax sharing agreement with the head entity. Under the terms of the tax funding agreement, Moelis Australia Limited and its subsidiaries have agreed to pay a tax equivalent payment to or from the head entity equal to the tax liability or asset assumed by the head entity for that period as noted above. The amount arising under the tax funding arrangement for each period is equal to the tax liability or asset assumed by the head entity for that period and no contribution from (or distribution to) equity participants arises in relation to income taxes.

The tax sharing agreement entered into between members of the Tax Group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the Tax Group. The effect of the tax sharing agreement is that each company in the Tax Group's liability for tax payable by the Tax Group is limited to the amount payable to the head entity under the tax funding arrangement.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

g Taxation (cont.)

Deferred Tax (cont.)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

h Plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation periods are: computer and office equipment 3 years, furniture and fittings 7 years and leasehold improvements are amortised over the term of the lease.

The gain or loss arising on the disposal or retirement of an item of property, plant 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.

i 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). Where 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.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-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.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

j Provisions

Provisions are recognised when the Group has a present obligation (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. When 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.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Loans and receivables

The recovery of each loan and each account receivable balance is assessed individually for any evidence of impairment. The assessment takes into account a range of factors including the age of the debt, prior history of the debtor, prior experience in recovery of similar debts and the particular circumstances of the debtor, for instance if it has entered into administration. Where full recovery is in doubt, a provision for impairment is raised.

k Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) 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

(ii) for receivables and payables that 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.

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

l Share-based payments transactions of the Group

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of fair value of equity-settled share-based transactions are set out in note 34.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

m 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) 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.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. 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.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (i) held-to-maturity or (iii) financial assets at fair value through profit or loss.

Listed shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and are held at cost. Fair value is determined in the manner described in note 26. 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, 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.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where 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 equity instruments, 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 objective evidence of impairment for shares classified as available-for-sale.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

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.

In respect of AFS equity securities, 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.

Notes to the Consolidated Financial Statements *(cont.)*

for the year ended 31 December 2017

Financial liabilities and equity instruments

Classification as debt or equity

Debt or equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

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

n Loans receivable

Loans and receivables are recognised at fair value on settlement date, when cash is advanced to the borrower and are held at amortised cost. A provision for impairment is recognised when there is objective evidence of impairment, and is calculated based on the present value of expected future cash flows, discounted using the original effective interest rate.

o 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 where there is 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.

p Investments in associates and joint ventures

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

p Investments in associates and joint ventures (cont.)

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 or joint venture. An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, 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. 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 or a joint venture. 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 of disposal) 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.

q Intangible assets

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 their initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

For intangible assets that have a finite useful life, an assessment is made at each reporting date for indications of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Intangible assets (other than goodwill) that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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.

r Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the date of acquisition.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with AASB 139 *Financial Instruments*, or AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts or circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

s Earnings per share

Basic earnings per share is calculated by dividing the Group's profit after income tax by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the Group's profit after income tax adjusted by profit attributable to all the dilutive potential ordinary shares by the weighted average number of ordinary shares and potential ordinary shares that would be issued on the exchange of all the dilutive potential ordinary shares into ordinary shares.

t Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds. Contributed equity includes shareholder contributions made prior to the Company's IPO.

u Comparatives

Where necessary, comparative information has been restated to conform to changes in presentation in the current year.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

2 APPLICATION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS

Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2017.

AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements

The amendments to AASB 127 Separate Financial Statements, allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

> At cost;

> In accordance with AASB 9 Financial Instruments (or, where AASB 9 is not applied, AASB 139 Financial Instruments: Recognition and Measurement); or

> Using the equity method as described in AASB 128 Investments in Associates and Joint Ventures.

The company has continued to account for its investments in subsidiaries, joint ventures and associates at cost in its separate financial statements.

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

The Group has applied these amendments for the first time in the current year. The amendments impact various Accounting Standards, which are summarised below:

The amendments to AASB 134 Interim Financial Reporting make provision for disclosures required by the Standard to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The application of these amendments has had no effect on the Group's consolidated financial statements.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The Group has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an AASB if the information resulting from that disclosure is not material and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in AASB is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other Accounting Standards:

(a) Will not be reclassified subsequently to profit or loss.

(b) Will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not had a material presentation impact on the financial performance or financial position of the Group.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, interpretations and amendments that have been issued but not yet effective. The Group is currently assessing the impact of these standards.

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 9 'Financial Instruments', AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2014-1 Amendments to Australian Accounting Standards (Part E – Financial Instruments), AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	1 January 2018	31 December 2018
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15', AASB 2016-3 'Amendments to Accounting Standards – Clarifications to AASB 15'	1 January 2018	31 December 2018
AASB 16 'Leases'	1 January 2019	31 December 2019
AASB 2017-1 'Amendments to Australian Accounting Standards – Annual Improvements 2014-2016 Cycle and Other Amendments'	1 January 2018	31 December 2018
AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions'	1 January 2018	31 December 2018
AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128	1 January 2018	31 December 2018
AASB 2017-7 'Long Term Interests in Associates and Joint Ventures' (amendments to AASB128)	1 January 2018	31 December 2018
AASB Interpretation 23: 'Uncertainty Over Income Tax Treatments' AASB2017-4 amendments to Australian Accounting Standards – uncertainty over income tax treatments	1 January 2019	31 December 2019
AASB Interpretation 22: 'Foreign Currency Transactions and Advance Considerations'	1 January 2018	31 December 2018

AASB 9 Financial Instruments

AASB 9 issued in December 2009 introduced new requirements for the classification and measurement of financial assets. AASB 9 was subsequently amended in December 2010 to include requirements for the classification and measurement of financial liabilities and for recognition, and in December 2013 to include the new requirements for general hedge accounting. Another revised version of AASB 9 was issued in December 2014 mainly to include: (a) impairment requirements for financial assets (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of AASB 9:

> All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments for principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt instruments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under AASB 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

2 APPLICATION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS (cont.)

Standards and Interpretations in issue not yet adopted (cont.)

AASB 9 Financial Instruments (cont.)

> With regard to the measurement of financial liabilities designated as at fair value through profit or loss, AASB 9 requires that the amount of changes in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under AASB 139 Financial Instruments: Recognition and Measurement, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

> 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 an entity 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. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

> The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in AASB 139. Under AASB 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

AASB 9 applies to annual periods beginning on or after 1 January 2018. The directors of the Company anticipate that the application of AASB 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of AASB 9 until the Group undertakes a detailed review.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of AASB 9 to include:

> Listed shares classified as available for sale as disclosed in note 26: these shares qualify for designation as measured at FVOCI under AASB 9, however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under AASB 9, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income

> Receivables and loans as disclosed in note 10 and 16: these assets require an assessment of impairment to be based on an expected credit loss model. While the Group's history of credit losses on its trade receivables is low, the Group has recently provided commercial loans. The use of an expected credit loss model may result in a higher provision for bad debt expense.

AASB 15 Revenue from Contracts with Customers

The Group recognises revenue from the following major sources:

> Advisory revenue from corporate advisory services

> Commission revenue from institutional stockbroking services

> Asset management fees from asset management services, including performance fees

The Directors have assessed that advisory revenue and performance fees have separate performance obligations within the stream. Revenue will be recognised when the performance obligations have been satisfied and when the goods and services underlying the particular performance obligation is transferred to the customer. This is similar to the current identification of separate revenue components under AASB 118 *Revenue*.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

AASB 16 Leases

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB 16 will supercede the current lease guidance including AASB 117 *Leases* and the related interpretations when it becomes effective.

AASB 16 distinguishes leases and service contacts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases or leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under AASB 117 are presented as operating cash flows; whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by AASB 16.

The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for the operating leases of its premises. In addition, the nature of the expenses related to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-Based Payment Transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
   - (i) the original liability is derecognised;
   - (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
   - (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements as the Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

Notes to the Consolidated Financial Statements *(cont.)*

for the year ended 31 December 2017

2 APPLICATION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS (cont.)

Standards and Interpretations in issue not yet adopted (cont.)

AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture AASB 10 & AASB 28 and AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128

The amendments to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investment in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments was amended by AASB 2015-10 and now applies for annual reporting periods beginning on or after 1 January 2018. The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's consolidated financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 FEE AND COMMISSION EXPENSE

	2017 $'000	2016 $'000
Costs associated with execution and clearing of securities trading	961	1,075
Commissions and fees paid on asset management revenue	5,820	7,590
Total fee and commission expense	**6,781**	**8,665**

4 SEGMENT INFORMATION

4.1 Services from which reportable segments derive their revenues

AASB 8 *Operating Segments* requires the 'management approach' to disclose information about the Group's reportable segments. The financial information is reported on the same basis as used by senior management for evaluating operating segment performance and for deciding how to allocate resources to operating segments.

The Group is divided into the following two operating segments:

> Corporate advisory and equities ("CA&E"); and

> Asset management.

The corporate advisory and equities segment provides corporate advice, underwriting and institutional stockbroking services.

The asset management segment provides asset and fund management services to Moelis managed funds and to individual clients.

Some of the financial information of the two operating segments used by Management is produced using different measures and different classifications to that used in preparing the statutory statement of comprehensive income. Differences in measurement may occur if Management disregards one-off transactions costs or non-cash expenses such as intangible amortisation in measuring the operating business' performance. A description of these differences and their impact is included in the table below.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

4.2 Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

2017	CA&E $000s	ASSET MAN $000s	TOTAL OPERATING SEGMENTS $000s	DIFFERENCES IN MEASUREMENT $000s	CLASSIFICATION OF OTHER COMPREHENSIVE INCOME $000s	STATEMENT OF COMPREHENSIVE INCOME $000s
Fee and commission income	62,859	44,030	**106,889**	–	–	**106,889**
Net income[1]	63,756	43,412	**107,168**	–	(3,274)	**103,894**
Expenses[2]	(43,262)	(22,282)	**(65,544)**	4,708	–	**(60,836)**
Earnings before interest, tax and depreciation & amortisation	20,494	21,130	**41,624**	4,708	(3,274)	**43,058**
Interest income	219	721	**940**	–	–	**940**
Interest expense	(98)	(390)	**(488)**	–	–	**(488)**
Depreciation and amortisation	(186)	(80)	**(266)**	(702)	–	**(968)**
Profit before tax	20,429	21,381	**41,810**	4,006	(3,274)	**42,542**
Tax	(6,232)	(6,524)	**(12,756)**	(1,201)	982	**(12,975)**
Profit after tax	14,197	14,857	**29,054**	2,805	(2,292)	**29,567**
Other comprehensive income	–	–	–	–	2,292	**2,292**
Total comprehensive income	**14,197**	**14,857**	**29,054**	**2,805**	**–**	**31,859**

2016	CA&E $000s	ASSET MAN $000s	TOTAL OPERATING SEGMENTS $000s	DIFFERENCES IN MEASUREMENT $000s	CLASSIFICATION OF OTHER COMPREHENSIVE INCOME $000s	STATEMENT OF COMPREHENSIVE INCOME $000s
Fee and commission income	47,391	23,191	**70,582**	–	–	**70,582**
Net income[1]	46,193	15,601	**61,794**	–	464	**62,258**
Expenses[2]	(33,637)	(8,461)	**(42,098)**	(5,727)	–	**(47,825)**
Earnings before interest, tax and depreciation & amortisation	12,556	7,140	**19,696**	(5,727)	464	**14,433**
Interest income	263	68	**331**	–	–	**331**
Interest expense	–	–	**–**	–	–	**–**
Depreciation and amortisation	(191)	(82)	**(273)**	–	–	**(273)**
Profit before tax	12,628	7,126	**19,754**	(5,727)	464	**14,491**
Tax	(3,788)	(2,138)	**(5,926)**	1,661	(139)	**(4,404)**
Profit after tax	8,840	4,988	**13,828**	(4,066)	325	**10,087**
Other comprehensive income	–	–	–	–	(325)	**(325)**
Total comprehensive income	**8,840**	**4,988**	**13,828**	**(4,066)**	**–**	**9,762**

1 Excludes interest income which is shown on a separate line.

2 Excludes interest expense, depreciation and amortisation which are shown on separate lines.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

4 SEGMENT INFORMATION (cont.)

4.2 Segment revenues and results (cont.)

DIFFERENCES IN MEASUREMENT	2017 $'000	2016 $'000
Listing costs[1]	(989)	–
Termination of Onerous Contract[2]	(189)	(5,727)
Armada acquisition adjustments[3]	(3,262)	–
Shares issued to staff as remuneration[4]	8,446	–
Impact on profit before tax	**4,006**	**(5,727)**
Tax thereon	(1,201)	1,661
Impact on profit after tax	**2,805**	**(4,066)**

1 The costs relating to the Company's Initial Public Offering.

2 Relates to an agreement accounted for as an onerous contract (refer note 35). The agreement was terminated in April 2017.

3 The adjustment for Armada comprises legal and other acquisition expenses, the amortisation of its intangible assets and the share based payment expenses relating to the shares issued to Armada's vendors (now Group employees).

4 In the financial statements the value of Share Rights granted to employees is amortised over the vesting period (which is up to five years), with only a portion of the value being expensed in 2017. The underlying result includes the full value of the grant as an expense in 2017.

4.3 Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	SEGMENT	2017 $'000	2016 $'000
Corporate advice	CA&E	52,298	36,737
Equity services	CA&E	10,561	10,654
Management fees	Asset Management	35,745	21,824
Transaction fees	Asset Management	8,285	820
Performance fees	Asset Management	–	547
Total revenue from major products and services		**106,889**	**70,582**

4.4 Geographical information

The Group operates in Australia.

4.5 Information about major customers

Total revenue includes $18.8 million received from one of the funds managed by the Group. No other single customer contributed 10% or more to the Group's revenue for both 2017 and 2016.

5 INVESTMENT INCOME

	2017 $'000	2016 $'000
Continuing operations		
Interest income on cash and bank balances	940	331
Dividends and distributions from investments for available for sale financial assets	317	122
Total investment income	**1,257**	**453**

Income relating to realised gains/(losses) on financial assets classified at fair value through profit or loss is included in 'other gains and losses' in note 6.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

6 OTHER GAINS AND LOSSES

	2017 $'000	2016 $'000
Gain on disposal of available-for-sale investments	3,902	37
Net foreign exchange gains/(losses)	(455)	76
Total other gains and losses	**3,447**	**113**

7 INCOME TAX

7.1 Income tax recognised in profit or loss

	2017 $'000	2016 $'000
Profit before tax from continuing operations	42,542	14,492
Prima facie tax at the Australian tax rate of 30%	(12,763)	(4,348)
Effect of income that is exempt from tax	207	–
Non-deductible expenses	(784)	(57)
Sundry items	365	–
Income tax expense	**(12,975)**	**(4,405)**
Represented by:		
Current tax	(10,786)	(4,899)
Deferred tax	(2,189)	494
Income tax expense	**(12,975)**	**(4,405)**

7.2 Income tax recognised in other comprehensive income

	2017 $'000	2016 $'000
Deferred tax		
Fair value remeasurement of available-for-sale investments	572	139
Share of revaluations in associates	(1,554)	–
Income tax expense recognised in other comprehensive income	**(982)**	**139**

7.3 Current tax assets and liabilities

	2017 $'000	2016 $'000
Current tax liabilities		
Income tax payable	**5,957**	**4,498**

7.4 Deferred tax balances

	2017 $'000	2016 $'000
Deferred tax assets/(liabilities)	**(4,767)**	**3,282**

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

7 INCOME TAX (cont.)

7.4 Deferred tax balances (cont.)

2017 $'000	OPENING BALANCES	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	(ACQUISITIONS)/ DISPOSALS	CLOSING BALANCE
Plant & equipment	44	(9)	–	–	35
AFS financial assets	(383)	–	572	–	189
Interest in associates	–	975	(1,554)	–	(579)
Deferred revenue	(1,027)	242	–	–	(785)
Provisions	4,061	(2,818)	–	(365)	878
Doubtful debts	16	227	–	–	243
Expense accruals	505	(1,308)	–	–	(803)
Intangible assets	–	211	–	(4,879)	(4,668)
Share based payments	–	222	–	–	222
Other	66	435	–	–	501
Total	**3,282**	**(1,823)**	**(982)**	**(5,244)**	**(4,767)**

2016 $'000	OPENING BALANCES	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	ACQUISITIONS/ DISPOSALS	CLOSING BALANCE
Property, plant & equipment	31	13	–	–	44
AFS financial assets	(522)	–	139	–	(383)
Deferred revenue	(328)	(700)	–	–	(1,028)
Provisions	3,053	1,009	–	–	4,062
Doubtful debts	23	(7)	–	–	16
Expense accruals	321	184	–	–	505
Other	70	(4)	–	–	66
Total	**2,648**	**495**	**139**	**–**	**3,282**

8 INTEREST EXPENSE

	2017 $'000	2016 $'000
Interest on unsecured notes	488	–
Total interest expense	**488**	**–**

Refer note 18, for more detail on the unsecured note programme.

9 OTHER EXPENSES

	2017 $'000	2016 $'000
Charitable donations	2,400	11
Professional fees	903	611
IPO costs	989	–
Other	1,745	708
Total other expenses	**6,037**	**1,330**

The charitable donations paid by the Group in 2017 were made to the Moelis Australia Foundation, a registered charity, and were made in response to some Group staff members electing not to receive some or all of the bonus that they might otherwise have been awarded.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

10 RECEIVABLES

	2017 $'000	2016 $'000
Accounts receivable	836	667
Fees receivable	15,857	15,728
Interest receivable	26	38
Affiliate receivable – Moelis & Company	–	185
Associate receivable – GWP Credit Fund	–	588
Sundry debtors	1,123	245
Provision for bad debts	(808)	(53)
Total receivables	**17,034**	**17,398**

Fees receivable disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because the amounts are still considered recoverable.

Age of receivables that are past due but not impaired

	2017 $'000	2016 $'000
60-90 days	303	–
90-120 days	577	114
Total	**880**	**114**
Average age (days)	**113**	**135**

Movement in the allowance for doubtful debts

	2017 $'000	2016 $'000
Balance at beginning of the year	53	78
Impairment losses recognised on receivables	770	
Amounts written off during the year as uncollectible	–	–
Impairment losses reversed	(15)	(25)
Balance at end of the year	**808**	**53**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to $770,000 (31 December 2016 $nil) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds.

11 OTHER ASSETS (CURRENT)

	2017 $'000	2016 $'000
Prepayments	686	382
Loans to employees	348	1,602
Other	525	99
Total other assets	**1,559**	**2,083**

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

12 RESTRICTED CASH

	2017 $'000	2016 $'000
Cash held by Employee Share Trust	10,000	–
Collateral held by equities clearing house	2,700	500
Cash supporting premises bonds	1,539	1,273
Total restricted cash	**14,239**	**1,773**

13 PLANT AND EQUIPMENT

	2017 $'000	2016 $'000
Office equipment – at cost		
Balance at beginning of year	257	241
Additions	337	193
Depreciation	(207)	(177)
Balance at end of year	387	257
Furniture and fixtures – at cost		
Balance at beginning of year	202	164
Additions	45	56
Depreciation	(22)	(18)
Balance at end of year	225	202
Computer software – at cost		
Balance at beginning of year	–	–
Additions	81	–
Depreciation	(4)	–
Balance at end of year	77	–
Leasehold improvements – at cost		
Balance at beginning of year	207	285
Additions	342	–
Depreciation	(33)	(78)
Balance at end of year	516	207
Consolidated		
Balance at beginning of year	666	690
Additions	805	249
Depreciation expense	(266)	(273)
Balance at end of year	**1,205**	**666**

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

	2017 $'000	2016 $'000
Office equipment – at cost	1,391	1,055
Less accumulated depreciation	(1,005)	(798)
Total office equipment	**386**	**257**
Furniture and fixtures – at cost	300	255
Less accumulated depreciation	(75)	(53)
Total furniture and fixtures	**225**	**202**
Computer software – at cost	81	–
Less accumulated depreciation	(3)	–
Total computer software	**78**	**–**
Leasehold improvements – at cost	804	462
Less accumulated depreciation	(288)	(255)
Total leasehold improvements	**516**	**207**
Total plant and equipment	**1,205**	**666**

14 GOODWILL

	2017 $'000	2016 $'000
Cost	9,827	1,326
Accumulated impairment losses	–	–
Total goodwill	**9,827**	**1,326**
Goodwill arose from:		
Acquisition of Foresight Securities (2010)	1,326	1,326
Acquisition of Armada Funds Management (2017)	8,501	–
Total goodwill	**9,827**	**1,326**

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

14 GOODWILL (cont.)

The recoverable amounts of the two items of goodwill are determined based on a value in use calculation which uses post-tax cash flow projections based on financial budgets, using the following assumptions:

	FORESIGHT	ARMADA
Timeframe	5 years	5 years
Post-tax discount rate	7.0%	8.5%
CGU to which goodwill is allocated	CA & E	Asset Mangement
Amount of goodwill allocated to CGU (thousands)	1,326	8,501

The following elements have been reflected in the calculation of the value in use:

1. an estimate of future cash flows the entity expects to derive from the asset;
2. the time value of money, represented by the current market risk-free rate of interest;
3. the price for bearing the uncertainty inherent in the asset; and
4. other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

SENSITIVITY	IMPACT ON IMPAIRMENT ASSESSMENT
A 5% reduction in cash flows	no impact
An increase in the post-tax discount rate to 15%	no impact
A decrease in exit value from 3.5% to 2.5%	no impact

15 INTANGIBLE ASSETS

	2017 $'000	2016 $'000
Carrying amounts of:		
Identifiable intangible assets – Armada Funds Management	15,560	–
Cost		
Balance at 1 January 2017	–	–
Acquisitions through business combinations: Armada Funds Management	16,262	–
Balance at 31 December 2017	**16,262**	**–**
Accumulated amortisation and impairment		
Balance at 1 January 2017	–	–
Amortisation expense	(702)	–
Balance at 31 December 2017	**(702)**	**–**

During the year, the Group acquired all of the shares in Rockford Pty Ltd, the holding company of Armada Funds Management a real estate fund manager (refer note 33 for details of the acquisition). Of the total consideration, $16,262,000 was attributed to the aggregate value of the management rights of each of Armada's existing funds.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

The aggregate value of intangible assets acquired was determined as the net present value of the forecast management fees less operating expenses, based on the expected lives of each fund which ranged from 2 years and 7 months to 7 years and nine months.

The amortisation of the aggregate value of the intangible assets over their useful lives is based on the forecast profile of the profit generated by the management of the funds, and is reassessed at the end of each reporting period.

The aggregate recoverable amount of the intangible assets is determined based on a value in use calculation which uses post-tax cash flow projections based on financial budgets over 8 years and a post-tax discount rate of 8.5% per annum.

The following elements have been reflected in the calculation of the value in use:

1. expectations as to the likely lives of each fund (ranging from 2 years to 7 years and nine months).
2. expectations about variations to management fee rates, and amount and timing of transactional fees.
3. the reduction in operating costs as individual funds terminate.
4. a discount rate that reflects the relative security of the cashflows.

SENSITIVITY	IMPACT ON IMPAIRMENT ASSESSMENT
An increase in the discount rate to 10.5%	no impact
A decrease in the expected life of each fund by one year	$1.3m

16 LOANS RECEIVABLE

	2017 $'000	2016 $'000
Loans to employees	–	243
Loans to third parties	42,500	–
Total loans receivable	**42,500**	**243**

Loans to third parties comprise two commercial loans provided to Australian corporates in December 2017. The loans have terms of between one and three years and are secured against the assets of the borrowers. The loans are considered non-investment grade and carry a commensurately higher rate of interest. The loans are the initial assets of a new managed fund, Moelis Australia Senior Secured Credit Fund II, managed by the Group and is currently being marketed to prospective investors.

17 TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
Trade creditors	101	35
Accounts payable and accrued expenses	7,128	4,361
Affiliate payable – Moelis & Company	164	69
Other liabilities	1,819	–
GST payable (net)	894	639
Total trade and other payables	**10,106**	**5,104**

18 BORROWINGS

	2017 $'000	2016 $'000
Unsecured notes	**32,150**	–

Unsecured notes were issued on 18 September 2017 with an interest rate of 5.25% per annum at $32.15 million principal value. The maturity date is 18 September 2020. Issue costs of $24,187 were incurred.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

19 PROVISIONS

	2017 $'000	2016 $'000
Employee benefits*	15,794	17,787
Onerous Contract – refer note 35	–	13,101
Total provisions	**15,794**	**30,888**
Current	14,405	30,277
Non-current	1,389	611
Total provisions	**15,794**	**30,888**

* The provision for employee benefits represents annual leave, long service leave and bonus entitlements accrued. The reduction in the carrying amount of the current provision relating to employee benefits is due to the reduction in the bonus accrual as a result of part of the current year bonus being paid in Share Rights rather than cash and therefore being amortised over the vesting period.

20 CONTRIBUTED EQUITY AND SHARE OPTIONS

20.1 Contributed equity

	2017 $'000	2016 $'000
Ordinary shares – fully paid	**191,507**	**14,796**

	NUMBER OF SHARES	CONTRIBUTED EQUITY $'000
Contributed equity at 1 January 2016*	100,000,000	14,796
Movements	–	–
Contributed equity at 31 December 2016	**100,000,000**	**14,796**
Initial public offering	25,000,000	58,750
Acquisition of Armada Funds Management (refer note 33)	6,382,979	10,085
Issue to Redcape executives	130,718	400
Issue to Employee Share Trust	296,079	906
Placements	22,000,000	110,000
Issue of ordinary shares	**53,809,776**	**180,141**
Cost of issuing Shares	–	(1,419)
	153,809,776	**193,518**
Treasury shares (shares held by Employee Share Trust)**	(546,079)	(2,011)
Contributed equity at 31 December 2017	**153,263,697**	**191,507**

* Number of Shares for the 2016 comparative is adjusted for the pre-listing Share split.

** Of the 546,079 Shares held by the Employee Share Trust, 250,000 were acquired on market at an average price of $4.42 per share.

The Company had authorised share capital amounting to 153,809,776 ordinary shares at 31 December 2017 (2016: 100,000,000). Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

20.2 Share Options

During the year the Company granted Share Options to employees, giving them the right to acquire Shares at a future date at a fixed price. As at 31 December 2017 there were 5.8 million Share Options outstanding (2016: nil). Refer to note 34 for more detail.

Notes to the Consolidated Financial Statements *(cont.)*

for the year ended 31 December 2017

21 DIVIDENDS

	2017 $'000	2016 $'000
Ordinary shares		
Pre-IPO dividend fully franked at a 30% tax rate	31,000	–
Total	**31,000**	**–**
Adjusted franking account balance	3,249	7,713

22 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period are reflected in the related items in the statement of financial position as follows:

	2017 $'000	2016 $'000
Cash and bank balances	**87,786**	**37,229**
Reconciliation of profit for the year to net cash flows from operating activities		
Profit after income tax	29,567	10,087
Adjustments to profit after tax:		
Income tax expense recognised in profit or loss	12,974	4,405
Net foreign exchange (gain)/loss	456	(76)
Realised gain on AFS investments	(3,902)	(37)
IPO costs	989	–
Share based payments	5,181	–
Intangible amortisation	703	–
Share of profits of associates less distributions received	(23)	–
Doubtful debts expense	685	(22)
Depreciation of non-current assets	266	273
	46,896	**14,630**
Movements in working capital:		
(Increase)/decrease in trade and other receivables	130	(7,395)
(Increase)/decrease in other assets	523	1,514
Increase/(decrease) in trade and other payables	5,002	263
Increase/(decrease) in other liabilities	216	(12)
Increase/(decrease) in provisions	(15,093)	8,205
Cash generated from operations	**37,674**	**17,205**
Income taxes (paid)/refunded	(9,328)	763
Net cash generated by operating activities	**28,346**	**17,968**

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

23 OPERATING LEASES

23.1 Leasing arrangements

Moelis Australia Operations Pty Limited signed a tenancy lease on premises at Level 34, 120 Collins Street Melbourne which commenced in January 2015 and is due to expire in December 2021.

Moelis Australia Operations Pty Limited signed a tenancy lease on premises at Level 27 Governor Phillip Tower, Sydney which commenced in January 2016 and expires in December 2021. A lease was signed for additional space on Level 28 Governor Phillip Tower, Sydney which commenced in July 2017 and expires in December 2021.

23.2 Payments recognised as an expense

	2017 $'000	2016 $'000
Minimum lease payments	1,808	1,555
Total payments recognised as an expense	**1,808**	**1,555**

23.3 Non-cancellable operating lease commitments

	2017 $'000	2016 $'000
Current	2,168	1,633
2 to 5 years	7,408	7,312
> 5 years	–	–
Total non-cancellable operating lease commitments	**9,576**	**8,945**

24 REMUNERATION OF AUDITORS

	2017 $'000	2016 $'000
Auditor of the parent entity		
Audit or review of the financial report	398	179
Advisory related services	454	–
Tax related services	125	31
Total remuneration	**977**	**210**

The auditor of Moelis Australia Limited is Deloitte Touche Tohmatsu.

Notes to the Consolidated Financial Statements *(cont.)*

for the year ended 31 December 2017

25 PERSONNEL EXPENSES

	2017 $'000	2016 $'000
Amortisation of share-based payments (refer note 34)	5,175	–
Termination benefits	299	–
Salary, superannuation and bonuses paid in cash	34,317	32,018
Other personnel related expenses, including recruitment fees, payroll tax, insurance, consultants and contractors	5,134	3,112
Total personnel expenses	**44,925**	**35,130**

In 2017 some Group staff members elected not to receive some or all of the bonus that they might otherwise have been awarded. In recognition of this, the Group chose to donate $2.4 million to the Moelis Australia Foundation, a registered charity.

26 OTHER FINANCIAL ASSETS

	2017 $'000	2016 $'000
Current		
Listed securities – available for sale	**30,459**	**2,703**
Non-current		
Listed securities – available for sale	277	210
Unlisted securities	4,486	1,420
Total other financial assets	**4,763**	**1,630**

27 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2017 $'000	2016 $'000
Acure Asset Management Ltd (Acure)	2,501	1,500
GWP Credit Opportunity Fund No 1 (Credit Op Fund)	1,012	3,742
Moelis Australia Redcape Hotel Group (Redcape)	48,147	–
Encore Care Group Pty Ltd (Encore)	–	–
Encore Care Trust (Encore Trust)	1,440	–
Moelis Australia Aged Care Fund (Aged Care Fund)	6,866	–
Total investments in associates and joint ventures	**59,966**	**5,242**

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

27 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (cont.)

27.1 Details of ownership interest activities

ASSOCIATE	NATURE OF INTEREST	PLACE OF OPERATION	ACTIVITY	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP 2017	2016
Acure	Joint Venture	Australia	Fund manager	50.0%	50.0%
Encore	Joint Venture	Australia	Aged care facility operator	50.0%	0%
Encore Trust	Joint Venture	Australia	Aged care facility owner	50.0%*	0%
Credit Op Fund	Associate	Australia	Investor in debt	21.5%	21.5%
Redcape	Associate	Australia	Hotel owner and operator	10.1%	0%
Aged Care Fund	Associate	Australia	Aged care facility operator	10.0%	0%

* the % shown is that of ordinary shares. Encore Trust also has preferred equity on issue. The Group's % of all Encore Trust's equity as at 31 December 2017 was 7.6%.

27.2 Reconciliation of movements in carrying values

$'000	ACURE	CREDIT OP FUND	ENCORE	ENCORE TRUST	REDCAPE	AGED CARE FUND	TOTAL
Opening value as at 1 January 2016	1,500	–	–	–	–	–	1,500
Acquisition	–	4,330	–				4,330
Disposals and capital returns	–	(588)	–	–	–	–	(588)
Share of profit/(loss) of associates and joint ventures for the year	–	107	–	–	–	–	107
Less dividends/distributions received	–	(107)	–	–	–	–	(107)
Closing value as at 31 December 2016	**1,500**	**3,742**	**–**	**–**	**–**	**–**	**5,242**
Acquisition	–	–	310	1,440	46,000	7,000	54,750
Disposals and capital returns	–	(3,550)	–	–	–	–	(3,550)
Share of profit/(loss) of associates and joint ventures for the year	1,001	820	(310)	–	(1,354)	(134)	23
Share of other comprehensive income of associates and joint ventures for the year	–	–	–	–	5,179	–	5,179
Less dividends/distributions received	–	–	–	–	(1,678)	–	(1,678)
Closing value as at 31 December 2017	**2,501**	**1,012**	**–**	**1,440**	**48,147**	**6,866**	**59,966**

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

27.3 Summarised financial information for the Group's material associates and joint ventures.

$'000	ACURE	CREDIT OP FUND	ENCORE	ENCORE TRUST	REDCAPE	AGED CARE FUND
2016						
Current assets	3,377	11,119	–	–	–	–
Non-current assets	102	6,917	–	–	–	–
Current liabilities	(550)	(670)	–	–	–	–
Non-current liabilities	–	–	–	–	–	–
Net assets	2,929	17,366	–	–	–	–
The above amounts of assets and liabilities include the following:						
Cash and cash equivalents	1,323	743	–	–	–	–
Revenue	3,461	549	–	–	–	–
Profit/(loss) for the year	779	498	–	–	–	–
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	779	498	–	–	–	–
2017						
Assets and liabilities						
Current assets	4,704	4,714	674	1,576	27,909	186
Non-current assets	45	–	35,342	37,869	820,464	67,226
Current liabilities	(943)	(19)	(772)	–	(42,495)	–
Non-current liabilities	(18)	–	(35,471)	(21,382)	(338,241)	–
Net assets	3,788	4,695	(227)	18,063	467,637	67,412
The above amounts of assets and liabilities include the following:						
Cash and cash equivalents	1,329	49	458	1,575	16,255	186
Revenue, expenses and results						
Revenue	3,842	3,961	96	341	116,855	–
Profit/(loss) for the year	859	3,805	(846)	227	(13,344)	(1,344)
Other comprehensive income for the year	–	–	–	–	51,055	–
Total comprehensive income for the year	859	3,805	(846)	227	37,711	(1,344)

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

27 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (cont.)

27.4 Further information on Moelis Australia Aged Care Fund

The Aged Care Fund holds a controlling stake in the Infinite Care Group, an operator of aged care facilities.

The magnitude and variability of returns the Group receives from the Aged Care Fund, including the fees it earns as trustee and asset manager and the investment return on its 10% holding, is such that the Group is not considered to control the Aged Care Fund. Its 10% direct holding in addition to its roles as trustee and asset manager is considered sufficient for the Group to retain significant influence over the Aged Care Fund.

27.5 Further information on Moelis Australia Redcape Hotel Group

Moelis Australia Redcape Hotel Group ("Redcape") owns and operates 25 hotels, offering food & beverage, takeaway liquor and gaming. The Moelis Australia Group is the trustee of Redcape and performs hotel operating and asset management services.

In July 2017 Redcape raised $393.5 million in equity in order to acquire the Redcape hotel portfolio for a price of $677 million, plus associated business assets and liabilities and acquisition costs. In December 2017 Redcape raised a further $60 million to assist with funding additional hotel acquisitions. The Group subscribed for $40 million of equity in July 2017 and $6 million in December 2017.

A summary of Redcape's balance sheet at 31 December 2017 is as follows:

	2017 $'000
Cash	16,255
Freehold going concern hotels	807,815
Other assets	24,303
Total assets	848,373
Creditors and accruals	(32,181)
Borrowings	(337,050)
Provision for distributions	(9,021)
Other liabilities	(2,483)
Total liabilities	(380,736)
Net assets	467,637
A summary of Redcape's income statement for the period ending 31 December 2017 is as follows:	
Operating profit	16,014
Acquisition costs	(29,359)
Portfolio revaluation	51,055
Total comprehensive income	**37,710**

Redcape comprises two trusts, Moelis Australia Redcape Hotel Trust No. 1 and No. 2. The Group owns an equal number of units in both trusts and invested in Redcape to gain exposure to the risks and returns flowing from Redcape's hotel portfolio, without regard to how the returns may be realised in the individual trusts. Further the Group has provided an undertaking to the trustee of the two trusts, that it will not sell any of the units it owns in one trust without also selling an equal number of units in the other trust. Consequently the Group considers its investment in Redcape as a single investment. Accordingly the financial information provided in this note 27 has been prepared on a consolidated basis, as if the two trusts were stapled.

As at 31 December 2017 the Group owned 10.1% of Redcape and funds managed by the Group own 41.8% of Redcape. The magnitude and variability of returns the Group receives from the Redcape, including the fees it earns as trustee, asset manager and hotel operator, the increase in fees it earns through the 41.8% owned by other Moelis managed funds and the investment return on its direct 10.1% holding, is such that the Group is not considered to control Redcape. Its 10.1% direct holding in addition to its roles as trustee, asset manager and hotel operator is considered sufficient for the Group to retain significant influence over Redcape.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

28 PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 31 December 2017 the parent entity of the group was Moelis Australia Limited.

	2017 $'000	2016 $'000
Result of the parent entity		
Profit/(loss) for the period	31,421	4,042
Other comprehensive income	63	(158)
Total comprehensive income/(loss) for the period	**31,484**	**3,884**
Financial position of parent entity at year end		
Current assets	201,239	14,208
Total assets	208,673	21,642
Current liabilities	6,673	4,556
Total liabilities	6,673	4,556
Total equity of the parent entity comprising of:		
Contributed equity	191,507	14,796
Reserves	7,716	0
Retained earnings	2,777	2,290
Total equity	**202,000**	**17,086**

Parent entity contingencies

The parent entity had no contingencies at year end other than those already disclosed in the financial statements.

Parent entity guarantees in respect of the debts of its subsidiaries

There are no guarantees currently in place in relation to the debts of the parent entity's subsidiaries.

29 FINANCIAL INSTRUMENTS

29.1 Financial risk management objectives

The Group's principal financial assets comprise cash and cash equivalents, trade and other receivables, commercial loans and investments in listed and unlisted securities. The Group's principal financial liabilities comprise trade and other creditors and borrowings.

The Group's activities expose it to a variety of financial risks: for example, market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to ensure the potential adverse effects on the financial performance of the Group are kept to within acceptable limits. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, and ageing analysis for credit risk.

Risk management is carried out by senior management and the Board. The Board identifies and monitors the risk exposure of the Group and determines appropriate procedures, controls and risk limits. Senior management identifies, evaluates and monitors financial risks within the Group's operations.

There has been no change to the nature of the financial risks the Group is exposed to, or the manner in which these risks are managed and measured, other than the risks introduced as a result of the issuance of loan notes. The issuance of loan notes introduces an additional level of liquidity risk and an additional consideration for the management of the Group's capital.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

29 FINANCIAL INSTRUMENTS (cont.)

29.1 Financial risk management objectives (cont.)

CATEGORIES OF FINANCIAL INSTRUMENTS	2017 $'000	2016 $'000
Financial assets		
Cash and bank balances	102,025	39,002
Commercial loans	42,500	–
Other receivables	17,034	17,397
Listed and unlisted equity securities	35,222	4,333
Other assets	874	1,944
Financial liabilities		
Creditors including tax payable	16,119	9,714
Unsecured notes	32,150	–

29.2 Capital management

The capital structure of the Group consists of net cash (cash and bank balances offset by the unsecured notes detailed in note 18) and equity (comprising contributed equity, retained earnings and reserves).

The Group manages its capital with the aim of ensuring that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2016.

The Group's borrowings comprise unsecured loan notes (2017 $32 million, 2016 Nil) repayable on 18 September 2020. Except for the obligation to pay periodic interest and repay the principal at the end of the term, the terms of the loan notes do not include any material undertakings or obligations that, if not complied with, would result in the acceleration of the amount owing.

A subsidiary of the Group, Moelis Australia Securities Pty Ltd, is a market participant on the ASX and therefore has an externally imposed capital requirement. In addition, the subsidiaries Moelis Australia Securities Pty Ltd, Moelis Australia Advisory Pty Ltd, Moelis Australia Asset Management Ltd and Mendoza Ltd all have Australian Financial Services Licenses which require the maintenance of a minimum level of net assets.

29.3 Foreign currency risk

The Group undertakes transactions denominated in foreign currencies, including fees on corporate advisory engagements and expenditure, principally on information technology and data services. The Group does not manage its exposure to advisory revenue denominated in foreign currency until fees are invoiced, as generally the receipt of revenue is too uncertain prior to invoicing. Foreign currency debtors and foreign currency bank balances are periodically reviewed relative to the Group's balance sheet and liquidity requirements. Revenue received in foreign currency is sometimes retained in those currencies rather than converted into Australian dollars, in order to meet future foreign currency denominated expenses or to take advantage of potential future movements in exchange rates. While holding foreign currency balances assists in reducing exposure to adverse movements in exchange rates on future foreign currency denominated expenditure, it also creates exposure to adverse unrealised losses upon revaluation of the foreign currency balances themselves, and realised losses should the Group choose to convert the foreign currency balances into Australian dollars at a future date rather than retain them to satisfy future foreign currency denominated expenditure.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2017 $'000	2016 $'000
LIABILITIES		
Currency of USA	216	69
ASSETS		
Currency of USA	8,189	5,041
Currency of Canada	1,286	1,300

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A negative number below indicates a reduction in profit where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit, and the balances below would be positive.

	2017 $'000	2016 $'000
USD IMPACT		
Profit or loss	(797)	(497)
CAD IMPACT		
Profit or loss	(129)	(130)

The Group's sensitivity to foreign currency has increased during the current year mainly due to the receipt of US dollar receivables that have been maintained in a US dollar denominated bank account.

29.4 Interest rate risk

The Group is exposed to decrease in interest rates reducing the interest income earned on its cash at bank and its commercial loans.

The Group's borrowings via unsecured notes (refer note 18) are subject to a fixed rate of interest.

Interest rate sensitivity analysis

A 1% increase or decrease in interest rates represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would be impacted by $612,000 (2016: $258,000).

The Group's sensitivity to interest rates has increased during the current year due to the increase in cash at bank.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

29 FINANCIAL INSTRUMENTS (cont.)

29.5 Equity investment market price risk

The Group is exposed to decreases in the market prices of its equity investments, which would cause a decrease in their carrying value and may result in a lower realised profit on sale.

If market prices had been 5% higher or lower:

> profit for the year ended 31 December 2017 and 2016 would have been unaffected, as the investments are classified as available-for-sale and no investments were disposed of or impaired; and

> other comprehensive income for the year ended 31 December 2017 would be impacted by $1,761,100 (2016: $433,000) as a result of changes in fair value of available-for-sale shares.

The Group's sensitivity to market prices increased from the prior year, due to higher value of equity investments.

29.6 Credit risk management

Credit risk management is the risk that a counterparty defaults on its contractual obligations resulting in financial loss to the Group. A default may arise through a counterparty failing to repay loans and interest thereon, and through failing to meets it obligation to pay invoiced fees.

(i) Invoices for services

The credit worthiness of clients is taken into account when accepting client assignments, however the nature of the Group's advisory work includes engaging with clients that are under financial stress and where the risk of non-payment of invoices is elevated.

Receivables consist of a number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

As at 31 December 2017 the Group does not have a significant credit risk exposure to any single customer. Note 10 includes an ageing of receivables past due.

(ii) Commercial loans

The Group provided two commercial loans in December 2017 for $25.5 million and $17.0 million. The loans are secured by charges over the assets of the borrowers. The loans are considered non-investment grade and carry a commensurately higher rate of interest.

Credit risk analysis is focussed on ensuring that risks have been fully identified and that the downside risk is properly understood and acceptable.

(iii) Cash balances

The credit risk of the banks holding the Group's cash is considered limited because the banks have high credit ratings assigned by international credit rating agencies.

29.7 Liquidity risk management

Liquidity risk is the risk that financial obligations of the Group cannot be met as and when they fall due without incurring significant costs. The Group manages liquidity risk by monitoring forecast cash requirements, both short and longer term, against its current liquid assets (primarily cash and listed investments). In determining the level of liquidity to maintain, regard is had to cash flows required over the next 12 months, regulatory obligations such as Australian Financial Services Licence requirements and financial covenants attached to any relevant contractual obligations of the Group.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

Liquidity and interest rate tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables 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.

LIABILITIES $'000	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	LESS THAN 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5+ YEARS	TOTAL
31 December 2017							
Non-interest bearing	–	6,500	1,788	7,291	489	56	16,124
Fixed interest rate instruments*	5.3%	–	–	–	32,150	–	32,150
Total		**6,500**	**1,788**	**7,291**	**32,639**	**56**	**48,274**
31 December 2016							
Non-interest bearing	**–**	**3,625**	**880**	**655**	**55**	**0**	**5,215**

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. 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.

ASSETS $'000	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	LESS THAN 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5+ YEARS	TOTAL
31 December 2017							
Non-interest bearing		4,475	10,938	34,494	14,698	–	64,605
Variable interest rate instruments*	5.4%	87,786	12,000	17,000	27,739	–	144,525
Total		**92,261**	**22,938**	**51,494**	**42,437**	**–**	**209,130**
31 December 2016							
Non-interest bearing		13,973	2,271	3,367	4,063	–	23,674
Variable interest rate instruments*	2.0%	37,229	–	–	1,774	–	39,003
Total		**51,202**	**2,271**	**3,367**	**5,837**	**–**	**62,677**

* interest receivable or payable on interest bearing assets and liabilities is included in the non-interest bearing cash flows.

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Notes to the Consolidated Financial Statements *(cont.)*

for the year ended 31 December 2017

29 FINANCIAL INSTRUMENTS (cont.)

29.8 Fair value of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

29.8.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities 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 and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	FAIR VALUE		FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S) AND KEY INPUT(S)
	2017 $'000	2016 $'000		
Financial assets				
1) Listed investments	30,736	2,913	Level 1	Quoted bid prices in an active market
2) Unlisted investments	4,486	1,419	Level 2	Based on recent transactions

29.8.2 Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

30 KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to Directors and other members of key management personnel of the Company and the Group is set out below:

	2017 $'000	2016 $'000
Short-term employee benefits (including superannuation)	2,823	4,340
Share-based payment	273	–
Long service leave	14	14
Total	**3,110**	**4,354**

31 RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other relates parties are disclosed below.

31.1 Loans to related parties

	2017 $'000	2016 $'000
Loans to Existing Staff Trusts	–	64
Loans to employees	348	1,845

The Group has provided several employees with loans for investment into the Existing Staff Trusts. The loans are repayable over a maximum term of five years. The loans are limited recourse and the ability of the Group to recover the outstanding loan balance is limited to the value of the Existing Staff Trusts' units held by each borrower. The value of the units held by each borrower is sufficient such that full recovery of the loan amounts outstanding is highly probable.

During the prior year the Group made a loan to one of the Existing Staff Trusts. The balance of the loan as at 31 December 2017 was $Nil (31 December 2016: $64,000). The loan carried an interest rate of 5.6%.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

31.2 Transactions with overseas Moelis & Company entities

Moelis & Company Group LP (Moelis & Company) is a global financial institution with subsidiaries and offices in a number of countries. Moelis & Company owns 32.5% of the Group. During the year the Group worked with Moelis & Company offices to execute cross-border transactions with the revenue shared based on the roles of the teams involved. There were also costs allocated from Moelis & Company for global technology and market data expenses.

	2017 $'000	2016 $'000
Net revenue shares to Moelis & Company	888	146
Net expenses allocated from Moelis & Company	(1,014)	(1,091)
The main expense categories were:		
Service level agreement	(195)	(202)
Information services	(535)	(505)
IT infrastructure	(283)	(259)
Other	(1)	(125)

31.3 Transactions with key management personnel

There were fees paid to entities associated with key management personnel of the Group during the year totalling $79,500 for capital commitments provided by the KMP in relation to the Group's underwriting activities.

31.4 Transactions with funds managed by the Group

The Group is involved in the management of various funds, through it roles as a trustee, manager, financial adviser and underwriter, and charges fees for doing so. The Group also invests in some of the funds which it manages. Investments made during the year are shown in the table below:

	KMP	GROUP	KMP	GROUP
	2017 $'000	2017 $'000	2016 $'000	2016 $'000
Related party investments				
Acure Asset Management Pty Ltd	–	–	–	1,500
Encore Care Trust	–	310	–	–
Encore Care Group Pty Ltd	–	1,440	–	–
Moelis Australia Redcape Hotel Group	11,450	46,000	–	–
Moelis Australia Aged Care Fund	2,150	7,000	–	–
Moelis Australia Secured Loan Priority Fund	80	652	–	–
Total	**13,680**	**55,402**	**–**	**1,500**

The above amounts are recorded at the entry price paid or committed for the relevant investment in accordance with AASB 124 Related Party Disclosures and have not been adjusted for subsequent valuation changes.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

31 RELATED PARTY TRANSACTIONS (cont.)

31.4 Transactions with funds managed by the Group (cont.)

	2017 $000	2016 $000
Related party fees		
Trustee and management fees	9,102	–
Financial advisory and underwriting	12,139	–
Total	**21,241**	**–**
Receivables from related parties		
Current trade and other receivables from related parties	1,010	–

32 RESERVES

	2017 $'000	2016 $'000
Investments revaluation reserve	3,185	893
Share based payments reserve (refer note 34)	5,308	–
Total reserves	**8,493**	**893**
Investments revaluation reserve		
Balance at beginning of year	893	1,218
Revaluations of associates included as other comprehensive income	5,179	–
Income tax relating the revaluations of Associates	(1,554)	–
Share of other comprehensive income of associates	**3,625**	**–**
Net gain/(loss) arising on revaluation of available-for-sale financial assets	(605)	(428)
Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	(1,300)	(37)
Income tax relating to gain/(loss) arising on revaluation of available-for-sale financial assets	572	140
Unrealised (loss)/gain on AFS investments	**(1,333)**	**(325)**
Balance at end of year	**3,185**	**893**

33 BUSINESS COMBINATION – ARMADA FUNDS MANAGEMENT

33.1 Subsidiary acquired

On 1 June 2017, the Group acquired 100% of Armada Funds Management (comprising Rockford Capital Pty Ltd and its subsidiaries, including Armada Funds Management Pty Ltd). Armada Funds Management is a real estate funds management business. The acquisition assists in the growth of the Group's asset management business. The Group paid for the acquisition through a combination of cash and shares in the Company.

The accounting standards provide a measurement period for the acquisition accounting of up to 12 months following the acquisition date. This acknowledges the time required to gain access to and consolidate information for both entities and to make certain valuations as at the acquisition date.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

33.2 Consideration transferred

	1 JUNE 2017 $'000
Cash	10,523
Shares(i)	20,170
Total	**30,693**

(i) The 6,382,979 Moelis shares that form part of the consideration were issued to the two Armada Funds Management principals on 18 July 2017. Half of these shares are restricted. Of the restricted shares, 1,595,745 will become unrestricted after two years, and 1,575,745 after three years. As a result, $10,085,105 of the shares value has been deemed to be deferred remuneration (refer note 34 for treatment of share based payments).

Acquisition related costs of $105,786 are not included in the consideration transferred and have been recognised as an expense in profit or loss within the 'other expenses' line item.

33.3 Assets acquired and liabilities assumed at the date of acquisition

The table below shows the fair value of the identifiable assets acquired and liabilities assumed.

	1 JUNE 2017 $'000
Current assets	
Cash and cash equivalents	879
Receivables*	248
Other assets	46
Non-current assets	
Identifiable intangible assets	16,263
Current liabilities	
Trade and other payables	(243)
Deferred tax liability	(4,879)
Provisions	(207)
Total	**12,107**

* the fair value of $248,000 is the same as the gross contractual receivable amount. At acquisition, the best estimate of the contractual cash flows not expected to be collected was nil.

The identifiable intangible assets relate to the net present value of the right to receive management fees from its existing funds less operating expenses.

33.4 Goodwill arising on acquisition

	2017 $'000
Consideration transferred	30,693
Less: amount deemed remuneration (restricted shares)	(10,085)
Less: fair value of identifiable net assets acquired	(12,107)
Goodwill arising on acquisition	**8,501**

Goodwill arose in the acquisition of Armada Funds Management because the acquisition included Armada Funds Management's customer relationships, investment track record, and expertise of staff, which may combine to enable new funds to be established in the future. These assets could not be separately recognised from goodwill because they are not capable of being separated and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

33 BUSINESS COMBINATION – ARMADA FUNDS MANAGEMENT (cont.)

33.5 Net cash outflow arising on acquisition

	2017 $'000
Consideration paid in cash	(10,523)
Less: cash and cash equivalent balances acquired	878
Total	**(9,645)**

33.6 Impact of acquisition on the results of the Group

The results of the Group include revenue of $2,437 thousand and a loss before tax of $2,398 thousand from Armada Funds Management since its acquisition on 1 June 2017.

Had the acquisition of Armada Funds Management been effected at 1 January 2017, net income of the Group for the year ended 31 December 2017 would have been $111.4 million and the profit before tax for the year would have been $43.2 million.

34 SHARE BASED PAYMENTS

Share based payment reserve

	2017 $'000	2016 $'000
Balance at beginning of year	–	–
Share Option premium received	133	–
Amortisation of Share Option fair value	11	–
Amortisation of Share Rights	2,733	–
Amortisation of Armada Funds Management deferred remuneration	2,431	–
Balance at end of year	**5,308**	**–**

(i) Employee Share Options

Prior to the listing of the Company, a number of employees were provided the opportunity to purchase options ("Share Option"), with each Share Option carrying the right to acquire one Share in the Company at a future date. As a result of the offer, the Company issued 5,468,750 Share Options on 4 April 2017.

At the same time, the Company offered the Chairman and Non-Executive Director Mr Jeffrey Browne (and Mr Browne accepted) the opportunity to purchase 781,250 Share Options, with each Share Option carrying the right to acquire one Share in the Company at a future date.

Each Share Option is exercisable for a period of one year, commencing on the first exercise date applicable to the relevant tranche (exercise window) as set out in the table below. Each Share Option expires if it is not exercised within the relevant exercise window.

Unless otherwise determined by the Board, a Share Option holder must continue to be employed by the Group in order to exercise the Share Option.

Share Options do not carry any dividend entitlement. Shares issued on exercise of a Share Option will rank equally with other Shares of the Company on and from issue. There are no inherent participating rights or entitlements inherent in the Share Options and the Share Option holders will not be entitled to participate in new issues of capital offered to shareholders during the life of the Share Options.

The offer price is paid or is payable by the recipient on receipt of the Share Option.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

The table below provides the details of Share Options issued on 4 April 2017:

NUMBER OF OPTIONS ISSUED IN THE YEAR	ACQUIRED BY	GRANT DATE SHARE PRICE	EXERCISE PRICE OF OPTION	ISSUE PRICE	EARLIEST DATE OF EXERCISE	EXPIRY DATE	OPTIONS FORFEITED DURING THE YEAR	NUMBER OF OPTIONS AT YEAR END
1,822,917	Employees	$2.35	$3.00	$0.03	8-Apr-21	7-Apr-22	147,617	1,675,300
1,822,917	Employees	$2.35	$3.15	$0.03	8-Apr-22	7-Apr-23	147,617	1,675,300
1,822,916	Employees	$2.35	$3.36	$0.01	8-Apr-23	7-Apr-24	147,616	1,675,300
390,625	J Browne	$2.35	$2.80	$0.02	8-Apr-19	7-Apr-20	–	390,625
390,625	J Browne	$2.35	$3.00	$0.02	8-Apr-20	7-Apr-21	–	390,625
6,250,000							**442,850**	**5,807,150**

The Share Options acquired by employees shown in the table above include 500,000 Share Options (divided equally across the three exercise dates) granted to Mr Andrew Martin. Mr Martin is one of the top five employees of the Group ranked by remuneration.

Fair value of Share Options granted in the period

The weighted average value of the Share Options at the time of grant is $0.0375.

The fair value of the Share Options has been calculated using a Black Scholes model, adjusted for expectations of forfeiture due to employee departures. The assumptions used in calculating the fair value are shown below and are common to all tranches of Share Options, unless otherwise stated:

> Dividend yield 4.0%

> Risk-free rate 2.5%

> Expected volatility of 13.8%, based on the volatity of the ASX Small Cap Index at the time of the grant

> Expected life of option is the maximum term up to last day of the exercise window

> Forfeiture assumptions for the options granted to employees are that 16%, 20% and 23% of options are forfeited for tranches 1, 2 and 3 respectively. No allowance for forfeiture has been made for the Share Options granted to the Chairman.

The table below shows the Share Options granted and forfeited during the year.

	NUMBER OF SHARE OPTIONS			WEIGHTED AVERAGE EXERCISE PRICE ($)	
	EMPLOYEES	CHAIRMAN	TOTAL	EMPLOYEES	CHAIRMAN
Share Options outstanding at 1 January 2017	–	–	–	–	–
Granted during the year	5,468,750	781,250	6,250,000	3.17	2.90
Forfeited or lapsed during the year	(442,850)	–	(442,850)	3.17	–
Share Options outstanding at 31 December 2017	**5,025,900**	**781,250**	**5,807,150**	**3.17**	**2.90**

No Share Options were issued, forfeited or exercised since year end. No Share Options were exercisable at year end.

34 SHARE BASED PAYMENTS (cont.)

Share based payment reserve (cont.)

(ii) Share Rights

2017 year-end allocated Share Rights

At the end of the year, the Board of Directors determined the annual bonus pool to be paid to employees, and the components to be paid in cash and to be paid through granting Share Rights.

The Share Rights granted to employees in connection with the 2017 annual bonus ("2017 Share Rights") entitle the employees to Shares in the Company in the future for no payment. The Share Rights vest in equal amounts over a five year period. Vesting is conditional on continuous service, unless otherwise determined by the Board.

The fair value of each Share Right at grant date (27 December 2017) was $6.08, determined by reference to the trading in the Company's shares.

2017 year-end unallocated equity compensation

In addition to the 2017 Share Rights, the Group paid $3.5 million to the Moelis Australia Employee Share Plan Trust (Employee Share Trust), with this amount to be used to acquire Shares in the Company and deliver them to employees (via Share Rights or some other method) as determined by the trustee of the Employee Share Trust. The $3.5 million transferred to the Employee Share Trust cannot be returned to the Group. The $3.5 million expense is accounted for as a share based payment with the amortisation period commencing on the same date as the allocated Share Rights grant.

Share Rights granted as sign-on incentives

In addition to the 2017 Share Rights, the Company granted Share Rights to senior executives commencing employment with the Group, including 296,079 Share Rights granted to senior executives joining the Company from Redcape Group Limited. These Share Rights are priced with reference to the trading price of the Company's shares at the time the offer of employment is made. Vesting is subject to continuous employment, with terms varying on a case by case basis. Amortisation of the expense commences on the day the senior executive starts their employment.

The average fair value of all Share Rights granted during the year was $4.90/Share Right. There were no Share Rights granted in 2016 or prior years. It is anticipated that the Share Rights will be equity settled.

	NUMBER OF SHARE RIGHTS	VALUE OF SHARE RIGHTS
Opening balance	–	–
Issued during the year	1,545,823	7,576,916
Closing balance	**1,545,823**	**7,576,916**

(iii) Armada Funds Management acquisition

As part of the acquisition of Armada Funds Management, 6,382,979 Shares in the Company were issued to the two Armada Funds Management principals, now employed by the Group. Half of these shares are restricted (3,191,489) and, as a result, have been deemed to be a share based payment and are being amortised over the restriction period, being two years for 1,595,745 and three years for the remaining 1,595,745. The value was based on a traded price of the Company's shares on the day of acquisition of $3.16. The grant date was 1 June 2017.

Notes to the Consolidated Financial Statements *(cont.)*

for the year ended 31 December 2017

35 TERMINATION OF ONEROUS CONTRACT

Moelis Australia's asset management business includes the provision of funds marketed to overseas persons wishing to apply for a significant investor visa ("SIV FM Business"). This business was established in 2013 through the collaboration with two parties (Service Providers), each of whom were engaged on 4 July 2013 to perform specific roles. On 30 June 2015, MAVFM agreed with the respective Service Providers to terminate their service and management arrangements. In consideration for the termination, the second Service Provider entered into a new agreement ("Second Services Agreement") on 30 June 2015. The Second Services Agreement has been classified as an onerous contract and a liability ("Second Services Agreement Liability") for the fair value of the future payments to the Second Service Provider has been recognised in the balance sheet as at 31 December 2015.

The forecast cashflows relating to the Second Service Agreement Liability was re-assessed as at 31 December 2016, and the difference between the value as 31 December 2015 less payments made to the Second Service Provider in the year ($5.7 million) was recorded in the Consolidated Statement of Profit or Loss and Comprehensive Income as an expense in the year ended 31 December 2016.

The provision for the Onerous Contract disclosed in note 19 relates to the restructure of the SIV FM Business. The Group terminated the contract in April 2017 and paid the service provider $12.8 million. The Group now undertakes the promotional activities itself.

36 EARNINGS PER SHARE

	2017 CENTS PER SHARE	2016 CENTS PER SHARE
Basic earnings per share	23.4	10.1
Diluted earnings per share	22.8	10.1

The earnings used in the calculation of basic and diluted earnings per share is profit after tax.

	2017	2016*
Weighted average number of ordinary shares (net of treasury shares) used in calculating basic earnings per share	126,261,993	100,000,000
Potential equity shares:		
Share Options**	2,836,938	–
Share Rights	319,644	–
Weighted average number of ordinary shares (net of treasury shares) and potential equity shares used in calculating diluted earnings per share	129,418,575	100,000,000

* number of shares for the 2016 comparative is adjusted for pre-listing share split.

** The number of shares assumed to be issued on exchange of options is calculated using the difference between the option exercise price and the average traded price of the Company's shares during the year.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

37 SUBSIDIARIES

Details of the Group's subsidiaries at the end of the reporting period are as follows:

			PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP	
NAME OF SUBSIDIARY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION AND OPERATION	31 DECEMBER 2017	31 DECEMBER 2016
A.C.N. 167 316 109 Pty Ltd	Investment	Australia	100%	100%
Armada Funds Management Pty Ltd	Asset management	Australia	100%	0%
Global Wealth Aged Care Pty Ltd	Asset management	Australia	100%	0%
Global Wealth Partners Fund Pty Ltd	Asset management	Australia	100%	100%
Global Wealth Residential Pty Ltd	Asset management	Australia	100%	100%
KC Finance Pty Ltd	Lending	Australia	99%	0%
KCF ST Pty Ltd	Asset management	Australia	100%	0%
MAAM GP Pty Ltd	Asset management	Australia	100%	100%
MAAM Holdings Pty Ltd	Asset management	Australia	100%	0%
MACDF TT Pty Ltd	Asset management	Australia	100%	100%
MAHPT TT Pty Ltd	Asset management	Australia	100%	0%
MARAM TT Pty Ltd	Asset management	Australia	100%	0%
Mendoza Ltd	Asset management	Australia	100%	0%
Moelis Australia Advisory Pty Ltd	Corporate advisory	Australia	100%	100%
Moelis Australia Asset Management Ltd	Asset management	Australia	100%	100%
Moelis Australia Finance Pty Ltd	Financing	Australia	100%	0%
Moelis Australia Foundation Pty Ltd	Trustee	Australia	100%	0%
Moelis Australia Funds Management Pty Ltd	Asset management	Australia	100%	0%
Moelis Australia Hotel Management Pty Ltd	Asset management	Australia	100%	0%
Moelis Australia Operations Pty Ltd	Administration entity	Australia	100%	100%
Moelis Australia Partners Holdings Pty Ltd	Asset management	Australia	99%	0%
Moelis Australia Partners Pty Ltd	Asset management	Australia	99%	0%
Moelis Australia Retail Asset Management Ltd	Asset management	Australia	100%	100%
Moelis Australia Securities Pty Ltd	Equities	Australia	100%	100%
Moelis Australia Share Plan Pty Ltd	Administration entity	Australia	100%	0%
Moelis Australia Visa Fund Manager Pty Ltd	Asset management	Australia	100%	100%
R88A Finance Pty Ltd	Lending	Australia	99%	0%
R88B Finance Pty Ltd	Lending	Australia	99%	0%
Rockford Capital Pty Ltd	Asset management	Australia	100%	0%
TMASL Finance Pty Ltd	Asset management	Australia	100%	0%
Western Funds Management Pty Ltd	Investment	Australia	100%	100%

Moelis Australia Limited is the head entity within the tax-consolidated group.

The wholly-owned subsidiaries are members of the tax-consolidated group.

Notes to the Consolidated Financial Statements (cont.)

for the year ended 31 December 2017

Composition of the Group

		NUMBER OF WHOLLY-OWNED SUBSIDIARIES	
PRINCIPAL ACTIVITY	PLACE OF INCORPORATION AND OPERATION	31 DECEMBER 2017	31 DECEMBER 2016
Corporate Advisory and Equities	Australia	3	3
Asset management	Australia	19	5
Administration	Australia	4	1
Total		**26**	**9**

38 CONTINGENT LIABILITIES AND COMMITMENTS

	2017 $'000	2016 $'000
Commitments exist in respect of:		
– Undrawn credit facilities	85,000	–

39 SUBSEQUENT EVENTS

The Company declared a dividend of 7.0 cents per Share.

At 31 December 2017, the Group had commitments of $85.0 million in undrawn credit facilities. In January 2018, the Group lent $24.6 million under the credit facilities, reducing its commitments to $60.4 million.

Directors' Declaration

for the year ended 31 December 2017

In the Directors' opinion:

(a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001 (Cth)*, including complying with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Note 1(a) includes a statement that the financial report complies with International Financial Reporting Standards.

The Directors have been given declarations by the CEO and COO required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors

Jeffrey Browne
Independent Chairman

Andrew Pridham
Chief Executive Officer

Sydney
19 February 2017

Independent Auditor's Report

Deloitte.

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Independent Auditor's Report to the Members of Moelis Australia Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Moelis Australia Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and 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 other explanatory information, 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 31 December 2017 and of their 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.

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.

Independent Auditor's Report (cont.)

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Investment in Redcape Hotel Group

On 10 July 2017, the Group acquired a direct investment of 10% in Moelis Australia Hotel I and Moelis Australia Hotel II, which acquired Redcape Group Limited as disclosed in Note 27.5.

Through the investments in the Trusts, the Group has the direct 10% ownership as well as indirect ownership through the Moelis managed funds.

Management have classified the investments in Moelis Australia Hotel I and Moelis Australia Hotel II as investments in associates. In making this classification, management have applied judgement in assessing the link between power and returns.</td><td>Our procedures included, but were not limited to:

• Challenging management's accounting position paper on the appropriate accounting treatment for the investment in Moelis Australia Hotel I and Moelis Australia Hotel II including:
- Inspecting the purchase and sale agreement, Hotel Investment Fund Constitutions, Hotel Fund Operating Agreement, Hotel Group Information Memorandum and other relevant legal documentation for consistency with managements' assessment,
- Enquiries with management and inspection of documents to assess the nature of the financial information obtained and used by management in monitoring the performance of the investment, and
- Recalculating the variability and magnitude of returns from direct and indirect streams to assess linkage between power and returns.

We have also assessed the appropriateness of the disclosures in Note 27.5 to the financial statements.</td></tr>
<tr><td>Acquisition of Armada
In June 2017, Moelis completed the acquisition of Rockford Capital Pty Limited and its subsidiaries (Armada) for $20.6m as disclosed in Note 33.

Acquisition accounting gives rise to the following key areas of management judgement:
• Determination of the acquisition date,
• Determination of the fair value of identifiable net assets acquired, and
• The fair valuation of consideration transferred.</td><td>Our procedures included, but were not limited to:

• Assessing the purchase and sale agreements, board minutes, and management paper on the transaction for appropriateness of managements key judgements,
• Evaluating the purchase price allocation performed by management including the assessment of the fair values applied to the assets and liabilities acquired,
• Engaging internal specialists for the review of the discounted cash flow model supporting the recognition of the intangible asset.

We have also assessed the appropriateness of the disclosures in Note 33 to the financial statements.</td></tr>
<tr><td>Goodwill Impairment
As at 31 December 2017 the Group's goodwill balance totals $9.8 million which comprises goodwill relating to the acquisition of Armada of $8.5 million as well as $1.3 million of goodwill recognised on acquisition of Moelis Australia Securities Pty Limited as disclosed in Note 14.

The assessment of the recoverability of goodwill requires significant judgement due to the assumptions and estimates used in preparing a discounted cash flow model ('value in use'), including determination of:</td><td>Our procedures included, but were not limited to:

• Evaluating the appropriateness of management's identification of the Group's CGUs to which the goodwill is allocated,
• Assessing the reasonableness of cash flow projections and growth rates against external economic and financial data and the Group's own historical performance,
• Engaging our valuation specialists to assess the key assumptions and methodology used by management in the</td></tr>
</table>

Independent Auditor's Report (cont.)

• Identification of Cash Generating Units ("CGU's"), • Future cash flows for the CGU's, • Discount Rates, and • Terminal value growth rates.	impairment model, in particular the discount rate and the cost of debt, and • Testing the mathematical accuracy of the impairment model. We have also assessed the appropriateness of the disclosures in Note 14 to the financial statements.
Investment Banking Revenue Recognition The revenue generated by the Corporate Advisory Segment within the group is primarily from investment banking transactions. This revenue stream is recognised by reference to the stage of completion of the transaction at the end of the reporting period as disclosed in Note 1(a). Revenue recognition requires management judgement where not all stages of the transaction are complete.	Our procedures included, but were not limited to: • Evaluating management's controls over the revenue recognition process, • Testing, on a sample basis, the calculation of the fees recognised to the key milestones as outlined in the client engagement letters, • Reviewing subsequent period invoices and bank statements, to assess whether revenue has been recorded in the correct period, and • Reviewing management reporting, board minutes, market available information and making enquiries of management to support the revenue recognised. We have also assessed the appropriateness of the disclosures in Note 1(a) to the financial statements.
Share based payments The Group utilises share based payments as part of its remuneration strategy. The share based payments expense for the year then ended 31 December 2017 is $5.2m as disclosed in Note 34. Recognition and measurement of incentive schemes involves significant management judgement to calculate the fair value of options granted and to assess whether it is likely that vesting conditions will be satisfied.	Our procedures included, but were not limited to: • Evaluating management's methodology used against requirements of accounting standards for share options issued, • Verifying the number of grants, grant dates and corresponding exercise price to supporting documentation for a sample of share based payments, and • Challenging management assumptions used to calculate the fair value in the share based payments. We also assessed the appropriateness of the related disclosures in Note 34 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do 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 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, 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.

Independent Auditor's Report (cont.)

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.

Independent Auditor's Report (cont.)

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 20 to 25 of the Directors' Report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Moelis Australia Limited, for the year ended 31 December 2017, 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
DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants
Sydney, 19 February 2018

Additional Information

DIVIDEND DETAILS

Moelis Australia generally pays a dividend on its fully paid ordinary Shares once a year following its full-year financial results announcement.

The payment date for the dividend following the announcement of the 2017 results is 6 March 2018.

SHARE REGISTRY INFORMATION

The following information is correct as at 1 February 2018.

20 LARGEST SHAREHOLDERS

REGISTERED HOLDER	NUMBER OF ORDINARY SHARES HELD	% OR ORDINARY SHARES
MOELIS & CO INTERNATIONAL HOLDINGS LLC	50,000,000	32.5%
MAGIC TT PTY LTD	50,000,000	32.5%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,797,719	7.7%
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,982,242	3.9%
TOUCHARD PTY LTD <MONAGHAN FAMILY NO 2 A/C>	4,787,562	3.1%
UBS NOMINEES PTY LTD	2,345,709	1.5%
CITICORP NOMINEES PTY LIMITED	1,821,685	1.2%
RICHARD GERMAIN AND NINA GERMAIN	1,723,417	1.1%
NATIONAL NOMINEES LIMITED	1,367,422	0.9%
HAN TANG AUSTRALIA PTY LTD	1,000,000	0.7%
AET SFS PTY LTD <NAOC AC>	662,000	0.4%
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	655,000	0.4%
G J P INVESTMENTS PTY LTD <THE LANGHAM A/C>	651,915	0.4%
MOELIS AUSTRALIA SHARE PLAN PTY LTD <MOELIS AUST SHARE PLAN A/C>	546,079	0.4%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	539,933	0.4%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	527,796	0.3%
WEI YANG	525,532	0.3%
ZHENXIANG HUO	351,064	0.2%
AUSTRAL CAPITAL PTY LTD <AUSTRAL EQUITY FUND A/C>	240,000	0.2%
TELUNAPA PTY LTD <TELUNAPA CAPITAL A/C>	230,000	0.1%

DISTRIBUTION OF SHAREHOLDERS

HOLDING	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	% OR ORDINARY SHARES
1 – 1000	277	150,108	0.1%
1,001 – 5,000	473	1,386,996	0.9%
5,001 – 10,000	295	2,411,779	1.6%
10,001 – 100,000	392	10,635,786	6.9%
100,001 and over	44	139,225,107	90.5%
	1,481	**153,809,776**	**100.0%**

Unmarketable parcels

There were 19 shareholders (representing 216 Shares) who held less than a marketable parcel.

Additional Information *(cont.)*

SUBSTANTIAL SHAREHOLDERS

The following holders are registered by the Company as a substantial shareholder, having declared a relevant interest, in accordance with the Corporates Act, in the Shares below:

NAME	NUMBER OF SHARES	% OR ORDINARY SHARES
Moelis Australia Limited, Magic TT Pty Ltd, Andrew Pridham	53,737,567	34.94
Moelis & Company Group LP, Moelis & Company International Holdings LLC, Kenneth Moelis	103,737,567	67.45

VOTING RIGHTS

At meetings of members or classes of members, each member may vote in person or by proxy, attorney or (if the member is a body corporate) corporate representative. On a show of hands, every person present who is a member or a proxy, attorney or corporate representative of a member has one vote and on a poll every member present in person or by proxy, attorney or corporate representative has one vote for each fully paid Share held by the member.

VOLUNTARY ESCROW SHARES

As at 1 February 2018, 50,000,000 Shares were subject to voluntary escrow. The voluntary escrow period ends on the dates and for the amount of Shares set out in the table below.

DATE OF RELEASE	SHARES RELEASED FROM VOLUNTARY ESCROW
10 April 2018	5,000,000
10 April 2019	5,000,000
10 April 2020	5,000,000
10 April 2021	11,666,666
10 April 2022	11,666,667
10 April 2023	11,666,667

OPTIONS

SIZE OF HOLDING	NUMBER OF HOLDERS	OPTIONS
1 – 1000	–	–
1,001 – 5,000	–	–
5,001 – 10,000	7	70,000
10,001 – 100,000	29	1,202,150
100,001 and over	17	4,535,000
Total	**53**	**5,807,150**

Glossary

TERM	DEFINITION
Annual Bonus Scheme	The annual bonus incentive scheme applicable to Employees
Armada Funds Management	The business operated by Rockford Capital Pty Ltd and its subsidiaries
ASX	ASX Limited (ACN 008 624 691) or the official list of ASX Limited
AUM	Assets under management
Board	The board of directors of Moelis Australia Limited
CGU	Cash generating unit
Company	Moelis Australia Limited (ABN 68 142 008 428), a company limited by shares
Corporations Act	Corporations Act 2001 (Cth)
Credit Fund	Moelis Australia Senior Secured Credit Fund II
Directors	The directors of the Company as at the date of this Report
EBITDA	Earnings before interest, tax, depreciation and amortisation
Employees	Employees of the Group
Employee Share Trust	Moelis Australia Employee Share Trust established by trust deed dated 15 March 2017
Equity Incentive Plan	Moelis Australia Equity Incentive Plan
Existing Staff Trusts	Trusts established prior to the IPO of the Company, which hold Shares on behalf of current and former employees of the Group
Group	The Company and its subsidiaries
IPO	Initial Public Offering
MAF	The Moelis Australia Foundation
Moelis Australia	The Company and/or its subsidiaries as the context requires
Moelis & Company	Moelis & Company Group LP, listed on the New York Stock Exchange
NYSE	New York Stock Exchange
Onerous Contract	The agreement with a service provider associated with the promotion of the Group's Significant Investor Visa funds terminated in April 2017
Prospectus	The prospectus issued by the Company dated 28 February 2017
Redcape Fund	Consisting of Moelis Australia Asset Management Ltd (ACN 142 008 535) as trustee of Moelis Australia Hotel Trust I and Moelis Australia Hotel Trust II
Redcape	Redcape Group Ltd (ACN 124 753 733) and/or its subsidiaries as the context requires

Glossary (cont.)

TERM	DEFINITION
REIT	Real estate investment trust
Shareholder	The holder of a Share
Shares	Fully paid ordinary shares in the capital of the Company
Share Options	Options over unissued Shares
Share Rights	Rights to receive Shares at some point in the future
Small Cap	Any company outside the ASX 100 and measured against the S&P/ASX Small Ordinaries Index
Staff Trustee	Magic TT Pty. Ltd. (ACN 143 275 138) as trustee of the Existing Staff Trusts
Underlying EBITDA	Underlying earnings before interest, tax, depreciation and amortisation
Underlying NPAT	Underlying net profit after tax as described on page 16
Underlying Revenue	Revenue as measured by management when assessing its operating segments
2017 Share Rights	Share Rights granted to Employees as part of the 2017 Annual Bonus Scheme

Corporate Directory

DIRECTORS

Jeffrey Browne (Chairman)
Kenneth Moelis
Joseph Simon
Andrew Pridham
Julian Biggins

COMPANY SECRETARY

Peter Dixon

REGISTERED OFFICE

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