

Appendix 4E Preliminary Final Report

for the year ended 31 December 2018 , as required by Listing Rule 4.3A

1 Details of the reporting period and the prior corresponding period

Current period	1 January 2018 to 31 December 2018
Prior Corresponding period	1 January 2017 to 31 December 2017

2 Results for announcement to the market

	Year ended 31 December 2018 \$m	Year ended 31 December 2017 \$m	Movement \$m	Movement %	
<i>Underlying results:</i>					
Revenue	136.3	107.2	29.1	27%	up
EBITDA	57.5	41.6	15.9	38%	up
NPAT	39.3	29.1	10.2	35%	up
<i>Statutory results:</i>					
Revenue	127.4	106.9	20.5	19%	up
EBITDA	46.8	43.1	3.7	9%	up
NPAT	30.5	29.6	0.9	3%	up
Total comprehensive income	27.2	31.9	-4.7	-15%	down

3 Dividend information

Amounts per share Franked amount per share

Final dividend	8.0 cents	8.0 cents
Record date	28 February 2019	
Payment date	6 March 2019	

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

4 Net tangible assets

	31-Dec-18	31-Dec-17
Net tangible assets per share:	\$1.43	\$1.24

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 2018 Consolidated Financial Statements and accompanying notes. This report is based on the consolidated financial statements which have been audited by Deloitte Touche Tohmatsu.



# 2018 Annual Report

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**Moelis Australia Limited**

ACN 142 008 428

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## About Moelis Australia

Moelis Australia is an Australian Securities Exchange (ASX) listed diversified financial services group offering solutions in asset management, corporate advisory and equities.

Founded in 2009 alongside longstanding partner and leading global investment bank Moelis & Company, we advise companies on their most critical decisions and currently manage over \$3.7 billion in assets on behalf of retail, institutional and high-net-worth investors.

Our aim is to create long-lasting client relationships by providing strategic and innovative advice through a highly collaborative approach, that is not limited to specific products or particular regions.

Moelis Australia believes in a partnership-style culture, where enterprise and commitment to excellence create an environment that attracts, aligns and retains high-quality talent. The team currently comprises more than 160 people working in offices across Sydney, Melbourne and Shanghai.<sup>1</sup>

For operating and compliance purposes, each business division operates independently and is governed by the corporate executive function. For management reporting purposes, the business is presented in two segments: Asset Management and Corporate Advisory & Equities.

### Asset Management

The Asset Management division provides investment management services to retail and institutional investors, including domestic and foreign high-net-worth individuals.

Guided by a philosophy of developing bespoke investment strategies not generally available to individual investors, Moelis Australia provides access to asset classes across a range of industry sectors.

The Asset Management team benefits from Group and Corporate Advisory synergies, gaining insights into and access to unique markets and investment opportunities.

Moelis Australia – managed funds primarily invest in the following alternative asset classes:

- Real estate;
- Credit, hybrid securities and structured investments; and
- Private equity and venture capital.

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

### Corporate Advisory & Equities

The Corporate Advisory division provides strategic and financial advice and equity capital markets services to both private and institutional clients. Its expertise covers mergers & acquisitions, equity capital markets, debt markets, restructuring and special situations advisory services.

The Corporate Advisory division has a substantial track record of providing innovative financial advisory solutions to clients, and has advised on a number of high-profile deals such as Varde, KKR and Deutsche Bank's \$8.2 billion acquisition of GE Capital Australia & New Zealand Consumer Finance; Reliance Rail's \$2.0 billion recapitalisation and refinancing; Hitachi's \$974 million acquisition of Bradken; Avoka Groups US\$245 million sale to Temenos AG; Channel 10's sale to CBS and the restructure of Channel 9.

The Equities division provides securities research, sales and trading execution services to institutional and high-net-worth clients. It also complements the Corporate Advisory division by providing equity capital markets expertise and distribution capabilities to facilitate transactions on behalf of clients.

1. As at 31 December 2018, including Redcape Hotel Group head-office management

## Chairman and Chief Executive Officer's Letter

Dear Shareholder

We are pleased to present our 2018 Annual Report after another productive year of operation.

The Group achieved many successes both financially and operationally. Highlights included:

- Record Underlying EBITDA of \$57.5 million (up 38% on FY17) derived from \$136.3 million of revenue (up 27% on FY17);
- Growing Underlying EBITDA margin from 39% to 42% while at the same time investing heavily in growing our Asset Management platform;
- Asset Management now contributing over 80% of Group EBITDA before corporate overheads;
- Growing assets under management (AUM) to \$3.7 billion, an increase of over \$800 million for the year; and
- Declaring a fully franked dividend of 8.0 cents per share.

We would like to thank our Board and executives for their hard work and commitment to the Group in 2018.

During 2018, the management team spent a significant amount of time and effort growing our operating platform. Pleasingly, we were able to complete this investment while bettering last year's EBITDA margin. This effort included hiring approximately 40 people across our offices in Sydney and Melbourne and newly established office in Shanghai.

At the time of releasing our FY17 full-year result, we highlighted an intention to operate with caution in 2018. At that time we had concerns over global equity market volatility and the potential for a weakening Australian economy. This caution proved appropriate; we experienced volatile equity markets in the first and last quarters of the 2018 calendar year, highlighting the state of global markets and reflecting uncertainty over the global economic and political environment.

We anticipate conditions to remain challenging in 2019. However, as a consequence of weaker economic conditions we believe that interest rates should be maintained at relatively low levels, which should provide a level of support for asset values and the economy overall.

We cannot control market volatility, regulatory and political uncertainty, or the strength of the economy – but we can manage the way we operate in a changing financial environment. Notwithstanding the environment, the Company has never been in a stronger operational or financial position.

During weak economic times our advisory business has historically performed well. Lower equity capital market revenues, normally associated with volatile equity markets, can be offset by stronger revenues in areas such as restructuring, and mergers & acquisitions advisory services.

Our Asset Management business continues to grow. Recurring income streams grew by 82% in 2018 and will provide a strong earnings base for 2019. Our focus on originating credit products will provide clients with stable, contract-based income that should be relatively resilient to shifting economic climates. We are also encouraged by the growth opportunities associated with an increased presence in China, and the addition of new institutional mandates across our real estate and credit platforms.

The year 2019 marks Moelis Australia's 10-year anniversary. Although we are focused on the future, it is important to look back and reflect on the considerable achievements of the business over our first decade of operation.

We were founded in 2009. The combination of a small number of energetic and industrious Australian executives and global investment bank Moelis & Company has proved to be a highly successful partnership. We have enjoyed successes, growing our profitability and capital base, increasing our market presence, and facilitating public investment in the business by listing on the ASX in 2017. We are very proud of our growth from six Sydney-based employees in 2009 to today where we have in excess of 160 staff members directly employed across our offices in Sydney, Melbourne and Shanghai and many thousands of people employed across the businesses we control within our asset management operations.

Since inception, a key part of the Moelis Australia model is ensuring that our management team arrive at work each day motivated and highly aligned with our clients and shareholders. Today, management remain the largest shareholders in Moelis Australia and has investments in many of our funds.

Building a great business takes time and enormous effort. Success does not come easily. Over our first decade of operation there have been ups and downs. We have no doubt that in the years ahead there will be some variations in fortune. However, with continued focus and hard work we are confident that we will continue to grow into an even stronger Company.

It is paramount and a feature of our success to date that we continue to apply an ownership mindset to managing our assets, advising our clients and building a Company that will create long-term shareholder value.

On behalf of the Board we would like to thank all of our staff members, clients and shareholders for helping to build a Company that we can be proud of. We believe that the momentum generated, lessons learned and discipline applied since founding the business will hold us in good stead into 2019.

Thank you for your ongoing support of Moelis Australia.

Yours sincerely,



**Jeffrey Browne**  
Chairman



**Andrew Pridham AO**  
Chief Executive Officer

## Group Year in Review

Building a business that has long-term sustainable value remains at the forefront of everything we do. Our work in 2018 typified this approach reflected by the deliberate platform investments made across the Group. Initiatives such as expanding our office footprint to China, increasing headcount and developing our technological capabilities were all important steps forward. Notwithstanding this investment, we achieved EBITDA growth of 38% and a Group margin of 42% (up from 39% in FY17).

The growth in the Group can be attributed to management's focus on:

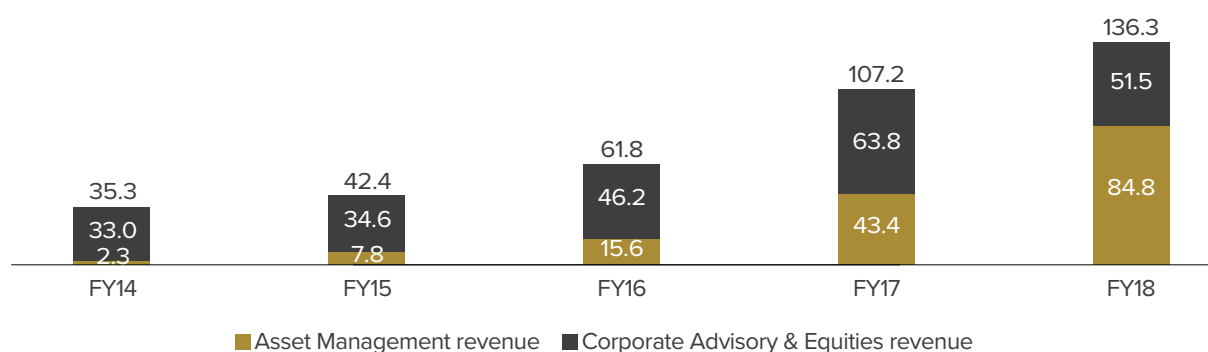
- Creating a culture that unifies employees and makes sure they are aligned with client and shareholder outcomes;
- The collaborative approach across divisions, and the synergies generated from the expertise of our executives who own approximately 39% of the business with voluntary long term vesting;
- The flexibility of a strong balance sheet;
- The longstanding and active strategic alliance with New York Stock Exchange listed investment bank Moelis & Company delivering access to high-quality expert bankers located throughout the world;
- The hard work, expertise and dedication of our Board, staff and executive team; and
- The longstanding support of our clients, shareholders and fund investors.

Key Financials		FY17	FY18	Increase
Underlying Revenue	(\$ million)	107.2	136.3	27%
Underlying EBITDA	(\$ million)	41.6	57.5	38%
Underlying EBITDA margin	(%)	39%	42%	8.8%
Underlying Net Profit After Tax (NPAT)	(\$ million)	29.1	39.3	35%
Underlying Earnings Per Share (EPS)	(cents)	23.0	25.7	12%
AUM	(\$ billion)	2.9	3.7	28%
Dividend per share	(cents)	7.0	8.0	14%

## Group Year in Review (cont.)

As reflected in our 2018 key financials, the Moelis Australia business model continued to gain strength, with all divisions working collaboratively to achieve client objectives throughout the year. A highlight of the year was the Group's effort in achieving the listing of Redcape Hotel Group, which represented an important moment for the Asset Management division as it delivered the private-to-public transition fund investors were expecting. Moelis Australia remains highly aligned with Redcape shareholders and highly supportive of Redcape's management, as they focus on growing long-term shareholder value.

### Group Revenue (\$ million)



Asset Management revenue grew by 95% in FY18. It now accounts for over 62% of Group revenue, and 80% of Group EBITDA before corporate overheads – a step change from 48% in FY17. This transformation in the earnings profile over a single financial year is the result of management's ongoing commitment to growing recurring income streams. Obtaining an Australian Credit Licence in May 2018 was important in this regard, as it increases the diversity of annuity-style credit products we can originate.

The Corporate Advisory & Equities business had a solid year despite being affected by volatility in global equity markets. The Corporate Advisory division achieved revenue per executive within our long-term target range of productivity and the mid-point of the guidance we provided in our 1H18 results. The Corporate Advisory business provides deep financial expertise to the Group and is a highly cash generative business.

The ability to generate recurring cash from operations continues to be a prominent feature of our business model. Monthly recurring cash flows (base management fees, investment income and equities commissions) covered 88% of our operating expenditure during 2018 (FY17 approximately 70%).

2019 marks the 10<sup>th</sup> anniversary of Moelis Australia. The Company has come a long way, from the six executives that founded the business in 2009 in partnership with Moelis & Company, to today's team of over 160 employees.<sup>1</sup>

The platform investments made since our inception have reflected management's long-term focus on building a leading financial services group. Over the past 10 years the Company has generated substantial momentum and remains focused on building long-term value.

1. As at 31 December 2018, including Redcape Hotel Group head-office management



# Asset Management Year in Review

## Performance

Asset Management recorded FY18 revenue of \$84.8 million (up 95.5% on \$43.4 million in FY17) and EBITDA of \$52.5 million (up 124.5% on \$23.4 million in FY17). Highlights driving this result include:

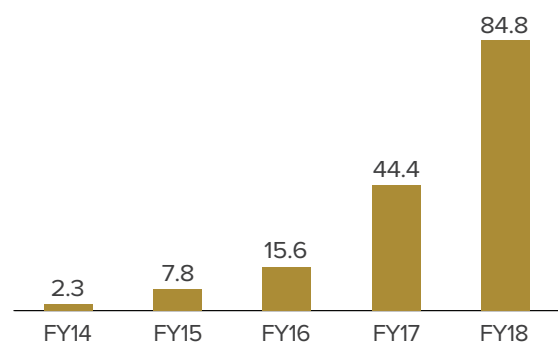
- A full year's earnings from the FY17 acquisitions of Armada Funds Management and Redcape;
- Stronger than anticipated inflows from high-net-worth clients;
- A 50% increase in credit product AUM and the acquisition of over \$300 million in real estate;
- A material increase in the scale of the marketing and distribution platform; and
- The strategic use of balance sheet funds to seed opportunities.

FY18 base management fees were \$45.8 million (up 53.5% on \$29.9 million in FY17), transaction fees were \$8.6 million (flat on FY17) and performance fees were \$8.4 million, representing our first realised performance fee as a listed company.

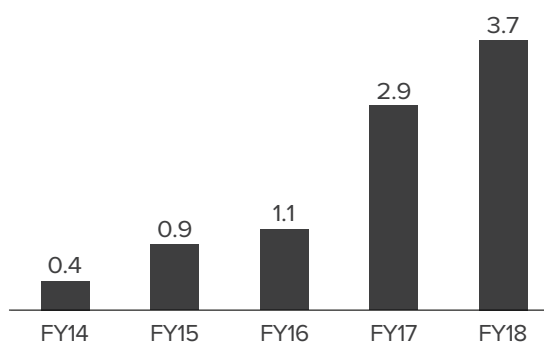
The growth in Asset Management's income from strategic opportunities (particularly Redcape and credit), was a feature of the result recording revenue of \$22.0 million. Unearthing attractive investment opportunities, seeding them via our balance sheet, and ultimately offering them in managed funds is a core feature of our business model.

AUM at 31 December 2018 was \$3.7 billion, an increase of over \$800 million during the year. There was growth in AUM across all asset classes with the largest inflows occurring in real estate funds and credit opportunities. Pleasingly, we raised over \$200 million of real estate and credit inflow alongside two new foreign institutional clients.

Asset Management Revenue (\$ million)



Assets Under Management (\$ billion)



## Asset Management Year in Review (cont.)

### Operations

There was significant investment in the Asset Management platform in 2018 – both in the recruitment of talent and in the continued development of technology-based systems. Headcount in the division increased to 47 people (up 29 from the start of FY18).<sup>1</sup> The increase in scale was primarily a result of growing the distribution, marketing and management teams in Sydney and Melbourne and in the newly opened office in Shanghai. Establishing a full time presence in China reflects our commitment to servicing our Asian based network and is an important step forward in our Asian growth strategy.

The growth of our platform led to a record year across many important operating metrics. Of note:

- Equity raised in Moelis Australia funds increased by approximately 30%;
- Total investor client numbers grew materially from approximately 1,300 to more than 2,500 (+92%);
- Total domestic high-net-worth investor numbers grew from over 500 to over 1,750 (+220%);
- Secured an additional two institutional mandates in core real estate and credit;
- Obtained an Australian Credit Licence, which has facilitated the ongoing origination of consumer-related credit; and
- AUM growth of \$800 million taking total AUM to \$3.7 billion at 31 December 2018.

Origination of credit products was a focus in FY18 but was moderated by our overall cautious view of the economy, and in particular the Australian residential sector. Despite our high underwriting standards and overall caution, we continue to see significant opportunity in credit origination across many parts of the economy.

Our investment philosophy is premised on deep research and concentrated in areas where we have significant experience and expertise. Our success as an asset manager is ultimately measured by the long-term returns our funds produce for investors. Key to achieving this is commitment to aligning interests whereby Moelis Australia and its executives co-invest in many of our funds.

1. As at 31 December 2018, excluding Redcape Hotel Group head-office management

# Capital Management

## Year in Review

At the end of FY18, Moelis Australia held strategic and co-investments positions of \$284.1 million, and net tangible assets of \$217.8 million (up 15% on FY17). This included cash of \$86.7 million.

Strategic & Co-investments	Value at 31 December 2018 (\$m)	Percentage of total (%)
Cash	86.7	30.5%
Credit	86.4	30.4%
Redcape Hotel Group (ASX:RDC)	58.5 <sup>1</sup>	20.6%
Co-investments	34.2	12.0%
Japara Healthcare Limited (ASX:JHC)	16.8 <sup>2</sup>	5.9%
Other	1.5	0.6%
<b>Total</b>	<b>284.1</b>	<b>100%</b>

The prudence that was displayed in our capital management during 2018 will continue in 2019. The consequence of holding large cash balances (as we did over 2018) is generally dilutive to what near-term earnings may otherwise have been on our capital base. However, we have always managed the business for the long term. Fundamental to this is maintaining a strong balance sheet, including a strong cash balance that can facilitate attractive investment or business opportunities.

Our capital may be applied in a number of ways including:

- Underwriting client-related capital raisings (debt and equity);
- Co-investing in managed funds to demonstrate alignment and achieve attractive investment returns;
- Taking strategic holdings to seed products for the establishment of new funds;
- Business acquisitions; and
- Managing liquidity for day-to-day operations.

Moelis Australia issued \$25.0 million of unsecured corporate notes to clients in 2018 as part of the note program established in 2017. This took our overall drawn notes programme to \$57.2 million.

In the current environment we believe a high weighting in cash is prudent, particularly given the long run of asset price appreciation in the current cycle. We believe that attractive opportunities will arise in time.

1. Based on Redcape Hotel Group (ASX:RDC) Net Asset Value (NAV) per share of \$1.13 at 31 December 2018

2. Based on Japara Healthcare Limited (ASX:JHC) share price of \$1.12 at 31 December 2018

# Corporate Advisory & Equities

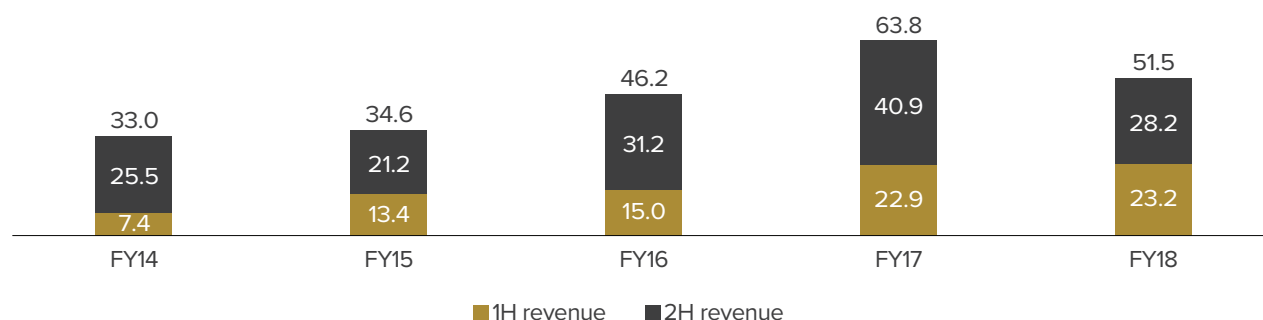
## Performance

Corporate Advisory & Equities recorded FY18 Underlying Revenue of \$51.5 million. Underlying Revenue from the Corporate Advisory business was \$42.3 million (-21.9% on FY17), which represented \$1.2 million per executive head and was within our stated long-term productivity guidance range of \$1.1 million to \$1.3 million per executive. The fall in revenue relative to FY17 was due to a combination of factors including material global equity market volatility early in FY18 and more significantly the last quarter of FY18 – which has historically contributed approximately 40% of annual Corporate Advisory revenue.

Notwithstanding achieving a lower revenue per executive in FY18 than FY17, this should be viewed in the context of market conditions and the fact that FY17 productivity of \$1.5 million per executive was above our stated productivity guidance range.

We believe that the productivity achieved in a volatile market demonstrates the quality of our Corporate Advisory business and its capacity to deliver relatively consistent revenue irrespective of changing market conditions.

### Corporate Advisory & Equities Revenue (\$ million)



Equities commission revenue was broadly in-line achieving \$9.2 million in FY18 compared with \$9.6 million in FY17. The Equities business continues to provide a research and sales trading platform to service our institutional clients and distribute equity capital markets transactions.

## Operational Review

The Corporate Advisory team had a solid year advising on approximately \$6.6 billion worth of transactions across 48 mandates. Highlights included advising:

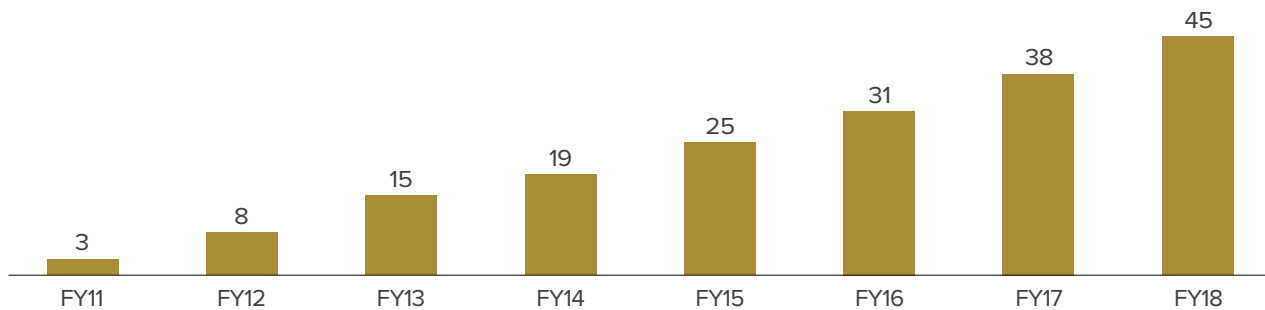
- Saputo on its \$1.3 billion acquisition of Murray Goulburn and subsequent \$250 million sale of Koroit milk processing plant;
- Slater and Gordon on its \$782 million recapitalisation;
- SCA Property Group's \$573 million acquisition of shopping centres from Vicinity Centres and subsequent \$312 million capital raising;
- Redcape on its \$623 million initial public offering (IPO);
- Avoka on its \$US245 million sale to Temenos;
- Centuria Metropolitan REIT's on its \$276 million equity raising;
- Pivotal Systems on its \$233 million IPO;
- Revasum on its \$184 million IPO; and
- MediaWorks on its undisclosed refinancing.

## Corporate Advisory & Equities (cont.)

Late in FY18 we strengthened our Corporate Advisory team by hiring two experienced Managing Directors and associated teams. This represents the first investment in senior advisory executives for a number of years, and reflects our desire to grow our overall footprint in Corporate Advisory and the market opportunities we see ahead. These senior hires were made to augment our long-held practice of developing executive talent from within our business.

A key measure of success in Corporate Advisory is the generation and maintenance of client relationships. Moelis Australia measures this by the number of repeat clients accumulated over time, as follow-on engagements serve to solidify relationships and validate work.<sup>1</sup> In 2018, we generated seven additional repeat clients, which is a record-equalling result. Since our inception in 2009, Corporate Advisory has generated 45 repeat clients, on average achieving five to six additional repeat clients each year.

### Total Repeat Clients (cumulative)



1. Clients advised on more than one prior transaction

## Additional Information

### Corporate Advisory Strategic Alliance with Moelis & Company

Moelis Australia and Moelis & Company have a longstanding strategic alliance in relation to Corporate Advisory.

Moelis & Company is a leading global independent investment bank listed on the NYSE with a market capitalisation of approximately US\$2.7 billion.<sup>1</sup> Moelis & Company holds approximately 33% of the issued capital in Moelis Australia.

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.

### The Moelis Standard

The Moelis Standard inspires the highest level of quality, partnership and integrity in every interaction with our clients and each other.

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

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



17 global Corporate  
Advisory offices

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 31 January 2019

## Additional Information (cont.)

### Moelis Australia Clients

Moelis Australia welcomed a large number of new clients across the Group over the year.

Moelis Australia acknowledges and appreciates the trust that clients have placed in the Group to provide the most relevant advice and innovative solutions across our suite of products. In particular the Asset Management division takes on the responsibility of being a custodian of clients' money with great care. Moelis Australia will endeavour to return this client trust with high-quality products and services.

### People

Moelis Australia's business is based on delivering the highest-quality long-term outcomes to clients and investors. Key to achieving this is our commitment to attracting and retaining talent that aligns to our culture and values.

Over 2018, Moelis Australia welcomed close to 40 talented executives to the Group over the past year with each new team member bringing unique skillsets to supplement our existing talent pool. We also promoted our first ever graduate (from 2009) to the role of Executive Director. In addition, we offered 14 intern places to aspiring corporate advisors during our summer and winter intakes. Finding and retaining the best talent is always a challenge, and we continue to explore opportunities to ensure that Moelis Australia is an employer of choice. We have been fortunate to have experienced very low staff turnover since our establishment in 2009.

Creating a first-class work environment requires commitment from each individual, and maintaining this culture is an ongoing focus for management.

### Culture

Moelis Australia's culture is based on employee and client trust and we aim to hire innovative people who perpetuate a culture of excellence, enterprise and commitment. 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 global Moelis Standards (outlined on page 11).

Moelis Australia encourages staff members to be proactive in giving back to the community. The Moelis Australia Foundation established in 2017, reflects this belief.

### 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 MAF.

The Moelis Australia team believes strongly in giving back to the community through projects the team is passionate about. Empowering the team to suggest and drive community initiatives that are close to their heart through the MAF, underpins our approach.

MAF asks staff members to nominate the charities they would like the Foundation to support. All staff members may request that Moelis Australia donate to MAF in lieu of what may otherwise have been compensation paid to them individually for their services. Some of the charities staff members have nominated include the Sydney Children's Hospital, Westmead Children's Hospital, UNICEF, Dementia Australia, and the Fred Hollows Foundation.

Requests by staff members to direct what otherwise may have been paid to them totalled \$2.2 million in 2018. In addition, Moelis Australia separately contributed \$200,000 to MAF in 2018.

### Corporate Governance Statement

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





# 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 2018.

## Directors

The Directors of the Company are:

Mr Jeffrey Browne (Independent Chairman and non-executive Director)  
Mr Kenneth Moelis (non-executive)  
Mr Joseph Simon (non-executive)  
Mr Andrew Pridham (Chief Executive Officer)  
Mr Julian Biggins (executive)

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

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**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 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

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## Directors' Report (cont.)

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**Mr Kenneth Moelis**  
**Non-Executive Director**

***Experience and expertise***

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

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 70.3% 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.)

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**Mr Andrew Pridham AO**  
**Executive Director and CEO**

***Experience and expertise***

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

Andrew has 30 years of experience in investment banking 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.

In January 2019, Andrew was appointed as an Officer in the General Division of the Order of Australia for distinguished service to the investment banking and asset management sector, to sporting groups, and to philanthropy.

***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 19,626,761 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 50,812,013 Shares.



**Mr Julian Biggins**  
**Executive Director**

***Experience and expertise***

Julian has served as an executive of Moelis Australia since its formation 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 5,877,603 shares as a result of his holding in the Existing Staff Trusts.

Share Rights: 304,194

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### Company Secretary

Mr Peter Dixon was appointed to the position of Company Secretary on 7 February 2017.

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' Report (cont.)

### 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	8	8	5	5	2	2
Mr Kenneth Moelis	5	8	N/A	N/A	1	2
Mr Joseph Simon	8	8	5	5	N/A	N/A
Mr Andrew Pridham	8	8	N/A	N/A	2	2
Mr Julian Biggins	8	8	5	5	N/A	N/A

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 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:

#### Credit Investments

The Group's asset management business established a number of credit funds with a mandate to invest in credit opportunities. The Group has co-invested in some of the funds and further has made direct principal investments in debt instruments.

#### Credit Licence

A subsidiary of Moelis Australia was granted an Australian credit licence on 30 May 2018. The granting of the licence enables the Group to provide further credit services and expand the credit investment opportunities.

#### Establishment of Shanghai Office

Moelis Australia successfully registered a Wholly Foreign Owned Enterprise (WFOE) in Shanghai, which will assist in the servicing of China based investors.

#### Listing of Redcape Hotel Group

On 30 November 2018, Moelis Australia Redcape Hotel Group, a fund managed by the Group, was listed on the Australian Stock Exchange as Redcape Hotel Group (ASX:RDC). Moelis Australia and related entities currently own approximately 39% of Redcape.

### Unsecured Note Program

In September and October 2018 the Group raised \$25 million in debt through the issue of four year unsecured notes.

### Operating and Financial Review

The Group recorded total comprehensive income for the year of \$27.2 million (2017: \$31.9 million) and profit after tax for the year of \$30.5 million (2017: \$29.6 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 underlying net profit after tax ("NPAT") of \$39.3 million (2017: \$29.1 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.

## Directors' Report (cont.)

Year Ended 31 December (\$'000s)	2018	2017
<b>Total comprehensive income for the year (as disclosed in the Financial Report)</b>	<b>27,206</b>	<b>31,859</b>
Management adjustments:		
Listing costs <sup>1</sup>	–	989
Armada Funds Management acquisition adjustments <sup>2</sup>	6,571	3,260
Shares issued to staff <sup>3</sup>	3,514	(8,444)
Performance fees deferral <sup>4</sup>	(6,400)	–
Unrealised gains/losses on investments <sup>5</sup>	13,586	–
Adjustments relating to associates <sup>6</sup>	220	–
Sale of joint venture <sup>7</sup>	(2,221)	–
Other <sup>8</sup>	950	189
Tax on above	(2,982)	1,201
Non Controlling Interests <sup>9</sup>	(1,161)	–
<b>Underlying NPAT*</b>	<b>39,283</b>	<b>29,054</b>

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

2 The amortisation of acquired intangible assets and the share based payment expense relating to the shares issued to the vendors, who are now Moelis Australia Group employees.

3 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 2018. The underlying result includes the full value of the Share Rights as an expense in the year granted.

4 Deferred performance fee associated with the IPO of the Redcape Hotel Group.

5 Unrealised gains/losses on strategic Group investments and the impact of the adoption of AASB 9.

6 The difference between the equity accounting entries taking up the share of profits of associates and revaluations attributable to the Group and the underlying distributions actually received combined with the Board's assessment of fair value movements of the overall investment.

7 Profit on sale reflecting the exercise of options to sell the Group's interest in Acure Asset Management. The underlying adjustment aligns profit recognition with settlement timing.

8 Includes the recognition of loan related fees upfront and the exclusion of theoretical credit losses in the underlying result.

9 Represents non controlling interests in the income of a loan receivable which has been repaid.

The table below shows the contributions to Underlying EBITDA of the two key business segments. Unallocated refers to the Corporate Executive team which includes the CEO, CFO, COO, finance and legal teams.

Year Ended 31 December (\$'000s)	2018	2017
Corporate Advisory and Equities	13,240	25,326
Asset Management	52,484	23,383
Unallocated	(8,180)	(7,085)
<b>Underlying EBITDA**</b>	<b>57,544</b>	<b>41,624</b>

\* Net profit after tax.

\*\* Earnings before interest, tax, depreciation and amortisation.

## Directors' Report (cont.)

Please refer to section "2018 Year in Review" and "Overview of Business Segments" 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

	2018		2017	
	Underlying	Statutory	Underlying	Statutory
Basic EPS (cents/share)	25.7	20.0	23.0	23.4
Diluted EPS (cents/share)	24.8	19.4	22.4	22.8

### Financial position

The Group raised \$25 million of debt during the year via the unsecured notes program.

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

\$ millions	2018	2017
Cash and cash equivalents	86.7	87.8
Loans receivable	111.5	42.8
Listed investments	76.1	30.7
Unlisted investments	35.2	64.5
Goodwill and other intangibles	23.0	25.4
Other assets	42.7	33.7
<b>Total Assets</b>	<b>375.2</b>	<b>284.9</b>
Borrowings	(57.2)	(32.2)
Other liabilities	(77.2)	(37.2)
<b>Total Liabilities</b>	<b>(134.4)</b>	<b>(69.3)</b>
<b>Net assets</b>	<b>240.8</b>	<b>215.6</b>

### Dividends

A fully franked dividend of \$10.8 million (7.0 cents per share) for the full year ended 31 December 2017 was paid on 6 March 2018.

The Directors have declared a fully franked dividend of 8.0 cents per share for the full year ended 31 December 2018, payable on 6 March 2019.

### Share Options

The Company had 5,401,900 Share Options outstanding at 31 December 2018. For details on Share Options issued during the year refer to note 34 to the financial statements.

### Subsequent Events

At 31 December 2018 the Group had commitments of \$27.7 million in undrawn credit facilities.

On 1 January 2019 the Group disposed of its interest in a loan asset for \$12.7 million which represented all principal plus accrued interest. The loan accounted for \$10 million in undrawn credit facilities.

On 1 February 2019, the Group completed the disposal of its shareholding in Acure Asset Management Pty Ltd for gross proceeds of \$5 million.

## Directors' Report (cont.)

A fully franked dividend of 8.0 cents per Share totalling \$12.3m 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.

### 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  
20 February 2019

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*.

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.



**Andrew Pridham**

Managing Director and Chief Executive Officer  
20 February 2019

## Directors' Report (cont.)

### Auditor's Independence Declaration

As auditor for the audit of Moelis Australia Limited for the year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

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



**Delarey Nell**

Partner

Deloitte Touche Tohnatsu

Sydney

20 February 2019

Liability limited by a scheme approved under Professional Standards Legislation



## Directors' Report (cont.)

### 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 2018.

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 the most recent financial year:

Non-Executive KMP	
Mr Jeffrey Browne	Independent Non-Executive Director and Chairman
Mr Kenneth Moelis	Non-Executive Director
Mr Joseph Simon	Non-Executive Director
Executive KMP	
Mr Andrew Pridham	Executive Director and CEO
Mr Julian Biggins	Executive Director and Head of Real Estate Advisory
Mr Hugh Thomson	Chief Operating Officer
Mr Christopher Wyke*	Head of Corporate Advisory
Mr Graham Lello*	Chief Financial Officer

\*Mr Wyke was determined to be a KMP as of 1 January 2018 whilst Mr Lello was determined a KMP at 1 March 2018.

### 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 Group 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.

### 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. In order to diversify and expand the Board representation, an increase in this cap is currently being reviewed. 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 Jeffrey 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

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.

## Directors' Report (cont.)

The review of salaries and the payment of bonuses to Executive KMP and whether it is delivered in cash or equity is determined annually by the Board on recommendation from the Nomination and Remuneration Committee. In determining any salary increases and bonus amounts 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.

### 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's underlying result has performed compared to the prior year. The table below compares the Group's performance for 2018 against 2017. As 2017 is the first year that the Group has been listed, the table does not include the performance of the preceding two years.

	Year ended 2018	Year ended 2017	% change
Underlying EBITDA \$million <sup>#</sup>	57.5	41.6	38%
Underlying NPAT \$million <sup>#</sup>	39.3	29.1	35%
Underlying EPS (cents/share) <sup>#</sup>	25.7	23.0	12%
Statutory EBITDA \$million	46.8	43.1	9%
Statutory Comprehensive Income \$million	27.2	31.9	(15%)
Statutory EPS (cents/share)	20.0	23.4	(14%)
Dividends declared (cents/share)	8.0	7.0	14%

	2018	2017	
Remuneration of Executive KMP*			
Existing KMP's	3.4	3.9	(13%)
New 2018 KMP's	2.8	—	

\* the remuneration of KMP shown in the table above includes salary and annual bonus, including the full value of Share Rights in the year of grant.

<sup>#</sup> Underlying numbers are not audited.

### Remuneration of Executive Key Management Personnel during the year

For the 2017 and 2018 annual bonus, the Board granted employees a combination of cash and the right to receive Shares in the future ("Share Rights"). Key terms of the Share Rights are detailed in the table below.

	Vesting Period	First Vesting Date	Grant Price
2018 Share Rights	3 years	1 January 2020	\$4.36
2017 Share Rights	5 years	1 January 2019	\$6.08

## Directors' Report (cont.)

The Share Rights are subject to a continuation of employment vesting condition and do not include future performance hurdles or targets, as the Board considers that the annual bonus and related Share Rights grant represents remuneration for performance during the year of grant.

Share Rights recipients are entitled to receive a payment equivalent to the dividend paid by the Company (if any),

but excluding the dividend to be paid for the year when the Share Rights were granted.

The value of each Share Right is determined by reference to the trading in the Company's shares in the five business days up to the date of grant, adjusted for the dividend to be paid for that year.

2018 Annual bonus	No. of Share Rights Granted	Value of Share Rights Granted
Andrew Pridham	—	—
Julian Biggins	159,868	\$697,500
Hugh Thomson	19,597	\$85,500
Christopher Wyke	177,917	\$776,250
Graham Lello*	29,748	\$129,792

\* Remuneration reflects his time as an Executive KMP from 1 March 2018.

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.

2018 Remuneration	Fixed	Variable (Cash) Bonus	Variable (Equity) Bonus
Andrew Pridham*	100%	—	—
Julian Biggins	23%	44%	33%
Hugh Thomson	58%	28%	13%
Christopher Wyke	22%	46%	33%
Graham Lello**	47%	23%	30%

\* Mr Pridham elected not to be considered for a bonus.

\*\* Remuneration reflects his time as an Executive KMP from 1 March 2018.

## Directors' Report (cont.)

### Statutory Remuneration Table

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

#### Executive KMP

Short-term employee benefits						Long-term employee benefits	Share Based Payments*	Total Remuneration
		Salary & Fees (including superannuation)	Bonus (Cash component)	Total Cash	Non – monetary and Other	Long service leave	Bonus (Equity component)	
<b>Andrew Pridham</b>	<b>2018</b>	<b>450,000</b>	<b>–</b>	<b>450,000</b>	<b>33,450</b>	<b>7,016</b>	<b>–</b>	<b>490,466</b>
	2017	450,000	–	450,050	37,205	7,117	–	494,322
<b>Julian Biggins</b>	<b>2018</b>	<b>450,000</b>	<b>852,500</b>	<b>1,302,500</b>	<b>–</b>	<b>7,010</b>	<b>637,835</b>	<b>1,947,345</b>
	2017	450,000	1,072,500	1,522,500	–	7,112	224,873	1,754,485
<b>Hugh Thomson</b>	<b>2018</b>	<b>406,487</b>	<b>199,500</b>	<b>605,987</b>	<b>–</b>	<b>39,335</b>	<b>96,772</b>	<b>742,094</b>
	2017	350,000	312,000	662,000	–	–	43,053	705,053
<b>Chris Wyke**</b>	<b>2018</b>	<b>450,000</b>	<b>948,750</b>	<b>1,398,750</b>	<b>–</b>	<b>7,011</b>	<b>682,840</b>	<b>2,088,601</b>
	2017	N/A	N/A	N/A	–	N/A	N/A	N/A
<b>Graham Lello***</b>	<b>2018</b>	<b>333,333</b>	<b>160,694</b>	<b>494,027</b>	<b>–</b>	<b>28,638</b>	<b>208,753</b>	<b>731,418</b>
	2017	N/A	N/A	N/A	–	N/A	N/A	N/A
<b>Total 2018</b>		<b>2,089,820</b>	<b>2,161,444</b>	<b>4,251,264</b>	<b>33,450</b>	<b>89,010</b>	<b>1,626,200</b>	<b>5,999,924</b>
<b>Total 2017</b>		<b>1,250,000</b>	<b>1,384,500</b>	<b>2,634,500</b>	<b>37,205</b>	<b>14,229</b>	<b>267,926</b>	<b>2,953,860</b>

\* Reflects the amortisation of share rights granted in 2017 & 2018.

\*\* Executive KMP from 1 January 2018 therefore no comparative.

\*\*\* Executive KMP from 1 March 2018 therefore proportionate and no comparative.

#### Non-Executive KMP

Short-term employee benefits						Long-term employee benefits	Share Based Payments	Total Remuneration
		Salary & Fees (including superannuation)	Bonus (Cash component)	Total Cash	Non – monetary and Other	Long service leave	Options	
<b>Jeffrey Browne</b>	<b>2018</b>	<b>150,000</b>	<b>–</b>	<b>150,000</b>	<b>–</b>	<b>–</b>	<b>61,645</b>	<b>211,645</b>
	2017	151,250	–	151,250	–	–	5,226	156,476
<b>Kenneth Moelis</b>	<b>2018</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
	2017	–	–	–	–	–	–	–
<b>Joseph Simon</b>	<b>2018</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
	2017	–	–	–	–	–	–	–
<b>Total 2018</b>		<b>150,000</b>	<b>–</b>	<b>150,000</b>	<b>–</b>	<b>–</b>	<b>61,645</b>	<b>211,645</b>
<b>Total 2017</b>		<b>151,250</b>	<b>–</b>	<b>151,250</b>	<b>–</b>	<b>–</b>	<b>5,226</b>	<b>156,476</b>

## Directors' Report (cont.)

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.

2018	Paid during the year *		% Vesting in future years **	
	Amount	% of Total Remuneration	Amount	% of Total Remuneration
<i>Executive KMP</i>				
Andrew Pridham	483,450	100%	—	—
Julian Biggins	1,302,500	65%	697,500	35%
Hugh Thomson	605,987	88%	85,500	12%
Christopher Wyke	1,398,750	64%	776,250	36%
Graham Lello	494,027	79%	129,792	21%
<i>Non-Executive KMP</i>				
Jeffery Browne	150,000	100%	—	—
<b>Total</b>	<b>4,434,714</b>	<b>72%</b>	<b>1,689,042</b>	<b>28%</b>

\* Includes cash component of 2018 annual bonus which will be paid in March 2019.

\*\* In relation to Executive Key Management Personnel, the amount shown as vesting in future years is the 2018 Share Rights which will vest in three annual equal instalments commencing 1 January 2020 and ending 1 January 2022. Vesting is subject to continuation of employment.

### Key Terms of Employment Contracts

#### Chief Executive Officer

The major terms and conditions of the 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 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.

#### Other Executive KMP

The employment contracts of other Executive KMP are substantially on the same terms as that of the CEO, with the following exceptions:

- > No car parking entitlement
- > The Group may terminate Mr Lello's contract by giving six months written notice. Mr Lello may terminate his contract by giving six months written notice.

## Directors' Report (cont.)

### KMP equity holdings

The following tables set out each KMP's interests in the Company:

Shares				
Shares in the Company	Balance at 1 January 2018	Acquired during the period	Sold during the period	Balance at 31 December 2018
<i>Non-Executive KMP</i>				
Jeffrey Browne	—	—	—	—
Kenneth Moelis*	—	—	—	—
Joseph Simon	—	—	—	—
<i>Executive KMP</i>				
Andrew Pridham**	21,807,514	—	(2,180,751)	19,626,763
Julian Biggins**	6,530,671	—	(653,068)	5,877,603
Hugh Thomson**	518,984	—	(51,898)	467,086
Christopher Wyke**	6,530,671	—	(653,068)	5,877,603
Graham Lello	—	32,680	—	32,680

\* Mr Moelis has 70.3% 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 sold during the year resulted from redemptions of units in the Existing Staff Trusts.

Share Rights				
Share Rights in the Company	Balance at 1 January 2018	Granted during the period	Vested during the period	Balance at signing date
<i>Non-Executive KMP</i>				
Jeffrey Browne	—	—	—	—
Kenneth Moelis	—	—	—	—
Joseph Simon	—	—	—	—
<i>Executive KMP</i>				
Andrew Pridham	—	—	—	—
Julian Biggins	144,326	159,868	—	304,194
Hugh Thomson	27,632	19,597	—	47,229
Christopher Wyke	146,176	177,917	—	324,093
Graham Lello	163,399	35,698	(32,680)	166,417

No KMP Share Rights were forfeited during 2018.

## Directors' Report (cont.)

### Options

#### 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 acquired by 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 2017	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

There were no loans with KMP's during the year.

#### Transactions with KMP

There were no transactions with KMP's during the year



## Financial Report

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# Financial Report

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## Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2018

	Notes	2018 \$'000	2017 \$'000
Fee and commission income		127,413	106,889
Fee and commission expense		(9,823)	(6,781)
<b>Net fee and commission income</b>	3	<b>117,590</b>	<b>100,108</b>
Share of profits of associates		446	23
Investment income	5	19,680	1,257
Other income	6	5,514	3,447
<b>Net income</b>		<b>143,230</b>	<b>104,835</b>
Personnel expenses	25	69,405	44,925
Marketing and business development expenses		3,530	3,873
Communications, data and information technology expenses		3,042	3,377
Occupancy expenses		2,940	2,436
Interest expense	8	7,869	488
Depreciation & amortisation	13,15	2,970	968
Other expenses	9	8,074	6,226
<b>Total expenses</b>		<b>97,830</b>	<b>62,293</b>
<b>Profit before tax</b>		<b>45,400</b>	<b>42,542</b>
Income tax expense	7	(14,855)	(12,975)
<b>Profit for the period</b>		<b>30,545</b>	<b>29,567</b>
<b>Other comprehensive income, net of income tax</b>			
<b>Items that may be classified subsequently to profit or loss:</b>			
Net unrealised loss on investments		–	(1,333)
<b>Items that will not be classified subsequently to profit or loss:</b>			
Net unrealised loss on investments	32	(9,318)	–
Share of other comprehensive income of associates		5,979	3,625
<b>Total comprehensive income for the period</b>		<b>27,206</b>	<b>31,859</b>
<b>Profit is attributable to:</b>			
Owners of the Company		<b>29,384</b>	<b>29,567</b>
Non controlling interests		<b>1,161</b>	–
<b>Total comprehensive income is attributable to:</b>			
Owners of the Company		<b>26,045</b>	<b>31,859</b>
Non controlling interests		<b>1,161</b>	–
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	35	20.0	23.4
Diluted earnings per share	35	19.4	22.8

The above statement of comprehensive income is to be read in conjunction with the accompanying notes.

# Statement of Financial Position

as at 31 December 2018

	Notes	2018 \$'000	2017 \$'000
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	22	86,652	87,786
Receivables	10	32,231	17,034
Loans Receivable	16	64,920	–
Other financial assets	26	–	30,459
Other assets	11	1,950	1,211
<b>Total current assets</b>		<b>185,753</b>	<b>136,490</b>
<i>Non-current assets</i>			
Restricted cash	12	5,965	14,239
Loans receivable	16	46,561	42,848
Other financial assets	26	25,574	4,763
Property, plant and equipment	13	2,146	1,205
Investments in associates and joint ventures	27	86,201	59,966
Intangible assets	15	13,184	15,560
Goodwill	14	9,827	9,827
<b>Total non-current assets</b>		<b>189,458</b>	<b>148,408</b>
<b>Total assets</b>		<b>375,211</b>	<b>284,898</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade and other payables	17	16,066	10,105
Income tax payable	7	4,201	5,957
Provisions	19	21,152	14,406
<b>Total current liabilities</b>		<b>41,419</b>	<b>30,468</b>
<i>Non-current liabilities</i>			
Trade and other payables	17	5,137	493
Borrowings	18	57,150	32,150
Provisions	19	1,662	1,389
Redeemable preference shares	18	25,500	–
Deferred tax liability	7	3,517	4,767
<b>Total non-current liabilities</b>		<b>92,966</b>	<b>38,799</b>
<b>Total liabilities</b>		<b>134,385</b>	<b>69,267</b>
<b>Net assets</b>		<b>240,826</b>	<b>215,631</b>
<b>Equity</b>			
Contributed equity	20	189,924	191,507
Reserves	32	16,743	8,493
Retained earnings		35,320	15,631
Non controlling interests		(1,161)	–
<b>Total shareholders equity</b>		<b>240,826</b>	<b>215,631</b>

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

# Statement of Changes in Equity

for the year ended 31 December 2018

	Contributed equity \$'000 Note 20	Share based payment reserve \$'000 Note 34	Retained Earnings \$'000	Investments Revaluation Reserve \$'000 Note 32	FVTOCI Reserve \$'000	Attribu- table to owners of the parent \$'000	Non controlling interests \$'000	Total Equity \$'000
Balance at 1 January 2017	14,796	–	17,064	893	–	32,753	–	32,753
Profit for the period	–	–	29,567	–	–	29,567	–	29,567
Other comprehensive income for the period	–	–	–	2,292	–	2,292	–	2,292
Payment of dividends	–	–	(31,000)	–	–	(31,000)	–	(31,000)
Issue of ordinary shares	180,141	–	–	–	–	180,141	–	180,141
Capitalised IPO costs	(1,419)	–	–	–	–	(1,419)	–	(1,419)
Treasury shares	(2,011)	–	–	–	–	(2,011)	–	(2,011)
Share based payments	–	5,308	–	–	–	5,308	–	5,308
<b>Balance at 31 December 2017</b>	<b>191,507</b>	<b>5,308</b>	<b>15,631</b>	<b>3,185</b>	<b>–</b>	<b>215,631</b>	<b>–</b>	<b>215,631</b>
Balance at 1 January 2018	191,507	5,308	15,631	3,185	–	215,631	–	215,631
Adjustments from adoption of AASB 9 & 15	–	–	(89)	308	391	610	–	610
Restated balance at 1 January 2018	191,507	5,308	15,542	3,493	391	216,241	–	216,241
Profit for the period	–	–	30,545	–	–	30,545	(1,161)	29,384
Other comprehensive income for the period	–	–	–	5,979	(9,318)	(3,339)	–	(3,339)
Payment of dividends	–	–	(10,767)	–	–	(10,767)	–	(10,767)
Issue of ordinary shares	8,131	–	–	–	–	8,131	–	8,131
Treasury shares	(9,800)	–	–	–	–	(9,800)	–	(9,800)
Capitalised IPO costs	86	–	–	–	–	86	–	86
Share based payments	–	10,890	–	–	–	10,890	–	10,890
<b>Balance at 31 December 2018</b>	<b>189,924</b>	<b>16,198</b>	<b>35,320</b>	<b>9,472</b>	<b>(8,927)</b>	<b>241,987</b>	<b>(1,161)</b>	<b>240,826</b>

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

# Statement of Cash Flows

for the year ended 31 December 2018

	Notes	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		110,003	102,567
Interest and dividends received		7,116	2,974
Amounts (repaid to)/received from affiliates		(863)	280
Payments to suppliers and employees		(65,837)	(68,144)
<b>Cash generated from operations</b>		<b>50,419</b>	<b>37,677</b>
Interest paid		(1,006)	(3)
Income taxes paid		(16,841)	(9,328)
<b>Net cash from operating activities</b>	<b>22</b>	<b>32,572</b>	<b>28,346</b>
<b>Cash flows from investing activities</b>			
Payments to acquire financial assets		(4,169)	(33,280)
Proceeds on sale of financial assets		652	4,388
Amounts advanced to third parties		(64,085)	(44,951)
(Payments)/receipts for employee loans		(232)	1,497
Payments to acquire shares in associates		(22,889)	(54,750)
Capital returns received from associates		7,011	3,234
Distributions from investments		4,552	–
Net cash inflows/(outflows) to dispose/(acquire) shares in subsidiary companies		25,500	(9,645)
Payments to acquire property, plant and equipment		(1,533)	(805)
<b>Net cash used in investing activities</b>		<b>(55,193)</b>	<b>(134,312)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		8,131	169,150
Purchase of treasury shares		(9,800)	–
Share issue transaction costs		–	(2,409)
Proceeds from borrowings		25,000	32,150
Proceeds from share based payments		–	127
(Increase)/decrease in restricted cash		8,274	(11,105)
Amounts received from related parties		–	64
Dividends paid		(10,767)	(31,000)
<b>Net cash from financing activities</b>		<b>20,838</b>	<b>156,977</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,783)</b>	<b>51,012</b>
Cash and cash equivalents at the beginning of the year		87,786	37,229
Effects of exchange rate changes on the balance of cash held in foreign currencies		649	(454)
<b>Cash and cash equivalents at the end of the year</b>	<b>22</b>	<b>86,652</b>	<b>87,786</b>

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

# Notes to the Financial Statements

## for the year ended 31 December 2018

### 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 20 February 2019.

#### 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 Australian Accounting Standard Board ("AASB") number 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.

#### (i) Assessment of control and significant influence

Five of the funds which the Group manages (Redcape Hotel Group, Moelis Australia Aged Care Fund, Moelis Australia Senior Secured Credit Fund II, Moelis Australia Kincare Fund and Moelis Australia Exchanges Fund) (each a "Fund"), have investors which 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.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

Refer 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 prior year the Group acquired Armada Funds Management, a real estate funds manager which 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
- appropriate discount rate to apply to forecast cashflows (refer note 15 for further information)

The deferred tax liability includes an amount of \$4.0 million (2017: \$4.7 million) relating to the intangible asset recognised as a result of the acquisition of Armada Funds Management.

### (iii) Impairment of intangible assets including goodwill

Determining whether goodwill or other intangible assets are impaired requires an estimation of 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 2018 was \$9.8 million (31 December 2017 \$9.8m). The carrying amount of intangible assets at 31 December 2018 was \$13.2 million (31 December 2017 \$15.6 million).

### (iv) Employee benefits

Employee benefits include share rights granted to staff on commencement of employment and as part of the bonus incentive scheme, the vesting of which are subject to continuous employment conditions. 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 January 2018 (2017: 1 March 2017). Determination of this date required a

degree of judgement. Further information on share based payments is included in note 34.

### (v) Impairment of 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 are disclosed in notes 27.

### (vi) Impairment of loans and receivables

The expected credit loss of each loan and each account receivable balance is determined by the probability of default, loss given default and exposure at default. The consideration of these factors requires judgement, taking into account a range of factors including the age of the debt, prior history of the debtor, prior experience in recovery of similar debts as well as consideration of economic indicators that may impact the future collectability of the loan or receivable. For further information refer notes 10 and 16.

### (vii) Options

The Company has granted options to employees and its Chairman. For accounting purposes, the fair value of the options is amortised as an expense over the vesting period of the options. Determining the fair value for accounting purposes required a number of assumptions and judgements to be made. 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 there is a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the consideration is subsequently resolved. Please refer to note 1(c) for details.

### 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:



# Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

## 1 Summary of significant accounting policies (cont.)

### b Basis of consolidation (cont.)

- 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 control, 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.

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 control of the underlying service is transferred to the customer. 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 managed funds are recognised when it is highly probable that a significant reversal of the fee will not occur. Factors that are taken into consideration for performance fees include:

- the proportion of assets already realised
- returns on assets realised to-date
- downside valuation on remaining unrealised assets and reliability of those estimates
- 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 statement of profit and 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.



# Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

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 0.71.

## **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 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 Tax 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 arises 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 Tax 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 Financial Statements (cont.)

for the year ended 31 December 2018

## 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 Tax 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 Tax 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

Property, plant 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 as follows:

- computer and office equipment 3 years
- furniture and fittings 7 years
- 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 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

### 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.

# Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

## **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 which are recognised inclusive of GST.

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

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 which 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.

## **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),
- equity instruments 'at fair value through other comprehensive income' (FVTOCI), and
- 'amortised cost'.

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.

### **Classification of Financial Assets**

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group holds no debt instruments measured at FVOCI. By default, all other financial assets are subsequently measured at FVTPL.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met such as, if the equity instrument is not held for trading; and

The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

# Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

## 1 Summary of significant accounting policies (cont.)

### m Financial instruments (cont.)

#### Financial assets (cont.)

##### Financial assets classified as amortised cost

The amortised cost of a financial asset is:

- the amount at which the financial asset is measured at initial recognition;
- minus the principal repayments;
- plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; and
- adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. Interest income is recognised in profit or loss and is included in the "investment income" line item.

##### Equity investments at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI on the basis that they are held for strategic purposes. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Gains and losses relating to these financial assets will be recognised in other comprehensive income. Dividends from such investments are recognised as income in profit or loss when the Group has the right to receive payments unless the dividend clearly represents a recovery of part of the cost of the investment. The accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of AASB 9.

##### Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. Net gains and losses, including any interest or dividend income earned on the financial asset, are recognised in profit & loss in the 'other gains and losses' line item. Fair value is determined in the manner described in note 29.

##### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, amounts due from customers under construction contracts, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses ("ECLs") is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables, the Group has elected to use the simplified approach and has determined the loss allowance based off the lifetime ECL. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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.

The Group has provided for commitments that are both drawn and undrawn. The undrawn commitment is contingent on the counterparty achieving contractual milestones. Once they are achieved, the amount can be drawn upon and expected to be met within 12 months. The Group has included a loss allowance on the entire commitments based on the 12 month ECL for these commitments.

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

### Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information. As part of the forward looking assessment, the Group has considered economic indicators such as economic forecast and outlook, GDP growth, unemployment rates and interest rates.

The Group determines a significant increase in credit risk based on the number of days past due. A non-trade receivable loan is assessed to have increased in credit risk when the number of days past due is over 90 days. This is based on historical data.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations,
- an actual or expected significant deterioration in the operating results of the debtor, and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) the financial instrument has a low risk of default,
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

### Definition of Default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty, or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).



# Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

## 1 Summary of significant accounting policies (cont.)

### m Financial instruments (cont.)

#### Financial assets (cont.)

##### Write off Policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Any recoveries made are recognised in profit or loss. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

##### Measurement and recognition of expected credit losses

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). It consists of 3 components:

- (a) probability of default (PD): represents the possibility of a default over the next 12 months and remaining lifetime of the financial asset;
- (b) a loss given default (LGD): expected loss if a default occurs, taking into consideration the mitigating effect of collateral assets and time value of money;
- (c) exposure at default (EAD): the total exposure at time of default

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For undrawn loan commitments, the expected credit loss is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

The Group has applied the three stage model based on the change in credit risk since initial recognition to determine the loss allowances of its financial assets.

##### Stage 1- 12 month ECL

At initial recognition, ECL is collectively assessed and measured by classes of financial assets with the same level of credit risk as a product of the PD within the next 12 months and LGDs with consideration to forward looking economic indicators. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

##### Stage 2: Lifetime ECL

When the Group determines that there has been a significant increase in credit risk since initial recognition but not considered to be credit impaired, the Group recognises a lifetime ECL calculated as a product of the PD for the remaining lifetime of the financial asset and LGD, with consideration to forward looking economic indicators. Similar to Stage 1, loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

##### Stage 3: Lifetime ECL – credit impaired

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. For financial assets that have been assessed as credit impaired, a lifetime ECL is recognised as a collective or specific provision, and interest revenue is calculated by applying the effective interest rate to the amortised cost instead of the carrying amount.

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, as well as on loan commitments. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs were calculated based on actual credit loss relating to revenue from experience over the past 4 years adjusted for the Group's forward looking expectations based off economic indicators. The Group performed the calculations of ECL rates separately for receivables arising from the advisory business and other asset management fees as asset management fees have been received in full historically.

#### 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

# Notes to the Financial Statements (cont.)

## for the year ended 31 December 2018

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 that are not designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

### 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 on settlement date, when cash is advanced to the borrower. A loss allowance is recognised measured at an amount equal to a 12 month ECL. Please refer to note 1 (m) for further information.

### 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.

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.

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

# Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

## 1 Summary of significant accounting policies (cont.)

### p Investments in associates and joint ventures (cont.)

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 which 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.

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 9, 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



# Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

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.

## **u Comparatives**

The Group has reclassified its share of other comprehensive income from associates from 'items that may be reclassified subsequently to profit and loss' to 'items that will not be reclassified subsequently to profit and loss' within other comprehensive income. The Group believes this more accurately reflects the nature of its share of other comprehensive income from associates. This reclassification had no impact on total comprehensive income.

## **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 their operations and effective for an accounting period that begins on or after 1 January 2018.

## **AASB 9 Financial Instruments**

In the current year, the Group has applied AASB 9 Financial Instruments (as revised) and the related consequential amendments to other Accounting Standards for the first time. AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement, and introduces new requirements for

- the classification and measurement of financial assets and financial liabilities
- impairment for financial assets; and
- general hedge accounting.

The Group has adopted the new accounting standard using the modified retrospective approach, which means changes in carrying values were put through opening retained earnings. Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

### **Classification & measurement of financial assets and financial liabilities**

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of liabilities. Under AASB 9, on initial recognition, a financial asset is classified and measured at:

- amortised cost;
- fair value through other comprehensive income (FVTOCI) - debt instrument;
- fair value through other comprehensive income (FVTOCI) - equity instrument; or
- fair value through profit or loss (FVTPL).

The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The new standard eliminates the previous AASB 139 financial asset categories of held to maturity, loans and receivables and available for sale.

On 1 January 2018 (the date of initial application of AASB 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate AASB 9 categories.

### **Initial Recognition and Impact**

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). The Group has applied this election on an investment-by-investment basis.

The adoption of AASB 9 has not had a significant effect on the Group's carrying values of the financial assets and financial liabilities. The Group notes that the new accounting standard has no material impacts on investments in associates and joint ventures. The following table and the accompanying notes below explain the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets as at 1 January 2018.

# Notes to the Financial Statements

for the year ended 31 December 2018

## 2 Application of new and revised Australian Accounting Standards (cont.)

Amendments to Accounting Standards that are mandatorily effective for the current reporting period (cont.)

AASB 9 Financial Instruments (cont.)

Carrying Amount as at 1 January 2018 \$000's					
Financial assets	Note	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139	New carrying amount under AASB 9*
Cash and cash equivalents		Loan and receivables	Amortised cost	87,786	87,786
Restricted cash		Loan and receivables	Amortised cost	14,239	14,239
Receivables	(a)	Loan and receivables	Amortised cost	17,034	17,034
Loan receivables	(b)	Held to maturity	Amortised cost	42,848	42,848
Listed securities	(c)	Available for sale	FVTOCI	30,736	30,736
Other financial assets					
• Unlisted securities - non equity instruments	(d)	Amortised cost	FVTPL	280	280
• Unlisted securities - non equity instruments	(d)	Amortised cost	Amortised cost	288	288
• Unlisted securities - equity instruments	(e)	Cost	FVTOCI	3,918	4,917
<b>Total financial assets</b>				<b>197,135</b>	<b>198,134</b>

\* The new carrying amount under AASB 9 reflect impacts before the application of new credit impairment model.

- (a) Receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost. These trade receivables do not include additional trade receivables that were recognised at 1 January 2018 on adoption of AASB 15. For further details relating to the impact of AASB 15 on the trade receivables balance, please refer to note 10.
- (b) The loan receivables represent loans held by a Moelis managed fund when the entity was part of the Group's consolidation. They were previously classified as held to maturity and are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows. When these cash flows consist solely of payments of principal and interest on the principal amount outstanding, the Group has classified and measured them at amortised cost.
- (c) These equity securities represent shares held in various entities. The Group intends to hold these investments for strategic purposes. As permitted by AASB 9, the Group has designated these investments at the date of initial application as measured at FVTOCI. The accumulated fair value reserve related to these investments will never be reclassified to profit or loss. Dividends received are recognised as income in profit and loss.
- (d) Unlisted non-equity instruments were historically carried at amortised cost under AASB 139. The Group has classified those that meet the solely payments of principal and interest (SPPI) criterion as amortised cost, and those that fail to meet the criterion as mandatorily at FVTPL under AASB 9.
- (e) Unlisted equity instruments were historically held at cost as fair value was not appropriately measurable under AASB 139 and the Group intends to hold them for long term strategic purposes. Equity instruments where the Group has made an irrevocable election at initial recognition to present subsequent changes in fair value through other comprehensive income. Dividends from such investments are recognised as income in profit and loss.

### Impairment

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. This applies to financial assets measured at amortised cost and debt investments at FVTOCI, but not to investments in equity instruments. The Group does not hold any debt investments at FVTOCI.

AASB 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the

financial instrument is a purchased or originated credit-impaired financial asset. If the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to a 12 month ECL. AASB 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

## Notes to the Financial Statements (cont.)

### for the year ended 31 December 2018

The loss allowance as at 1 January 2018 was determined as follows for trade receivables based on the accounting policy specified in note 10:

\$000's	CA&E	Asset Management*	Total
Gross trade receivables balance as at 31 December 2017	8,869	6,988	15,857
Historical loss rate adjusted for any forward looking factors	0.74%	—	—
Loss allowance for trade receivables	66	—	66

\* The probability of default was determined to be so low that the expected credit loss would not be material and consequently no loss allowance has been recognised.

The Group has reviewed and assessed the Group's existing financial assets for impairment in accordance with the requirements of AASB 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 January 2018. The result of the assessment and expected additional impairment allowance are as follows:

Financial assets that are subject to impairment provisions of AASB 9	Credit Risk Attributes	\$000s
Loss allowance at 31 December 2017 under AASB139		808
Cash and cash equivalents	(a)	—
Restricted cash	(a)	—
Trade receivables	(b)	66
Employee loans	(c)	10
Loan receivables measured at amortised cost	(d)	91
Unlisted securities – non equity instruments measured at amortised cost	(e)	4
Loan commitments	(f)	76
Loss allowance at 1 January 2018 under AASB 9		1,055

- (a) All bank balances are assessed to have low credit risk as at reporting date as they are held with reputable international banking institutions. The probability of loss is not material and therefore not shown.
- (b) The Group applies the simplified approach and recognises lifetime ECL for these assets.
- (c) The Group has assessed the employee loans to be of normal credit risk as at reporting date as there has been no history of default. The Group recognises a 12 month ECL for these assets.
- (d) The Group has assessed that there has not been a significant increase in credit risk as at reporting date based on on-going monitoring of the financial assets' performance internally. Accordingly, the Group recognises a 12 month ECL for these assets.
- (e) If an investment in a debt security had normal credit risk at the date of initial application of AASB 9, then the Group has assumed that the credit risk on the asset has not increased significantly since its initial recognition. The Group has assessed the loan receivables as normal credit risk based on the fact that these assets were acquired during the year. Therefore the Group recognises a 12 month ECL for these assets. If an investment in a debt security had normal credit risk at the date of initial application of AASB 9, then the Group has assumed that the credit risk on the asset has not increased significantly since its initial recognition.
- (f) The Group has included a loss allowance on all commitments based on the probability of the event occurring and the risk of default if the event did occur. Accordingly, the Group recognises a 12 month ECL.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 2 Application of new and revised Australian Accounting Standards (cont.)

**Amendments to Accounting Standards that are mandatorily effective for the current reporting period (cont.)**

#### **AASB 9 Financial Instruments (cont.)**

The impact of these changes on the Group's equity is as follows:

\$000's	Effect on Investment Revaluation Reserves	Effect on FVTOCI reserves	Effect on retained earnings
<b>Opening balance – AASB 139</b>	<b>3,185</b>	<b>–</b>	<b>15,631</b>
Increase in other comprehensive income from reclassifying unrealised loss from available for sale assets to FVTOCI before tax	440	(440)	–
Increase in other comprehensive income from revaluing financial assets from cost to FVTOCI before tax	–	999	–
Decrease in P&L from increase in provision for trade receivables before tax	–	–	(66)
Decrease in P&L from increase in provision for financial assets held at amortised cost before tax	–	–	(105)
Decrease in P&L from increase in provision for loan commitments before tax	–	–	(76)
<b>Impact before tax effect</b>	<b>440</b>	<b>559</b>	<b>(247)</b>
Tax effect of the above	(132)	(168)	74
<b>Total impact</b>	<b>308</b>	<b>391</b>	<b>(173)</b>
<b>Opening balance – AASB 9</b>	<b>3,493</b>	<b>391</b>	<b>15,458</b>

Hedge accounting changes arising from AASB 9 do not apply to the Group.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### Transition

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively, except as described below.

The Group has taken the exemption to not restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of AASB 9 but rather those of AASB 139.

### Impact of the application of AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Therefore, comparative periods have not been restated.

Revenue arises mainly from advisory, brokerage, and asset management services. To determine whether to recognise revenue, the Group follows a 5 -step process

- (1) Identifying the contract with a customer
- (2) Identifying the performance obligations
- (3) Determining the transaction price
- (4) Allocating the transaction price to the performance obligations
- (5) Recognising revenue when or as performance obligations are satisfied

The Group often enters into transactions that will give rise to different streams of fees, for example asset management services may include asset management fees, administration fees, and upfront fees. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Under AASB 15, revenue is recognised when the Group satisfies performance obligations by transferring the promised services to its customers. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Following is a summary of the major services provided and the Group's accounting policy on recognition as a result of adopting AASB 15.

# Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

Classification and measurement of revenue				
Type of service	Nature, timing of satisfaction of performance obligations, significant payment terms	Revenue recognition policy under AASB 118	Revenue recognition policy under AASB 15	Judgements used to identify performance obligations
Advisory success fees	Fees from corporate advisory contracts arise from providing services relating to mergers and acquisitions, restructurings, capital fund raising and other advisory services. Each service has identifiable performance obligations - being completion of the merger and acquisition, restructuring, or capital fund raising. Amounts assigned to each identifiable performance obligation are based on the standalone selling price of each individual performance obligation.	Fees are only recognised when the related services are performed. When there are performance hurdles that are required to be met, fees are recognised when they can be reliably measured.	Revenue is only recognised on completion of the performance obligations specified in the contracts including any necessary regulatory and shareholder approvals. No amounts are recognised if the performance obligations are not met in full. For contracts that have key milestones defined, each key milestone represents a separate performance obligation. Revenue is recognised once performance obligations have been met.	The type of fees have high correlation with how fees are charged. The Group has looked at its revenue history to look at the following (1) the determination of the type of fees; (2) the timing of when revenue was recognised and when invoices were raised; & (3) the key milestones that were met and not met The Group considers that control of the services are only passed to the customer when the transaction has completed, does not create an asset with alternative use and the benefits provided are consumed at completion of the transaction. As such Advisory success fees are recognised at a point in time.
At a point in time				AASB 15 did not have a significant impact on the Group's accounting policies.

# Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

## 2 Application of new and revised Australian Accounting Standards (cont.) Amendments to Accounting Standards that are mandatorily effective for the current reporting period (cont.) Impact of the application of AASB 15 Revenue from Contracts with Customers (cont.)

Classification and measurement of revenue					
Type of service	Nature, timing of satisfaction of performance obligations, significant payment terms	Revenue recognition policy under AASB 118	Revenue recognition policy under AASB 15	Judgements used to identify performance obligations	Nature of change in accounting policy
Facilitation and transaction fees from asset management services	The Group earns fees for successful transactions relating to assets and funds managed by the Group such as the acquisition and disposal of assets. These fees can only be invoiced when the performance obligation (i.e. the completion of the transaction) has occurred. The amount of fee is based on a percentage of the transaction and payable immediately as defined within the underlying trust agreements.	Fees are recognised when the services are performed.	Revenue recognised at the time the transaction is completed.	The probability of transactions occurring is dependent on factors outside of the Group's control. As the benefits of the transaction will only be consumed on completion, transaction fees are recognised at a point in time.	AASB 15 did not have a significant impact on the Group's accounting policies.
At a point in time	Other upfront fees	Other upfront fees are typically establishment fees charged to new investors on entry into a fund. The performance obligation to earn these fees is the establishment of the client's investment account. These fees are defined in the underlying trust agreements.	Fees are recognised when the services are performed.	Revenue is recognised when the customer is set up and invested into their chosen fund.	AASB 15 did not have a significant impact on the Group's accounting policies.
	Commission and brokerage income	The Group is remunerated for the provision of security trading services. Customers are invoiced monthly. The fees are defined within the underlying customer contract.	Commission and brokerage revenue is recognised when the related services are performed.	Revenue is recognised at a point in time as stockbroking services are provided.	AASB 15 did not have a significant impact on the Group's accounting policies.



# Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

Classification and measurement of revenue				
Type of service	Nature, timing of satisfaction of performance obligations, significant payment terms	Revenue recognition policy under AASB 118	Revenue recognition policy under AASB 15	Judgements used to identify performance obligations
Advisory retainer fees	Fees for on-going performance obligations as specified in each contract. Retainer fees are generally pre-defined within the contract. Invoices are issued on a monthly basis for ongoing work and payable within 30 days.	Fees are recognised when the services are performed.	Revenue is recognised over time as the Group provides services.	As the customer will consume the benefit as the Group performs its obligations, the amount of revenue recognised over time on a straightline basis in accordance with the contract entered into is the most appropriate depiction of the transfer of services. Services are provided in equal amounts through the course of the year.
Performance and distribution fees relating to asset management services	Fees that are earned for asset management services when the fund is managed such that performance exceeds agreed upon performance benchmarks. The benchmarks and associated distribution fee are defined within the each trust agreement.	Performance and distribution fees are recognised when services to meet the requirements have been performed and the fee can be reliably measured.	The Group takes into account the impact of contracts arising from variable consideration by only recognising revenue up to the amount where it is considered to be highly probable that it will not be significantly reversed.	As the customer consumes the benefit as the Group provides asset management services, the Group recognises the performance and distribution fees over time. However, as the distribution fee varies based off the performance above benchmark, the Group will only recognise the performance and distribution fees up to the amount that will not be reversed for each reporting period. (ie when the fee is crystallised) In determining the amount to be recognised, the Group considers past performance across its portfolio of assets and closely monitors for any potential signs of adverse impact on the fees.
Over time				AASB 15 did not have a significant impact on the Group's accounting policies.



# Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

## 2 Application of new and revised Australian Accounting Standards (cont.) Amendments to Accounting Standards that are mandatorily effective for the current reporting period (cont.) Impact of the application of AASB 15 Revenue from Contracts with Customers (cont.)

Classification and measurement of revenue				
Type of service	Nature, timing of satisfaction of performance obligations, significant payment terms	Revenue recognition policy under AASB 118	Revenue recognition policy under AASB 15	Judgements used to identify performance obligations
Management, administrative and trustee fees from asset management services	The provision of asset management services per investment contracts. The amounts charged for the separate performance obligations are determined based on the relevant clauses of the investment management contracts. Customers are invoiced monthly.	Fees are recognised as the management services are performed.	The performance obligations represent a series of distinct services, and are recognised by progress of completion (i.e. over time.) Revenue is recognised as performance obligations are met based on the standalone selling price of the performance obligation.	The Group considers the performance of these management and trustee services as a series of distinct services that have similar pattern of transfer, i.e. the customer benefits as the Group performs its obligations. As such it has determined that recognising the revenue over time on a straightline basis is the most appropriate depiction of the transfer of services.
Over time				
Performance fees relating to hotel management services	Fees that are earned for providing hotel management services. The amounts charged for the separate performance obligations are determined based on the relevant clauses of the individual contracts.	Fees are recognised as the management services are performed.	The performance obligations represent a series of distinct services, and are recognised by progress of completion (i.e. over time.) Revenue is recognised as performance obligations are met based on the stand-alone selling price of the individual performance obligations	The Group considers the performance of these management services as a series of distinct services that have similar pattern of transfer, i.e. the customer benefits as the Group performs its obligations. As such it has determined that recognising the revenue over time on a straight-line basis is the most appropriate depiction of the transfer of services as services are provided in equal amounts through the year.
				AASB 15 did not have a significant impact on the Group's accounting policies.

In summary, the Group notes no adjustments are required to the amounts recognised in the balance sheet at the date of initial application (1 January 2018).

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

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

### **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.

There has been no material 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.

### **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.

There has been no material impact on the Group's consolidated financial statements.

### **Interpretation 22 Foreign Currency Transactions and Advance Consideration**

Interpretation 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability. The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

There has been no material impact on the Group's consolidated financial statements as the Group has always recognised the asset, expense or income based on the receipt or payment date.

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

### **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.

# Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

## 2 Application of new and revised Australian Accounting Standards (cont.)

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 'Leases'	1 January 2019	31 December 2019
AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	1 January 2019	31 December 2019
AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures	1 January 2019	31 December 2019
AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle	1 January 2019	31 December 2019
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020	31 December 2020
AASB 2016-7 Amendment to Australian Accounting Standards – Definition of Material	1 January 2020	31 December 2020
Interpretation 23 Uncertainty over Income Tax Treatments AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments	1 January 2019	31 December 2019
Amendments to References to the Conceptual Framework in IFRS Standard	1 January 2020	31 December 2020

#### AASB 16 Leases

AASB 16 will replace AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Standard will provide a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

Key requirements of AASB 16:

AASB 16 distinguishes leases and service contracts 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 is 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 116 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.

AASB 16 applies to annual period beginning on or after 1 January 2019. The Group anticipates that the application of AASB 16 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Based on the Group's assessment of the leases the Group has as at 31 December 2018 on the basis of the facts and circumstances that exist as at that date, the changes to AASB 16 Leases will result in the inclusion of a lease liability and a right of use asset on the balance sheet. There will also be changes to the profile of the expense. Rather than being a straight line rental expense, there will be more expensed in early years and less in later years. In addition, the nature of expenses related to those leases will now change because the new standard replaces the straight-line operating lease expense with a depreciation charge for

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

right-of-use assets and interest expense on lease liabilities. As a result, there will be an increase in cash inflow from operations arising from the depreciation charge, and an increase in cash outflow from financing activities from the interest expense. This will also increase metrics such as EBITDA as rather than an operating rental expense there will be a movement of expenses below the EBITDA line.

The Group has lease commitments of \$10,689,604 (refer note 23.3). The amount disclosed does not include any lease extension options and is not discounted as the Group is still in the process of determining its incremental borrowing rate, and as such has not been able to determine the impact on the statement of financial position and statement of comprehensive income at this stage.

As a lessee, the Group can either apply the standard using the retrospective approach or modified retrospective approach with optional practical expedients. The lessee applies the election consistently to all of its leases. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group plans to apply the accounting standard initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group has not yet decided whether it will use the optional exemptions.

### **AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation**

This amendment clarifies that particular financial assets with prepayment features that may result in reasonable negative compensation (i.e. a payment to the borrower) for the early termination of the contract are eligible to be measured at amortised cost or at fair value through other comprehensive income (depending upon the entity's business model). As a result, entities may adopt this approach when on the early termination of the contract a party may pay or receive reasonable compensation for that early termination.

### **AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures**

This amendment clarifies that an entity applies AASB 9 Financial Instruments to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in

substance, form part of the entity's net investment in an associate or joint venture.

There is no expected material impact on the Group's consolidated financial statements as all associates have been accounted using the equity method.

### **AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle**

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

There is no material impact on the Group's financial statements.

### **Interpretation 23 Uncertainty over Income Tax Treatments AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments**

The Interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group, and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. The Group is to determine tax amounts on a basis that is consistent with the tax treatment included in its income tax filings if an entity concludes that it is probable that a particular tax treatment will be accepted by the taxation authorities. Otherwise, the tax amounts should be using the most likely amount or expected value of the tax treatment (whichever provides better predictions of the resolution of the uncertainty) if an entity concludes that it is not probable that a particular tax treatment will be accepted by the taxation authorities.

The Company does 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.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 3 Net fee and commission income

Fee and commission income is accounted for in accordance with AASB 15 Revenue - Contracts with Customers

	2018 \$'000	2017 \$'000
Timing of revenue recognition		
<i>At a point in time</i>		
Advisory success fees	41,247	44,966
Commission and brokerage income	10,140	10,561
Facilitation and transaction fees	10,848	16,599
<b>Total revenue earned at a point in time</b>	<b>62,235</b>	<b>72,126</b>
<i>Over time</i>		
Advisory retainer fees	2,467	8,707
Performance fees	14,839	–
Distribution fees	5,996	5,259
Management fees	41,876	20,797
<b>Total revenue earned over time</b>	<b>65,178</b>	<b>34,763</b>
<b>Total fee and commission income</b>	<b>127,413</b>	<b>106,889</b>
<b>Fee and commission expense</b>		
Costs associated with execution and clearing of securities trading	935	961
Commissions and fees paid on asset management revenue	8,888	5,820
<b>Total fee and commission expense</b>	<b>9,823</b>	<b>6,781</b>

### 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")
- 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 transaction costs or non-cash expenses such as intangible amortisation in measuring the operating business' performance. A description and the impact of these differences is included in the table below, and a breakdown of the differences is provided in the Directors' Report. Differences in classification arise because Management groups some items together, for instance unrealised gains/losses on investments (shown as "other comprehensive income" in the statement of profit or loss and other comprehensive income) is grouped with realised gains/loss on investments for segment reporting purposes.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 4.2 Segment revenues and results

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

2018	CA&E \$'000s	Asset Man. \$'000s	Unallocated \$'000s	Total Operating Segments \$'000s	Differences in measurement \$'000s	Differences in classification \$'000s	Statement of Compre- hensive Income \$'000s
Fee and commission income	50,322	71,082	–	121,404	6,400	(391)	<b>127,413</b>
Recognised as follows:							
At a point in time	47,855	8,371	–	56,225	6,400	(391)	<b>62,235</b>
Over time	2,467	62,711	–	65,178	–	–	<b>65,178</b>
Net income	51,474	84,834	–	136,308	(570)	(1,909)	<b>133,829</b>
Expenses	(38,234)	(32,350)	(8,180)	(78,764)	(8,228)	(1)	<b>(86,993)</b>
<b>EBITDA*</b>	<b>13,240</b>	<b>52,484</b>	<b>(8,180)</b>	<b>57,544</b>	<b>(8,798)</b>	<b>(1,910)</b>	<b>46,836</b>
Interest income	78	1,122	–	1,200	7	8,195	<b>9,402</b>
Interest expense	–	(2,042)	–	(2,042)	–	(5,827)	<b>(7,869)</b>
Depreciation and amortisation	(325)	(195)	(63)	(583)	(2,386)	–	<b>(2,969)</b>
<b>Profit before tax</b>	<b>12,993</b>	<b>51,369</b>	<b>(8,243)</b>	<b>56,119</b>	<b>(11,177)</b>	<b>458</b>	<b>45,400</b>
Tax	(3,898)	(15,411)	2,473	(16,836)	2,984	(1,003)	<b>(14,855)</b>
<b>Profit after tax</b>	<b>9,095</b>	<b>35,958</b>	<b>(5,770)</b>	<b>39,283</b>	<b>(8,193)</b>	<b>(545)</b>	<b>30,545</b>
Other comprehensive income	–	–	–	–	(5,045)	1,706	<b>(3,339)</b>
<b>Total comprehensive income</b>	<b>9,095</b>	<b>35,958</b>	<b>(5,770)</b>	<b>39,283</b>	<b>(13,238)</b>	<b>1,161</b>	<b>27,206</b>
<b>Non controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1,161)</b>	<b>(1,161)</b>
<b>Owners of the company</b>	<b>9,095</b>	<b>35,958</b>	<b>(5,770)</b>	<b>39,283</b>	<b>(13,238)</b>	<b>–</b>	<b>26,045</b>

\* Earnings before interest, tax, depreciation and amortisation.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 4 Segment information (cont.)

#### 4.2 Segment revenues and results (cont.)

2017	CA&E \$'000s	Asset Man. \$'000s	Unallocated \$'000s	Total Operating Segments \$'000s	Differences in Measurement \$'000s	Differences in Classification \$'000s	Statement of Compre- hensive Income \$'000s
Fee and commission income	62,859	44,030	–	106,889	–	–	106,889
Recognised as follows:							
At a point in time	55,527	16,599	–	72,126	–	–	72,126
Over time	8,707	26,056	–	34,763	–	–	34,763
Net income	63,756	43,412	–	107,168	–	(3,274)	103,894
Expenses	(38,430)	(20,029)	(7,085)	(65,544)	4,708	–	(60,836)
<b>EBITDA*</b>	<b>25,326</b>	<b>23,383</b>	<b>(7,085)</b>	<b>41,624</b>	<b>4,708</b>	<b>(3,274)</b>	<b>43,058</b>
Interest income	219	721	–	940	–	–	940
Interest expense	(98)	(390)	–	(488)	–	–	(488)
Depreciation and amortisation	(186)	(80)	–	(266)	(702)	–	(968)
<b>Profit before tax</b>	<b>25,261</b>	<b>23,634</b>	<b>(7,085)</b>	<b>41,810</b>	<b>4,005</b>	<b>(3,274)</b>	<b>42,542</b>
Tax	(7,578)	(7,302)	2,124	(12,756)	(1,201)	982	(12,975)
<b>Profit after tax</b>	<b>17,683</b>	<b>16,332</b>	<b>(4,961)</b>	<b>29,054</b>	<b>2,804</b>	<b>(2,292)</b>	<b>29,567</b>
Other comprehensive income	–	–	–	–	–	2,292	2,292
<b>Total comprehensive income</b>	<b>17,683</b>	<b>16,332</b>	<b>(4,961)</b>	<b>29,054</b>	<b>2,804</b>	<b>–</b>	<b>31,859</b>
<b>Non controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Owners of the company</b>	<b>17,683</b>	<b>16,332</b>	<b>(4,961)</b>	<b>29,054</b>	<b>2,804</b>	<b>–</b>	<b>31,859</b>



## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

Differences in measurement:	2018 \$'000	2017 \$'000
Listing costs <sup>1</sup>	–	(989)
Armada acquisition adjustments <sup>2</sup>	(6,571)	(3,261)
Shares issued to staff as remuneration <sup>3</sup>	(3,514)	8,444
Performance fees deferral <sup>4</sup>	6,400	–
Unrealised gains/losses on investments <sup>5</sup>	(13,586)	–
Adjustments relating to associates <sup>6</sup>	(220)	–
Sale of joint venture <sup>7</sup>	2,221	–
Other <sup>8</sup>	(950)	(189)
<b>Impact on profit before tax</b>	<b>(16,220)</b>	<b>4,005</b>
Tax thereon	2,982	(1,201)
<b>Impact on profit after tax</b>	<b>(13,238)</b>	<b>2,804</b>

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

2 The amortisation of acquired intangible assets and the share based payment expense relating to the shares issued to the vendors, who are now Moelis Australia Group employees.

3 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 2018. The underlying result includes the full value of the Share Rights as an expense in the year granted.

4 Deferred performance fee associated with the IPO of the Redcape Hotel Group.

5 Unrealised gains/losses on strategic Group investments and the impact of the adoption of AASB 9.

6 The difference between the equity accounting entries taking up the share of profits of associates and revaluations attributable to the Group and the underlying distributions actually received combined with the Board's assessment of fair value movements of the overall investment.

7 Profit on sale reflecting the exercise of options to sell the Group's interest in Acure Asset Management. The underlying adjustment aligns profit recognition with settlement timing.

8 Includes the recognition of loan related fees upfront and the exclusion of theoretical credit losses in the underlying result.

### 4.3 Segment assets and liabilities

	2018 \$'000	2017 \$'000
Segment assets		
Corporate advisory and equities	48,185	75,022
Asset management	327,026	209,876
<b>Total operating segment assets</b>	<b>375,211</b>	<b>284,898</b>
Unallocated	–	–
<b>Consolidated total assets</b>	<b>375,211</b>	<b>284,898</b>
Segment liabilities		
Corporate advisory and equities	31,039	20,928
Asset management	95,628	37,616
<b>Total operating segment liabilities</b>	<b>126,667</b>	<b>58,544</b>
Unallocated	7,718	10,723
<b>Consolidated total liabilities</b>	<b>134,385</b>	<b>69,267</b>

The unallocated balances represent tax deferred and tax payable balances.



## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 4 Segment information (cont.)

#### 4.4 Revenue from major products and services (cont.)

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

	Segment	2018 \$'000	2017 \$'000
Corporate Advice	CA&E	43,714	52,298
Equity Services	CA&E	10,140	10,561
Management and distribution fees	Asset Management	47,872	35,745
Transaction fees	Asset Management	10,848	8,285
Performance fees	Asset Management	14,839	–
		<b>127,413</b>	<b>106,889</b>

#### 4.5 Geographical information

The Group operates in Australia.

#### 4.6 Information about major customers

Two funds managed by the Group contributed more than 10% to Group Revenue with fees of \$36.5m (\$32.0m from asset management, \$4.5m from CA&E) and \$16.2m (asset management) respectively. No other single customer contributed 10% or more to Group revenue in 2018 or 2017.

### 5 Investment income

	2018 \$'000	2017 \$'000
<b>Continuing operations</b>		
Interest income on cash and bank balances	2,378	940
Interest, dividends and distributions from investments	17,302	317
	<b>19,680</b>	<b>1,257</b>

### 6 Other income

	2018 \$'000	2017 \$'000
Net foreign exchange gains/(losses)	648	(455)
Other income	2,168	–
Realised gains from investments in associates	2,698	–
Realised gains from AFS investments	–	3,902
	<b>5,514</b>	<b>3,447</b>

Includes income relating to realised gains/(losses) on financial assets classified at fair value through profit or loss.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 7 Income tax

#### 7.1 Income tax recognised in profit or loss

	2018 \$'000	2017 \$'000
Profit before tax from continuing operations	45,400	42,542
Prima facie tax at the Australian tax rate of 30%	(13,620)	(12,763)
Effect of income that is subject to/(exempt from) tax	(343)	207
Non-deductible expenses	(1,240)	(784)
Other	348	–
Deferred tax balances not brought to account	–	365
	<b>(14,855)</b>	<b>(12,975)</b>

	2018 \$'000	2017 \$'000
Represented by:		
Current tax	(15,103)	(10,786)
Deferred tax	248	(2,189)
<b>Income tax expense recognised in profit or loss</b>	<b>(14,855)</b>	<b>(12,975)</b>

#### 7.2 Income tax recognised in other comprehensive income

	2018 \$'000	2017 \$'000
<b>Deferred tax</b>		
Fair value remeasurement of investments	3,565	572
Share of revaluations in associates	(2,562)	(1,554)
<b>Income tax expense recognised in other comprehensive income</b>	<b>1,003</b>	<b>(982)</b>

#### 7.3 Current tax assets and liabilities

	2018 \$'000	2017 \$'000
<b>Current tax liabilities</b>		
Income tax payable	4,201	5,957

#### 7.4 Deferred tax balances

	2018 \$'000	2017 \$'000
<b>Deferred liabilities</b>	<b>(3,517)</b>	<b>(4,767)</b>

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 7 Income tax (cont.)

#### 7.4 Deferred tax balances (cont.)

2018	Opening balances	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions/ disposals	Closing balance
<b>Temporary differences</b>					
Property, plant & equipment	35	18	–	–	53
Financial assets	189	–	3,565	–	3,754
Interest in associates	(579)	(1,317)	(2,562)	–	(4,458)
Deferred revenue	(785)	(242)	–	–	(1,027)
Provisions	878	730	–	–	1,608
Expected loss allowance	243	(232)	–	–	11
Expense accruals	(803)	(1,420)	–	–	(2,223)
Intangible assets	(4,668)	716	–	–	(3,952)
Share based payments	222	2,017	–	–	2,239
Other	501	(23)	–	–	478
	<b>(4,767)</b>	<b>247</b>	<b>1,003</b>	<b>–</b>	<b>(3,517)</b>

2017	Opening balances	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions/ disposals	Closing balance
<b>Temporary differences</b>					
Property, 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
	<b>3,282</b>	<b>(1,823)</b>	<b>(982)</b>	<b>(5,244)</b>	<b>(4,767)</b>

### 8 Interest expense

	2018 \$'000	2017 \$'000
Interest on unsecured notes	2,043	488
Redeemable preference shares	5,826	–
	<b>7,869</b>	<b>488</b>

Refer note 18 for more detail on the unsecured note program and the redeemable preference shares.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 9 Other expenses

	2018 \$'000	2017 \$'000
Charitable donations	2,198	2,400
Professional fees	2,167	903
IPO costs	–	989
Other	3,709	1,934
	<b>8,074</b>	<b>6,226</b>

The charitable donations paid by the Group in 2018 and 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.

### 10 Receivables

	2018 \$'000	2017 \$'000
Accounts receivable	2,006	836
Fees receivable	12,185	15,857
Interest receivable	4,311	26
Sundry debtors	62	1,123
Affiliates receivable	13,772	–
Loss allowance	(105)	(808)
	<b>32,231</b>	<b>17,034</b>

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 credit impaired

	2018 \$'000	2017 \$'000
60-90 days	–	303
90-120 days	354	577
<b>Total</b>	<b>354</b>	<b>880</b>
<b>Average age (days)</b>	<b>365</b>	<b>113</b>

#### Movement in loss allowance

	2018 \$'000	2017 \$'000
Balance at beginning of the year	808	53
ECL provision/impairment losses recognised on receivables	67	770
Impairment losses reversed	(770)	(15)
<b>Balance at end of the year</b>	<b>105</b>	<b>808</b>

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. The affiliates receivable amount is largely comprised of performance fees from Redcape, which is a Moelis managed fund, and amounts from Moelis & Co in the US. The Group is confident that they will be received in full and this contributes to the low allowance balance.

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to \$Nil (31 December 2017 \$770,000) 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.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 11 Other assets (current)

	2018 \$'000	2017 \$'000
Prepayments	1,161	686
Other	789	525
	<b>1,950</b>	<b>1,211</b>

### 12 Restricted cash

	2018 \$'000	2017 \$'000
Cash held by Employee Share Trust	3,741	10,000
Collateral held by equities clearing house	700	2,700
Cash supporting premises bonds	1,524	1,539
	<b>5,965</b>	<b>14,239</b>

### 13 Property, plant and equipment

	2018 \$'000	2017 \$'000
<b>Office equipment – at cost</b>		
Balance at beginning of year	387	257
Additions	447	337
Depreciation	(261)	(207)
<b>Balance at end of year</b>	<b>573</b>	<b>387</b>
<b>Furniture and fixtures – at cost</b>		
Balance at beginning of year	225	202
Additions	340	45
Depreciation	(37)	(22)
<b>Balance at end of year</b>	<b>528</b>	<b>225</b>
<b>Computer software</b>		
Balance at beginning of year	77	–
Additions	187	81
Depreciation	(52)	(4)
<b>Balance at end of year</b>	<b>212</b>	<b>77</b>
<b>Leasehold improvements – at cost</b>		
Balance at beginning of year	516	207
Additions	550	342
Depreciation	(233)	(33)
<b>Balance at end of year</b>	<b>833</b>	<b>516</b>
<b>Consolidated</b>		

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

	2018 \$'000	2017 \$'000
Balance at beginning of year	1,205	666
Additions	1,524	805
Depreciation expense	(583)	(266)
<b>Balance at end of year</b>	<b>2,146</b>	<b>1,205</b>
Office equipment – at cost	1,856	1,391
Less accumulated depreciation	(1,284)	(1,005)
<b>Total office equipment</b>	<b>572</b>	<b>386</b>
Furniture and fixtures – at cost	640	300
Less accumulated depreciation	(112)	(75)
<b>Total furniture and fixtures</b>	<b>528</b>	<b>225</b>
Computer software	268	81
Less accumulated depreciation	(55)	(3)
<b>Total computer software</b>	<b>213</b>	<b>78</b>
Leasehold improvements – at cost	1,355	804
Less accumulated depreciation	(522)	(288)
<b>Total leasehold improvements</b>	<b>833</b>	<b>516</b>
<b>Total plant and equipment</b>	<b>2,146</b>	<b>1,205</b>

### 14 Goodwill

	2018 \$'000	2017 \$'000
Cost	9,827	9,827
Accumulated impairment losses	–	–
	<b>9,827</b>	<b>9,827</b>
Goodwill arose from:		
Acquisition of Foresight Securities (2010)	1,326	1,326
Acquisition of Armada Funds Management (2017)	8,501	8,501
	<b>9,827</b>	<b>9,827</b>

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	11.0%	12.5%

## Notes to the Financial Statements (cont.)

### for the year ended 31 December 2018

#### 14 Goodwill (cont.)

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.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the Group of CGU's to which goodwill is allocated. The Group believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGU's.

Sensitivity	Impact on impairment assessment
A 5% reduction in cashflows	no impact
An increase in the post tax discount rate from 12% to 15%	no impact
A decrease in terminal value from 3.5% to 2.5%	no impact

#### 15 Intangible assets

	2018 \$'000	2017 \$'000
<b>Carrying amounts of:</b>		
Identifiable intangible assets	13,184	15,560
<b>Cost</b>		
Balance at 1 January 2018	16,263	–
Acquisitions through business combinations	–	16,262
Trademarks purchased	10	–
<b>Balance at 31 December 2018</b>	<b>16,273</b>	<b>16,262</b>
<b>Accumulated amortisation and impairment</b>		
Balance at 1 January 2018	(702)	–
Amortisation expense (refer note 1a(ii))	(2,387)	(702)
<b>Balance at 31 December 2018</b>	<b>(3,089)</b>	<b>(702)</b>

The aggregate value of intangible assets acquired as part of the acquisition in 2017 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 to 7 years and 9 months at the time of acquisition.

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 12.5% 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 9 months).
- (2) expectations about variations to management fee rates, and amount and timing of transaction fees.
- (3) the reduction in operating costs as individual management rights terminate.
- (4) a discount rate that reflects the relative security of the cashflows and the market pricing for similar management rights.

Sensitivity	Impact on impairment assessment
An increase in the discount rate of to 15%	no impact
A decrease in the expected life of each fund by one year	\$2.7m

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 16 Loans Receivable

	2018 \$'000	2017 \$'000
<b>Current</b>		
Loans to third parties	65,311	–
Loss allowance	(391)	–
	<b>64,920</b>	<b>–</b>
<b>Non Current</b>		
Loan to employees	580	348
Loans to third parties	46,276	42,500
Loss allowance	(295)	–
	<b>46,561</b>	<b>42,848</b>
<b>Balance at end of the year</b>	<b>(391)</b>	<b>–</b>
<b>Balance at beginning of the year</b>	<b>–</b>	<b>–</b>
Amounts recognised in the opening balance	(21)	–
ECL provision/impairment losses recognised on loan receivables	(370)	–
Impairment losses reversed	–	–
<b>Balance at end of the year</b>	<b>(391)</b>	<b>–</b>
<b>Balance at beginning of the year</b>	<b>–</b>	<b>–</b>
Amounts recognised in the opening balance	(80)	–
ECL provision/impairment losses recognised on loan receivables	(215)	–
Impairment losses reversed	–	–
<b>Balance at end of the year</b>	<b>(295)</b>	<b>–</b>

Loans to third parties comprises commercial loans provided to Australian corporates. The loans have terms of between one and three years and are secured against the assets of the borrowers.

The Group attributes the low allowance balance which amounts to a 12 month ECL, to the fact that the Group has collateral for all loans to third parties, and that the majority of the loans have expiry of less than 24 months. In the case of default and the borrower fails to meet its payment obligations, the Group has full recourse to the underlying assets. The Group has assessed that there is sufficient collateral for each of the loans such that any loss given default would be insignificant. Loans are monitored by arrears. None of the loans are past due.

Industry	Loan receivables
Professional services	54,289
Aged care	31,512
Others	22,226
Construction	3,454
	<b>111,481</b>



## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 17 Trade and other payables

	2018 \$'000	2017 \$'000
<b>Current</b>		
Accounts payable and accrued expenses	13,336	7,229
Affiliate payable	–	164
Other liabilities	2,271	1,819
GST payable	459	894
	<b>16,066</b>	<b>10,106</b>
<b>Non current</b>		
Preference dividends payable	4,205	–
Other Liabilities	932	–
	<b>5,137</b>	<b>–</b>

### 18 Borrowings and redeemable preference shares

	2018 \$'000	2017 \$'000
<b>Unsecured notes</b>	<b>57,150</b>	<b>32,150</b>
Issue Year	2018	2017
Maturity Date	September 2022	September 2020
Amount (\$m)	25.00	32.15
Interest rate per annum	5.75%	5.25%
Issue costs (\$'000's)	6.5	24.2
<b>Redeemable preference shares</b>	<b>25,500</b>	<b>–</b>

Redeemable Preference Shares (RPS) were issued by a subsidiary of the Company and represent third party interests in the consolidated Kincare Pty Ltd loan investments of \$25.5m. A summary of the terms and conditions is as follows:

Issue price	<b>\$1</b>
Dividend rate	15%
Maturity date	5 years

The RPS have no voting rights unless dividends are in arrears and there is a proposal to reduce capital or approve terms of a buy-back agreement and the proposal affects the rights of RPS holders.

### 19 Provisions

	2018 \$'000	2017 \$'000
Employee benefits*	22,814	15,795
	<b>22,814</b>	<b>15,795</b>
<b>Current</b>	<b>21,152</b>	<b>14,406</b>
<b>Non-current</b>	<b>1,662</b>	<b>1,389</b>
	<b>22,814</b>	<b>15,795</b>

\* The provision for employee benefits represents annual leave, long service leave and bonus entitlements accrued.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 20 Contributed equity and share options

#### 20.1 Contributed equity

	2018 \$'000	2017 \$'000
<b>Ordinary shares – fully paid</b>	<b>189,924</b>	<b>191,507</b>
	Number of shares	Contributed equity \$'000
<b>Contributed equity at 31 December 2017</b>	<b>153,263,697</b>	<b>191,507</b>
Issue to Employee Share Trust	1,831,294	8,131
Cost of issuing shares	–	86
	<b>155,094,991</b>	<b>199,724</b>
Treasury shares	(2,679,741)	(9,800)
<b>Contributed equity at 31 December 2018</b>	<b>152,415,250</b>	<b>189,924</b>

The Company had authorised share capital amounting to 153,809,776 ordinary shares at 31 December 2018 (2017: 153,809,776). 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 2017 the Company sold options over its shares to employees, giving them the right to acquire shares at a future date at a fixed price. As at 31 December 2018 5.4 million shares were subject to the options (2017: 5.8 million shares). Refer note 34 for more detail.

### 21 Dividends

	2018 \$'000	2017 \$'000
<b>Ordinary shares</b>		
2018 dividend fully franked at a 30% tax rate	10,767	–
Pre IPO dividend fully franked at a 30% tax rate	–	31,000
	<b>10,767</b>	<b>31,000</b>
Adjusted franking account balance	15,524	3,249

The Directors have declared a fully franked dividend of 8.0 cents per share, payable on 6 March 2019.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 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:

	2018 \$'000	2017 \$'000
Cash and bank balances	86,652	87,786
	<b>86,652</b>	<b>87,786</b>
<b>Reconciliation of profit for the year to net cash flows from operating activities</b>		
Profit after income tax	30,545	29,567
Adjustments to profit after tax:		
Income tax expense recognised in profit or loss	14,855	12,974
Net foreign exchange (gain)/loss	(649)	456
Realised gain on investments	–	(3,902)
Unrealised gain on investments in associates	(2,221)	–
IPO costs	–	989
Non cash interest income	(4,009)	–
Distributions from associates	(4,242)	–
Share based payments	10,890	5,181
Intangible amortisation	2,386	703
Share of profits of associates	(446)	(23)
Expected credit loss expense	528	685
Depreciation of non current assets	583	266
	<b>48,220</b>	<b>46,896</b>
Movements in working capital:		
(Increase)/decrease in trade and other receivables	(15,688)	130
(Increase)/decrease in other assets	(739)	523
Increase/(decrease) in trade and other payables	10,600	5,002
Increase/(decrease) in other liabilities	–	216
Increase/(decrease) in provisions	7,020	(15,093)
<b>Cash generated from operations</b>	<b>49,413</b>	<b>37,674</b>
Income taxes paid	(16,841)	(9,328)
<b>Net cash generated by operating activities</b>	<b>32,572</b>	<b>28,346</b>

### 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 December 2021. Moelis has exercised the option to renew the lease to December 2023.

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 which commenced in July 2017 and expires in December 2021.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

Moelis Australia Hotel Management Pty Ltd signed a lease commencing from 1 September 2018 which terminates 31 August 2028.

### 23.2 Payments recognised as an expense

	2018 \$'000	2017 \$'000
Minimum lease payments	2,305	1,808
	<b>2,305</b>	<b>1,808</b>

### 23.3 Non-cancellable operating lease commitments

	2018 \$'000	2017 \$'000
Current	2,798	2,168
2 to 5 years	7,892	7,408
> 5 years	3,061	–
	<b>13,751</b>	<b>9,576</b>

## 24 Remuneration of auditors

	2018 \$'000	2017 \$'000
<b>Auditor of the parent entity</b>		
Audit or review of the financial report	570	398
Advisory related services	–	454
Tax related services	118	125
	<b>688</b>	<b>977</b>

The auditor of Moelis Australia Limited is Deloitte Touche Tohmatsu.

## 25 Personnel expenses

	2018 \$'000	2017 \$'000
Amortisation of Share-Based payments (refer note 34)	10,889	5,175
Termination benefits	–	299
Salary, superannuation and bonuses paid in cash	49,318	34,317
Other personnel related expenses, including recruitment fees, payroll tax, insurance, consultants and contractors	9,198	5,134
<b>Total personnel expense</b>	<b>69,405</b>	<b>44,925</b>

Refer note 34 for more detail on the share rights granted.

In 2018 and 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 \$2.1 million (2017: \$2.4 million) to the Moelis Australia Foundation, a registered charity.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 26 Other financial assets

	2018 \$'000	2017 \$'000
<b>Current</b>		
Financial assets classified as available-for-sale	–	30,459
<b>Non current</b>		
Financial assets held at FVTOCI	24,706	–
Financial assets held at FVTPL	580	277
Financial assets held at amortised cost	288	–
Financial assets held at cost	–	4,486
	<b>25,574</b>	<b>4,763</b>

### 27 Investments in associates and joint ventures

	2018 \$'000	2017 \$'000
Acure Asset Management Ltd	–	2,501
GWP Credit Opportunity Fund No 1	–	1,012
Redcape Hotel Group	58,547	48,147
Infinite Care Group	4,722	–
Encore Care Trust	–	1,440
Moelis Australia Aged Care Fund	6,846	6,866
Moelis Australia Senior Secured Credit Fund II	1,900	–
Moelis Australia Kincare Fund	7,738	–
Moelis Australia Exchanges Fund	6,448	–
	<b>86,201</b>	<b>59,966</b>

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 27.1 Details of ownership interest activities

Associate	NATURE OF INTEREST	Place of incorporation	Principal activity	Proportion of ownership interest and voting power held by the Group	
				2018	2017
Acure Asset Management Ltd	Joint venture	Australia	Fund manager	–	50.0%
GWP Credit Opportunity Fund No 1	Associate	Australia	Investor in debt instruments	–	21.5%
Redcape Hotel Group	Associate	Australia	Freehold owner of hotels	9.4%	10.1%
Encore Care Group	Joint venture	Australia	Aged care facility operator	–	50.0%
Encore Care Trust	Joint venture	Australia	Aged care facility owner	–	50.0%
Moelis Australia Aged Care Fund	Associate	Australia	Aged care facility operator	10.0%	10.0%
Infinite Care Group	Associate	Australia	Aged care facility operator	5.2%	–
Moelis Australia Senior Secured Credit Fund II	Associate	Australia	Credit Funds Management	10.0%	–
Moelis Australia Kincare Fund	Associate	Australia	Credit Funds Management	25.5%	–
Moelis Australia Exchanges Fund	Associate	Australia	Equities investor	25.7%	–

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 27 Investments in associates and joint ventures (cont.)

#### 27.2 Reconciliation of movements in carry values

\$'000	Acure	Credit Op Fund	Encore	Encore Trust	Redcape	Aged Care Fund	Senior Secured Credit Fund II	Kincare Fund	Exchanges Fund	Infinite Care Group	Total
Opening value as at 1 January 2017	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	1,001	820	(310)	–	(1,354)	(134)	–	–	–	–	23
Share of other comprehensive income of associates and joint ventures	–	–	–	–	5,179	–	–	–	–	–	5,179
Less dividends/distributions received	–	–	–	–	(1,678)	–	–	–	–	–	(1,678)
<b>Closing value as at 31 December 2017</b>	<b>2,501</b>	<b>1,012</b>	<b>–</b>	<b>1,440</b>	<b>48,147</b>	<b>6,866</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>59,966</b>
Acquisition	–	–	–	–	9,299	–	4,435	6,697	6,448	4,750	31,629
Disposals and capital returns	(2,779)	(899)	–	(1,440)	(2,212)	–	(2,529)	–	–	–	(9,859)
Share of profit/(loss) of associates and joint ventures	278	–	–	–	(1,183)	(20)	358	1,041	–	(28)	446
Share of other comprehensive income of associates and joint ventures	–	–	–	–	8,543	–	–	–	–	–	8,543
Less dividends/distributions received	–	(113)	–	–	(4,047)	–	(364)	–	–	–	(4,524)
<b>Closing value as at 31 December 2018</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>58,547</b>	<b>6,846</b>	<b>1,900</b>	<b>7,738</b>	<b>6,448</b>	<b>4,722</b>	<b>86,201</b>

# Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

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

	Acure	Credit Op Fund	Encore	Encore Trust	Redcape	Aged Care Fund	Senior Secured Credit Fund II	Kincare Fund	Infinite Care Group	Exchanges Fund
<b>2017</b>										
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)	–	–	–	–	–
<b>Net assets</b>	<b>3,788</b>	<b>4,695</b>	<b>(227)</b>	<b>18,063</b>	<b>467,637</b>	<b>67,412</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
The above amounts of assets and liabilities include the following:										
Cash and cash equivalents	1,329	49	458	1,575	16,255	186	–	–	–	–
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)	–	–	–	–
<b>2018</b>										
<b>Assets and liabilities</b>										
Current assets	4,796	–	–	–	33,778	274	2,090	90	28,146	11
Non-current assets	54	–	–	–	1,073,743	69,735	13,140	29,735	127,999	25,088
Current liabilities	(624)	–	–	–	(54,246)	(704)	(284)	(67)	(69,426)	–
Non-current liabilities	(20)	–	–	–	(430,008)	–	–	–	(155)	–
<b>Net assets</b>	<b>4,206</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>623,267</b>	<b>69,305</b>	<b>14,946</b>	<b>29,758</b>	<b>86,565</b>	<b>25,099</b>
The above amounts of assets and liabilities include the following:										
Cash and cash equivalents	2,654	–	–	–	21,572	274	220	66	23,825	3
<b>Revenue, expenses and results</b>										
Revenue	2,086	–	–	–	264,358	2	4,493	4,358	18,529	1
Profit/(loss) for the year	638	–	–	–	3,364	(705)	2,760	4,086	(543)	1
Other comprehensive income for the year	–	–	–	–	87,757	–	–	–	–	–
<b>Total comprehensive income for the year</b>	<b>638</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>91,121</b>	<b>(705)</b>	<b>2,760</b>	<b>4,086</b>	<b>–</b>	<b>–</b>



## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### **27 Investments in associates and joint ventures (cont.)**

#### **27.4 Further information on Moelis Australia Senior Secured Credit Fund II, Moelis Australia Kincare Fund & Moelis Australia Exchanges Fund ("Funds")**

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

#### **Further information on Infinite Care Group ("Infinite")**

During the year the Group received 4.75m convertible notes from Infinite (Refer to note 33(e)). These convertible notes will mandatorily/automatically convert to ordinary shares in Infinite on the satisfaction of certain triggers in accordance with the terms of the notes and as such have been recognised as an ownership interest. The terms of the note allow that should the triggers not be satisfied over the 10 year term of the notes, that these notes be redeemed for their face value.

Refer note 1(a)(v) regarding key estimates and assumptions.

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

### **27.5 Further information Redcape Hotel Group**

Redcape Hotel Group ("Redcape") is a listed stapled scheme which owns and operates 32 hotels, offering food & beverage, takeaway liquor and gaming. The Moelis Australia Group is the responsible entity of Redcape and performs hotel operating and asset management services.

On 30 November 2018 the Redcape Hotel Group was listed on the Australian Stock Exchange, issuing \$40 million new securities in addition to a sale of \$20m existing securities (representing existing Moelis Australia related security-holders).

A summary of Redcape's balance sheet and income statement is disclosed in note 27.3.

As at 31 December 2018 the Group owned 9.4% (2017: 10.1%) of Redcape and funds managed by the Group own 29.3% (2017: 41.8%) of Redcape. The magnitude and variability of returns the Group receives from Redcape, including the fees it earns as trustee, asset manager and hotel operator, the increase in fees it earns through the 29.3% owned by other Moelis managed funds and the investment return on its direct 9.4% holding is such that the Group is not considered to control Redcape. Its 9.4% direct holding in addition to its roles as responsible entity, asset manager and hotel operator is considered sufficient for the Group to retain significant influence over Redcape.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 28 Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2018 the parent entity of the group was Moelis Australia Limited.

	2018 \$'000	2017 \$'000
<b>Result of the parent entity</b>		
Profit for the period	8,430	31,421
Other comprehensive income	–	63
<b>Total comprehensive income for the period</b>	<b>8,430</b>	<b>31,484</b>
<b>Financial position of parent entity at year end</b>		
Current assets	186,516	201,239
Total assets	223,965	208,673
Current liabilities	6,361	6,673
Total liabilities	6,361	6,673
<b>Net assets</b>	<b>217,604</b>	<b>202,000</b>
<b>Total equity of the parent entity comprising of:</b>		
Contributed equity	201,735	191,507
Reserves	15,428	7,715
Retained earnings	441	2,778
<b>Total equity</b>	<b>217,604</b>	<b>202,000</b>

The implementation of AASB 9 and AASB 15 did not have a material impact on the parent entity as the expected credit losses on intercompany balances was determined not to be material and accordingly no loss allowance was recognised.

#### Parent entity contingencies

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

### 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 increased provision of commercial loans. The issuance of the loans introduces an additional level of liquidity risk and an additional consideration for the management of the Group's capital.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 29 Financial instruments (cont.)

#### 29.1 Financial risk management objectives (cont.)

Categories of financial instruments	2018 \$'000	2017 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	86,652	87,786
Restricted cash	5,965	14,239
Loans receivable	111,482	42,848
Receivables	32,231	17,034
Listed and unlisted equity securities	25,574	35,222
Other assets	789	525
<b>Financial liabilities</b>		
Creditors including preference dividends payable	21,203	10,599
Unsecured notes	57,150	32,150
Redeemable preference shares	25,500	—

#### 29.2 Capital management

The capital structure of the Group consists of net cash (cash and bank balances offset by the unsecured notes and redeemable preference shares 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 2017.

The Group's borrowings comprise unsecured loan notes of \$57.15m (2017 \$32.15m) as well as redeemable preference shares of \$25.5m (2017 \$0). The maturity dates are shown in the table below. 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 which, if not complied with, would result in the acceleration of the amount owing.

Maturity Date	2018 \$'000	2017 \$'000
18 September 2020	32,150	32,150
14 September 2022	25,000	—
	<b>57,150</b>	<b>32,150</b>

A subsidiary of the Company, 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, Mendoza Ltd and Redcape Hotel Group Management Ltd all have Australian Financial Services Licenses.

#### 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 fee receipt of revenue is too uncertain prior to invoicing and not material. 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 denominated expenses or to take advantage of potential future movements in exchange rates. While holding foreign

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

currency balances assists in reducing exposure to adverse movements in exchange rates on future foreign currency denominated expenditure, it does create 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.

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:

	2018 \$'000	2017 \$'000
<b>Liabilities</b>		
Currency of USA	–	216
<b>Assets</b>		
Currency of USA	4,674	8,189
Currency of Canada	–	1,286

### 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.

	2018 \$'000	2017 \$'000
<b>USD impact</b>		
Profit or loss	(467)	(797)
<b>CAD impact</b>		
Profit or loss	–	(129)

The Group's sensitivity to foreign currency has reduced during the current year mainly due to a lower USD bank account balance.

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

### 29.4 Interest rate risk

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

The Group's borrowings via unsecured notes (refer note 18) is at 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 1.0% higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would be impacted by \$733,000 (2017: \$612,000). The decrease is attributable to the Group's exposure to interest rates on its cash at bank and commercial loans.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 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 2018 and 2017 would have been unaffected as the investments are classified as FVOCI (2018) and available-for-sale (2017) and no investments were disposed of or impaired; and
- other comprehensive income for the year ended 31 December 2018 would be impacted by \$1,293,000 (2017: \$1,761,100) as a result of changes in fair value of available-for-sale shares.

#### 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 meet its 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 which are under financial stress 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 2018 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 has provided commercial loans during the year. The loans are secured by charges over the assets of the borrowers, with the majority of loans having terms of less than 24 months. The loans are considered non-investment grade and carry a commensurately higher rate of interest.

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

##### (iii) Cash balances

The credit risk on 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.

##### 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. There is no interest payable on the financial liabilities (excluding the unsecured notes) so only principal cash flows have been disclosed.

Liabilities \$'000	Weighted average effective interest rate	Less than 1 month	1-3 months	3-12 months	1-5 years	5+ years	Total
<b>31 December 2018</b>							
Non-interest bearing	–	9,690	6,376	–	5,137	–	21,203
Fixed interest rate instruments *	8.4%	–	–	–	82,650	–	82,650
		<b>9,690</b>	<b>6,376</b>	<b>–</b>	<b>87,787</b>	<b>–</b>	<b>103,853</b>
<b>31 December 2017</b>							
Non-interest bearing	–	6,932	1,788	1,334	489	56	10,599
Fixed interest rate instruments *	5.3%	–	–	–	32,150	–	32,150
<b>Total</b>		<b>6,932</b>	<b>1,788</b>	<b>1,334</b>	<b>32,639</b>	<b>56</b>	<b>42,749</b>

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

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
<b>31 December 2018</b>							
Non-interest bearing		4,411	15,380	25,922	13,164	–	58,877
Variable interest rate instruments *	9.6%	99,395	26,831	29,477	48,113	–	203,816
		<b>103,806</b>	<b>42,211</b>	<b>55,399</b>	<b>61,277</b>	<b>–</b>	<b>262,693</b>
<b>31 December 2017</b>							
Non-interest bearing		4,475	10,938	34,494	14,698	–	64,605
Variable interest rate instruments *	5.3%	87,786	12,000	17,000	27,739	–	144,525
<b>Total</b>		<b>92,261</b>	<b>22,938</b>	<b>51,494</b>	<b>42,437</b>	<b>–</b>	<b>209,130</b>

\* 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.

### 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).

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 29 Financial instruments (cont.)

#### 29.8 Fair value of financial instruments (cont.)

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

31-Dec-18	Mandatorily at FVTPL	FVTOCI- equity instruments	FVTOCI- non-equity instruments	Financial assets at amortised costs	Other liabilities	Total	Level 1 (a)	Level 2 (b)	Total
Loan receivables	281	–	–	–	–	281	–	281	281
Non equity securities	580	–	–	–	–	580	–	580	580
Equity securities	787	23,919	–	–	–	24,706	17,570	7,136	24,706
<b>Financial assets measured at fair value</b>	<b>1,648</b>	<b>23,919</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>25,567</b>	<b>17,570</b>	<b>7,997</b>	<b>25,567</b>
Receivables	–	–	–	33,511	–	33,511			
Loan receivables (including employee loans)	–	–	–	111,201	–	111,201			
Non equity securities	–	–	–	288	–	288			
Restricted cash	–	–	–	5,965	–	5,965			
Cash and cash equivalents	–	–	–	86,652	–	86,652			
<b>Financial assets not measured at fair value</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>237,617</b>	<b>–</b>	<b>237,617</b>			
Redeemable preference shares	–	–	–	–	25,500	25,500			
Unsecured loans	–	–	–	–	57,150	57,150			
Trade payables	–	–	–	–	16,993	16,993			
<b>Financial liabilities not measured at fair value</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>99,643</b>	<b>99,643</b>			

#### Valuation techniques and key inputs

- (a) Quoted bid prices in an active market  
(b) Based on recent transactions

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 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. There were 8 KMP's in 2018 and 6 KMP's in 2017.

	2018 \$'000	2017 \$'000
Short-term employee benefits	4,435	2,823
Share-based payment	1,688	273
Long service leave	89	14
	<b>6,212</b>	<b>3,110</b>

### 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 related parties are disclosed below.

#### 31.1 Loans to related parties

	2018 \$'000	2017 \$'000
Loans to employees	<b>580</b>	<b>348</b>

The Group has provided several employees with interest free loans that are used for investment purposes, primarily for investment in funds managed by the Group. The investments purchased have been designated as restricted and are unable to be sold without the approval of the Group. 51% of distributions received on the investments are allocated against the loan balance. The loans are repayable over a maximum term of five years.

#### 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 32.1% 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.

	2018 \$'000	2017 \$'000
Net revenue shares to Moelis & Company	2,157	888
Net expenses allocated from Moelis & Company	(107)	(1,013)
The main expense categories were:		
Service level agreement	—	(195)
Information services	(11)	(535)
IT infrastructure	(96)	(283)

#### 31.3 Transactions with Key Management Personnel

There were no transactions with KMP's in 2018.

In the prior year there were fees paid to entities associated with key management personnel of Moelis Australia Ltd totalling \$75,000 for capital commitments provided by the KMP to the Company in relation to the Group's underwriting activities.



## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 31 Related party transactions (cont.)

#### 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.

	KMP	Group	KMP	Group
	2018	2018	2017	2017
<b>Related party investments</b>				
Encore Care Trust	–	–	–	1,440
Encore Care Group Pty Ltd	–	–	–	310
Redcape Hotel Group	6,794	58,547	11,450	46,000
Moelis Australia Aged Care Fund	2,150	6,845	2,150	7,000
Moelis Australia Secured Loan Priority Fund	–	–	80	652
Moelis Australia Senior Secured Credit Fund II	1,598	1,901	–	–
Moelis Australia Kincare Fund	430	7,247	–	–
Moelis Australia Exchanges Fund	2,278	6,448	–	–
	<b>13,250</b>	<b>80,988</b>	<b>13,680</b>	<b>55,402</b>

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.

	2018 \$'000	2017 \$'000
<b>Related party fees</b>		
Trustee and management fees	33,808	9,102
Financial advisory, underwriting and fund establishment	4,515	12,139
	<b>38,323</b>	<b>21,241</b>
<b>Receivables from related parties</b>		
Current trade and other receivables from related parties	8,327	1,010

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 32 Reserves

	2018 \$'000	2017 \$'000
Investments revaluation reserve	9,472	3,185
FVOCI reserve	(8,927)	–
Share based payments reserve (refer note 34)	16,198	5,308
<b>Total reserves</b>	<b>16,743</b>	<b>8,493</b>
<b>Investments revaluation reserve</b>		
Balance at beginning of year	3,185	893
Adjustments from adoption of AASB9	308	
Share of other comprehensive income of Associates	8,541	5,179
Income tax relating to the revaluations of Associates	(2,562)	(1,554)
Share of other comprehensive income of Associates	5,979	3,625
Net loss arising on revaluation of available-for-sale financial assets	–	(605)
Cumulative loss reclassified to profit or loss on sale of available-for-sale financial assets	–	(1,300)
Income tax relating to gain arising on revaluation of available-for-sale financial assets	–	572
Adjustments from adoption of AASB 9	–	–
<b>Unrealised loss gain on AFS investments</b>	<b>–</b>	<b>(1,333)</b>
<b>Balance at end of year</b>	<b>9,472</b>	<b>3,185</b>
<b>FVOCI reserve</b>		
Balance at beginning of year	–	–
Net loss arising on revaluation of financial assets	(12,884)	–
Income tax relating to gain arising on revaluation of financial assets	3,566	–
Adjustments from adoption of AASB 9	391	–
<b>Unrealised loss gain on investments</b>	<b>(8,927)</b>	<b>–</b>
<b>Balance at end of year</b>	<b>(8,927)</b>	<b>–</b>

### 33 Disposal of interests in subsidiaries, associates and joint ventures

#### (a) Senior Secured Credit Fund II

On 28 February 2018, the Group lost the power to exercise control in Moelis Australia Senior Secured Credit Fund II (formerly Moelis Australia Opportunities Fund II) (the “Fund”) as a result of the paydown of loans issued to the Fund from the Group. No gains or losses were incurred from the loss of control as it was transacted at the fair value of the underlying asset disposed of. The Group then acquired 10% of the Fund’s issued units and from that date onwards, the Group has accounted for the entity as an investment in associates. Please refer to note 27.

#### (b) Kincare Fund

On 28 February 2018, the Group lost the power to exercise control in Moelis Australia Kincare Fund (formerly Moelis Australia Opportunities Fund I) (“Kincare”) as a result of the paydown of loans, reducing the interest in Kincare to 17.9%. No gains or losses were incurred from the loss of control as it was transacted at the fair value of the underlying asset disposed of. From that date onwards, the Group has accounted for Kincare as an investment in associates. The interest in Kincare increased to 25.48% due to a subsequent acquisition of units in November 2018. Please refer to note 27.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 33 Disposal of interests in subsidiaries, associates and joint ventures (cont.)

#### (c) Moelis Australia Opportunities Fund 3

On 28 February 2018, the Group disposed of 52% of its interest in Moelis Australia Opportunity Fund 3 as a result of the paydown of loans. There has been no loss of control and therefore it is still accounted for as a subsidiary of the Group with a 48% minority interest. No gains or losses were incurred from the disposal as it was transacted at the fair value of the underlying asset disposed of.

#### (d) Acure Asset Management Ltd

In December 2018, a call option deed associated with the sale of the shares the Group held in Acure Asset Management Ltd was executed. The transaction settled on 1 February 2019. The gain on sale, totalling \$2.2m before tax, has been reflected in the statutory results in the current financial year.

#### (e) Encore Care Trust and Encore Care Group Pty Ltd

On 30 November 2018, the investments the Group held in Encore Care Trust and Encore Care Group Pty Ltd were sold to the Infinite Care Group. As part of this transaction, the Group received 4.75m convertible notes in the Infinite Care Group.

### 34 Share based payments

#### 34.1 Share based payment reserve

	2018 \$'000	2017 \$'000
Balance at beginning of year	5,308	—
Option premium received and amortisation of option fair value	448	144
Amortisation of Share Rights	6,275	2,733
Amortisation of Armada deferred remuneration	4,167	2,431
<b>Balance at end of year</b>	<b>16,198</b>	<b>5,308</b>

#### (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 8 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. The vesting period of the Share Options runs from the grant date to the first exercise date as shown in the table below.

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 Share Options 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 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 Financial Statements (cont.)

### for the year ended 31 December 2018

The table below provides the details of options issued on 8 April 2017:

Number of options at beginning of 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
1,675,300	Employees	\$2.35	\$3.00	\$0.03	8-Apr-21	7-Apr-22	135,083	1,540,217
1,675,300	Employees	\$2.35	\$3.15	\$0.03	8-Apr-22	7-Apr-23	135,083	1,540,217
1,675,300	Employees	\$2.35	\$3.36	\$0.01	8-Apr-23	7-Apr-24	135,084	1,540,216
390,625	Mr Browne	\$2.35	\$2.80	\$0.02	8-Apr-19	7-Apr-20	–	390,625
390,625	Mr Browne	\$2.35	\$3.00	\$0.02	8-Apr-20	7-Apr-21	–	390,625
<b>5,807,150</b>							<b>405,250</b>	<b>5,401,900</b>

There were no Share Options granted during the current financial year.

#### Fair value of Share Options granted

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

The fair value of the Share Options was 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 30%, based on the volatility of comparable listed entities
- Expected life of option is the maximum term up to the last day of the exercise window
- Forfeiture assumptions for the options granted to employees are that 16%, 20% and 23% of Share 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.

	Number of options Employees	Number of options Chairman	Number of options total	Weighted average exercise price (\$) Employees	Weighted average exercise price (\$) Chairman
Balance at beginning of period	5,025,900	781,250	5,807,150	3.17	2.90
Granted during the period	–	–	–	–	–
Forfeited during the period	(405,250)	–	(405,250)	3.17	–
Exercised during the period	–	–	–	–	–
Expired during the period	–	–	–	–	–
<b>Balance at end of period</b>	<b>4,620,650</b>	<b>781,250</b>	<b>5,401,900</b>	<b>3.17</b>	<b>2.90</b>

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

#### (ii) Share Rights

##### 2018 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 2018 annual bonus ("2018 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 three year period (2017: five years). Vesting is conditional on continuous service, unless otherwise determined by the Board. The service period start date is 1 January 2018.

The fair value of each 2018 Share Right at grant date (21 December 2018) was \$4.36, determined by reference to the trading in the Company's shares.

##### Share Rights granted as sign-on incentives

In addition to the 2018 Share Rights, the Company granted Share Rights to senior executives commencing employment with the Group. 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, determined by reference to the terms from the former employers. Amortisation of the expense commences on the day the senior executive starts their employment.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 34 Share based payments (cont.)

The average fair value of all Share Rights granted during the year was \$5.48. It is anticipated that the Share Rights will be equity settled.

	Number of Share Rights	Grant date fair value
Opening balance	1,545,823	7,576,916
Issued during the year	1,799,829	8,238,369
<b>Closing balance</b>	<b>3,345,652</b>	<b>15,815,285</b>

### 35 Earnings per share

	2018 Cents per share	2017 Cents per share
Basic earnings per share	20.0	23.4
Diluted earnings per share	19.4	22.8

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

	2018	2017
Weighted average number of ordinary shares (net of treasury shares) used in calculating basic earnings per share	153,080,455	126,261,993
<b>Potential equity shares:</b>		
Share Options*	2,476,936	2,836,938
Share Rights	2,234,375	319,644
Weighted average number of ordinary shares (net of treasury shares) and potential equity shares used in calculating diluted earnings per share	157,791,766	129,418,575

\* 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.

No options or share rights were excluded in calculating diluted earnings per share.

### 36 Contingent liabilities and commitments

	2018	2017
Commitments exist in respect of:		
– Undrawn credit facilities	27,737	85,000

### 37 Subsequent events

At 31 December 2018 the Group had commitments of \$27.7 million in undrawn credit facilities.

On 1 January 2019 the Group disposed of its interest in a loan asset for \$12.7 million which represented all principal plus accrued interest. The loan accounted for \$10 million in undrawn credit facilities.

On 1 February 2019, the Group completed the disposal of its shareholding in Acure Asset Management Pty Ltd for gross proceeds of \$5 million.

A fully franked dividend of 8.0 cents per Share totalling \$12.3 million was declared.

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### 38 Subsidiaries

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

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31 December 2018	31 December 2017
Moelis Australia Advisory Pty Ltd	Corporate Finance	Australia	100%	100%
Moelis Australia Securities Pty Ltd	Corporate Finance	Australia	100%	100%
Moelis Australia Asset Management Ltd	Asset management	Australia	100%	100%
Moelis Australia Visa Fund Manager Pty Ltd	Asset management	Australia	100%	100%
Moelis Australia Operations Pty Ltd	Administration entity	Australia	100%	100%
Western Funds Management Pty Ltd	Asset management	Australia	100%	100%
A.C.N. 167 316 109 Pty Ltd	Corporate Finance	Australia	100%	100%
Redcape Hotel Group Management Ltd	Asset management	Australia	100%	100%
MARAM TT Pty Ltd	Asset management	Australia	0%	100%
MAAM GP Pty Ltd	Asset management	Australia	100%	100%
MACDF TT Pty Ltd	Asset management	Australia	100%	100%
Global Wealth Residential Pty Ltd	Asset management	Australia	100%	100%
Rockford Capital Pty Ltd	Asset management	Australia	100%	100%
Armada Funds Management Pty Ltd	Asset management	Australia	100%	100%
Mendoza Ltd	Asset management	Australia	100%	100%
Global Wealth Aged Care Pty Ltd	Asset management	Australia	100%	100%
Moelis Australia Hotel Management Pty Ltd	Asset management	Australia	100%	100%
MAHPT TT Pty Ltd	Asset management	Australia	0%	100%
Moelis Australia Share Plan Pty Ltd	Administration entity	Australia	100%	100%
Moelis Australia Finance Pty Ltd	Administration entity	Australia	100%	100%
Moelis Australia Partners Pty Ltd	Asset management	Australia	99%	99%
MAAM Holdings Pty Ltd	Asset management	Australia	100%	100%
KC Finance Pty Ltd	Asset management	Australia	100%	99%
R88A Finance Pty Ltd	Asset management	Australia	100%	99%
Eastern Credit Management Pty Ltd	Asset management	Australia	100%	99%
TMASL Finance Pty Ltd	Asset management	Australia	100%	100%
KCF ST Pty Ltd	Asset management	Australia	100%	100%
Moelis Australia Funds Management Pty Ltd	Asset management	Australia	100%	100%
Moelis Australia Foundation Pty Ltd	Administration entity	Australia	100%	100%
MAF Credit Pty Ltd	Asset management	Australia	100%	N/A
MAAM Commercial Consulting (Shanghai) Co Ltd	Asset management	China	100%	N/A

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

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

## Notes to the Financial Statements (cont.)

for the year ended 31 December 2018

### Composition of the Group

Principal Activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		31 December 2018	31 December 2017
Corporate Advisory and Equities	Australia	3	3
Asset management	Australia	24	19
Administration	Australia	4	4
		<b>31</b>	<b>26</b>

During the year the Group disposed of or wound up the following entities:

MARAM TT Pty Ltd

MAHPT TT Pty Ltd

Global Wealth Partners Fund Pty Ltd

## Directors' Declaration

for the year ended 31 December 2018

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 CFO required by section 295A of the *Corporations Act 2001 (Cth)*

Signed in accordance with a resolution of the Directors



**Jeffrey Browne**  
Independent Director and Chairman



**Andrew Pridham**  
Chief Executive Officer

Sydney  
Date 20 February 2019



# Independent Auditors Report

for the year ended 31 December 2018



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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 2018, 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 2018 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.

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Member of Deloitte Touche Tohmatsu Limited

## Independent Auditors Report (cont.)

for the year ended 31 December 2018

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Investment in Redcape</b></p> <p>In July 2017, Moelis in conjunction with a number of Moelis managed funds and external investors completed a \$677m transaction to acquire the Redcape Group. The transaction involved Moelis taking a direct 10% investment into Redcape, with total holdings by Moelis and Moelis managed funds of 59%. Moelis determined in FY17 that Redcape was an associate and was therefore subject to equity accounting method.</p> <p>In November 2018, Redcape underwent an IPO. Prior to that process Moelis and its managed funds have reduced their investment in Redcape. Moelis has updated their assessment and determined that Redcape remains an associate.</p> <p>The share price for Redcape declined subsequent to IPO from \$1.13 at listing to \$1.02 as at 31 December 2018. The resultant market capitalisation indicating that the Moelis investment in Redcape is valued at \$52.8m compared to their share of profits from associate to the amount of of \$58.5m. Moelis has performed an impairment analysis and determined that the investment was not impaired as at 31 December 2018.</p>	<p>Our procedures included, but were not limited to:</p> <p>Challenging management's accounting position paper on the appropriate accounting treatment for the investment in Redcape including:</p> <ul style="list-style-type: none"> <li>• Analysed management's position in relation to the key factors for the treatment of the investment,</li> <li>• 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</li> <li>• Recalculating the variability and magnitude of returns from direct and indirect streams to assess linkage between power and returns.</li> <li>• We consulted Accounting Technical specialists to assist us in this assessment of the appropriate accounting treatment.</li> </ul> <p>In relation to the impairment assessment for the associate our procedures included but were not limited to :</p> <ul style="list-style-type: none"> <li>• We have analysed management's impairment assessment and noted that the carrying value is supported by Moelis' share of net assets of Redcape.</li> <li>• We have reviewed the workpapers of the component auditor for Redcape and their assessment of Redcape's impairment assessment.</li> </ul> <p>We have also assessed the appropriateness of the disclosures in Note 27.5 to the financial statements.</p>
<p><b>Investment Banking Revenue Recognition</b></p> <p>The revenue generated by the Corporate Advisory Segment within the Group is primarily from investment banking transactions. In FY2018 the advisory segment generated \$43.7m (FY2017: \$52.2m) in revenue. 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).</p> <p>Revenue recognition requires management judgement where not all stages of the transaction are complete.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluating management's controls over the revenue recognition process,</li> <li>• Testing, on a sample basis, the calculation of the fees recognised to the key milestones as outlined in the client engagement letters,</li> <li>• Reviewing subsequent period invoices and bank statements, to assess whether revenue has been recorded in the correct period, and</li> <li>• Reviewing management reporting, board minutes, market available information and making enquiries of management to support the revenue recognised.</li> </ul> <p>We have also assessed the appropriateness of the disclosures in Note 1(a) to the financial statements.</p>

# Independent Auditors Report (cont.)

for the year ended 31 December 2018

<p><b>Share based payments</b></p> <p>The Group utilises share based payments as part of its remuneration strategy. The share based payments expense for the year then ended 31 December 2018 is \$10.1m as disclosed in Note 34.</p> <p>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.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluating management's methodology used against requirements of accounting standards for share options issued,</li> <li>• Verifying the number of grants, grant dates and corresponding exercise price to supporting documentation for a sample of share based payments, and</li> <li>• Challenging management assumptions used to calculate the fair value in the share based payments.</li> </ul> <p>We also assessed the appropriateness of the related disclosures in Note 34 to the financial statements.</p>
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## 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 2018, 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.

## 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

## Independent Auditors Report (cont.)

for the year ended 31 December 2018

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.

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 2018.

In our opinion, the Remuneration Report of Moelis Australia Limited, for the year ended 31 December 2018, complies with section 300A of the *Corporations Act 2001*.

## Independent Auditors Report (cont.)

for the year ended 31 December 2018

### *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

A stylized handwritten signature in black ink, appearing to read 'DNell'.

Delarey Nell  
Partner  
Chartered Accountants  
Sydney, 20 February 2019

## 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 2018 results is 6 March 2019.

### Share Registry Details

The following information is correct as at 8 February 2019.

### 20 Largest Shareholders

Registered Holder	Number of Ordinary Shares Held	% of Ordinary Shares
MOELIS & CO INTERNATIONAL HOLDINGS LLC	50,000,000	32.1%
MAGIC TT PTY LTD	45,000,000	28.9%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,697,817	8.2%
J P MORGAN NOMINEES AUSTRALIA LIMITED	9,550,590	6.1%
TOUCHARD PTY LTD <MONAGHAN FAMILY NO 2 A/C>	4,843,077	3.1%
CITICORP NOMINEES PTY LIMITED	3,902,725	2.5%
MOELIS AUSTRALIA SHARE PLAN PTY LTD <MOELIS AUST SHARE PLAN A/C>	2,561,621	1.6%
UBS NOMINEES PTY LTD	2,149,702	1.4%
RICHARD GERMAIN AND NINA GERMAIN	1,723,417	1.1%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,199,852	0.8%
HAN TANG AUSTRALIA PTY LTD	1,000,000	0.6%
G J P INVESTMENTS PTY LTD	651,915	0.4%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	633,821	0.4%
WEI YANG	525,532	0.3%
BUTTONWOOD NOMINEES PTY LTD	500,000	0.3%
NATIONAL NOMINEES LIMITED	413,185	0.3%
SENO MANAGEMENT PTY LTD	405,000	0.3%
ZHENXIANG HUO	351,064	0.2%
TELUNAPA PTY LTD <TELUNARA CAPITAL A/C>	250,701	0.2%
TOGA INVESTMENTS PTY LTD	217,660	0.1%

### Distribution of Shareholders

Holding	Number of Shareholders	Number of Shares	% of Ordinary Shares
1 – 1000	335	179,041	0.12%
1,001 – 5,000	614	1,844,721	1.19%
5,001 – 10,000	336	2,641,531	1.70%
10,001 – 100,000	344	9,232,075	5.93%
100,001 and over	45	141,743,699	91.07%

### Unmarketable parcels

There were 57 shareholders (representing 2,777 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 Corporations Act, in the shares below:

Name	Number of Shares	% of Ordinary Shares
Moelis Australia Limited, Magic TT Pty Limited, Andrew Pridham	48,949,471	31.82%
Moelis & Company Group LP, Moelis & Company International Holdings LLC, Kenneth Moelis	98,949,471	64.33%

### 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 8 February 2019, 45,000,000 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 Escrow
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	6	60,000
10,001 – 100,000	25	1,012,100
100,001 and over	16	4,329,800
<b>Total</b>	<b>47</b>	<b>5,401,900</b>

## 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)
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



## 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
2018 Share Rights	Share Rights granted to Employees as part of the 2018 Annual Bonus Scheme

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# Corporate Directory

## Directors

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

## Company Secretary

Peter Dixon

## Registered Office

(Principal place of business)  
Level 27, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Tel: + 61 2 8288 5555

## Registered Office

### Sydney

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### Melbourne

Level 34, 120 Collins Street  
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Tel: +61 3 8650 8650

### Shanghai

Level 38, Park Place  
1601 Nan Jing West Road  
Jing An District 200040  
Shanghai  
Tel: +86 021 6137 3216

## Share Registry

Boardroom Pty Limited  
Level 12, Grosvenor Place  
255 George Street  
Sydney NSW 2000  
Tel: 1800 634 850  
Fax: (02) 9279 0664  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)  
[moelis@boardroomlimited.com.au](mailto:moelis@boardroomlimited.com.au)

## Auditor

Deloitte Touche Tohmatsu  
Grosvenor Place  
225 George Street  
Sydney NSW 2000

## Website

[www.moelisaustralia.com](http://www.moelisaustralia.com)



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