Half Year Report

for the half year ended 30 June 2019

APPENDIX 4D

Half year report

Moelis Australia Limited ABN 68 142 008 428

Reporting period: six months ended 30 June 2019

Previous corresponding period: six months ended 30 June 2018

Preliminary financial statements for the half-year ended 30 June 2019 as required by ASX listing rule 4.2A

RESULTS FOR ANNOUNCEMENT TO THE MARKET (All comparisons to half-year ended 30 June 2018)	$m	Up/down	Movement %
Revenues from ordinary activities	50.7	down	-5.3%
Net income	61.4	up	7.2%
Profit after tax from ordinary activities attributable to members	7.5	down	-30.2%
Net profit after tax attributable to members	7.5	down	-30.2%
Total comprehensive income	9.8	down	-32.3%

DIVIDEND INFORMATION	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
2018 final dividend per share (paid 6 March 2019)	8.0	8.0	30.0%

	30 June 2019	30 June 2018
Net tangible assets per security	$1.43	$1.36

This information should be read in conjunction with the 2018 Annual Report.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the interim consolidated financial statements for the half-year ended 30 June 2019.

This report is based on the interim consolidated financial statements for the half-year ended 30 June 2019 which have been reviewed by Deloitte Touche Tohmatsu.

MOELIS AUSTRALIA

Consolidated Half Year Financial Report
30 June 2019

Moelis Australia Limited
A.B.N. 68 142 008 428

MOELIS
AUSTRALIA

Directors' Report

The Directors of Moelis Australia Limited (the "Company") present the financial report of Moelis Australia Limited and its subsidiaries (the "Group") for the half year ended 30 June 2019.

The names of the Directors of the Company during or since the end of the financial period are:

Mr K Moelis
Mr J Simon
Mr A Pridham
Mr J Biggins
Mr J Browne

Review of operations

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

The Group recorded total comprehensive income for the half year of $9.8 million (2018: $15.0 million) and profit after tax for the half year of $7.5 million (2018: $11.3 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 ("IFRS").

The Group also utilises non-IFRS "Underlying" financial information in its assessment and presentation of Group performance. In particular the Group references Underlying Revenue, Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA"), Underlying Earnings Per Share ("EPS") and Underlying Net Profit After Tax ("NPAT").

The Directors place great importance and value on the IFRS measures. The Directors believe that, when read in conjunction with the IFRS measures, the Underlying measures are useful to the reader as:

> The Underlying measures, which have been consistently presented in all financial disclosures since listing on the ASX in April 2017, reveal the underlying run rate business economics of the Company;

> The Underlying measures are used by management to allocate resources and make financial, strategic and operating decisions. Further, all budgeting and forecasting is based on Underlying measures. This provides insight into management decision making; and

> The Underlying adjustments have been consistently applied in all reporting periods, regardless of their impact on the Underlying result.

The Underlying financial information is not prepared in accordance with Australian Accounting Standards and IFRS and is not audited. Adjustments to the IFRS information align with the principles by which the Company views and manages itself internally and consist of both differences in classification and differences in measurement.

Differences in classification arise because the Company chooses to classify some IFRS measures in a different manner to that prescribed by IFRS.

Differences in measurement principally arise where the Company prefers to use non-IFRS measures to better:

> Align with when management has greater certainty of the timing of cash flows;

> Regulate the variability in the value of key strategic assets, specifically the investment in Japara Healthcare Limited;

> Normalise for the impacts of one-off transaction costs; and

> Recognise staff share based bonus expense when granted as opposed to over the vesting period.

Directors' Report (cont.)

The adjustments between the Underlying and IFRS measures are provided in the reconciliations below.

	Note	Revenue* $000's	EBITDA $000's	NPAT $000's	Comprehensive Income $000's
2019 Statutory Result		**61,419**	**18,349**	**7,473**	**9,773**
Differences in measurement					
Business acquisition adjustments	(a)	–	2,071	2,654	2,654
Share rights issued to staff	(b)	–	(1,717)	(1,717)	(1,717)
Unrealised gains/losses on investments	(c)	–	–	–	(75)
Adjustments relating to associates	(d)	2,366	2,366	2,366	131
Deferred performance fees	(e)	6,400	6,400	6,400	6,400
Profit on sale of joint venture	(f)	2,221	2,221	2,221	2,221
Credit investments	(g)	(122)	(171)	(171)	(171)
Differences in classification					
Interest income	(h)	(3,765)	(3,765)	–	–
Unrealised gains/losses on investments	(i)	976	976	976	–
Credit investments	(j)	(1,501)	–	–	–
Tax on adjustments		–	–	(3,164)	(2,178)
Total adjustments		**6,575**	**8,381**	**9,565**	**7,265**
2019 Underlying results		**67,994**	**26,730**	**17,038**	**17,038**

	Note	Revenue* $000's	EBITDA $000's	NPAT $000's	Comprehensive Income $000's
2018 Statutory Result		**57,283**	**21,886**	**11,310**	**15,040**
Differences in measurement					
Business acquisition adjustments	(a)	-	2,096	3,288	3,288
Share rights issued to staff	(b)	-	(841)	(841)	(841)
Unrealised gains/losses on investments	(c)	-	-	-	3,322
Adjustments relating to associates	(d)	1,428	1,428	1,428	(6,059)
Credit investments	(g)	389	468	468	468
Differences in classification					
Interest income	(h)	(3,436)	(3,436)	-	-
Unrealised gains/losses on investments	(i)	1,163	1,163	1,163	-
Non-controlling interests		(597)	(597)	(597)	(597)
Tax on adjustments		-	-	(1,066)	532
Total adjustments		**(1,053)**	**281**	**3,843**	**113**
2018 Underlying results		**56,230**	**22,167**	**15,153**	**15,153**

* Revenue refers to Net income in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Directors' Report (cont.)

Differences in Measurement

(a) The acquisition of Armada Funds Management in 2017 for cash and shares gives rise to non-cash IFRS expenditure relating to the amortisation of intangible assets of $0.6 million (2018: $1.2 million) and share based payment expense to the vendors who are now employees of the Company of $2.1 million (2018: $2.1 million).

(b) The Underlying measure expenses the full value of the share rights issued to staff as part of the annual bonus plan in the year of grant as opposed to over the vesting period (up to 5 years) per IFRS.

(c) Adjustment to remove unrealised gains/losses on the Group's strategic investment in Japara Healthcare Ltd. 2018 further comprises an unrealised gain of $1.0 million arising as a result of the initial adoption of AASB 9. The gain, under AASB 9, was recognised directly in equity as at 1 January 2018 and as such not through the 2018 Statement of Profit or Loss and Other Comprehensive Income.

(d) The Underlying treatment records dividends and distributions received from associates in Revenue as opposed to the IFRS treatment of recording the Group's share of accounting profit or loss of the associate. Furthermore Underlying Revenue recognises gains/losses in management's assessment of the underlying value of the associate.

(e) Performance fees relating to Redcape Hotel Group disclosed in the 2018 statutory results but deferred to 2019 to closely align with transaction settlement and cash flows.

(f) The profit on sale of the Group's interest in Acure Asset Management disclosed in the 2018 statutory results but deferred to 2019 to closely align with transaction settlement and cash flows.

(g) The Underlying treatment excludes the movement in AASB 9 Expected Credit Loss provisions relating to loan assets. Specific provisions for loan impairments are included in both Underlying and IFRS measures as detailed in note (j) below.

Differences in Classification

(h) The Group consolidates the assets and liabilities of certain fund related credit initiatives. The interest expense of $2.9 million (2018: $2.9 million) relating to the liabilities is reclassified to Underlying revenue to offset against the interest income derived from the related loan assets to reflect the total net return to the Group. Further, interest income on cash and bank balances of $0.9 million (2018: $0.6 million) is reclassified to Underlying net interest expense.

(i) Unrealised gains/losses other than those identified in (c) above are reclassified from Other Comprehensive Income to Underlying revenue.

(j) The provision for impairment of a loan asset is reclassified from statutory expense to Underlying revenue.

Segment Overview

The Group recognises two operating segments: asset management and corporate advisory and equities. The Group's Underlying measures described above directly align with the segment measures required by AASB 8. The table below shows the contributions to Underlying NPAT of the Group's key business segments. Further information and reconciliations are provided in Note 2 "Segment Information".

	Half year ended 30 June 2019 $000's	Half year ended 30 June 2018 $000's
Corporate advisory and equities	481	6,193
Asset management	30,635	20,255
Unallocated	(4,386)	(4,281)
Underlying EBITDA [a]	**26,730**	**22,167**
Depreciation and amortisation	(1,517)	(243)
Net interest expense	(873)	(276)
Tax	(7,302)	(6,495)
Underlying NPAT	**17,038**	**15,153**

(a) 2018 does not reflect the impact of AASB 16. As such the 2018 Underlying EBITDA includes rental expense of $1.1 million.

Directors' Report (cont.)

Corporate advisory & equities

The 2019 first half result was below the comparable prior year period reflecting lower deal transaction flow and an increased investment in senior executive headcount at the beginning of the year. The new hires are performing well but will take time to mature and contribute to the deal pipeline. Deal transaction revenue is historically weighted approximately 66% to the second half, and whilst the deal pipeline is strong, this can shrink or grow in response to market conditions.

Asset management

Overall the performance for the year to date has been positive, particularly the growth in recurring income and despite the continued investment in headcount. Assets under management ("AUM") growth has been lower in the period given reduced transaction activity however foreign investor fund inflows have been encouraging. Our investments in Japara and our exposures to the childcare sector have been disappointing, particularly in light of the appointment of a receiver to a childcare developer that both a managed fund and the Group have credit exposures to. Management is working hard to maximise outcomes for the investments in these sectors.

Unallocated

The Unallocated segment represents the cost of the executive and central support functions. The cost increase in the period reflects the ongoing investment in the corporate platform.

Expenses

Personnel costs are higher primarily due to increased average headcount, with the majority of the headcount increase resulting from the continued investment in the business segments. Also contributing to the increase is a higher bonus accrual reflective of the increased staff numbers.

The increased interest expense is primarily associated with an issuance of new medium term unsecured notes totalling $18.5 million and the issuance of $30.8 million Fund Preferred Units.

The depreciation and amortisation expense increase is due to the impact of the application of the new accounting standard AASB 16 Leases described in Note 1.

Earnings per share

Statutory earnings per share was 4.9 cents per share (2018 7.4 cents per share).

Underlying earnings per share was 11.1 cents per share (2018 9.9 cents per share).

Dividends

A dividend of $12.6 million (8.0 cents per share) was paid on 6 March 2019. This dividend was fully franked.

Significant events

The Group's continued focus on credit initiatives has given rise to two new fund investor products which, due to their features and structures, directly impact the Group's financial statements.

(i) Fund Preferred Units

As part of a new credit product offering to the Group's client base, the Group established and manages the Moelis Australia Fixed Income Fund ("MAFIF"). MAFIF provides investors with exposure to a diversified portfolio of credit investments via an investment in Class A Units ("Fund Preferred Units") in the Moelis Australia Master Credit Trust ("Master Credit Trust"). As a co-investment, the Group has subscribed for Class B Units in the Master Credit Trust.

The Fund Preferred Units held by MAFIF receive a preferential distribution to the Class B units which in turn receive any excess distributable profits after paying the preferential distribution to the Fund Preferred Units. The Class B units further provide a maximum 10% "first loss" capital buffer which affords the Fund Preferred Units preferential treatment on distribution and wind-up of the Master Credit Trust. As such the Group's maximum economic exposure is limited to the value of the B Units which amounted to $3.1 million at 30 June 2019.

Due to the terms of the Fund Preferred Units, the Group consolidates the Master Credit Trust in its Group results and initially treats the Fund Preferred Units as non-current liabilities. At 30 June 2019, the Master Credit Trust had $32.5 million of loan assets and $3.4 million of cash and had issued $30.8 million of Fund Preferred Units.

(ii) Unsecured Note Program

On 27 March 2019, the Group established a new unsecured medium term note program. The notes constitute unsecured, unsubordinated obligations of the issuing special purpose Group entity ("issuing entity"). The issuing entity was capitalised by the Group and invests the proceeds of the note issuance in a diversified portfolio of cash and loans. The notes have sole recourse to the assets of the issuing entity and are not guaranteed by the Company. Whilst the notes have a five year stated maturity, they can be redeemed at the option of note holders subject to a minimum 12 month holding period following issue.

At 30 June 2019, $18.5 million of notes had been issued and are treated as current liabilities in the Consolidated Statement of Financial Position. The issuing entity had yet to invest in loan assets and as such held cash of $19.9 million.

Directors' Report (cont.)

Balance Sheet

	As at 30 June 2019 $m	As at 30 June 2018 $m
Total Assets	420	375
Total Liabilities	179	134
Net Assets	242	241
Net Tangible Assets	219	218

Notable movements in the balance sheet during the half-year were as follows:

Total assets have increased by $45 million predominantly in the following areas:

Cash and cash equivalents have increased by $19 million as a result of increased borrowings offset by the payment of bonuses and dividends in the half year to date.

Total loan receivables have increased by $10 million due to new loans written and normal course portfolio churn.

A right-of-use asset of $9 million has been recognised as a result of the adoption of AASB16.

Total liabilities have increased by $45 million predominantly in the following areas:

Total borrowings have increased by $49 million as a result of the issue of $18.5 million unsecured notes and the recognition of the $30.8 million of Fund Preferred Units as borrowings.

Provisions have reduced by $8 million as a result of the payment of the annual bonus in the period.

Lease liabilities of $9 million associated with the application of AASB 16 leases has now been recognised for the first time.

Subsequent events

On 1 August 2019, the Moelis Australia Exchanges Fund ("MAEF"), an entity accounted for as an associate, realised the Group's underlying investment in MAEF for a profit. Following the final redemption of the Group's unit holding in the Fund, the Fund will cease to be an associate of the Group.

Subsequent to 30 June 2019, a further $6.7 million of medium term unsecured notes and $35.4 million Fund Preferred Units have been issued respectively.

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 Instruments amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Directors’ Report (cont.)

Auditor’s independence declaration

The auditor’s independence declaration is included after this report.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

Andrew Pridham
Director and Chief Executive Officer
Sydney,

Date 28 August 2019

Jeffrey Browne
Independent Director and Chairman
Sydney,

Auditor's Declaration

Deloitte.

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The Board of Directors
Moelis Australia Limited
Governor Phillip Tower
L27/1 Farrer Place
SYDNEY NSW 2000

28 August 2019

Dear Board Members

Moelis Australia Limited

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

As lead audit partner for the review of the financial statements of Moelis Australia Limited for the half year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Moelis Australia Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2019, and the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Moelis Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independent Auditor's Report (cont.)

Deloitte.

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants
Sydney, 28 August 2019

Directors' Declaration

The Directors declare that:

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

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

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

On behalf of the Directors

Andrew Pridham

Director and Chief Executive Officer

Date 28 August 2019

Jeffrey Browne

Independent Director and Chairman

Financial Report

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 30 June 2019

	Note	Half Year Ended 30 June 2019 Consolidated $000's	Half Year Ended 30 June 2018 Consolidated $000's
Fee and commission income	3	50,705	53,531
Fee and commission expense		(3,079)	(5,118)
Net fee and commission income		**47,626**	**48,413**
Share of profits of associates	7	2,308	2,201
Investment income	4	11,483	6,385
Other income	5	2	284
Total income		**61,419**	**57,283**
Personnel expenses		34,668	28,820
Marketing and business development expenses		1,842	1,518
Communications, data and information technology expenses		1,926	1,563
Occupancy expenses		443	1,454
Interest expense		4,638	3,711
Depreciation and amortisation		2,100	1,436
Other expenses		4,190	2,043
Total expenses		**49,807**	**40,545**
Profit before tax	2	**11,612**	**16,738**
Income tax expense		(4,139)	(5,428)
Profit for the period		**7,473**	**11,310**
Other comprehensive income, net of income tax			
Items that will not be classified subsequently to profit or loss:			
Net unrealised gain/(loss) on investments		736	(1,510)
Share of other comprehensive income of associates		1,564	5,240
Total comprehensive income for the period		**9,773**	**15,040**
Profit attributable to:			
Owners of the company		**7,473**	**10,713**
Non controlling interests		**–**	**597**
Total comprehensive income is attributable to:			
Owners of the company		**9,773**	**14,443**
Non controlling interests		**–**	**597**
Earnings per share			
From continuing operations			
Basic (cents per share)		4.9	7.4
Diluted (cents per share)		4.7	7.1

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

Condensed Consolidated Statement of Financial Position

as at 30 June 2019

	Note	As at 30 June 2019 Consolidated $000's	As at 31 December 2018 Consolidated $000's
Assets			
Current assets			
Cash and cash equivalents		105,736	86,652
Receivables		31,430	32,231
Loans receivables	10	55,292	64,920
Income tax receivable		886	–
Other assets		5,489	1,950
Total current assets		**198,833**	**185,753**
Non-current assets			
Restricted cash		5,800	5,965
Loans receivables	10	66,411	46,561
Other financial assets	11	27,857	25,574
Property, plant and equipment		2,151	2,146
Right-of-use assets	14	8,116	–
Investments in associates and joint ventures	7	88,601	86,201
Intangible assets	12	12,607	13,184
Goodwill	13	9,827	9,827
Total non-current assets		**221,370**	**189,458**
Total assets		**420,203**	**375,211**
Liabilities			
Current liabilities			
Trade and other payables		14,163	16,066
Borrowings	16	18,500	–
Lease liabilities	18	2,186	–
Income tax payable		–	4,201
Provisions		12,850	21,152
Total current liabilities		**47,699**	**41,419**
Non-current liabilities			
Trade and other payables		6,506	5,137
Borrowings	16	87,964	57,150
Lease liabilities	18	6,570	–
Provisions		2,003	1,662
Redeemable preference shares	17	25,500	25,500
Deferred tax liability		2,435	3,517
Total non-current liabilities		**130,978**	**92,966**
Total liabilities		**178,677**	**134,385**
Net assets		**241,526**	**240,826**
Equity			
Contributed equity	8	191,689	189,924
Reserves		20,763	16,744
Retained earnings		29,074	35,320
Non controlling interests		–	(1,161)
Total shareholders equity		**241,526**	**240,826**

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

Condensed Consolidated Statement of Changes in Equity

for the half year ended 30 June 2019

Consolidated	Contributed equity $000's	Share based payment reserve $000's	Retained earnings $000's	Investments revaluation reserve $000's	FVTOCI $000's	Attributable to owners of the parent $000's	Non controlling interests $000's	Total equity $000's
Balance at 1 January 2018	191,507	5,308	15,631	3,184	–	215,631	–	215,631
Adjustments from adoption of AASB 9 & 15	–	–	(172)	440	259	527	–	527
Balance at 1 January 2018	191,507	5,308	15,459	3,625	259	216,158	–	216,158
Profit for the period	–	–	10,713	–	–	10,713	597	11,310
Other comprehensive income for the period	–	–	–	5,240	(1,510)	3,730	–	3,730
Payment of dividends	–	–	(10,767)	–	–	(10,767)	–	(10,767)
Treasury shares	(1,181)	–	–	–	–	(1,181)	–	(1,181)
Capitalised IPO costs	87	–	–	–	–	87	–	87
Share based payments	–	4,285	–	–	–	4,285	–	4,285
Non controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	8,166	8,166
Balance at 30 June 2018	**190,413**	**9,593**	**15,405**	**8,865**	**(1,251)**	**223,025**	**8,763**	**231,788**
Balance at 1 January 2019	189,924	16,198	35,320	9,473	(8,927)	241,988	(1,161)	240,827
Profit for the period	–	–	7,473	–	–	7,473	–	7,473
Other comprehensive income for the period	–	–	–	1,564	736	2,300	–	2,300
Payment of dividends	–	–	(12,558)	–	–	(12,558)	–	(12,558)
Treasury shares	1,765	–	–	–	–	1,765	–	1,765
Share based payments	–	1,719	–	–	–	1,719	–	1,719
Non controlling interests on disposal of subsidiaries	–	–	(1,161)	–	–	(1,161)	1,161	–
Balance at 30 June 2019	**191,689**	**17,917**	**29,074**	**11,037**	**(8,191)**	**241,526**	**–**	**241,526**

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

Condensed Consolidated Statement of Cash Flows

for the half year ended 30 June 2019

	Half Year Ended 30 June 2019 $000's Consolidated	Half Year Ended 30 June 2018 $000's Consolidated
Cash flows from operating activities		
Receipts from customers	45,638	46,279
Interest and dividends received	2,569	4,265
Amounts received from affiliates	2,372	84
Payments to suppliers and employees	(49,787)	(35,253)
Cash generated from operations	**792**	**15,375**
Interest paid	(4,289)	(603)
Income taxes paid	(10,308)	(7,461)
Net cash (used in)/generated by operating activities	**(13,805)**	**7,311**
Cash flows from investing activities		
Payments to acquire financial assets	(1,586)	(300)
Proceeds on sale of financial assets	39	652
Payments to acquire shares in associates	–	(11,302)
Prcoeeds from disposals/capital return from associates	5,000	693
Receipt/(payments) for employee loans	119	(243)
Proceeds from disposal of subsidiary companies	–	33,666
Amounts advanced to third parties	(6,039)	(41,186)
Payments to acquire property, plant and equipment	(396)	(899)
Net cash used in investing activities	**(2,863)**	**(18,918)**
Cash flows from financing activities		
Payments related to the issue of equity	–	(1,181)
Decrease/(increase) in restricted cash	166	(7,019)
Proceeds from issue of redeemable preference shares in subsidiary	–	14,119
Payments of lease liabilities	(1,168)	–
Proceeds from borrowings	49,314	–
Dividends paid to shareholders	(12,558)	(10,767)
Net cash generated by/(used in) financing activities	**35,754**	**(4,848)**
Net increase/(decrease) in cash and cash equivalents	**19,086**	**(16,455)**
Cash and cash equivalents at the beginning of the period	86,652	87,786
Effects of exchange rate changes on the balance of cash held in foreign currencies	(2)	325
Cash and cash equivalents at the end of the period	**105,736**	**71,656**

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

Notes to the Condensed Consolidated Financial Statements

for the half year ended 30 June 2019

1 Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation and changes in accounting policies

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2018 annual financial report for the financial year ended 31 December 2018, except for the impact of the Standards and Interpretations described below. The changes in accounting policies will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/91, 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.

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

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 16 Leases
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB 2017-4 Amendments - Interpretation 23 Uncertainty over Income Tax Treatments
- AASB 2017-7 Amendments - Long-term Interests in Associates and Joint Ventures Amendments to IAS 28 and Illustrative Example
- AASB 2018-1 Amendments - Annual Improvements 2015-2017 Cycle

Impact of the application of AASB 16 Leases

General impact of application of AASB 16

AASB 16 Leases introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements and the impact of the adoption of AASB 16 on the Group's consolidated financial statements are described below.

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and IFRIC 4 will continue to be applied to leases entered into or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 January 2019. The Group notes that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

On 1 January 2019 (the date of initial application of AASB 16), the Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed as follows:

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2019

1 Significant accounting policies (cont.)

Impact of the application of AASB 16 Leases (cont.)

Significant accounting policies relating to leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date in the consolidated statement of financial position. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. Depreciation of right-of-use assets is recognised on the consolidated statement of profit and loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally the Group uses its incremental borrowing rate as the discount rate. Interest on lease liabilities is recognised in the consolidated statement of profit or loss.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised, or as appropriate.

Lease payments are recognised as amortisation expense of the right-of-use asset over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

Transition

The Group leases several assets including buildings and IT equipment that were previously classified as operating leases under AASB 117. The average lease term is 9.5 years. The Group has the option to extend one of the leases for an additional period of time after the end of the non-cancellable period, and this has been accounted for in determining the minimum lease payments. The Group's obligations are secured by the lessors' title to the leased assets for such leases and bank guarantee held.

At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. The weighted average rate applied is 3.88%. The Group has applied the approach of measuring right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Below is the financial impact on transition to AASB 16 as at 1 January 2019:

	Under AASB 117	Under AASB 16	Financial impact
Financial Disclosure			
Right-of-use assets	–	9,248	9,248
Lease liabilities*	(487)	(9,735)	(9,248)
Total	**(487)**	**(487)**	–
Adjustment to opening retained earnings			–

* The 2018 amount is included as part of trade and other payables.

1 Significant accounting policies (cont.)

Impact of the application of AASB 16 Leases (cont.)

Standards and Interpretations in issue not yet adopted

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2018-6 Amendments - Definition of a Business	1 January 2020	31 December 2020
AASB 2018-7 Amendments - Definition of Material	1 January 2020	31 December 2020

2 Segment information

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 and the Board of Directors for evaluating operating segment performance and for deciding how to allocate resources to operating segments.

The Board of Directors is considered to be the Chief Operating Decision Maker ("CODM").

The segment information directly corresponds to the Group's non-IFRS ("Underlying") measures.

Please refer to the Directors' Report for further explanation of the Underlying measures.

The Group is organised into the following business segments:

- Corporate advisory and equities
- Asset management

2.1 Services from which reportable segments derive their revenues

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

The asset management segment incorporates the provision of asset management services and principal co-investment and strategic investments.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's reporting policies.

The main items of profit or loss and other comprehensive income used by management to assess each business are segment Revenue and segment earnings before interest, tax, depreciation and amortisation (EBITDA).

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2019

2 Segment information (cont.)

2.2 Segment results

Assets, liabilities, depreciation and amortisation and net interest expense are not disclosed by segment as they are not provided to the CODM and are only reported on a Group basis. The following is an analysis of segment performance.

2019	CA&E	Asset Management	Unallocated	Total Underlying Segment
Revenue [a]	**18,799**	**49,195**	–	**67,994**
EBITDA	**481**	**30,635**	**(4,386)**	**26,730**
Depreciation and amortisation				(1,517)
Net Interest expense				(873)
Profit before tax				**24,340**
Tax				(7,302)
NPAT*				**17,038**
Other comprehensive income				-
Total comprehensive income				**17,038**

2018[b]	CA&E	Asset Management	Unallocated	Total Underlying Segment
Revenue [a]	**23,243**	**32,987**	–	**56,230**
EBITDA[c]	**6,193**	**20,255**	**(4,281)**	**22,167**
Depreciation and amortisation				(243)
Net Interest expense				(276)
Profit before tax				**21,648**
Tax				(6,495)
NPAT*				**15,153**
Other comprehensive income				-
Total comprehensive income				**15,153**

* Net profit after tax (NPAT)

(a) Revenue refers to Net income in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(b) The 2018 segment has been amended to align with how management view and report the business in 2019.

(c) 2018 does not reflect the impact of AASB 16 Leases. As such the 2018 Underlying EBITDA includes rental expense of $1.1 million.

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2019

2 Segment information (cont.)

2.2 Segment results (cont)

A reconciliation of the Underlying segment measures to the statutory measures is as follows:

	Note	Revenue* $000's	EBITDA $000's	PBT $000's	NPAT $000's	Comprehensive Income $000's
2019 Statutory Result		**61,419**	**18,349**	**11,612**	**7,473**	**9,773**
Differences in measurement						
Business acquisition adjustments	(a)	–	2,071	2,654	2,654	2,654
Share rights issued to staff	(b)	–	(1,717)	(1,717)	(1,717)	(1,717)
Unrealised gains/losses on investments	(c)	–	–	–	–	(75)
Adjustments relating to associates	(d)	2,366	2,366	2,366	2,366	131
Deferred performance fees	(e)	6,400	6,400	6,400	6,400	6,400
Profit on sale of joint venture	(f)	2,221	2,221	2,221	2,221	2,221
Credit Investments	(g)	(122)	(171)	(171)	(171)	(171)
Differences in classification						
Interest income	(h)	(3,765)	(3,765)	–	–	–
Unrealised gains/losses on investments	(i)	976	976	976	976	–
Credit investments	(j)	(1,501)	–	–	–	–
Tax on adjustments		–	–	–	(3,164)	(2,178)
Total adjustments		**6,575**	**8,381**	**12,728**	**9,565**	**7,265**
2019 Underlying results		**67,994**	**26,730**	**24,340**	**17,038**	**17,038**

	Note	Revenue* $000's	EBITDA $000's	PBT $000's	NPAT $000's	Comprehensive Income $000's
2018 Statutory Result		**57,283**	**21,886**	**16,738**	**11,310**	**15,040**
Differences in measurement						
Business acquisition adjustments	(a)	-	2,096	3,292	3,288	3,288
Share rights issued to staff	(b)	-	(841)	(841)	(841)	(841)
Unrealised gains/losses on investments	(c)	-	-	-	-	3,322
Adjustments relating to associates	(d)	1,428	1,428	1,428	1,428	(6,059)
Credit investments	(g)	389	468	468	468	468
Differences in classification						
Interest income	(h)	(3,436)	(3,436)	-	-	-
Unrealised gains/losses on investments	(i)	1,163	1,163	1,163	1,163	-
Non-controlling interests		(597)	(597)	(597)	(597)	(597)
Tax on adjustments		-	-	-	(1,066)	532
Total adjustments		**(1,053)**	**281**	**4,908**	**3,843**	**113**
2018 Underlying results		**56,230**	**22,167**	**21,648**	**15,153**	**15,153**

* Revenue refers to Net income on the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2019

2 Segment information (cont.)

2.2 Segment results (cont)

Differences in Measurement

(a) The acquisition of Armada Funds Management in 2017 for cash and shares gives rise to non-cash IFRS expenditure relating to the amortisation of intangible assets of $0.6 million (2018: $1.2 million) and share based payment expense to the vendors who are now employees of the Company of $2.1 million (2018: $2.1 million).

(b) The Underlying measure expenses the full value of the share rights issued to staff as part of the annual bonus plan in the year of grant as opposed to over the vesting period (up to 5 years) per IFRS.

(c) Adjustment to remove unrealised gains/losses on the Group's strategic investment in Japara Healthcare Ltd. 2018 further comprises an unrealised gain of $1.0 million arising as a result of the initial adoption of AASB 9. The gain, under AASB 9, was recognised directly in equity as at 1 January 2018 and as such not through the 2018 Statement of Profit or Loss and Other Comprehensive Income.

(d) The Underlying treatment records dividends and distributions received from associates in Revenue as opposed to the IFRS treatment of recording the Group's share of accounting profit or loss of the associate. Furthermore Underlying Revenue recognises gains/losses in management's assessment of the underlying value of the associate.

(e) Performance fees relating to Redcape Hotel Group disclosed in the 2018 statutory results but deferred to 2019 to closely align with transaction settlement and cash flows.

(f) The profit on sale of the Group's interest in Acure Asset Management disclosed in the 2018 statutory results but deferred to 2019 to closely align with transaction settlement and cash flows.

(g) The Underlying treatment excludes the movement in AASB 9 Expected Credit Loss provisions relating to loan assets. Specific provisions for loan impairments are included in both Underlying and IFRS measures as detailed in note (j) below.

Differences in Classification

(h) The Group consolidates the assets and liabilities of certain fund related credit initiatives. The interest expense of $2.9 million (2018: $2.9 million) relating to the liabilities is reclassified to Underlying revenue to offset against the interest income derived from the related loan assets to reflect the total net return to the Group. Further, interest income on cash and bank balances of $0.9 million (2018: $0.6 million) is reclassified to Underlying net interest expense.

(i) Unrealised gains/losses other than those identified in (c) above are reclassified from Other Comprehensive Income to Underlying revenue.

(j) The provision for impairment of a loan asset is reclassified from statutory expense to Underlying revenue.

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2019

3 Fee & commission income

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

	Half year ended 30 June 2019 Consolidated $000's	Half year ended 30 June 2018 Consolidated $000's
Timing of revenue recognition		
At a point in time		
Advisory success fees	13,265	17,637
Commission and brokerage income	3,614	4,921
Facilitation and transaction fees	3,101	6,154
Total revenue earned at a point in time	**19,980**	**28,712**
Over time		
Advisory retainer fees	2,134	1,072
Performance fees	2,556	–
Distribution fees	3,234	3,139
Management fees	22,801	20,608
Total revenue earned over time	**30,725**	**24,819**
Total fee and commission income	**50,705**	**53,531**
Fee & commission income by segment		
At a point in time		
Corporate advisory & equities	16,728	22,370
Asset management	3,252	6,342
Total revenue earned at a point in time	**19,980**	**28,712**
Over time		
Corporate advisory & equities	2,134	1,072
Asset management	28,591	23,747
Total revenue earned over time	**30,725**	**24,819**
Total fee and commission income	**50,705**	**53,531**

4 Investment income

Interest income on cash and bank balances	880	547
Interest, dividends and distributions from investments	10,603	5,838
	11,483	**6,385**

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2019

5 Other income

	Half year ended 30 June 2019 Consolidated $000's	Half year ended 30 June 2018 Consolidated $000's
Net foreign exchange (losses)/gains	(13)	326
Other income/(loss)	15	(42)
	2	**284**

6 Dividends

During the period, Moelis Australia Limited made the following fully franked dividend payments:

Fully Paid Ordinary shares		
2017 dividend	–	10,767
2018 dividend	12,558	–
	12,558	**10,767**

7 Investments in associates

	As at 30 June 2019	As at 31 December 2018
Redcape Hotel Group	59,428	58,547
Infinite Care Group	4,434	4,722
Moelis Australia Aged Care Fund	6,418	6,845
Moelis Australia Senior Secured Credit Fund II	2,074	1,901
Moelis Australia Kincare Fund	8,307	7,738
Moelis Australia Exchanges Fund	7,940	6,448
	88,601	**86,202**

Details of ownership interest activities

	Proportion of ownership interest and voting power held by the Group	
	2019	2018
Redcape Hotel Group	9.4%	9.4%
Moelis Australia Aged Care Fund	10.0%	10.0%
Infinite Care Group	5.2%	5.2%
Moelis Australia Senior Secured Credit Fund II	10.0%	10.0%
Moelis Australia Kincare Fund	25.5%	25.5%
Moelis Australia Exchanges Fund	25.7%	25.7%

8 Issued equity securities

The Company had authorised share capital amounting to 155,641,070 ordinary shares at 30 June 2019 (31 December 2018:155,641,070).

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.

9 Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report. Bonuses accrued in December 2018 consisted of share rights and cash. The cash component has been fully paid in March 2019. The remaining stock components of the bonus were granted in December 2018. Key management personnel are included in the share based payment arrangements, refer note 15.

10 Loan receivables

	As at 30 June 2019 Consolidated $000's	As at 31 December 2018 Consolidated $000's
Current		
Loans to third parties	57,039	65,311
Loss allowance	(1,747)	(391)
	55,292	**64,920**
Movement in Loss allowance – current		
Balance at beginning of the year	(391)	–
ECL provision/impairment losses recognised on receivables	(1,356)	(391)
Balance at end of the financial period	**(1,747)**	**(391)**
Non Current		
Loan to employees	461	580
Loans to third parties	66,293	46,276
Loss allowance	(343)	(295)
	66,411	**46,561**
Movement in Loss allowance – non current		
Balance at beginning of the year	(295)	–
ECL provision/impairment losses recognised on receivables	(48)	(295)
Balance at end of the financial period	**(343)**	**(295)**

The current ECL provision/impairment loss balance includes a specific provision of $1.5 million (2019:Nil) relating to a loan originated after the year ended December 2018.

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2019

11 Other financial assets

	As at 30 June 2019 Consolidated $000's	As at 31 December 2018 Consolidated $000's
Financial assets – non current		
Financial assets held at FVTOCI	26,875	24,706
Financial assets held at FVTPL	300	580
Financial assets held at amortised cost	682	288
	27,857	**25,574**

11.1 Financial instruments – Fair values and risk management

Financial assets and liabilities are accounted for in accordance with AASB 9 Financial Instruments.

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 techniques and inputs used).

As at 30 June 2019	Mandatorily at FVTPL	FVTOCI - equity instruments	Total	Level 1 (a)	Level 2 (b)	Total
Loan receivables	3,828	–	3,828	–	3,828	3,828
Non equity securities	580	–	580	–	580	580
Equity securities	1,085	25,904	26,989	17,943	9,046	26,989
Financial assets measured at fair value	**5,493**	**25,904**	**31,397**	**17,943**	**13,454**	**31,397**

The carrying amounts of:

- cash and cash equivalents;
- restricted cash;
- trade receivables;
- redeemable preference shares;
- unsecured notes;
- Fund Preferred Units; and
- trade payables

approximate to fair value.

Valuation techniques and key inputs

(a) Quoted bid prices in an active market

(b) Based on recent transactions

Valuation processes

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation function that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer. The valuation function regularly reviews significant unobservable inputs and valuation adjustments. Significant valuation issues are reported to the Group audit committee.

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2019

12 Intangible assets

	As at 30 June 2019 Consolidated $000's	As at 31 December 2018 Consolidated $000's
Carrying amounts of:		
Identifiable intangible assets	12,607	13,184
Cost		
Balance at beginning of financial period	16,273	16,263
Trademarks purchased	5	10
Balance at reporting period	**16,278**	**16,273**
Accumulated amortisation and impairment		
Balance at beginning of financial period	(3,088)	(702)
Amortisation expense	(583)	(2,386)
Balance at reporting period	**(3,671)**	**(3,088)**

The aggregate value of intangible assets acquired as part of the Armada Funds Management acquisition in 2017 was determined as the net present value of the forecast management fees less operating expenses, based on their expected lives which ranged from 2 years and 7 months 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 rights, 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 the management rights (ranging from 2 years and 7 months to 7 years and 9 months at acquisition);
(2) expectations about variations to management fee rates, and the amount and timing of transaction fees;
(3) the reduction in operating costs as individual management rights terminate; and
(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 to 15%	no impact
A decrease in the expected life of each fund by one year	$2.3m

13 Goodwill

	As at 30 June 2019 Consolidated $000's	As at 31 December 2018 Consolidated $000's
Cost	9,827	9,827
Accumulated impairment losses	–	–
Total consideration transferred	**9,827**	**9,827**
Goodwill is allocated to the following CGU's:		
Corporate advisory & equities	1,326	1,326
Asset management	8,501	8,501
	9,827	**9,827**

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:

	CA&E	Asset Management
Timeframe	5 years	5 years
Post tax discount rate	11.0%	12.5%

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

(1) an estimate of future cash flows the entity expects to derive from the asset;

(2) the time value of money, represented by the current market risk-free rate of interest;

(3) the price for bearing the uncertainty inherent in the asset; and

(4) other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

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

14 Right-of-use assets

	As at 30 June 2019 Consolidated $000's	As at 31 December 2018 Consolidated $000's
Balance at the beginning of the year	–	–
Additions	9,248	–
Depreciation	(1,132)	–
Balance at the end of the financial period	**8,116**	–
Right-of-use assets at cost	9,248	–
Less accumulated amortisation	(1,132)	–
Total right-of-use assets	**8,116**	**–**

15 Share based payments

(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.

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 period	Number of options at half year end
1,540,217	Employees	$2.35	$3.00	$0.03	8-Apr-21	7-Apr-22	130,617	1,409,600
1,540,217	Employees	$2.35	$3.15	$0.03	8-Apr-22	7-Apr-23	130,617	1,409,600
1,540,216	Employees	$2.35	$3.36	$0.01	8-Apr-23	7-Apr-24	130,617	1,409,599
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
5,401,900							**391,851**	**5,010,049**

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 13.8%, based on the volatility of the ASX Small Cap Index at the time of the grant
- Expected life of option is the maximum term up to last day of the exercise window
- Forfeiture assumptions for the Options granted to employees are that 16%, 20% and 23% of 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.

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2019

15 Share based payments (cont.)

(i) Employee share options (cont.)

	Number of options Employees	Number of options Chairman	Number of options total	Weighted average exercise price ($) Employee	Weighted average exercise price ($) Chairman
Balance at beginning of period	4,620,650	781,250	5,401,900	3.17	2.90
Granted during the period	–	–	–	–	–
Forfeited during the period	(391,851)	–	(391,851)	3.17	–
Balance at end of period	**4,228,799**	**781,250**	**5,010,049**	**3.17**	**2.90**

(ii) Share rights

Share rights granted as sign-on incentive

The Company periodically grants Share Rights to senior executives commencing employment with the Group. The Share Rights are priced with reference to the trading price of the Company's shares at the time the offer of employment is made. Vesting is subject to continuous employment, with terms varying on a case by case basis. Amortisation of the expense commences on the day the senior executive starts their employment.

Share rights granted as annual bonus

At the end of each year, the Board of Directors determines the annual bonus pool to be paid to employees, and the components to be paid in cash and through granting share rights. The share rights granted to employees in connection with the annual bonus entitle the employees to shares in the Company in the future for no payment. The share rights vest over the prescribed vesting period, and are conditional on continuous service, unless otherwise determined by the Board.

	Number of Share rights	$
Opening balance	3,399,398	15,934,546
Granted during the period	46,823	186,500
Forfeited during the period	(60,681)	(276,248)
Vested during the period	(474,351)	(2,334,447)
Closing balance	**2,911,189**	**13,510,351**

2019 unallocated annual bonus share rights

As at 30 June 2019, the Group has estimated the expected outcome of the determination of the 2019 annual bonuses, including an estimate of the amount of bonuses to be paid in cash and the amount to be paid in shares.

The profit and loss impact (after tax) of the estimated cash component for services received as at 30 June 2019 was $5,709,000 (30 June 2018:$4,949,000).

The component expected to be paid in shares has been accounted for as a share based payment, with the amounts accruing over the expected vesting period of between 1 to 3 years. The profit and loss impact (after tax) of the estimated share component for services received as at 30 June 2019 was $779,611 which is inclusive of the amortisation of the 2018 ($39,796) and 2017 allocations ($488,501) (2018:$1,284,163). The accounting standards require the value of the share based component to be determined when there is a shared understanding of the terms and conditions of the scheme and so the estimate of the accrual to date could change until this grant date is achieved.

As a result of the discretionary nature of the scheme, no incentive shares have been issued under the 2019 annual bonus scheme during the interim period ended 30 June 2019.

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2019

16 Borrowings

	As at 30 June 2019 Consolidated $000's	As at 31 December 2018 Consolidated $000's
Current		
Unsecured notes	18,500	–
Non current		
Unsecured notes	57,150	57,150
Fund Preferred Units	30,814	–
	87,964	**57,150**

Current unsecured notes

On 27 March 2019, the Group established a new unsecured medium term note program. The notes constitute unsecured, unsubordinated obligations of the issuing special purpose Group entity ("issuing entity"). The issuing entity was capitalised by the Group and invests the proceeds of the note issuance in a diversified portfolio of cash and loans. The notes have sole recourse to the assets of the issuing entity and are not guaranteed by the Company. Whilst the notes have a five year stated maturity, they can be redeemed at the option of note holders subject to a minimum 12 month holding period following issue. A summary of the key terms are below:

Issue	2019
Maturity Date	May 2024
Amount ($m)	18.5
Interest rate per annum[(a)]	variable
Issue costs ($000's)	56.2

(a) The interest rate is calculated at a margin of 4.35% over the RBA cash rate at the time of issue per tranche and then reset in February and August of each year.

Non current unsecured notes

Issue	2017	2018
Maturity date	Sep 2020	Sep 2022
Amount ($m)	32.2	25.0
Interest rate per annum	5.25%	5.75%
Issue costs ($000's)	24.2	6.5

Fund Preferred Units

As part of a new credit product offering to the Group's client base, the Group established and manages the Moelis Australia Fixed Income Fund ("MAFIF"). MAFIF provides investors with exposure to a diversified portfolio of credit investments via an investment in Class A Units ("Fund Preferred Units") in the Moelis Australia Master Credit Trust ("Master Credit Trust"). As a co-investment, the Group has subscribed for Class B Units in the Master Credit Trust.

The Fund Preferred Units held by MAFIF receive a preferential distribution to the Class B units which in turn receive any excess distributable profits after paying the preferential distribution to the Fund Preferred Units. The Class B units further provide a maximum 10% "first loss" capital buffer which affords the Fund Preferred Units preferential treatment on distribution and wind-up of the Master Credit Trust. As such the Group's maximum economic exposure is limited to the value of the B Units which amounted to $3.1 million at 30 June 2019.

Any redemption request for the Fund Preferred Units must be met within 12 months. As no redemption requests existed at 30 June 2019 the units are initially treated as non-current liabilities. The distribution to the Fund Preferred Units is calculated at a margin of 4.00% over the RBA cash rate.

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2019

17 Redeemable preference shares

	As at 30 June 2019 Consolidated $000's	As at 30 June 2018 Consolidated $000's
Redeemable preference shares	25,500	25,500

The Group consolidates the assets and liabilities of a fund related credit initiatives. These assets are wholly financed by Redeemable Preference Shares ("RPS"). A summary of the RPS terms and conditions are as follows:

Issue date	2017
Issue price	$1
Dividend rate	15%
Maturity date	Dec 2022

The RPS have no voting rights unless when 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.

18 Lease liabilities

Maturity analysis - contractual undiscounted cashflows		
Less than one year	2,846	
One to five years	5,721	
More than five years	2,083	
Total undiscounted lease liabilities at 30 June 2019	**10,650**	
Lease liabilities included in the Statement of Financial Position		
Balance as at 1 January 2019	9,735	–
Interest incurred	207	–
Payments of lease liabilities	(1,186)	–
Balance as at 30 June 2019	**8,756**	–
Current	2,186	–
Non current	6,570	–
	8,756	–
Amounts recognised in Statement of Comprehensive Income		
Interest expense on lease liabilities	207	–
Amounts recognised in the Statement of Cash Flows		
Total cash outflow for leases	(1,186)	–

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2019

19 Acquisition of interests in subsidiaries

On 4 January 2019, the Group acquired the power to exercise control of the Moelis Australia Master Credit Trust. No gains or losses were incurred from the acquisition as it was transacted at arms length. The Group accounts for the entity as a subsidiary from the date onwards.

20 Disposal of interests in subsidiaries

On 1 January 2019, the Group disposed its remaining interest in MAOF 3 Trust, consisting of loan asset of $12.7 million, which represents all principal and accrued interest. No gains or losses were incurred upon disposal.

21 Commitments

At 30 June 2019, the Group had capital commitments of $20.6 million (31 December 2018: $27.7 million). Subsequent to 30 June 2019 $10.7m of this commitment was drawn upon.

22 Subsequent events

On 1 August 2019, the Moelis Australia Exchanges Fund ("MAEF"), an entity accounted for as an associate, realised the Group's underlying investment in MAEF for a profit. Following the final redemption of the Group's unit holding in the Fund, the Fund will cease to be an associate of the Group.

Subsequent to 30 June 2019, a further $6.7 million of medium term unsecured notes and $35.4 million Fund Preferred Units have been issued respectively.

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