Pacific Current Group Limited

(ABN 39 006 708 792)

Financial Report
For the year ended 30 June 2019

Directors' Report......1
Auditor's Independence Declaration......34
Consolidated Statement of Profit or Loss for the year ended 30 June 2019......35
Consolidated Statement of Comprehensive Income for the year ended 30 June 2019......36
Consolidated Statement of Financial Position as at 30 June 2019......37
Consolidated Statement of Changes in Equity for the year ended 30 June 2019......38
Consolidated Statement of Cash Flows for the year ended 30 June 2019......39
Notes to the Financial Statements for the year ended 30 June 2019......40
Directors' Declaration......114
Independent Auditor's Report......115
Corporate Directory......121

Your Directors submit their Report for the year ended 30 June 2019.

DIRECTORS AND OFFICERS

The Directors and officers of Pacific Current Group Limited (the "Company") at the date of this report or at any time during the financial year ended 30 June 2019 were:

Name	Role	Date
Mr. Antony Robinson	Non-Executive Chairman	Appointed - 28 August 2015
Mr. Paul Greenwood	Executive Managing Director	Appointed - 10 December 2014
Mr. Peter Kennedy	Non-Executive Director	Appointed - 4 June 2003
Ms. Melda Donnelly	Non-Executive Director	Appointed - 28 March 2012
Mr. Gilles Guérin	Non-Executive Director	Appointed - 10 December 2014
Mr. Jeremiah Chafkin	Non-Executive Director	Appointed - 10 April 2019
Mr. Michael Fitzpatrick	Non-Executive Director	Appointed - 5 October 2004 Resigned - 1 March 2019
Mr. Philip Mackey	Company Secretary	Appointed 26 May 2017

NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Mr. Antony Robinson, BCom, MBA, CPA (Non-Executive Chairman)

Mr. Robinson joined the Board on 28 August 2015, in the capacity of Non-Executive Director. He became an Executive Director on 20 April 2016 before returning to a Non-Executive Director on 1 September 2018. On 1 October 2018 he was appointed Chairman. He has significant expertise and experience across a number of industries, including banking, financial services, telecommunications, and transport. He is an experienced company director and Chief Executive Officer ("CEO").

Mr. Robinson is also a Director of Bendigo and Adelaide Bank Limited, Longtable Group Ltd (formerly Primary Opinion Ltd) and Managing Director of PSC Insurance Group Limited. He was a former Director of Tasfoods Limited. His previous executive roles include Managing Director of IOOF Ltd and OAMPS Limited.

Mr. Robinson is a member of the Audit and Risk Committee and the Remuneration, Nomination and Governance Committee.

Mr. Paul Greenwood, BA, CFA (Executive Managing Director)

Mr. Greenwood joined the Board on 10 December 2014 as an Executive Director. He co-founded Northern Lights Capital Group, LLC ("Northern Lights") in 2006 which merged with Treasury Group Ltd in November 2014 to form Pacific Current Group Limited. Effective from 1 July 2018, Mr. Greenwood was appointed to the roles of Managing Director, Chief Executive Officer and Global Chief Investment Officer ("MD, CEO and CIO") in the Company.

Prior to Northern Lights, he created Greenwood Investment Consulting ("GIC"), a firm that worked directly with investment managers on investment process and organisational issues. Before GIC, Mr. Greenwood served as Director of US Equity for Russell Investment Group ("Russell"), where he managed all of Russell's US equity-oriented portfolio management and research activities. He also served as a Russell spokesperson and authored many articles and research commentaries related to investment manager evaluation.

Mr. Peter Kennedy, B.Ec. L.L.M. (Tax) (Non-Executive Director)

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

Mr. Kennedy also sits on the boards of a number of companies in the manufacturing, property and retail industries.

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

Ms. Melda Donnelly, CA, OAM B.C. (Non-Executive Director)

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

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

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

Ms. Donnelly is the Chairperson of the Audit and Risk Committee and a member of the Remuneration, Nomination and Governance Committee.

Mr. Gilles Guérin, BA MSc, (Non-Executive Director)

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

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

Mr. Guérin is a member of the Audit and Risk Committee and the Remuneration, Nomination and Governance Committee.

Mr. Jeremiah Chafkin, BScEcon, MBA Fin (Non-Executive Director)

Mr. Chafkin joined the Board on 10 April 2019. He has over 30 years' experience in financial services leadership in the asset management sector, primarily in North America. He is currently the Executive Vice President and Chief Investment Officer of AssetMark, Inc. an independent provider of investment and consulting solutions for financial advisors. Mr. Chafkin is responsible for designing, enhancing and managing AssetMark's investment solutions framework and providing investment and market perspectives to advisors and their clients.

Previously, Mr. Chafkin was CEO at AlphaSimplex Group, a liquid alternatives and active volatility management specialist; CEO at IXIS Asset Management US; and spent nearly a decade at Charles Schwab in a range of leadership roles. He began his career at Bankers Trust Company where he spent almost 15 years in a variety of asset management roles working with institutional clients in the USA and abroad.

Mr. Chafkin is a member of the Audit and Risk Committee and the Remuneration, Nomination and Governance Committee.

Mr. Michael Fitzpatrick, B. Eng, MA (Oxon) Honours (Non-Executive Director)

Mr. Fitzpatrick joined the Board on 5 October 2004 and resigned on 1 March 2019. Mr. Fitzpatrick has over 40 years experience in the financial services sector. Committed to sustainability, Mr. Fitzpatrick and his associated interests have made a range of sustainable investments in renewable energy generation and technology development, as well as energy efficiency and sustainability.

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

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

Mr. Philip Mackey, Fellow GIA, AICD (Company Secretary)

Mr. Mackey has over 30 years' company secretarial and commercial experience, including multi-jurisdictional board practice as both a Company Secretary and a Director. He currently acts as Company Secretary for several of Company Matters Pty Limited's clients. As a member of the Company Matters Pty Limited's team, clients benefit from both his project management knowledge and passion for good corporate governance.

Previously, Mr. Mackey served as Company Secretary of ASX and SGX dual listed Australand Group Limited and Deputy Company Secretary of AMP. His commercial experience includes appointment as Chief Operating Officer (Specialised Funds) of Babcock & Brown and Bressan Group.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The Company is a company limited by shares and is incorporated and domiciled in Australia. Its shares are listed for trading on the Australian Securities Exchange ("ASX") with the ticker code PAC. The Company and its controlled entities (the "Group") invest in global asset managers, private advisory, placement and private equity firms. The Group also provides, on an as agreed basis, distribution and management services and, in certain circumstances, financing to these firms.

The primary criteria the Company looks for in these potential investments are high quality people, a robust investment process, competitive performance and strong growth potential. The strategy of the Company is to continue to enhance the resilience of the Group's earnings by diversifying into investments that are less susceptible to capital markets volatility and have low correlation to other assets in the Group's portfolio.

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

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS

Investment activities during the year

On 2 July 2018, the Group exercised its put option in RARE Infrastructure Ltd ("RARE"). On 10 October 2018, the sale was completed and proceeds of the exercise of the put option amounting to $21,510,000 before tax was received. The Group held a residual 10% interest in RARE following the sale of the majority of its holdings to Legg Mason in October 2015. The 10% residual was subject to a put/call option that was agreed at the time of sale. The sale of the Group's investment in RARE resulted in a nominal gain.

On 3 July 2018, the Group acquired a 24.9% stake in each of Victory Park Capital Advisors, LLC ("VPC") and Victory Park Capital GP Holdco, L.P. ("VPC-Holdco") for $94,825,000 (USD70,000,000). VPC is a Chicago based investment firm specialising in managing funds and mandates investing in non-bank lending. VPC-Holdco holds direct and indirect interest in VPC funds and its general partner entities. The investments have been accounted for as investments in associates using the equity method. For the year ended 30 June 2019, the preamortisation contributions of VPC and VPC-Holdco to the Group amounted to $1,774,000 representing the share in net profits of associates.

On 8 August 2018, the Group sold its 23.38% stake in Aperio Group, LLC ("Aperio"), an investment firm based in San Francisco operating in customer index-based solutions across active tax management, factor tilts and socially responsible investing. The Group originally acquired the stake for $45,083,000 (USD31,786,000) in two tranches in January 2016 and January 2017. On 4 October 2018, the sale was completed and the proceeds amounted to $101,593,000 (USD71,906,000) before tax was received. The sale of the investment resulted in a gain on disposal of $72,083,000 being recorded in the current financial year.

On 3 October 2018, the Group sold its 27.48% stake in Celeste Funds Management Limited ("Celeste"), a Sydney based fund manager specialising in small cap Australian equities. The pre-tax proceeds amounted to $1,595,000 and the sale of the investment resulted in a gain of $920,000.

On 24 January 2019, the Group acquired an initial 10% equity interest in Independent Financial Partners, LLC ("IFP") for $1,515,000 (USD1,075,000) as part of a $3,666,000 (USD2,575,000) total commitment for up to 25% of equity interest. IFP is a privately held, family-owned firm founded in 2000 by CEO William (Bill) Hamm, Jr. IFP is a multi-custodial registered investment adviser focused on delivering personalised, concierge-level services to over 500 advisors in the USA who specialise in wealth management and retirement plan consulting. The investment has been accounted for as a financial asset at fair value through other comprehensive income.

On 31 January 2019, the Group acquired securities in Carlisle Management Company S.C.A ("Carlisle") and 5,000,000 units of Contingent Convertible Bonds ("CoCo Bonds") issued by Carlisle for $47,038,000 (USD34,250,000). The Luxembourg Regulator approved the transaction on 9 May 2019 with effect on 31 January 2019. Carlisle is a fully regulated alternative investment fund manager which manages alternative investment funds investing in USA life settlements. Carlisle is organised under the laws of Luxembourg as a partnership limited by shares ("SCA" or Société en commandite par actions). The Group is entitled to 16% of the revenues and 40% of the liquidation proceeds in the event of a sale. The investment has been accounted for as a financial asset at fair value through profit or loss. For the year ended 30 June 2019, contributions from Carlisle to the Group amounted to $4,789,000 which has been accounted for as dividend income.

Funds under management

As at 30 June 2019, the Funds Under Management ("FUM") of the Group's asset managers was $57,465,950,000 (2018: $75,184,167,000).

The net decrease in FUM was due to the sale of Aperio, Celeste and RARE and net outflows of Seizert Capital Investments, LLP ("Seizert"). This was offset by inflows from the acquisitions of Carlisle and VPC and positive net inflows and market performance from the asset managers particularly GQG.

Boutique	Total FUM as at 30 June 2018 $'000	Inflows from Boutique Acquisitions $'000	Net Flows $'000	Other[1] $'000	Foreign Exchange Movement[2] $'000	Total FUM as at 30 June 2019 $'000
Tier 1	58,888,389	6,263,059	13,685,406	(33,851,750)	2,634,576	47,619,680
Tier 2	16,295,778	–	360,088	(6,891,779)	82,183	9,846,270
Total Boutiques	**75,184,167**	**6,263,059**	**14,045,494**	**(40,743,529)**	**2,716,759**	**57,465,950**
Open-end	67,589,472	2,020,695	12,823,144	(40,429,474)	2,525,937	44,529,774
Closed-end	7,594,695	4,242,364	1,222,350	(314,055)	190,822	12,936,176
Total	**75,184,167**	**6,263,059**	**14,045,494**	**(40,743,529)**	**2,716,759**	**57,465,950**

Notes:
[1] Other includes investment performance, market movement, distributions and sale of the Group's holdings.
[2] The Australian dollar ("AUD") strengthened against the USA dollar ("USD") during the year. The AUD/USD was 0.7023 as at 30 June 2019 compared to 0.7387 as at 30 June 2018. The Net Flows and Other items are calculated using the average rates.
[3] Sold during the year and the related FUM from these businesses were included as deductions in Other.

The relationship between the boutiques' FUM and the economic benefits received by the Group can vary dramatically based on factors such as:

- the fee structures of each boutique;
- the Group's ownership interest in the boutique; and
- the specific economic features of each relationship between the Group and the boutique.

Accordingly, the Company cautions against simple extrapolation based on FUM trends.

Tier 1 Boutique is a term used to describe an asset manager that the Group expects to produce at least $4,000,000 of annual earnings for the Group while a Tier 2 Boutique is one that the Group expects will contribute less than this. Although there is no guarantee any boutique will meet this threshold, this categorisation is intended to provide insight into which boutiques are expected to be the most economically impactful to the Group.

Open-end is a term used to indicate FUM that are not committed for an agreed period and therefore can be redeemed by an investor on relatively short notice. Closed-end is a term used to denote FUM where the investor has committed capital for a fixed period and redemption of these funds can only eventuate after an agreed time and in some cases at the end of the life of the fund.

People

The Group employed 19 full time equivalent employees as at 30 June 2019 (2018: 19) working out of our Australian offices located in Sydney and Melbourne, and USA offices located in Tacoma and Denver.

On 1 October 2018, Mr. Michael Fitzpatrick resigned as Chairman of the Company and on 1 March 2019 he resigned as Director of the Company. Mr. Antony Robinson was then appointed as the new Chairman of the Company on 1 October 2018.

On 20 March 2019, Mr. Joseph Ferragina stepped down as the Company's Chief Financial Officer ("CFO") and Australian Chief Operating Officer.

On 21 March 2019, Mr. Ashley Killick, BEc (ANU), GradDipMgt (Mt Eliza), CA, SF FIN, GAICD, Fellow GIA was appointed as the Company's interim CFO. Mr. Killick previously held CFO roles in AMA Group Ltd from 2015 to 2018; Oncard International Ltd in 2015; Hastie Group Ltd an interim role in 2012; Australian Pharmaceutical Industries Ltd from 2008 to 2009; and OAMPS Ltd from 2004 until takeover by Wesfarmers Ltd in 2007. Mr Killick was a Partner of PricewaterhouseCoopers from 1988 until 2004, practising in the Corporate Finance & Recovery division specialising in valuations and due diligence investigations. In addition, he was the Chief Operating Officer for Corporate Finance & Recovery (Asia Pacific).

On 10 April 2019, Mr. Jeremiah Chafkin was appointed Non-Executive Director of the Company.

FINANCIAL REVIEW

Operating results for the year

The Company generated net profits before tax ("NPBT") of $53,969,000 for the year ended 30 June 2019 (30 June 2018: $95,410,000[1]); a decrease of 43.4%. This result, however, has been significantly impacted by non-cash, non-recurring and/or unusual items. Normalising this result for the impact of these abnormal items results in unaudited underlying NPBT of $27,448,000, an increase of 49.7%.

	2019 $'000	2018 (Restated)[1] $'000
Reported NPBT	53,969	95,410
Non-cash items		
- Impairment of investments[2]	28,857	4,885
- Share-based payment expenses	1,016	1,381
- Amortisation of identifiable intangible assets[3]	4,499	1,797
- Fair value adjustments of financial assets/financial liabilities at FVTPL	505	1,200
- Interest income from discounting of management rights	(189)	–
- Fair value adjustment on X-RPUs	–	442
- Adjustment in deferred commitments	–	(492)
	34,688	9,213
Recurring/unusual items		
- Gain on sale of investments	(73,013)	(105,031)
- Provision for estimated liability for Nereus	7,688	–
- Broker and consulting fees[4]	1,310	403
- Deal costs[5]	1,201	181
- Net foreign exchange loss	1,102	2,639
- Legal and consulting expenses[5]	–	1,777
- Redundancies	503	–
- Take-up of liability relating to S class shares issued by Aperio[6]	–	12,905
- Loss on redemption and cancellation of X-RPUs	–	844
	(61,209)	(86,282)
Unaudited underlying NPBT	27,448	18,341
Income tax (expense)/benefit[7]	(5,405)	508
Unaudited underlying net profit after tax ("NPAT")	22,043	18,849
Less: share of non-controlling interests	(1,278)	(576)
Unaudited underlying NPAT attributable to members of the parent	20,765	18,273

The criteria for exclusion in calculating the unaudited underlying NPAT attributable to members of the parent are based on the following:

- Non-cash items relate to income and expenses that are essentially accounting entries rather than actual movements in cash; and
- Extraordinary items relate to income and expenses from events that are unusual and infrequent in nature.

Notes:

[1] The consolidated statement of profit or loss for the year ended 30 June 2018 has been restated. Refer to Note 26 of the notes to the consolidated financial statements for the explanation. These restatements did not change the 30 June 2018 previously reported unaudited underlying NPAT.

[2] The impairment relates to impairment of investment in associates and goodwill from subsidiaries excluding the impairment of capital contributions to Nereus amounting to $542,000 (2018: $781,000).

[3] The 2019 amortisation of identifiable intangible assets included the amortisation of intangible assets of the associates amounting to $1,875,000 (2018: $435,000). The amortisation is recorded as an offset to the share in net profit of the associates.

[4] The broker and consulting fees pertained to the cost of services in relation to the appointment of an external party to identify suitable investors for the two operating solar PV generation plants of Nereus.

[5] For the current year, the fees relate to the costs from acquisitions of investments. In the prior year, the fees relate to the costs on the sale of IML, simplification and X-RPU restructuring.

[6] Share in the liability on the S class units issued by Aperio. This was included in the share in net losses from associates.

[7] The net income tax (expense)/benefit is the reported income tax (expense)/benefit adjusted for the tax effect of the normalisation adjustments (including prior year tax adjustments).

Earnings per share

Set out below is a summary of the earnings per share for the year to 30 June 2019.

	2019	2018 (Restated)
Reported NPAT attributable to the members of the Parent ($'000)	37,612	97,603
Unaudited underlying NPAT attributable to the members of the Parent ($'000)	20,765	18,273
Weighted average number of ordinary shares on issue (Number)	47,642,367	47,642,356
Basic earnings per share (cents)	78.95	204.86
Unaudited underlying earnings per share (cents)	43.59	38.35

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year:

	Cents per Share	Total Amount $'000	Franked at 30%	Date of Payment
Declared and paid during the financial year:				
- Final for 2018 on ordinary shares	22.00	10,482	100%	15 October 2018
- Interim for 2019 on ordinary shares	10.00	4,764	100%	27 March 2019
		15,246		
Declared after the end of the financial year:				
- Final for 2019 on ordinary shares	15.00	7,146	100%	11 October 2019

The dividend after the end of the financial year were declared on 30 August 2019. The dividend has not been provided for in the 30 June 2019 consolidated financial statements.

Cash flows

Set out below is a summary of the cash flows for the year ended 30 June 2019.

	2019 $'000	2018 $'000
Cash (used in)/provided by operating activities	(2,364)	20,283
Cash provided by investing activities	6,906	91,509
Cash used in financing activities	(34,320)	(41,736)
Net (decrease)/increase in cash and cash equivalents	(29,778)	70,056

Operating activities

Cash flows from operations have decreased from a net inflow of $20,289,000 in 2018 to net cash outflow of $2,364,000 in 2019. This was due to the increase in income tax paid from $5,335,000 to $26,746,000 primarily attributable to the tax on the gain on sale of Aperio and Investors Mutual Ltd.

Investing activities

Net cash flows provided by investing activities decreased from $91,503,000 in 2018 to $6,906,000 in 2019. Although the proceeds from sale of associates was similar between the years ($103,188,000 in 2019 and $110,065,000 in 2018) there was increased acquisition activity in 2019. This was primarily associated with acquisitions of VPC and VPC-HoldCo (totalling $94,825,000) and Carlisle (totalling $47,038,000).

Financing activities

Cash flows used in financing activities decreased from $41,736,000 in 2018 to $34,320,000 in 2019. This was primarily due to the repayments in 2018 of the X-RPU's ($27,084,000) and the Seizert Notes ($13,266,000) compared to the repayments in 2019 of the bank overdraft ($9,269,000) and the Seizert Notes ($6,174,000). This was offset by the increase in dividends paid $15,246,000 in 2019 compared to $8,576,000 in 2018.

Financial position

Set out below is a summary of the financial position for the year ended 30 June 2019.

	2019 $'000	2018 (Restated) $'000
Cash and cash equivalents	80,232	110,096
Other current assets	22,395	40,352
Non-current assets	325,765	236,995
Current liabilities	(33,422)	(32,947)
Non-current liabilities	(11,443)	(18,072)
Net Assets	383,527	336,424

The level of gearing of the Group was reduced with the repayment of Seizert notes of $6,174,000 (USD4,515,000) and bank overdraft of $9,269,000. The proceeds from the sale of Aperio, Celeste and RARE have provided the Group liquidity and flexibility to fund the current year's acquisitions of Carlisle, IFP, VPC and VPC-Holdco as well as future acquisitions.

MATERIAL BUSINESS RISKS

Set out below are the material business risks faced by the Group that are likely to have an impact on the financial prospects of the Company and how the Group manages these risks.

Global market risks

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

Fund manager performance

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

Regulatory environment

The business of the Group operates in a highly regulated environment that is frequently subject to review and regular change of law, regulations and policies. The Group is also exposed to changes in the regulatory conditions under which it and its boutique fund managers operate in Australia, the USA, the United Kingdom (the "UK"), Continental Europe and India. Each member boutique has in-house risk and regulatory experts actively managing and monitoring each member boutique's regulatory compliance activities. Regulatory risk is also mitigated by the use of industry experts when the need arises.

Loss of key personnel

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

REMUNERATION REPORT (AUDITED)

Table of Contents

1. About this Remuneration Report
2. Defined terms used in the Remuneration Report
3. Remuneration philosophy and structure
4. Relationship between the remuneration philosophy and Company performance
5. Key management personnel
6. Remuneration of Non-executive Directors
7. Remuneration of Executive KMP
8. Nature and amount of each element of KMP Remuneration in FY2019
9. Share based remuneration
10. KMP shareholdings
11. Shares under option
12. Performance rights
13. Loans to Directors and executives

1. About this Remuneration Report

The Remuneration Report has been prepared and audited against the disclosure requirements of the Corporations Act 2001 (the "Act") and its regulations. The Remuneration Report forms part of the Directors' Report and outlines the Company's remuneration framework and remuneration outcomes for the year ended 30 June 2019 for the Company's Key Management Personnel ("KMP").

2. Defined terms used in the Remuneration Report

Term	Meaning
EPS	**Earnings per share**, which is used for the purpose of determining performance against agreed at risk remuneration performance targets. When measuring the growth in EPS to determine the vesting of the at risk remuneration, EPS is defined as using both the unaudited underlying and statutory net profit after tax, divided by the weighted average number of shares issued during the year, so as to exclude the resultant profit or loss from one-off sales of boutique investments during the year.
Fixed Remuneration	Generally, **fixed remuneration** comprises cash salary, superannuation contribution benefits (in Australia - superannuation guarantee contribution and in North America - partial Company matching of employee 401k defined contribution), and the remainder as nominated benefits. Fixed remuneration is determined based on the role of the individual employee, including responsibility and job complexity, performance and local market conditions. It is reviewed annually based on individual performance and market data.
KMP	**Key Management Personnel**. Those people who have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.
LTI	**Long Term Incentive**. It is awarded in the form of share performance rights to senior executives and employees for the purpose of retention and to align the interests of employees with shareholders.
STI	**Short Term Incentive**. The purpose of the STI is to provide financial rewards to senior executives in recognition of performance aligned with business and personal objectives. The STI is a cash-based incentive paid on an annual basis and at the discretion of the Board with reference to agreed outcomes and goals and company performance. Refer to the respective key employment terms of each KMP set-out in Section 7 of this Remuneration Report for the eligibility of STI's by assessing their performance against a set of pre-determined key performance indicators.

3. Remuneration philosophy and structure

Remuneration philosophy

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

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

Competitive: provide competitive rewards to attract high calibre executives.
Alignment: link executive remuneration to Group performance and enhancing shareholder value year on year.
At risk: a significant portion of executive remuneration is 'at risk' and is dependent upon meeting pre-determined and agreed performance benchmarks.

Remuneration committee

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

External remuneration consultants

It is the Group's current intention to engage qualified external consultants every third year to ensure that its remuneration structure and framework remains current. This was last done in FY2016 when, the Group engaged AON Hewitt ("AON") as an external remuneration consultant to provide guidance on several key executive and long-term incentive plan matters, including recommendations in relation to KMP. An internal review was undertaken in FY2019. AON was also engaged to perform the LTI vesting calculations for FY2019.

Remuneration structure

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

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

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

Elements of Executive KMP remuneration

Fixed remuneration

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

Variable remuneration

STI Plan

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

Feature	Terms of the Plan
How is the STI paid?	Any STI award is paid after the assessment of annual performance for the financial year ended 30 June. For any bonus up to \$200,000, 100% will be paid within three months of year-end and for any bonus above \$200,000, 50% will be paid within three months of year-end and the remaining 50% deferred and paid at the start of the next financial year. This arrangement can be varied at the discretion of the Board.
How much can each Executive KMP earn?	For FY2019, Executive KMP have a target STI opportunity generally of up to 100% of base salary. Each year, on recommendation from the Remuneration, Nomination and Governance Committee, the Board determines a total amount available for the payment of STIs (bonus pool), based on the underlying profit performance of the Group for the year. For FY2019, the total amount available for the payment of STIs to Executive KMP was \$559,365 (2018: \$1,661,600).
Outcomes and goals	The Board, on recommendation from the Remuneration, Nomination and Governance Committee, establishes outcomes and goals which it expects the Executive KMP to achieve, and against which performance is measured. The outcomes and goals are based on financial targets, Group and business unit statutory and underlying profit performance, growth and business development targets as well as operational management. The Board creates these goals and outcome expectations in a manner that is designed to increase returns to shareholders in the short and long-term. The focus of the outcomes and goals is to drive decision making in a manner that increases returns to shareholders in the short and long-term. The Board also considers the general value add to the business and the Company's stakeholders through areas such as investor relations, deal origination and strategy.
How is performance measured?	The Board, on recommendation from the Remuneration, Nomination and Governance Committee, assesses the individual performance of each Executive KMP. The Board base their assessment of the Executive KMP's performance against the outcomes and goals set out above and other goals and Group and business unit underlying profit performance.

Feature	Terms of the Plan
What happens if an Executive KMP leaves?	If an Executive KMP resigns or is terminated for cause before the end of the financial year, no STI is awarded for that financial year except for the Accrued Bonus Obligation. If the Executive KMP ceases employment during the financial year by reason of redundancy, ill health, death or other circumstances approved by the Board, the Executive KMP will be entitled to a pro-rata cash payment based on the Board's assessment of the Executive KMP's performance during the financial year up to the date of ceasing employment.
What happens if there is a change of control?	In the event of a change of control, a pro-rata cash payment will be made, based on the Remuneration, Nomination and Governance Committee's recommended assessment of performance during the financial year up to the date of the change of control and approval by the Board.

Under the terms of his Employment Contract, Mr. Greenwood has a separate STI plan. This plan provides him with the capacity to receive an annual cash bonus of up to USD400,000 each year, subject to satisfying the KPIs for the relevant year, as agreed by the Board of Directors of the Company (Refer to Section 7 of this Remuneration Report).

LTI Plan

At the 2018 Annual General Meeting held on 30 November 2018, shareholders approved a new Employee Share Ownership Plan 2018 ("New LTI Plan"), under which all future LTI grants will be made. No further LTI grants will be made under the previous Long Term Incentive Plan ("Old LTI Plan"), adopted by the Board on 24 August 2011.

A summary of the Old LTI Plan it is set out below:

Feature	Terms of the Old LTI Plan
What is the Old LTI Plan?	The Old LTI Plan allowed for grants to be in the form of performance rights, options or shares.
What is the objective of the Old LTI Plan?	The objective of the Old LTI Plan was to reward senior executives and officers in a manner that aligns the LTI element of total remuneration with the creation of shareholder wealth. The awarding of an LTI is fully discretionary and grants are determined by the Board, based on a recommendation from the Remuneration, Nomination and Governance Committee.
How do the share performance rights vest?	The performance rights vest subject to two different Total Shareholder Return ("TSR") performance hurdles, namely: the achievement of TSR performance of the Company compared with the growth in TSR over a three-year period of the S&P ASX 300 companies ("Hurdle 1") and separately compared with the growth in TSR over a three-year period of a selected comparator group of companies ("Hurdle 2") - see 'Performance Conditions' in table below for further details.
Is shareholder approval required?	Any securities to be allocated to Executive KMPs and their related parties on vesting of the performance rights, will either be purchased on-market under the Old LTl Plan and therefore shareholder approval is not required, or at the Board's discretion, shareholder approval may be sought. The Board, based on a recommendation from the Remuneration, Nomination and Governance Committee, has the discretion to amend the vesting terms and performance hurdles for each offer of performance rights to ensure that they are aligned to current market practice and ensure the best outcome for the Group. The Board also has the discretion to change the Old LTI Plan and to determine whether LTI grants will be made in future years.
Type of security	Performance rights, which are an entitlement to receive fully, paid ordinary Company Shares (as traded on the ASX) on a one-for-one basis.
Valuation	An independent valuation is conducted using monte-carlo simulation and binomial option pricing.

Feature	Terms of the Old LTI Plan
Performance Period	The performance period is the three-year period following the grant date.
Performance Conditions	The performance rights are split into two equal groups, and each group are subject to a different TSR performance hurdle as described below. Broadly, TSR measures the return to a shareholder over the performance period in terms of changes in the market value of the shares plus the value of any dividends paid on the shares. Each TSR Hurdle compares the TSR performance of Company with the TSR performance of each of the entities in a comparator group described below.
Hurdle 1	S&P ASX 300 Comparator Group 50% of the performance rights are subject to a TSR Hurdle that compares the TSR performance of the Company at the end of the performance period with the growth in TSR over the same period of the S&P ASX 300 companies.
Hurdle 2	Selected Comparator Group The other 50% of the performance rights are subject to a TSR Hurdle that compares the TSR performance of the Company at the end of the performance period with the growth in TSR over the same period of a selected comparator group of companies. In determining the outcome of the TSR Hurdle for this group of performance rights, each company in the comparator group will be weighted equally. The companies comprising the comparator group have similar performance drivers to the Company and will be subject to review on the basis of relevance and may change at the Board's discretion. The comparator group at the time of this Remuneration Report is as follows: - Affiliated Managers Group (NYSE: AMG) - Janus Henderson Group plc (ASX and NYSE: JHG) - Magellan Financial Group Limited (ASX: MFG) - Pendal Group Limited (ASX: PDL) - Perpetual Limited (ASX:PPT) - Platinum Asset Management Limited (ASX: PTM) Together, Hurdle 1 and Hurdle 2 comprise the total performance conditions but act independently relative to their specific target component. The percentage of performance rights which vest (if any) will be determined by the Board by reference to the percentile ranking achieved by the Company over the performance period compared to the comparator group applying under the relevant TSR Hurdle for that group: **TSR growth – percentile ranking** / **Performance rights that vest (%)** 75th percentile or above / 100% Between 50th and 75th percentile / Progressive pro rata vesting from 50% at 2% for everyone percentile increase above the 50th percentile 50th percentile / 50% Below 50th percentile / Nil
Re-testing	There is no re-testing. Any unvested LTI after the test at the end of the performance period will lapse immediately.

Feature	Terms of the Old LTI Plan
Allocation of shares	Any securities to be allocated on vesting of the performance rights will either be purchased on market under the old LTI plan and therefore shareholder approval is not required or at the Board's discretion, shareholder approval may be sought.
Forfeiture	Performance rights will lapse for the following reasons: - upon cessation of employment, except in a good leaver scenario detailed below; - if the employee acts fraudulently, dishonestly or in breach of obligations; - in connection with a change of control event as detailed below; or - if the dealing restrictions are contravened.
Good Leaver	Any unvested performance rights will not lapse (unless the Board determines otherwise) if the participant's employment ceases due to death or total permanent disability. In these circumstances, performance rights will vest on the basis that the performance conditions applicable to those performance rights have been satisfied on a pro rata basis over the period from the grant date to the date of cessation of employment. The Board has discretion to allow vesting for other reasons, such as retirement or redundancy.
Change of Control	Generally, in the event of: - a takeover bid being made, recommended by the Board or becoming unconditional; - a scheme of arrangement, reconstruction or winding up of the Company being put to members; or - any other transaction, event or state of affairs that the Board in its discretion determines is likely to result in a change in control of the Company, the performance rights may vest at the Board's discretion in accordance with the Old LTI Plan rules.
Clawback	The Board has "clawback" powers if, amongst other things, the participant has acted fraudulently or dishonestly.

A summary of the Employee Share Ownership Plan 2018 (New LTI Plan) is set out below:

Feature	Terms of the New LTI Plan
Employee Share Ownership Plan 2018	Under the terms of the New LTI Plan: (a) officers and employees of the Company and its subsidiaries (and a person who has been made an offer to become such an employee or director) are eligible to participate; (b) eligible participants may acquire ordinary shares in the Company, options over ordinary shares and rights to, or interests in, such shares (including directly or by a nominee, or as a beneficiary of a trust established by the Company for participants); and (c) the Directors have broad discretion as to the terms on which eligible participants may acquire securities under the New LTI Plan, including as to the number and type of securities that may be offered, the price payable for the securities (which may be nil) and how payment for securities may be made (e.g. by loans from the Company, whether interest-free or limited recourse or otherwise, or by salary sacrifice or sacrifice of cash bonuses).

Feature	Terms of the New LTI Plan
What is the objective of the New LTI Plan?	The objectives of the New LTI Plan are: (a) to motivate and retain the Group's personnel; (b) to attract quality personnel to the Group; (c) to create commonality of purpose between the Group's personnel and the Group; and (d) to add wealth for all shareholders of the Company through the motivation of the Group's personnel; by allowing the Group's personnel to share the rewards of the success of the Group through the acquisition of, or entitlements to, Securities (which means a Share or Option, an interest in a Share or Option, whether legal or equitable, or a right to acquire or which may convert to a Share or Option. The awarding of an LTI grant is fully discretionary and grants are determined by the Board, based on a recommendation from the Remuneration, Nomination and Governance Committee.
How are offers made?	The Company may from time to time invite any person to participate in this New LTI Plan who is, or has been made an offer to become, an Eligible Person, by offering to the person any Securities for acquisition on such terms as the Board may determine in accordance with this New LTI Plan.
How are Securities acquired?	Securities may be acquired under the New LTI Plan by or for the benefit of a person by way of issue of new Shares or Options, purchase of existing Shares or Options (whether on or off market), creation of rights to or interests in Shares or Options, transfer of Securities or otherwise, and on such terms, as the Board may determine.
What consideration is paid for the Securities?	Securities may be offered for acquisition and acquired by or for the benefit of a person under this New LTI Plan for no consideration or at such price or for such other consideration to be paid or otherwise provided at such times and on such terms as the Board may determine at or before the time of acquisition of the Securities. For example, the Board may allow any consideration to be provided by way of salary sacrifice or sacrifice of cash bonuses or other equivalent entitlements or in return for a reduction in salary or wages or as part of the person's remuneration package.
Terms of options	The Directors of the Company may also determine the terms of options which may be acquired under the New LTI Plan such as the exercise price, any restrictions as to exercise (e.g. vesting conditions), any restrictions as to the disposal or encumbrance of any options or underlying shares once acquired, and the expiry date of options. Other terms of options are as follows: (a) An option holder will be entitled to have the number of options, the exercise of the options and/or the number of shares underlying the options varied in the event of a bonus issue, rights offer or reconstruction of the share capital of the Company, in accordance with the ASX Listing Rules. (b) The Company is not required to issue any shares following an exercise of options unless the Company can be satisfied that as offer of those shares for sale within 12 months after their issue will not need disclosure to investors under part 6D.2 of the Corporations Act. (c) Subject to the Corporations Act and the ASX Listing Rules, no options may be disposed of (e.g. by sale or transfer) until any vesting conditions have been satisfied, and no options may be transferred except in circumstances (if any) permitted by the Company.

Managing Director and CEO Rights Plan

At the 2018 Annual General Meeting shareholders approved a separate LTI Plan ("MD & CEO LTI Plan") for Mr. Paul Greenwood.

Feature	Terms of the MD & CEO LTI Plan
MD & CEO LTI Plan	Mr. Greenwood's long-term incentive is provided through the grant of the Company share entitlements conditional on certain performance criteria being met ("performance rights") that are designed to give Mr. Greenwood an outcome that is similar to the benefit that options would provide. It is comprised of two tranches, the first with a performance assessment period of three years and the second with a performance assessment period of four years. Each tranche is subdivided into three lots with different performance conditions, one lot requiring continuing employment and a share price hurdle to be met and the other two also requiring different total shareholder return hurdles to be met. The starting point for the incentive to create value for Mr. Greenwood is achieving the Company share price that is approximately 10% above the volume weighted average price of the Company share price over both the last week and month. Under the MD & CEO LTI Plan, Mr Greenwood is entitled to receive no more than 2,500,000 performance rights on the basis that 1 performance right represents and entitlement to 1 fully paid share in the Company. Set out below is a more detailed summary of the performance rights.
1st tranche - 1 July 2018 to 30 June 2021	If the 30-trading day volume weighted average price ("VWAP") of an ordinary share ("Share") in the Company ending on the last trading day of 30 June 2021 ("2021 VWAP") exceeds $6.75, Mr. Greenwood will be entitled to acquire for no cash consideration a number of Shares equal to: $\frac{375{,}000 \times (\text{2021 VWAP} - \$6.75)}{\text{2021 VWAP}}$ PLUS If the above price hurdle is exceeded and the 2021 VWAP plus the aggregate dividends paid on a Share during the period 1 July 2018 to 30 June 2021 ("2021 TSR") is more than $6.75 increased at the rate of 8.5% per annum compounding annually, Mr. Greenwood will be entitled to acquire for no cash consideration an additional number of Shares equal to: $\frac{437{,}500 \times (\text{2021 VWAP} - \$6.75)}{\text{2021 VWAP}}$ PLUS If the above price hurdle is exceeded and the 2021 VWAP plus the aggregate dividends paid on a Share during 2021 TSR is more than $6.75 increased at the rate of 11% per annum compounding annually, Mr. Greenwood will be entitled to acquire for no cash consideration an additional number of Shares equal to: $\frac{437{,}500 \times (\text{2021 VWAP} - \$6.75)}{\text{2021 VWAP}}$

Feature	Terms of the MD & CEO LTI Plan
2nd tranche - 1 July 2018 to 30 June 2022	If the 30-trading day VWAP of a Share in the Company ending on the last trading day of 30 June 2022 ("2022 VWAP") exceeds $6.75, Mr. Greenwood will be entitled to acquire for no cash consideration a number of Shares equal to: $\frac{375{,}000 \times (2022\ \text{VWAP} - \$6.75)}{2022\ \text{VWAP}}$ PLUS If the above price hurdle is exceeded and the 2022 VWAP plus the aggregate dividends paid on a Share during the period 1 July 2018 to 30 June 2022 ("2022 TSR") is more than $6.75 increased at the rate of 8.5% per annum compounding annually, Mr. Greenwood will be entitled to acquire for no cash consideration an additional number of Shares equal to: $\frac{437{,}500 \times (2022\ \text{VWAP} - \$6.75)}{2022\ \text{VWAP}}$ PLUS If the above price hurdle is exceeded and the 2022 VWAP plus the aggregate dividends paid on a Share during the 2022 TSR is more than $6.75 increased at the rate of 11% per annum compounding annually, Mr. Greenwood will be entitled to acquire for no cash consideration an additional number of Shares equal to: $\frac{437{,}500 \times (2022\ \text{VWAP} - \$6.75)}{2022\ \text{VWAP}}$ Mr. Greenwood's entitlement to acquire shares under the MD & CEO LTI Plan was conditional on the Company shareholder approval, which was obtained on 30 November 2018.
Continuing employment	Mr. Greenwood's entitlement to acquire any Shares is conditional on his full-time employment not having terminated at or before the time the Shares are required to be issued or transferred to Mr. Greenwood, although where employment terminates due to his death or total and permanent disablement or his role becoming redundant due to operational reasons or Mr. Greenwood being given notice of termination without cause, and some or all of the performance hurdles set out in the above formulae have in substance been achieved, Mr. Greenwood will become entitled to some or all of the Shares that he would be entitled to if the date of termination of his employment were substituted in place of 30 June 2021 and 30 June 2022 in the formulae.
Adjustment	Where the share capital of the Company is reorganised or there is a bonus issue of Shares to Company shareholders, the terms of the long-term incentive (e.g. the share price hurdle and underlying share numbers in the above formulae) will be adjusted in a way that is comparable to the way options are required to be adjusted under the ASX Listing Rules.
Cash alternative	The Company may elect to pay to Mr. Greenwood a cash equivalent amount instead of issuing or arranging to transfer all or any of the Shares to him. The Company expects that this will be an equity settled transaction.

4. Relationship between the remuneration philosophy and Company performance

The table below sets out summary information about the Company's earnings and movements in shareholder wealth for the five years to 30 June 2019. The STI and/or LTI awards are paid based on individual and underlying Company performance. The Board, based on a recommendation from the Remuneration, Nomination and Governance Committee, has ultimate discretion in determining the amount of the bonus pool:

	2019	2018 (Restated)	2017 (Restated)	2016 (Restated)	2015 (Restated)
Revenue and other income ($)	62,854,332	46,404,656	42,076,742	38,717,055	(31,774,770)
Statutory net profit/(loss) before tax ($)	53,968,253	95,409,526	(60,465,404)	13,722,970	(12,872,566)
Statutory net profit/(loss) after tax ($)	38,890,182	98,179,137	(65,959,754)	(12,515,638)	(17,551,014)
Share price at start of year ($)	6.56	6.65	4.31	9.50	9.57
Share price at end of year ($)	4.55	6.56	6.65	4.31	9.50
Interim dividend (cps)[1]	10	–	–	20	24
Final dividend (cps)[1]	15	22	18	5	28
EPS/(loss) (cps)	78.95	204.86	(165.34)	(44.60)	(68.51)
Diluted EPS/(loss) (cps)	78.14	204.53	(165.34)	(44.60)	(68.51)
KMP bonuses ($)	391,556[2]	1,357,940[3]	449,015[3]	1,049,421[4]	576,185[5]

The Group's FY2019 business performance is reflected in the outcome of the variable component of Executive KMP's total remuneration. Details of the remuneration of Executive KMP in FY2019 is set out in Section 8 of this Remuneration Report.

Notes:

[1] Franked to 100% at 30% corporate income tax.

[2] Awarded to Mr. Greenwood. This was determined by the Remuneration, Nomination and Governance Committee based on the Company's performance and Mr Greenwood's individual performance against a set of pre-determined key performance set out by the Board.

[3] Awarded to Mr Ferragina, Mr Greenwood and Mr Robinson. These were determined by the then Remuneration Committee based on the Company's performance and their individual performance against a set of pre-determined key performance indicators set out by the Board.

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

[5] Awarded to Mr. Greenwood and Mr. Ferragina. These awards were recommended by the then CEO and approved by then Remuneration Committee based on their individual performances.

5. Key management personnel

The following were KMP of the Group at any time during the financial year and until the date of this Remuneration Report and unless otherwise indicated they were KMP for the entire financial year:

Name	Position
Non-executive Directors	
Mr. T. Robinson[1]	Non-Executive Chairman and Director
Mr. J. Chafkin[2]	Non-Executive Director
Ms. M. Donnelly	Non-Executive Director
Mr. G. Guérin	Non-Executive Director
Mr. P. Kennedy	Non-Executive Director
Mr. M. Fitzpatrick[3]	Non-Executive Director
Executive KMP	
Mr. P. Greenwood	MD, CEO and CIO
Mr. T. Robinson[1]	Executive Director
Mr. J. Ferragina[4]	Former CFO and COO Australia
Mr. A. Killick[5]	Interim CFO

Notes:

[1] At the start of the financial year, Mr. Robinson was an Executive Director. He became a Non-Executive Director on 1 September 2018 and Non-Executive Chairman on 1 October 2018.

[2] Mr. Chafkin was appointed a Non-Executive Director on 10 April 2019.

[3] Mr. Fitzpatrick was Non-Executive Chairman until 1 October 2018 and then resigned as a Non-Executive Director on 1 March 2019.

[4] Mr. Ferragina's employment contract ended on 2 July 2019.

[5] Mr. Killick commenced as Interim CFO on 20 March 2019.

6. Remuneration of Non-Executive Directors

Objective

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

Structure

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

The last determination by shareholders of the aggregate remuneration of Non-Executive Directors was at the general meeting held on 15 November 2006, when shareholders approved an aggregate remuneration of $650,000 per annum, for the services of Non-Executive Directors as Directors of the Company and its subsidiaries. There is no intention to seek to increase Non-executive Director fee pool at the 2019 Annual General Meeting.

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

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

The following is a schedule of Non-Executive Directors' fees:

	2020 $	2019 $	2018 $
Chairman	175,000	140,000	100,000
Non-Executive Director	110,000	70,000	60,000
Audit and Risk Committee chairman	N/A	30,000	20,000
Audit and Risk Committee member	N/A	20,000	15,000
Remuneration Committee chairman	N/A	20,000	10,000
Remuneration Committee member	N/A	15,000	10,000
Governance Committee chairman	N/A	15,000	10,000
Governance Committee member	N/A	10,000	5,000

The fees above are inclusive of superannuation contributions, except for the Directors' fees paid to Mr. Chafkin, Mr. Guérin and Mr. Kennedy. Total fees paid to Non-executive Directors in FY2019 were $609,738 (FY2018: $410,000). Refer to Section 8 of this Remuneration Report for details of remuneration paid to Non-Executive Directors in FY2019.

During the year, the Board approved new fees for the Chairman and Non-Executive Directors, whereby from 1 July 2019, a flat fee only will be paid with no additional fees paid for acting as a Chairman or Member of any Board Committee as all Non-Executive Directors serve on all Board Committees. The new annual fee for the Chairman is $175,000 and $110,000 for Non-Executive Directors.

7. Remuneration of Executive KMP

Key terms of employment contract of Paul Greenwood

The following key terms of employment are applicable from 1 July 2018:

Title	MD, CEO and CIO
Term of Contract	A term of three years from 24 November 2014 and automatic renewal for successive one year periods thereafter until notice is given by either party. A First Addendum was signed and effective from 1 July 2016 on his appointment as President, North America and Global CIO. A Second Addendum was signed and effective from 1 July 2018 on his appointment as MD, CEO and CIO.
Base Salary	USD725,000
STI	Mr. Greenwood is eligible for Annual cash bonuses of up to USD400,000 each year subject to satisfying the key performance indicators for the relevant year.
LTI	As detailed in Section 3 of this Remuneration Report, Mr. Greenwood's long-term incentive is provided through the grant of the Company share entitlements conditional on certain performance criteria being met.
Other employee benefit plans	Mr. Greenwood is also entitled to participate in any and all other employee benefit plans which are made available to the senior executives of the Group from time to time. At present, Mr. Greenwood participates in the Group's North American qualified retirement plan whereby matching contributions are paid towards Mr. Greenwood's retirement benefits up to approximately USD11,000 each year. He also participates in the Group's health plans whereby the Group pays for coverage for health-related services for Mr. Greenwood and his dependents at a current net annual cost of approximately USD20,600.
Termination upon death or permanent disability	If Mr. Greenwood suffers a permanent disability or dies during the term of the Contract, Mr. Greenwood (or his estate, as applicable) will be entitled to receive (i) any amount of base salary not paid and any accrued but untaken annual leave ("Accrued Obligations"), (ii) any vested but unpaid amounts owed to Mr. Greenwood under the Company's retirement, non-qualified deferred compensation or incentive compensation plans ("Accrued Plan Obligations"), (iii) any other applicable bonus/ incentive payments as per the terms of the contract and grant or plan documents ("Accrued Bonus Obligations"), and (iv) 12 months-continuation coverage under the Company's health plans under which Mr. Greenwood and his dependents participated immediately prior to Mr. Greenwood's date of death or permanent disability.
Termination by the Company for cause	The Company may terminate Mr. Greenwood's employment at any time for Cause by issuing a Cause Notice and allowing Mr. Greenwood at least 15 days to discuss the reasons for the Cause Notice and at least 30 days to cure the reasons for the Cause Notice. If after that period Mr. Greenwood has not cured the Cause Event, the Company may terminate his employment with immediate effect. In this circumstance, Mr. Greenwood will be entitled to receive (i) his Accrued Obligations, (ii) his Accrued Plan Benefits and (iii) his Accrued Bonus Obligations.
Termination by the Company without cause	The Company may terminate Mr. Greenwood's employment without cause by giving six months' prior written notice. In this circumstance, Mr. Greenwood will be entitled to (i) his Accrued Obligations, (ii) his Accrued Plan Benefits and (iii) his Accrued Bonus Obligations (iv) a lump sum severance payment equal to his then current 12 months' base salary, and (v) 12 months-continuation coverage under the Company's health plans under which Mr. Greenwood and his dependents participated immediately prior to his date of termination.
Resignation for Other than Good Reason	Mr. Greenwood may voluntarily terminate his employment for any reason upon at least six months' prior written notice. On the date of termination, Mr. Greenwood will be entitled to receive (i) his Accrued Obligations, (ii) his Accrued Plan Benefits and (iii) his Accrued Bonus Obligations.

Resignation for Good Reason	Mr. Greenwood may terminate his employment at any time for Good Reason by giving the Company written notice, which specifies the date of termination and the reason therefor. On the date of termination, Mr. Greenwood will be entitled to receive (i) his Accrued Obligations, (ii) his Accrued Plan Benefits and (iii) his Accrued Bonus Obligations; (iv) a lump sum payment equal to the Severance Amount payable by the Company, and (v) for a period equal to the Severance Period, continuation coverage payable by the Company under the Company's group health plans for which Mr. Greenwood and his dependents participated immediately prior to his date of termination.
Non-compete	Upon termination of his employment, Mr. Greenwood will be subject to non-competition restrictions for 6 months (where termination is without cause or by Mr. Greenwood for good reason) or 12 months (where termination is for any other reason).
Dispute resolution	The terms of the LTI are governed by the laws of the Commonwealth of Australia and the state of Victoria and all other provisions of the employment agreement are governed by the laws of the state of Washington, USA. Any controversy or claim is required to be resolved by arbitration in Seattle Washington. The Company is required to pay all costs and fees of the arbitration.

Key terms of employment contract of Mr. Antony Robinson

Title	**Executive Director**
Term of Contract	Until 31 August 2018
Base Salary	$300,000
STI	Mr. Robinson is eligible for a short-term incentive of up to 100% of his base salary, with the percentage payable determined by assessing performance against a set of pre-determined key performance indicators. The STI will be assessable and payable at the end of the period in which he fulfils an Executive Director role or earlier by agreement.
LTI	There is no LTI component in Mr. Robinson's contract.
Termination of Employment	Under the terms of the contract, Mr. Robinson or the Company may terminate the contract by giving one month written notice with no termination benefits. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr. Robinson is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. Where employment is terminated with notice, no further payments will be paid by the Company except unpaid salary accrued to the date of termination and accrued annual leave. The employment contract of Mr. Robinson was terminated on 31 August 2018 when he stepped down as an Executive Director and became a Non-Executive Director.

When Mr. Robinson ceased to be an Executive Director on 31 August 2018, he became a Non-Executive Director on 1 September 2018 and is remunerated in accordance with the principles set out in Section 6 of this Remuneration Report.

Key terms of employment contract of Mr. Joseph Ferragina

Title	**CFO and COO Australia**
Term of Contract	Until 2 July 2019
Base Salary	$450,000
STI	Mr. Ferragina was eligible for a STI for up to 100% of base salary.
LTI	Mr. Ferragina was eligible to participate in the Company's LTI Plan.
Termination of Employment	Under the terms of the contract, Mr. Ferragina or the Company may terminate the contract by giving three months written notice with no termination benefits. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr. Ferragina is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause, any unvested performance rights will immediately be forfeited. Where employment is terminated with notice, no further payments will be paid by the Company except unpaid salary accrued to the date of termination and accrued annual leave. Where employment is terminated with notice, deferred short-term incentives will also be paid. However, the Board retains the discretion to determine that some or all unvested performance rights vest or lapse with effect from or after the cessation date. The employment contract of Mr. Ferragina ended on 2 July 2019.

Key terms of employment agreement of Mr. Ashley Killick

Title	**Interim CFO**
Term of Contract	Ongoing, with a minimum period of six months from 20 March 2019
Base Salary	$540,000
STI	Mr. Killick is not eligible to participate in the Company's STI Plan.
LTI	Mr. Killick is not eligible to participate in the Company's LTI Plan.
Termination of Employment	Under the terms of the contract, Mr Killick or the Company may terminate the contract by giving 30-day notice with no termination benefits.

8. Nature and amount of each element of KMP Remuneration in FY2019

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

	Short term		Super/ 401k benefits	Share based payments		Other	Total	Perfor-mance related[1]
	Salary and fees	Cash bonus		Shares	Options/ Perfor-mance rights			
	$	$	$	$	$	$	$	%
Non-executive Directors								
T. Robinson[2]	173,660	–	19,603	–	–	–	193,263	–
J. Chafkin[3]	24,680	–	–	–	–	–	24,680	–
M. Donnelly	94,353	–	11,154	–	–	–	105,507	–
G. Guérin	90,833	–	–	–	–	–	90,833	–
P. Kennedy	140,000	–	–	–	–	–	140,000	–
M. Fitzpatrick[4]	87,167		8,281	–	–	–	95,448	–
Executive KMP								
P. Greenwood[5]	1,013,888	391,556	15,662	–	953,998	33,383	2,408,487	56
J. Ferragina[6]	425,509	–	24,491	–	61,994	350,378	862,372	7
A. Killick[7]	153,000	–	–	–	–		153,000	–
Total 2019	2,203,090	391,556	79,191	–	1,015,992	383,761	4,073,590	35
Directors								
T. Robinson[2]	279,951	200,000	20,049	–	–	–	500,000	40
J. Chafkin[3]	–	–	–	–	–	–	–	–
M. Donnelly	76,925	–	8,075	–	–	–	85,000	–
G. Guérin	80,000	–	–	–	–	–	80,000	–
P. Kennedy	115,000	–	–	–	–	–	115,000	–
M. Fitzpatrick[4]	117,650	–	12,350	–	–	–	130,000	–
Executive KMP								
P. Greenwood[5]	870,942	820,440	14,193	–	836,192	27,940	2,569,707	64
J. Ferragina[6]	429,951	337,500	20,049	–	299,469	33,873	1,120,842	57
A. Killick[7]	–	–	–	–	–	–	–	–
Total 2018	1,970,419	1,357,940	74,716	–	1,135,661	61,813	4,600,549	54

There were no non-monetary benefits paid to KMP during the current and prior year.

Notes:

[1] This is calculated based on the short-term cash bonus and share based payments as a percentage of total remuneration.

[2] On his appointment as an executive director on 26 April 2016, Mr. Robinson had the capability to earn an STI award of up to 100% of his base salary. There is no LTI component in Mr. Robinson's contract. Consideration of a FY2017 bonus for Mr. Robinson was deferred as at 30 June 2017 as the matters he was responsible for were still ongoing. The Board agreed that Mr. Robinson will be paid an STI of $400,000 for his performance over the period 1 July 2016 to 30 June 2018 and that $200,000 be allocated to FY2017 and $200,000 be allocated to FY2018. Mr. Robinson ceased to be an Executive Director on 31 August 2018 and became a Non-Executive Director on 1 September 2018. On 1 October 2018 he became the Non-Executive Chairman. Mr. Robinson's FY2019 fees include $40,000 representing his compensation being an Executive Director from 1 July 2018 to 31 August 2018.

[3] Mr. Chafkin became a Non-Executive Director on 10 April 2019.

[4] Mr. Fitzpatrick resigned as the Non-Executive Chairman on 1 October 2018, and on 1 March 2019 he resigned as a Non-Executive Director.

[5] Mr. Greenwood and his dependents are entitled to a health-related cover paid for by the Group.

[6] Mr. Ferragina's employment ended on 2 July 2019 and the other amount in the current year represents his benefits payable on conclusion of his contract. Mr. Ferragina monetised his annual leave credits in the prior year.

[7] Mr. Killick commenced as Interim CFO on 20 March 2019. His services are provided through a contract with a management services company associated with him.

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

	Maximum potential of short-term incentive based on fixed remuneration		Actual short-term incentive based on fixed remuneration linked to performance		Maximum potential of long-term incentive based on fixed remuneration[1]		Actual long-term incentive based on fixed remuneration linked to performance[1]	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
P. Greenwood	55%	100%	37%	90%	100%	100%	90%	92%
T. Robinson	0%	100%	N/A	67%	N/A	N/A	N/A	N/A
J. Ferragina	0%	100%	0%	75%	100%	100%	14%	67%

Notes:
[1] Valuation based on fair-value at grant date using a monte-carlo simulation as well as binomial option pricing methodology.

Significant changes to Executive KMP remuneration in FY2019

With Mr. Greenwood being appointed to the roles of MD, CEO and CIO effective from 1 July 2018, a second addendum to his original employment contract was executed (refer to Section 7 of this Remuneration Report).

As announced to the ASX, on 30 November 2018, shareholders approved at the 2018 Annual General Meeting, that Mr. Greenwood would be issued additional performance rights (refer to Section 3 of this Remuneration Report).

9. Share based remuneration

As detailed above in this Remuneration Report, the Group operates a New LTI Plan and an Old LTI Plan for eligible employees and the MD & CEO LTI Plan for Mr Greenwood. The number of performance rights granted for FY2019 under this MD & CEO LTI Plan for Mr Greenwood and for FY2018 Old LTI Plan are detailed in the table below.

	Numbers granted	Numbers vested	% of grant vested	% of grant forfeited	% of compensation consisting of performance rights
2019					
A. Robinson[1]	–	–	–	–	–
P. Greenwood	2,500,000	–	–	14%	40%
J. Ferragina	–	–	–	75%	7%
Other	750,000	–	–	26%	0%
2018					
A. Robinson[1]	–	–	–	–	–
P. Greenwood	250,000[2]	–	–	–	33%
J. Ferragina	–	–	–	–	27%
Other	–	–	–	33%	0%

Notes:
[1] Mr. Robinson was an Executive Director up to 31 August 2018.
[2] Arising from the amendments to Mr. Greenwood's remuneration on a change in his role, Mr. Greenwood became entitled to the issue of 250,000 performance rights on 5 October 2016 and another 250,000 performance rights on 5 October 2017.

10. KMP shareholdings

Details of KMP equity holdings for the financial year are set out below

	Opening balance	Granted as remuneration	Received on vesting of performance rights	Net change other	Balance held nominally
2019					
Non-executive Directors					
A. Robinson	10,000	–	–	–	10,000
J. Chafkin	–	–	–	–	–
M. Donnelly	20,000	–	–	–	20,000
G. Guérin	–	–	–	–	–
P. Kennedy	242,628	–	–	–	242,628
M. Fitzpatrick	2,701,285	–	–	(2,701,285)[1]	–
Executive KMP					
P. Greenwood	531,781	–	–	–	531,781
J. Ferragina	50,000	–	–	(50,000)[2]	–
A. Killick[3]	–	–	–	–	–
2018					
Directors					
A. Robinson	–	–	–	10,000	10,000
J. Chafkin	–	–	–	–	–
M. Donnelly	20,000	–	–	–	20,000
G. Guérin	–	–	–	–	–
P. Kennedy	242,628	–	–	–	242,628
M. Fitzpatrick	2,701,285	–	–	–	2,701,285
Executive KMP					
P. Greenwood	531,781	–	–	–	531,781
J. Ferragina	140,547	–	–	(90,547)	50,000
A. Killick[3]	–	–	–	–	–

Directors are not required under the constitution or any other Board policy to hold any shares in the Company.

Notes:
[1] Mr. Fitzpatrick's equity holdings were removed since he was no longer Non-Executive Director of the Company as at 30 June 2019.
[2] Mr. Ferragina's equity holdings were removed as he was no longer CFO of the Company as at 30 June 2019.
[3] Mr. Killick commenced as interim CFO on 20 March 2019.

11. Shares under option

There were no unissued ordinary shares of the Company under option outstanding at the date of this Remuneration Report or at the date of the previous Remuneration Report dated 28 September 2018.

12. Performance rights

Total performance rights outstanding as at 30 June 2019 were 3,850,000 (2018: 1,669,000) with a value of $1,578,414 (2018: $957,978[1]).

Details of performance rights on issue are as follows:

	Opening balance	Granted as compensation	Received on vesting	Net change other	Closing balance
	Number	Number	Number	Number	Number
2019					
P. Greenwood	1,000,000	2,500,000	–	(500,000)	3,000,000
J. Ferragina	405,000	–	–	(305,000)	100,000
Other	264,000	750,000	–	(264,000)	750,000
Total	1,669,000	3,250,000	–	(1,069,000)	3,850,000
2018					
P. Greenwood	750,000	250,000	–	–	1,000,000
J. Ferragina	405,000	–	–	–	405,000
Other	394,000	–	–	(130,000)	264,000
Total	1,549,000	250,000	–	(130,000)	1,669,000

	Balance Vested	Vested but not exercisable	Vested and exercisable	Rights vested
	Number	Number	Number	Number
2019				
P. Greenwood	–	–	–	–
J. Ferragina	–	–	–	–
Other	–	–	–	–
Total	–	–	–	–
2018				
P. Greenwood	–	–	–	–
J. Ferragina	–	–	–	–
Other	–	–	–	–
Total	–	–	–	–

Any securities to be allocated on vesting of the performance rights under the MD & CEO LTI Plan and Old LTI Plan will be purchased on the market and therefore shareholder approval is not required or at Board's discretion, shareholder approval may be sought.

The amount of performance rights amortisation expense for FY2019 was $1,015,993 (2018: $1,380,497).

Notes:
[1] The value of performance rights in 2018 was changed as a result of the revaluation on 30 November 2018.

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

Issued to	Number issued	Grant Date	Share price on Grant Date	Vesting Date	Valuation[6]
2019					
P Greenwood	1,250,000	21 June 2018[1]	$6.77	30 June 2022	$0.669
	1,250,000	21 June 2018[1]	$6.77	30 June 2021	$0.547
	250,000	5 October 2017[2]	$6.66	1 July 2020	$4.06
	250,000	5 October 2016[3]	$4.00	1 July 2019	$1.84
J. Ferragina	100,000	26 October 2016[3]	$4.58	1 July 2019	$1.84
Other	750,000	25 June 2019	$4.46	30 June 2022	$0.183
Total	**3,850,000**				
2018					
P Greenwood	250,000	5 October 2017[2]	$6.66	1 July 2020	$4.06
	250,000	5 October 2016[3]	$4.00	1 July 2019	$1.84
	500,000	15 February 2016[5]	$5.90	1 July 2018	$1.86
J. Ferragina	100,000	26 October 2016[4]	$4.58	1 July 2019	$1.84
	305,000	15 February 2016[5]	$5.90	1 July 2018	$1.86
Other	264,000	15 February 2016[5]	$5.90	1 July 2018	$1.86
Total	**1,669,000**				

Refer to Section 3 of this Remuneration Report for applicable performance criteria and further details.

Notes:

[1] The performance rights provided to Mr. Greenwood on 21 June 2018, in consideration of his new role effective 1 July 2018, was approved by shareholders at the Annual General Meeting held on 30 November 2018. This issue was for no more than 2,500,000 performance rights; in two tranches. One tranche covers the performance period 1 July 2018 to 30 June 2021 and the other tranche covers the performance period 1 July 2018 to 30 June 2022. Tranche 1 and Tranche 2 have vesting dates of 30 June 2021 and 30 June 2022, respectively. Each tranche is subdivided into three lots with different performance conditions, one requiring continuous employment and a share price hurdle and the other two requiring different total shareholder return hurdles to be satisfied (refer to Section 7 of this Remuneration Report for details). The average value of each right was $0.608. The total value at grant date of these outstanding performance rights was $1,520,506. The performance rights on issue were valued on 30 November 2018 by an independent adviser using a Monte Carlo pricing model.

[2] The performance rights to Mr. Greenwood granted on 5 October 2017 as part of his employment package that was restructured in October 2016. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative TSR of the Company compared to the ASX 300 (Hurdle 1) and a group of six other domestic and international fund managers (Hurdle 2). The value of each right for Tranche 1 and 2 were $4.29 and $3.83, respectively. The total value of these outstanding performance rights as at 30 June 2019 is $1,014,107 amortised over two years and nine months from the grant date. The performance rights on issue were valued on 26 October 2017 by an independent adviser using a Monte Carlo pricing model. The rights have a performance period from 1 July 2017 to 1 July 2020.

[3] The rights issued on 5 October 2016 have a performance period from 1 July 2016 to 1 July 2019. AON was commissioned to provide a report to determine whether these performance rights issued have vested as at 1 July 2019. AON determined that 41% of 250,000 performance rights vested as at 1 July 2019.

[4] The rights issued on 26 October 2016 have a performance period from 1 July 2016 to 1 July 2019. AON was commissioned to provide a report to determine whether these performance rights issued have vested as at 1 July 2019. AON determined that 41% of100,000 performance rights vested as at 1 July 2019.

[5] The rights issued on 15 February 2016 have a performance period from 1 July 2015 to 1 July 2018. AON was commissioned to provide a report to determine whether the performance rights issued have vested at 1 July 2018. AON determined that none of these performance rights vested and accordingly, 1,069,000 performance rights have lapsed at 1 July 2018.

[6] The valuation of performance rights issued are based on average valuations of each tranche issued.

13. Loans to Directors and executives

No loans were made to Directors and executives of the Company including their close family and entities related to them during the FY2019.

DIRECTORS' MEETINGS

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

	Directors' Meetings		Audit and Risk Committee		Remuneration, Nomination and Governance Committee	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
A. Robinson	14	14	4	4	4	4
P. Greenwood	13	12	–	–	–	–
J. Chafkin[1]	2	2	–	–	1	1
M. Donnelly	14	13	7	7	2	1
G. Guérin	13	11	–	–	8	4
P. Kennedy	13	13	7	7	7	7
M Fitzpatrick[5]	11	11	6	5	5	5

Committee membership

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

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

Audit and Risk Committee
M. Donnelly (Chairperson)
J. Chafkin[2]
G. Guérin[2]
P. Kennedy
A. Robinson[4]
M. Fitzpatrick[5]

Remuneration, Nomination and Governance Committee
P. Kennedy (Chairman)
J. Chafkin[3]
G. Guérin
M. Donnelly[3]
A. Robinson[4]
M. Fitzpatrick[5]

Notes:
[1] Mr. Chafkin was appointed on 10 April 2019.
[2] Mr. Chafkin and Mr. Guérin were appointed to the Audit and Risk Committee on 23 May 2019 upon the Board's decision to appoint all Non-Executive Directors to each Board Committee.
[3] Ms. Donnelly and Mr. Chafkin were appointed to the Remuneration, Nomination and Governance Committee on 23 May 2019 upon the Board's decision to appoint all Non-Executive Directors to each Board Committee.
[4] Mr. Robinson was appointed to the Audit and Risk Committee on 29 November 2018 and to Remuneration, Nomination and Governance Committee on 29 November 2019 upon the merger of the Remuneration and Nomination Committee and the Governance Committee.
[5] Mr. Fitzpatrick resigned on 1 March 2019.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

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

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

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support the principles of corporate governance. The Company's Corporate Governance Statement is available on the Group's website at www.paccurrent.com/shareholders/corporate-governance.

LIKELY DEVELOPMENTS

The Group will continue to operate in accordance with its investment objectives and strategy as defined in the Nature of Operations and Principal Activities.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual report because Directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 28 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 *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 28 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit & Risk Committee, 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 *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 Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

AUDITOR INDEPENDENCE

The Directors received an independence declaration from the auditors of the Group. A copy of the declaration is set out on page 34.

ROUNDING OF AMOUNTS

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in this report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters detailed below, there has been no matter or circumstance, which has arisen since 30 June 2019 that has significantly affected or may significantly affect either the operations or the state of affairs of the Group.

On 2 July 2019, the Group acquired an additional 12.41% equity interest in Roc Group for $6,826,000 increasing the Group's equity interest to 30%. ROC Partners is a leading alternative investment manager specialising in private equity in the Asia Pacific region.

On 30 August 2019, the Directors of the Company approved the issue of 102,500 ordinary shares for Mr. Greenwood and 41,000 ordinary shares for Mr. Ferragina, respectively, as a result of the vesting of their performance rights issued in October 2016.

On 30 August 2019, the Directors of the Company declared a final dividend on ordinary shares in respect of the 2019 financial year. The total amount of the dividend is $7,146,000 which represents a fully franked dividend of 15 cents per share. The dividend has not been provided for in the 30 June 2019 consolidated financial statements.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf on the Directors

A. Robinson
Chairman

6 September 2019

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

The Board of Directors
Pacific Current Group Limited
Level 29, 259 George St
Sydney NSW 20000

6 September 2019

Dear Board Members

Auditor's Independence Declaration to Pacific Current Group Limited

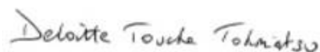
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Pacific Current Group Limited.

As lead audit partner for the audit of the financial report of Pacific Current Group Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

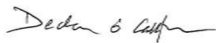
(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit ; and

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte Network.

	Note	2019 $'000	2018 (Restated) $'000
Revenues			
Revenue	1	41,501	37,484
Other income	2	21,352	8,922
Net gains on investments and financial liabilities	2	72,508	102,987
		135,361	**149,393**
Expenses			
Salaries and employee benefits	3	(24,120)	(22,664)
Impairment expense	3	(29,399)	(5,666)
Administration and general expenses	3	(25,351)	(17,992)
Depreciation and amortisation expense	3	(2,992)	(1,613)
Interest expense	3	(648)	(1,674)
		(82,510)	**(49,609)**
Share of net profits/(losses) of associates accounted for using the equity method	23	1,118	(4,374)
Profit before income tax expense		**53,969**	**95,410**
Income tax (expense)/benefit	4	(15,079)	2,769
Profit for the year		**38,890**	**98,179**
Attributable to:			
The members of the parent		37,612	97,603
Non-controlling interests		1,278	576
		38,890	**98,179**
Earnings per share attributable to ordinary equity holders of the parent (cents per share):			
- Basic	6	78.95	204.86
- Diluted	6	78.14	204.53
Franked dividends paid per share (cents per share) for the year	18	32.00	18.00

The accompanying notes form part of these consolidated financial statements.

The consolidated statement of profit or loss for the year ended 30 June 2018 has been restated. Refer to Note 26 for the explanation.

	Note	2019 $'000	2018 (Restated) $'000
Profit for the year		**38,890**	**98,179**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Change in fair value of financial assets, net of income tax	17	6,627	–
Foreign currency movement of investment revaluation reserve	17	2,369	–
		8,996	–
Items that were reclassified to profit or loss			
Reversal of the share in net fair value gain on available-for-sale financial assets of an associate derecognised in the prior year	17	–	(131)
Items that may be reclassified subsequently to profit or loss			
Change in fair value of available-for-sale financial assets, net of income tax	17	–	23,156
Foreign currency movement of investment revaluation reserve	17	–	1,337
Share of net fair value (loss) on available-for-sale financial assets of an associate	17	–	(106)
Exchange differences on translating foreign operations	17	14,758	13,927
		14,758	38,314
Other comprehensive income for the year		**23,754**	**38,183**
Total comprehensive income		**62,644**	**136,362**
Attributable to:			
The members of the parent		61,417	135,791
Non-controlling interests		1,227	571
		62,644	**136,362**

The accompanying notes form part of these consolidated financial statements.
The consolidated statement of comprehensive income for the year ended 30 June 2018 has been restated. Refer to Note 26 for the explanation.

	Note	2019 $'000	2018 (Restated) $'000
Current assets			
Cash and cash equivalents	8	80,232	110,096
Short-term deposits	8	–	20,000
Trade and other receivables	9	12,809	9,135
Other financial assets	10	7,518	–
Loans and other receivables	11	–	5,775
Other assets	12	2,068	5,442
Total current assets		**102,627**	**150,448**
Non-current assets			
Other financial assets	10	120,066	75,116
Loans and other receivables	11	–	7,325
Plant and equipment		1,208	1,399
Intangible assets	22	94,094	104,826
Investments in associates	23	110,143	46,023
Other assets	12	254	2,306
Total non-current assets		**325,765**	**236,995**
Total assets		**428,392**	**387,443**
Current liabilities			
Trade and other payables	13	7,506	6,530
Provisions	14	8,407	410
Financial liabilities	15	16,969	13,139
Current tax liabilities	4	540	12,868
Total current liabilities		**33,422**	**32,947**
Non-current liabilities			
Provisions	14	219	191
Financial liabilities	15	3,853	12,429
Deferred tax liabilities	4	7,371	5,452
Total non-current liabilities		**11,443**	**18,072**
Total liabilities		**44,865**	**51,019**
Net assets		**383,527**	**336,424**
Equity			
Share capital	16	166,279	166,279
Reserves	17	90,934	66,113
Retained earnings		125,777	103,411
Total equity attributable to owners of the Company		382,990	335,803
Non-controlling interests		537	621
Total equity		**383,527**	**336,424**

The accompanying notes form part of these consolidated financial statements.
The consolidated statement of financial position as at 30 June 2018 has been restated. Refer to Note 26 for the explanation.

	Share capital $'000	Reserves $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 1 July 2018					
As previously reported	166,279	60,361	96,040	621	323,301
Impact of restatement (Note 26)	–	5,752	7,371	–	13,123
As restated	**166,279**	**66,113**	**103,411**	**621**	**336,424**
Profit for the year	–	–	**37,612**	**1,278**	**38,890**
Other comprehensive income:					
(i) Net movement in investment revaluation reserve net of income tax	–	8,996	–	–	8,996
(ii) Net movement in foreign currency translation reserve	–	14,809	–	(51)	14,758
Total comprehensive income for the year	**–**	**23,805**	**37,612**	**1,227**	**62,644**
Transactions with owners in their capacity as owners:					
(i) Dividends paid (Note 18)	–	–	(15,246)	(1,311)	(16,557)
(ii) Share-based payments (Note 27)	–	1,016	–	–	1,016
Total transactions with owners in their capacity as owners	**–**	**1,016**	**(15,246)**	**(1,311)**	**(15,541)**
Balance as at 30 June 2019	**166,279**	**90,934**	**125,777**	**537**	**383,527**
Balance as at 1 July 2017	**166,278**	**26,544**	**14,384**	**50**	**207,256**
Profit for the year	**–**	**–**	**97,603**	**576**	**98,179**
Other comprehensive income:					
(i) Net movement in investment revaluation reserve net of income tax	–	24,256	–	–	24,256
(ii) Net movement in foreign currency translation reserve	–	13,932	–	(5)	13,927
Total comprehensive income for the year	**–**	**38,188**	**97,603**	**571**	**136,362**
Transactions with owners in their capacity as owners:					
(i) Issuance of ordinary shares (Note 16)	1	–	–	–	1
(ii) Dividends paid (Note 18)	–	–	(8,576)	–	(8,576)
(iii) Share-based payments (Note 27)	–	1,381	–	–	1,381
Total transactions with owners in their capacity as owners	**1**	**1,381**	**(8,576)**	**–**	**(7,194)**
Balance as at 30 June 2018	**166,279**	**66,113**	**103,411**	**621**	**336,424**

The accompanying notes form part of these consolidated financial statements.
The consolidated statement of changes in equity for the year ended 30 June 2018 has been restated. Refer to Note 26 for the explanation.

	Note	2019 $'000	2018 $'000
Cash flow from operating activities			
Receipts from customers		44,135	36,904
Payments to suppliers and employees		(39,430)	(29,845)
Dividends and distributions received		19,475	18,586
Interest received		1,046	1,075
Interest paid		(844)	(1,102)
Income tax paid		(26,746)	(5,335)
Net cash (used in)/provided by operating activities	7	**(2,364)**	**20,283**
Cash flow from investing activities			
Proceeds from sale of associates		103,188	110,065
Payments for the purchase of associates		(94,825)	(2,724)
Additional contributions to associates		(127)	(144)
Proceeds from maturity/(investment in) short-term deposits		20,000	(20,000)
Receipts of funds previously held in escrow		–	6,514
Collections of financial assets at amortised cost		5,814	3,676
Proceeds from sale of financial assets at FVTPL		21,510	–
Collections of financial assets at FVTPL		619	–
Payments for the purchase of financial assets at FVTPL		(47,038)	–
Payments for the purchase of financial assets at FVTOCI		(1,515)	–
Additional contributions to available-for-sale investments		–	(933)
Additional loans provided to third parties		–	(3,040)
Capital contributions to Nereus Holdings, LP		(542)	(817)
Payment for the purchase of plant and equipment		(178)	(1,088)
Net cash provided by investing activities		**6,906**	**91,509**
Cash flow from financing activities			
Proceeds from issuance of shares (net of transaction costs)		–	1
(Repayment)/proceeds from borrowing		(9,269)	9,269
Repayments of financial liabilities		(8,494)	(42,430)
Dividends paid		(15,246)	(8,576)
Dividends paid to non-controlling interest		(1,311)	–
Net cash (used in) financing activities		**(34,320)**	**(41,736)**
Net (decrease)/increase in cash and cash equivalents held		**(29,778)**	**70,056**
Cash at beginning of the financial year		110,096	40,248
Unrealised foreign exchange difference in cash		(86)	(208)
Cash at end of financial year	8	**80,232**	**110,096**
Non-cash investing and financing activities			
Investing activities	7	(12,214)	–
Financing activities	7	12,214	–

The accompanying notes form part of these consolidated financial statements.

Index to the Notes to the Financial Statements

A. BASIS OF PREPARATION 41
B. GROUP RESULTS FOR THE FINANCIAL YEAR 42
1. Revenue 42
2. Other income and net gains on investments and financial liabilities 45
3. Expenses 46
4. Income tax 48
5. Segment information 51
6. Earnings per share 56
7. Notes to consolidated statement of cash flows 57
C. OPERATING ASSETS AND LIABILITIES 58
8. Cash and cash equivalents and short-term deposits 58
9. Trade and other receivables 59
10. Other financial assets 60
11. Loans and other receivables 65
12. Other assets 66
13. Trade and other payables 66
14. Provisions 67
D. CAPITAL, FINANCING AND FINANCIAL RISK MANAGEMENT 69
15. Financial liabilities 69
16. Share capital 72
17. Reserves 73
18. Dividends paid and proposed 74
19. Financial risk management 75
20. Capital commitments, operating lease commitments and contingencies 85
E. GROUP STRUCTURE 86
21. Interests in subsidiaries 86
22. Intangible assets 88
23. Investment in associates 91
24. Parent entity disclosures 96
25. Related party transactions 97
F. RESTATEMENT 98
26. Restatement of consolidated financial statements 98
G. OTHER INFORMATION 102
27. Share-based payments 102
28. Auditors' remuneration 105
29. Significant events subsequent to reporting date 105
30. Adoption of new and revised Standards 106

A. BASIS OF PREPARATION

This general-purpose financial report for Pacific Current Group Limited ("PAC" or the "Company") and its controlled entities (the "Group"), for the year ended 30 June 2019, was authorised for issue in accordance with a resolution of the Directors on 6 September 2019.

It has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ("IFRS') as issued by the International Accounting Standards Board ("IASB"). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

All amounts are presented in Australian dollars, unless otherwise stated.

The Company is a company limited by shares incorporated and domiciled in Australia. Its shares are listed for trading on the Australian Securities Exchange ("ASX") with a ticker code PAC. It is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

a. Historical cost convention

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

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 a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share based payment transactions that are within the scope of AASB 2 'Share based Payments', leasing transactions that are within the scope of AASB 117 'Leases' and measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136 'Impairment of Assets' (Refer to Note 19).

b. Significant accounting policies

The accounting policies adopted in the preparation of this financial report are contained within the notes to which they relate. The accounting policies have consistently applied to all the year presented, unless otherwise stated.

c. Going concern

This general-purpose financial report has been prepared on a going concern basis, which assumes that the Group will be able to meet its debts as and when they become due and payable.

d. Comparatives

The accounting policies adopted by the Group in the preparation and presentation of the financial statements have been consistently applied, except for the impact of the implementation of AASB 9 'Financial Instruments' ("AASB 9") and AASB 15 'Revenue from Contracts with Customers' ("AASB 15"). Where necessary, comparative information has been reclassified, repositioned and restated for consistency with current year disclosures. Refer to Note 30 for the assessment of the impact on the adoption of these new accounting standards.

e. Critical accounting estimates, judgments and assumptions

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

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

- Revenue recognition of carried interest (performance fees) - refer to Note 1c;
- Income tax, tax basis for USA investments and recovery of deferred tax assets - refer to Note 4c;
- Valuation of financial assets at fair value and impairment of financial assets at amortised cost - refer to Note 10c and Note 19f;
- Valuation of financial liabilities at fair value – refer to Note 15c;
- Impairment of goodwill and other identifiable intangible assets - refer to Note 22c;
- Impairment of investments in associates - refer to Note 23d; and
- Share-based payment transactions – refer to Note 27c.

f. Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

B. GROUP RESULTS FOR THE FINANCIAL YEAR

This section provides information regarding the results and performance of the Group during the year, including further details on revenue, other income and net gains on investments and financial liabilities, expenses, income tax, segment information, earnings per share and reconciliation of cashflows.

1. Revenue

a. Analysis of balance

The Group derives its revenue from transfer of services over time and at a point in time as below:

	2019 $’000	2018 $’000
Timing of revenue recognition		
Over time		
- Fund management fees	32,683	30,300
- Performance fees	2,617	620
- Commission revenue	5,316	6,251
- Retainer revenue	751	187
- Service fees	65	76
- Sundry revenue	3	30
	41,435	37,464
At a point in time		
- Sundry revenue	66	20
Total revenue	**41,501**	**37,484**

Adoption of AASB 15 resulted in the disaggregation of revenue from contracts with customers into categories that depict the nature, amount, timing of revenue. The Group disaggregated its revenue based on the type of contracts and per segment as disclosed in Note 5. The prior year presentation of revenue was also revised to align with the current year presentation.

b. Accounting policies

(i) Fund management fees

The revenue is recognised in the accounting period in which the asset management services are rendered and the performance obligation is met. The transaction price for fund management fees for each performance obligation is the defined contractual rate of the average assets under management or committed capital for the relevant accounting period.

The relevant Investment Management Agreement contains a series of performance obligations relating to the provision of asset management services to the underlying funds and mandates. A performance obligation within the series is identified as the performance of asset management and associated record management for monthly reporting. This performance obligation is repeated monthly for the term of the contract and as such the contract meets the definition of a series of obligations. The performance obligation is satisfied over the month when services have been provided to the client.

Estimates of management fee revenue are revised when the Group's controlled entities and counterparties finalise and confirm the fees. Any resulting increases or decreases in management fees are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known to management.

(ii) Performance fees

Performance fees arise when the performance of the asset under management exceeds a threshold. As the services provided under the Investment Management Agreement constitute a series of performance obligations performed on a monthly basis, subject to performance of the asset under management, the Group may meet those obligations throughout the term of the contract. However, as the performance fee is contingent on the performance of the funds under management for the full period of the contract, the revenue cannot be recognised, as it is not highly probable that this revenue will not be significantly reversed. This is typically towards the end of the expected life of the funds.

As the services provided under the Investment Management Agreement constitute a series of performance obligations performed on a monthly basis, subject to performance of the funds, the Group may meet those obligations throughout the term of the contract. However, as the performance fee is contingent on the performance of the funds for the full period of the contract, the revenue cannot be recognised as due to potential market down-turns, it is not highly probable that this revenue will not be significantly reversed. This revenue will only be recognised when it is highly probable that no significant reversal will occur.

The performance fee is calculated in accordance with the calculation methodology of the underlying funds as defined in the relevant agreements.

(iii) Commission revenue

Commission revenue arises when the Group provides sales services to its clients. The Group is entitled to a trail commission over three years in accordance with the Sales and Marketing Services Agreement when the client has invested in the funds or mandates of the asset managers and performance obligations have been met. The transaction price is the gross revenue generated from the mandate multiplied by the contractual rates.

The relevant Sales and Marketing Services Agreement contains a series of performance obligations relating to sales and marketing support services. A performance obligation within the series is identified as the performance of sales and marketing support. This performance obligation is repeated monthly for the term of the contract and as such the

contract meets the definition of a series of obligations. The performance obligation is satisfied over the month when services have been provided to the client.

As the commission revenue correlates to the gross revenues of the mandates, the revenue cannot be recognised on a straight-line basis, since it is not highly probable that this revenue will not be reversed. The revenue is only recognised in the period where the gross revenue generated from the mandates are able to be reliably measured.

If the mandate with the asset manager is lost within the three-year period, the commission revenue will cease from the time the mandate is lost.

(iv) Retainer revenue

Retainer revenue arises when the Group provides distribution services. The revenue is recognised in the accounting period in which the service is rendered and the performance obligation has been met. The transaction price for each performance obligation is the defined contractual rate for the relevant accounting period.

The relevant Sales and Marketing Services Agreement contains a series of performance obligations relating to sales and marketing support services. A performance obligation within the series is identified as the performance of sales and marketing support. This performance obligation is repeated monthly for the term of the contract and as such the contract meets the definition of a series of obligations. The performance obligation is satisfied over the month when services have been provided to the client.

(v) Service fees

Service fees arise when the Group provides accounting and finance services to its related parties. The revenue is recognised in the accounting period in which the service is rendered and the performance obligation is met. The transaction price for each performance obligation is the defined contractual rate for the relevant accounting period.

The relevant Service Agreement contains a series of performance obligations relating to the provision of accounting and administration services. A performance obligation within the series is identified as the performance of accounting and administration services and associated record management for monthly reporting. This performance obligation is repeated monthly for the term of the contract and as such the contract meets the definition of a series of obligations. The performance obligation is satisfied over the month when services have been provided to the client.

c. Key estimates, judgments and assumptions

Revenue recognition of performance fees

Performance fees is only recognised by the Group when it is highly probable that the revenue will not be reversed. Any performance related fees that were recognised by the subsidiaries and/or equity accounted investments that do not qualify for the recognition requirements are excluded in the consolidation and take up of the share of the profits/losses. Non-recognition of these performance related fees minimises the time horizon where underlying asset values may fluctuate broadly enough to erode the unrealised component.

2. Other income and net gains on investments and financial liabilities

a. Analysis of balances

	2019 $'000	2018 $'000
Other income:		
Interest income:		
- Related parties - associates	–	178
- Other persons/corporations	1,286	1,412
	1,286	1,590
Distributions and dividend income	19,851	5,293
Earn-out income	128	1,547
Adjustment in deferred commitments	–	492
Sundry income	87	–
Total other income	**21,352**	**8,922**
Net gains on investments and financial liabilities:		
Gain on sale of associates	73,003	105,031
Gain on sale of investments	10	–
Changes in fair values:		
- financial liabilities through profit or loss	(414)	–
- financial assets through profit or loss	(91)	(1,200)
	(505)	(1,200)
Loss on redemption and cancellation of X-RPUs	–	(844)
Total net gains on investments/financial liabilities	**72,508**	**102,987**

b. Accounting policies

(i) Interest income

Interest income is recognised on an accruals basis, taking into account the effective yield of the financial asset.

(ii) Distributions and dividend income

Distribution and dividend income from investments is recognised when the Group's right to receive payment has been established and the amount can be reliably measured.

(iii) Gain or loss on sale on disposal of investments

Gain or loss is recognised in the consolidated statement of profit or loss in the period in which the transaction is concluded. The value is determined as the difference between the carrying amount of the assets and liabilities being disposed and the fair value of the consideration received.

(iv) Changes in fair values of financial assets and liabilities

Refer to Note 10 and Note 15, respectively for the accounting policies.

3. Expenses

a. Analysis of balances

	2019 $'000	2018 $'000
Salaries and employee benefits:		
- Salaries and employee benefits	23,104	21,283
- Share-based payment expense	1,016	1,381
Total salaries and employee benefits	**24,120**	**22,664**
Impairment expenses:		
- Impairment of capital contributions:		
- Nereus Holdings LP ("Nereus")	542	781
- Impairment of investment in associates (refer to Note 23):		
- Alphashares, LLC	360	–
- Blackcrane Capital, LLC ("Blackcrane")	1,883	–
- Freehold Investment Management Limited ("FIM")	671	–
- Northern Lights Alternative Advisors Ltd ("NLAA")	–	4,818
	2,914	4,818
- Impairment of goodwill in subsidiaries (refer to Note 22):		
- Aether Investment Partners, LLC ("Aether")	1,590	–
- Seizert Capital Partners, LLC ("Seizert")	24,353	–
	25,943	–
- Impairment of financial assets:		
- Raven Capital Management LLC ("Raven")	–	67
Total impairment expenses	**29,399**	**5,666**
Administration and general expenses		
- Accounting and audit fees (Note 28)	2,866	2,122
- Broker and consulting fees[1]	1,310	403
- Commission and marketing expenses	1,819	2,905
- Computer and software maintenance expenses	856	742
- Deal costs	1,201	181
- Directors' fees	610	410
- Insurance expense	1,476	1,208
- Lease expenses	1,089	1,171
- Legal, compliance and professional fees	1,806	2,642
- Net foreign exchange loss	1,070	2,639
- Provision for estimated liability for Nereus (Note 14)	7,688	–
- Share registry and regulatory fees	182	158
- Taxes and license fees	952	669
- Travel and accommodation costs	1,338	1,132
- Other general expenses	1,088	1,610
Total administration and general expenses	**25,351**	**17,992**

Notes:
[1] The broker and consulting fees pertained to the cost of services in relation to the appointment of an external party to identify suitable investors for the two operating solar PV generation plants of Nereus.

	2019 $'000	2018 $'000
Depreciation and amortisation expense:		
- Depreciation expense	368	251
- Amortisation of management rights	2,624	1,362
Total depreciation and amortisation expense	**2,992**	**1,613**
Interest expense:		
- Notes payable - Seizert	587	1,125
- X RPUs	–	442
- Unwinding of discount on the retention payments	–	107
- Other	61	–
Total interest expenses	**648**	**1,674**
Total expenses	**82,510**	**49,609**

b. Accounting policies

(i) Expenses

Expenses are recognised at the fair value of the consideration paid or payable for services or goods received.

(ii) Impairment expenses

Refer to Note 9, Note 10, Note 22 and Note 23 for the accounting policies.

(iii) Foreign exchange (gain)/loss

Refer to Note 21(ii) for the accounting policies.

(iv) Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(v) Interest expense

Interest expense is recognised as it accrues using the effective interest method.

4. Income tax

a. Analysis of balances

	2019 $'000	2018 (Restated) $'000
Income tax expense/(benefit)		
Components of income tax expense:		
- Current tax	14,220	13,181
- Deferred tax	708	(16,034)
- Under provision in prior years	151	84
Total income tax expense/(benefit) recognised in profit or loss	**15,079**	**(2,769)**
Reconciliation of income tax expense recognised in profit or loss to prima facie income tax		
Profit before income tax	53,969	95,410
Prima facie income tax expense at 30% (2018: 30%)	16,190	28,623
Add / (deduct) the tax effect of:		
- Non-deductible foreign expenses	1,931	214
- USA state income tax payments	1,907	–
- Non-deductible foreign currency losses	491	1,369
- Share-based payments	305	414
- Impact of difference in tax rates in other countries	(5,515)	(88)
- Non-assessable income	(237)	(936)
- Franking credits received	(103)	(2,765)
- Impact of reduction in US corporate tax rate (35% to 21%)	–	2,277
- Deferred tax on impairment and tax losses not recognised	–	1,445
- Impact of the Trust joining the tax consolidated group	–	(33,470)
- Amortisation of share issue cost	–	(222)
- Other	(41)	286
- Under provision of income tax from prior years	151	84
Income tax expense/(benefit) attributable to profit	15,079	(2,769)
Net deferred income tax liabilities recognised in income tax expense/(benefit)		
- Retention payments	(1,495)	3,028
- Accruals and provisions	1,072	73
- Dividend receivable	824	–
- Deductible capital expenditures	376	463
- Investments	(96)	(22,668)
- Unrealised foreign exchange	27	(269)
- Tax losses	–	3,339
	708	(16,034)
Deferred income tax related to items charged or credited directly to equity		
- Movement of the Group's investment revaluation reserve	(1,762)	(3,878)

	2019 $'000	2018 (Restated) $'000
Current tax liabilities		
Provision for income tax[1]	**540**	**12,868**

Notes:
[1] The provision for income tax consisted of income tax liability of $2,372,000 in Australia and $957,000 in the UK net of $2,789,000 income tax receivable in the USA (2018: income tax liability $11,280,000 in Australia, $1,164,000 in the USA and $424,000 in the UK).

Non-current liabilities – net deferred tax liabilities
Components of net deferred tax liabilities:

	2019 $'000	2018 (Restated) $'000
- Liabilities:		
- Investments	6,211	4,891
- Retention payments	1,533	3,028
- Dividend receivable	824	–
	8,568	7,919
- Assets		
- Accruals and provisions	(410)	(1,845)
- Deductible capital expenditures	(707)	(559)
- Adjustment on financial assets at FVTPL	(107)	–
- Unrealised foreign exchange loss	27	(63)
	(1,197)	(2,467)
Net deferred tax liabilities	**7,371**	**5,452**

The Group did not recognise the deferred tax asset arising from the prior year unrealised capital losses from other jurisdiction amounting to $507,468.

b. Accounting policies

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

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

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

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

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c. Key estimates, judgments and assumptions

(i) Income tax

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

(ii) Tax basis for USA investments

The Group determines its tax obligation in the event of liquidation and/or disposal of its USA investments. This is calculated by determining the tax basis and tax basis adjustments as permitted under the USA Internal Revenue Code. The tax basis adjustment involved an estimation of the additional tax basis specific to the USA investments.

The tax calculated at the Group level is also dependent on the notification of allocated taxable income by the USA investments that are deemed as partnerships in the USA. The amount of taxable income allocated from such partnerships to the Group may be subject to judgement and hence be amended in future periods.

(iii) Recovery of deferred tax assets

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

d. Tax consolidation and status in other jurisdictions

(i) Tax status of the Company in Australia

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

(ii) Tax status of the Company in the USA

The tax status of the Company for USA tax purposes had changed when the Company acquired the remaining units in the Aurora Trust ("the Trust") held by the Class B unitholders in exchange for Company shares on 13 April 2017. The Company became the ultimate entity liable for the tax obligations in the USA.

e Uncertainty over income tax treatments

The tax calculated at the Group level is dependent on the notification of allocated taxable income by investments in the USA deemed as partnerships. The amount of taxable income allocated from such partnerships to the Group may be subject to judgement and hence be amended in future periods.

5. Segment information

a. Reportable segments

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

Beginning 1 July 2018, the Group has recategorised its segment reporting and, as a result, the internal reporting to the Board. This change occurred by moving from a categorization of investments based on Core boutiques, Growth boutiques and Other boutiques to two categories based on the following criteria:

- Tier 1 boutiques – investments where the Group expects at least $4,000,000 of annual earnings; and
- Tier 2 boutiques – investments where the Group expects less than $4,000,000 of annual earnings.

For subsequent segment reporting purposes, transfer from/to Tier 1 boutiques to/from Tier 2 boutiques will be based on their annual earnings contribution for two consecutive reporting periods. For example, an investment with an earnings contribution of $4,000,000 in the first reporting period and $3,000,000 in the second reporting period will still be classified as a Tier 1 boutique since one of its two reporting periods has an earnings contribution of $4,000,000.

The Group's categorisation of its reportable segments under AASB 8: *Operating Segments* are as follows:

	2019 Segment Category	2018 Segment Category
Aether Investment Partners, LLC and Aether General Partners	Tier 1	Tier 1
AlphaShares, LLC	Tier 2	Tier 2
Blackcrane Capital, LLC	Tier 2	Tier 2
Capital & Asset Management Group, LLP ("CAMG")	Tier 2	Tier 2
EAM Global Investors, LLC ("EAM Global")	Tier 2	Tier 2
Freehold Investment Management Limited	Tier 2	Tier 2
GQG Partners, LLC ("GQG")	Tier 1	Tier 1
Nereus Holdings, L.P.	Tier 2	Tier 2
Northern Lights Alternative Advisors, LLP	Tier 2	Tier 2
Roc Group	Tier 2	Tier 2
Seizert Capital Partners, LLC	Tier 1	Tier 1
Strategic Capital Investments, LLP	Tier 2	Tier 2
Acquired during the year		
Carlisle Management Company S.C.A. ("Carlisle")	Tier 1	–
Independent Financial Partners, LLC ("IFP")	Tier 2	–
Victory Park Capital Advisors, LLC ("VPC") and	Tier 1	–
Victory Park Capital GP Holdco, L.P. ("VPC-Holdco")	Tier 1	–
Disposed during the year/prior year		
Aperio Group, LLC ("Aperio")	Tier 1	Tier 1
Celeste Funds Management Limited ("Celeste")	Tier 2	Tier 2
Goodhart Partners, LLP (UK) ("Goodhart")	–	Tier 2
Investors Mutual Limited ("IML")	–	Tier 1
RARE Infrastructure Ltd ("RARE")	Tier 2	Tier 2

b. Analysis of balances

(i) Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segments. As a result of the above recategorisation, the comparative information has been restated to align with the new basis.

	Segment revenue		Share of net profits/(losses) of associates		Segment profit/(loss) for the year	
	2019 $'000	2018 (Restated) $'000	2019 $'000	2018 (Restated) $'000	2019 $'000	2018 (Restated) $'000
Tier 1 boutiques	36,224	34,385	405	(6,081)	2,471	10,472
Tier 2 boutiques	4,972	2,769	713	1,707	(3,517)	(626)
	41,196	37,154	1,118	(4,374)	(1,046)	9,486
Central administration	305	330	–	–	39,936	88,333
Total per consolidated statement of profit or loss	**41,501**	**37,484**	**1,118**	**(4,374)**	**38,890**	**98,179**

The following details segment revenue:

	Tier 1 boutiques $'000	Tier 2 boutiques $'000	Central administra-tion $'000	Total $'000
2019				
Over time				
- Fund management fees	31,232	1,451	–	32,683
- Performance fees	–	2,617	–	2,617
- Commission revenue	4,385	692	239	5,316
- Retainer revenue	607	144	–	751
- Service fees	–	65	–	65
- Sundry revenue	–	3	–	3
	36,224	4,972	239	41,435
At a point in time				
- Sundry revenue	–	–	66	66
	36,224	**4,972**	**305**	**41,501**
2018				
Over time				
- Fund management fees	29,025	1,194	81	30,300
- Performance fees	–	620	–	620
- Commission revenue	5,286	736	229	6,251
- Retainer revenue	74	113	–	187
- Service fees	–	76	–	76
- Sundry revenue	–	30	–	30
	34,385	2,769	310	37,464
At a point in time				
- Sundry revenue	–	–	20	20
	34,385	**2,769**	**330**	**37,484**

The following details segment profit after tax for the year for central administration:

	2019 $'000	2018 (Restated) $'000
Revenue	305	330
Other income	1,587	2,919
Net gains on investments and financial liabilities[1]	72,508	104,187
	74,400	107,436
Salaries and employee benefits	(10,191)	(10,534)
Impairment expenses	–	(67)
Administration and general expenses	(8,823)	(10,618)
Depreciation and amortisation expense	(310)	(211)
Interest expense	(61)	(442)
	19,385	21,872
Income tax (expense)/benefit	(15,079)	2,769
	39,936	88,333

Notes:
[1] The gain on sale of investments and the related income tax expense are classified under central administration.

(ii) Segment assets and liabilities

	Segment assets		Segment liabilities		Segment net assets	
	2019 $'000	2018 (Restated) $'000	2019 $'000	2018 (Restated) $'000	2019 $'000	2018 (Restated) $'000
Tier 1 boutiques	322,672	196,092	28,808	14,836	293,864	181,256
Tier 2 boutiques	24,759	47,303	9,283	6,799	15,476	40,504
	347,431	243,395	38,091	21,635	309,340	221,760
Central administration[1]	80,961	144,048	6,774	29,384	74,187	114,664
Total per consolidated statement of financial position	**428,392**	**387,443**	**44,865**	**51,019**	**383,527**	**336,424**

Notes:
[1] The total assets under central administration consisted of $66,566,000 cash and cash equivalents; $30,000 trade and other receivables, $12,218,000 other financial assets, $1,006,000 plant and equipment and $1,141,000 other assets (2018: $102,229,000 cash and cash equivalents; $20,000,000 short-term deposits, $797,000 trade and other receivables, $13,100,000 current and non-current loans and other receivables, $1,233,000 plant and equipment and $6,866,000 current and non-current other assets).

Total liabilities under central administration consisted of $4,731,000 trade and other payables, $700,000 provisions for annual and long service leave $500,000 current and non-current financial liabilities, $540,000 provision for income tax and $303,000 net deferred tax liabilities (2018: $5,534,000 trade and other payables, $484,000 provisions for annual and long service, $9,937,000 current and non-current financial liabilities, $12,868,000 provision for income tax and $561,000 net deferred tax liabilities).

(iii) Other segment information

	2019 $'000	2018 $'000
Impairment expense of segments		
- Tier 1 boutiques	25,943	–
- Tier 2 boutiques	3,456	5,599
- Central administration	–	67
Total	29,399	5,666
Depreciation and amortisation of segments		
- Tier 1 boutiques	2,679	1,399
- Tier 2 boutiques	3	3
- Central administration	310	211
Total	2,992	1,613

(iv) Geographical information

Revenues and results

	30 June 2019				30 June 2018 (Restated)			
	Tier 1 boutiques $'000	Tier 2 boutiques $'000	Central adminis-tration $'000	Total $'000	Tier 1 boutiques $'000	Tier 2 boutiques $'000	Central adminis-tration $'000	Total $'000
Revenues								
- Australia	–	3	(11)	(8)	–	67	4	71
- USA	36,224	836	316	37,376	34,385	812	326	35,523
- UK	–	4,133	–	4,133	–	1,890	–	1,890
- Luxembourg	–	–	–	–	–	–	–	–
- India	–	–	–	–	–	–	–	–
	36,224	4,972	305	41,501	34,385	2,769	330	37,484
Share in net profits/(losses)								
- Australia	–	373	–	373	2,133	531	–	2,664
- USA	405	677	–	1,082	(8,214)	755	–	(7,459)
- UK	–	(337)	–	(337)	–	421	–	421
- Luxembourg	–	–	–	–	–	–	–	–
- India	–	–	–	–	–	–	–	–
	405	713	–	1,118	(6,081)	1,707	–	(4,374)
Profit/(loss) after tax								
- Australia	(1,612)	1,367	(7,435)	(7,680)	2,133	985	84,349	87,467
- USA	(706)	1,651	48,351	49,296	8,339	2,354	3,984	14,677
- UK	–	3,005	(980)	2,025	–	(2,879)	–	(2,879)
- Luxembourg	4,789	–	–	4,789	–	–	–	–
- India	–	(9,540)	–	(9,540)	–	(1,086)	–	(1,086)
	2,471	(3,517)	39,936	38,890	10,472	(626)	88,333	98,179

Other than the US, no other country represents more than 10% of revenue for the Group. No individual customer represents more than 10% revenue for the Group.

Non-current assets excluding financial assets

	30 June 2019				30 June 2018 (Restated)			
	Tier 1 boutiques $'000	Tier 2 boutiques $'000	Central adminis-tration $'000	Total $'000	Tier 1 boutiques $'000	Tier 2 boutiques $'000	Central adminis-tration $'000	Total $'000
Investment in associates								
- Australia	–	1,544	–	1,544	–	2,650	–	2,650
- USA	100,705	5,031	–	105,736	33,419	6,672	–	40,091
- UK	–	2,863	–	2,863	–	3,282	–	3,282
- Luxembourg	–	–	–	–	–	–	–	–
- India	–	–	–	–	–	–	–	–
	100,705	9,438	–	110,143	34,385	12,604	330	46,023
Plant and equipment								
- Australia	–	–	190	190	–	–	284	284
- USA	200	–	816	1,016	161	–	949	1,110
- UK	–	2	–	2	–	5	–	51
- Luxembourg	–	–	–	–	–	–	–	–
- India	–	–	–	–	–	–	–	–
	200	2	1,006	1,208	161	5	1,233	1,399
Intangible assets								
- Australia	–	–	–	–	–	–	–	–
- USA	94,094	–	–	94,094	104,826	–	–	104,826
- UK	–	–	–	–	–	–	–	–
- Luxembourg	–	–	–	–	–	–	–	–
- India	–	–	–	–	–	–	–	–
	94,094	–	–	94,094	104,826	–	–	104,826
Total non-current assets excluding financial assets								
- Australia	–	1,544	190	1,734	–	2,650	284	2,934
- USA	194,999	5,031	816	200,846	138,406	6,672	949	146,027
- UK	–	2,865	–	2,865	–	3,287	–	3,287
- Luxembourg	–	–	–	–	–	–	–	–
- India	–	–	–	–	–	–	–	–
	194,999	9,440	1,006	205,445	138,406	12,609	1,233	152,248

b. Accounting policies

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

6. Earnings per share

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2019	2018 (Restated)
Basic earnings per share:		
Net profit attributable to the members of the parent ($'000)	37,612	97,603
Weighted average number of ordinary shares for basic earnings per share	47,642,367	47,642,356
Basic earnings per share (cents)	**78.95**	**204.86**
Diluted earnings per share:		
Net profit attributable to the members of the parent ($'000)	37,227	97,443
Weighted average number of ordinary shares for diluted earnings per share	47,642,367	47,642,356
Diluted earnings per share (cents)	**78.14**	**204.53**
Reconciliation of earnings used in calculating earnings per share:		
Net profit attributable to the members of the parent used in the calculation of basic earnings per share ($'000)	37,612	97,603
Add: Adjustment on the impact on the dilution effect of the performance rights	(385)	(160)
Net profit attributable to the members of the parent used in the calculation of diluted earnings per share ($'000)	37,227	97,443
Reconciliation of weighted average number of ordinary shares in calculating earnings per share:		
Weighted average number of ordinary shares for basic and diluted earnings per share	47,642,367	47,642,356

a. Accounting policies

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

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

- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus if any.

7. Notes to consolidated statement of cash flows

Analysis of balances

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

	2019 $'000	2018 (Restated) $'000
Profit from ordinary activities after income tax	38,890	98,179
Adjustments and non-cash items:		
- Impairment of assets	29,399	5,666
- Dividends received/receivable from associates	5,716	13,366
- Depreciation and amortisation expense	2,992	1,613
- Share based payments	1,016	1,381
- Non-operating foreign exchange transactions	373	7,801
- Net gains on investments	(72,508)	(102,987)
- Share of net (profit)/loss from associates	(1,118)	4,374
- Non-operating interest income	(240)	(481)
- Non-operating interest expense	(196)	549
- Adjustment in deferred commitments	–	(492)
- Other	(135)	29
Changes in operating assets and liabilities:		
- (Increase) in trade and other receivables	(3,674)	(2,408)
- Decrease in other assets	292	288
- Increase in trade and other payables	976	1,708
- (Decrease)/increase in current tax liabilities	(12,328)	7,782
- Net decrease/(increase) in deferred taxes	156	(16,190)
- Increase in provisions	8,025	105
Cash flows (used in)/provided by operating activities	**(2,364)**	**20,283**

(ii) Non-cash investing and financing activities

	2019	2018
Investing activities:		
- Recognition of management rights	(12,214)	–
Financing activities:		
- Recognition of earn-out liabilities	12,214	–

(iii) Bank facility

The Group has no bank facility as at 30 June 2019 (2018: bank facility of $15,000,000 of which $9,269,000 was utilised).

C. OPERATING ASSETS AND LIABILITIES

8. Cash and cash equivalents and short-term deposits

a. Analysis of balances

	2019 $'000	2018 $'000
Cash and cash equivalents		
- Cash at bank	80,231	110,095
- Cash on hand	1	1
	80,232	**110,096**
Short-term deposits		
- Term deposit[1]	**–**	**20,000**

Notes:
[1] The term deposit earned interest at 2.4% per annum and matured on 5 October 2018.

b. Accounting policies

Cash and cash equivalents consist of cash at bank and in hand and short-term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

For the purposes of the consolidated statement of cash flows, cash consist of cash and cash equivalents.

For short-term deposits with an original maturity of more than three months but less than one year, these are classified separately as short-term deposits.

9. Trade and other receivables

a. Analysis of the balances

	2019 $'000	2018 $'000
Current		
Trade receivables	5,742	8,596
Contract assets[1]	899	–
Dividend receivable	6,165	73
Sundry receivables	3	466
	12,809	**9,135**

Notes:
[1] Adoption of AASB 15 resulted in the reclassification of contract assets which was previously included as part of sundry receivables. Refer to Note 30 for details.

(i) Impairment

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. The loss allowance for trade receivables and contract assets as at 30 June 2019 was determined as follows:

	Current	Past due 31- 60 days	Past due 61- 90 days	Past due over 90 days	Total
Expected loss rate	0.050%	0.050%	2.564%	5.263%	
Gross carrying amount ($'000)	5,203	948	7	483	6,641
Loss allowance ($)	2,602	474	144	25,423	28,643

Applying the expected credit loss model for dividend receivable and sundry receivables resulted to a loss of $3,000 at 30 June 2019.

As the expected credit losses for trade and other receivables was considered immaterial, no impairment provision was recognised.

b. Accounting policies

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled asset management and distribution services and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. In determining the expected loss rates, the Group reviewed the collection history, anticipated collection trend for the year and the credit worthiness of its counterparties. The Group's counterparties are institutional clients with high credit ratings with no known history of default.

Trade receivables and contract assets 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, and a failure to make contractual payments for a period of greater than 90 days past due.

10. Other financial assets

a. Analysis of the balances

	Type of Instrument	2019 $'000	2018 $'000
Current			
Financial assets at amortised cost:			
- Receivable from other party[1]	Debt	5,108	–
- Receivable from EAM Investors, LLC ("EAM Investors")[2]	Debt	731	–
- Sublease receivable	Debt	293	–
- Loans receivable from third parties	Debt	48	–
		6,180	–
Financial assets at fair value through profit or loss ("FVTPL"):			
- Receivable from Raven[3]	Debt	1,338	–
		7,518	**–**
Non-current			
Financial assets at amortised cost:			
- Receivable from EAM Investors[2]	Debt	1,869	–
- Sublease receivable	Debt	314	–
		2,183	–
Financial assets at FVTPL:			
- Receivable from Raven[3]	Debt	2,517	–
- Investment in Carlisle Management Company, SCA ("Carlisle")[4]	Debt/Equity	48,766	–
- Investment in RARE[5]	Equity	–	21,500
		51,283	21,500
Financial assets at fair value through other comprehensive income ("FVTOCI"):			
- Investment in EAM Global[6]	Equity	8,543	–
- Investment in GQG Partners, LLC("GQG")[7]	Equity	56,526	–
- Investment in Independent Financial Planners Group ("IFP")[8]	Equity	1,531	–
		66,600	–
Available-for sale investments:			
- Investment in EAM Global[6]	Equity	–	10,129
- Investment in GQG[7]	Equity	–	43,487
- Investment in Nereus[9]	Equity	–	–
		–	53,616
		120,066	**75,116**

Adoption of AASB 9 resulted in these assets being reclassified from loans and other receivables and other assets effective 1 July 2018. Refer to Note 11, Note 12 and Note 30.

Notes:

[1] The receivable from other party pertains to the remaining retention amount including interest held in escrow from the sale of IML. The escrow account is an interest-bearing corporate trust account held with an Australian bank. It is expected to be collected in October 2019.

[2] The receivable from EAM Investors pertains to the financing of USD2,250,000 provided by the Group on 21 February 2018. The loan has a term of six-years with interest of 10% per annum to assist EAM Investors in financing the repurchase of its equity from an outside shareholder. Repayments are received on a quarterly basis and the loan is expected to be fully settled by EAM Investors in June 2024.

[3] The receivable from Raven pertains to the earn out component of the consideration on the sale of the investment on 14 October 2016. The Group is paid 33.33% of the management fees earned by Raven on new FUM. Payments are calculated quarterly until the USD3,500,000 earn out cap is met. At 30 June 2019, the amount of USD435,000 was received and the balance of the earn-out was fair valued using discounted cash flows method at 7.78% with the related changes in fair value of $91,000 taken to profit or loss.

[4] The investment in Carlisle pertains to the purchase of 12,500 Preferred Shares of Carlisle and 5,000,000 units of Contingent Convertible Bonds ("CoCo Bonds") issued by Carlisle acquired on 31 January 2019 for a total consideration of $47,038,000 (USD34,250,000). The Group is entitled to 16% of the revenues and 40% of the liquidation proceeds in the event of a sale. Carlisle, founded in 2009, is a fully regulated alternative investment fund manager which manages alternative investment funds exclusively investing in US life settlements. Carlisle is organised under the laws of Luxembourg as a partnership limited by shares (SCA or Société en commandite par actions). The Luxembourg Regulator approved the transaction on 9 May 2019 with effect on 31 January 2019.

[5] The investment in RARE pertained to the Group's 10% interest in RARE. On 2 July 2018, the Group exercised its put option and the sale was completed on 10 October 2018.

[6] The investment in EAM Global pertains to the Group's 18.75% interest in EAM Global and is entitled to percentage of revenues of EAM Global based on certain threshold. EAM Global was founded in March 2014, organised as a Delaware Limited Liability Company and is registered with the U.S. Securities and Exchange Commission. EAM Global offers investment advisory services on a discretionary basis to mutual funds, private pools, pension and profit-sharing plans, trusts, estates, and charitable organisations. Client relationship asset levels generally range between USD5,000,000 and USD150,000,000. EAM Global generates the majority of its revenues by providing advisory services to domestic customers. Fees for such services are asset based and as a result, its revenues are variable and subject to market volatility.

[7] The investment in GQG pertains to the Group's 5% interest in GQG entitling the Group to a percentage of the revenues of GQG. GQG was formed in April 2016, organised as a Delaware Limited Liability Company and is registered with the USA Securities and Exchange Commission. GQG is an investment advisor and provides investment advisory and asset management services to a number of investment funds and managed accounts for USA and Non-USA investors. GQG acts as investment manager for GQG Partners International Equity Fund, GQG Partners Global Equity Fund, GQG Partners Emerging Markets Equity Fund as well as two mutual funds that invest in global and emerging markets equities.

[8] The investment in IFP pertains to the Group's initial 10% equity interest in IFP acquired on 24 January 2019 for $1,515,000 (USD1,075,000) of a $3,666,000 (USD2,575,000) total commitment for up to 25% of equity interest. IFP, founded in 2000, is a privately held, family-owned firm. IFP is a multi-custodial registered investment adviser focused on delivering personalised, concierge-level service to over 500 advisors in the US specialising in wealth management and retirement plan consulting.

[9] The investment in Nereus pertains to the Group's interest in Class A shares of Nereus, a private equity firm based in India focused on renewable energy assets. On 11 September 2018, the Group entered a Sell-side Advisory Agreement to identify suitable investors for two operating solar PV generation plants of Nereus with Centrum Central Capital. At 30 June 2019, management assessed the investment in Nereus to be assets held-for-sale in accordance with the requirements of AASB 5: *Non-current Assets Held for Sale and Discontinued Operations*. As the carrying value of the Group's investment in Nereus is nil, there were no actual reclassifications made to assets held for sale.

(i) Impairment of other financial assets at amortised cost

At 30 June 2019, an assessment on the expected credit losses was made on other financial assets at amortised cost and determined a total allowance of $12,000 which was not recognised because the amount was considered immaterial. Refer to Note 30 for details on impairment considerations for financial assets at amortised cost.

(ii) Movement of financial assets at amortised cost

	Opening balance $'000	Impact of application of AASB 9 $'000	Interest accrued $'000	Collections $'000	Reclassi-fications $'000	Foreign currency movement $'000	Closing balance $'000
2019							
Current	–	6,045	380	(6,169)	5,890	34	6,180
Non-current	–	7,858	62	–	(5,890)	153	2,183
	–	13,903	442	(6,169)	–	187	8,363

(iii) Movement of financial assets at FVTPL

	Opening balance $'000	Impact of application of AASB 9 $'000	Additions $'000	Collections /disposals $'000	Change in fair value $'000	Reclassific ation $'000	Foreign currency movement $'000	Closing balance $'000
2019								
Current	–	2,836	–	(619)	–	(1,033)	154	1,338
Non-current	21,500	1,494	47,038	(21,500)	(91)	1,033	1,809	51,283
	21,500	4,330	47,038	(22,119)	(91)	–	1,963	52,621
2018								
Non-current	22,700	–	–	–	(1,200)	–	–	21,500

(iv) Movement of financial assets at FVTOCI

	Opening balance $'000	Impact of application of AASB 9 $'000	Additions $'000	Disposals $'000	Change in fair value $'000	Foreign currency movement $'000	Closing balance $'000
2019							
Non-current	–	53,616	1,515	–	8,390	3,079	66,600

(v) Movement of available-for sale investments

	Opening balance $'000	Impact of application of AASB 9 $'000	Additions $'000	Impairment $'000	Change in fair value $'000	Foreign currency movement $'000	Closing balance $'000
2019							
Non-current	53,616	(53,616)	–	–	–	–	–
2018							
Non-current	30,174	–	1,919	(781)	21,233	1,071	53,616

b. Accounting policies

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

(i) Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost and
- those to be measured subsequently at fair value, either through profit or loss or through other comprehensive income.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or in other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group had made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(ii.a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(ii.a.1) At amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

(ii.a.2) FVTOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.

(ii.a.3) FVTPL

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(ii.b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as dividend income when the Group's right to receive payments is established.

Changes in the fair value of FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(iii) Derecognition of financial assets

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

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

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

c. Key estimates, judgments and assumptions

(i) Valuation of financial assets at fair value

The Group exercises significant judgement in areas that are highly subjective (refer to Note 19f). The valuation of assets and the assessment of carrying values require that a detailed assessment be undertaken which reflects assumptions on markets, manager performance and expected growth to project future cash flows that are discounted at a rate that imputes relative risk and cost of capital considerations.

(ii) Impairment of financial assets at amortised cost

The loss allowances for financial assets at amortised cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group’s past history, existing market conditions and forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 30c(i).

From 1 July 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

In assessing whether credit risk has increased significantly since initial recognition, the Group considers the following information:

- Significant deterioration in external market indicators of credit risk to which the fair value of the financial asset is substantially lower than its amortised cost;
- Existing or expected changes in business, financial or economic conditions that will cause a significant decrease in the debtor’s ability to meet it debt obligations;
- Actual or expected significant deterioration in the operating results of the debtor; and
- Actual or expected adverse impact due to regulatory changes and issues that will result in a significant decrease in the debtor’s ability to meet it debt obligations.

11. Loans and other receivables

Analysis of balances

	2019 $'000	2018 $'000
Current		
Receivable from other party	–	5,046
Receivable from EAM Investors	–	687
Loans receivable from third parties	–	42
	–	**5,775**
Non-current		
Receivable from other party	–	5,046
Receivable from EAM Investors	–	2,279
	–	**7,325**

Adoption of AASB 9 resulted in these assets being reclassified from loans and other receivables to financial assets at amortised cost effective 1 July 2018. Refer to Note 10 and Note 30 a (i.c).

Movement of loans and other receivables

	Opening balance $'000	Impact on application of AASB 9 $'000	Additions $'000	Interest accrued $'000	Collections $'000	Reclassi-fications $'000	Foreign currency movement $'000	Closing balance $'000
2019								
Current	5,775	(5,775)	–	–	–	–	–	–
Non-current	7,325	(7,325)	–	–	–	–	–	–
	13,100	(13,100)	–	–	–	–	–	–
2018								
Current	304	–	5,001	56	(314)	728	–	5,775
Non-current	3,292	–	8,039	297	(3,558)	(728)	(17)	7,325
	3,596	–	13,040	353	(3,872)	–	(17)	13,100

12. Other assets

a. Analysis of balances

	2019 $'000	2018 $'000
Current		
Prepayments	1,929	2,160
Receivable from Raven[1]	–	2,836
Sublease receivable[2]	–	270
Other security deposits and current assets	139	176
	2,068	**5,442**
Non-current		
Receivable from Raven[1]	–	1,494
Sublease receivable[2]	–	533
Other security deposits and assets	254	279
	254	**2,306**

Notes:
[1] Adoption of AASB 9 resulted in this asset being reclassified to financial assets at fair value through profit or loss effective 1 July 2018. Refer to Note 10 and Note 30 for details.
[2] Reclassified to financial assets at amortised cost in order to combine similar financial instruments. Refer to Note 10 and Note 30 for details.

b. Impairment of other security deposits

At 30 June 2019, an assessment on the expected credit losses was made on other security deposits and determined a total allowance of less than $1,000. This was not recognised because the amount was considered immaterial. Refer to Note 30 for details on impairment considerations for other security deposits.

13. Trade and other payables

a. Analysis of balances

	2019 $'000	2018 $'000
Current		
Trade payables	801	1,239
Other payables	6,705	5,291
	7,506	**6,530**

b. Accounting policies

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

14. Provisions

a. Analysis of balances

	2019 $'000	2018 $'000
Current		
Provision for estimated liability for Nereus[1]	7,926	–
Provision for annual leave	481	410
	8,407	**410**
Non-current		
Provision for long service leave	**219**	**191**

Notes:
[1] Pursuant to and in connection with the Aurora Share Subscription and Assignment Deed, dated 28 July 2015, between Aurora Investment Management Pty Ltd (as the Trustee of Aurora Trust), the Aurora Trust, Hareon Solar Singapore Private Limited ("Hareon"), Nereus Capital Investments (Singapore) Pte. Ltd ("NCI") and Nereus agreed to make a contingent "Additional Contribution" to NCI of up to USD25,000,000. This Additional Contribution can be drawn by NCI only to fund the exercise of the Put Option, which is held by Hareon, when and if it is exercised. In the Shareholders' Deed, dated 28 July 2015, Hareon may put its Class H Shares back to NCI at the "Put Option Price" any time within 60 days following the sixth anniversary of the commissioning of the first solar project sponsored by NCI, which occurred in June 2016. As at 30 June 2019, the fair value of the investment in Nereus was Nil (2018: Nil). Refer to Note 10 and Note 19 for details.

Management assessment of the redemption of Class H Shares is estimated to be $30,996,000 (USD21,770,000) and fair value of the solar projects in Nereus is approximately $23,070,000 (USD16,203,000). At 30 June 2019, the difference between the redemption value of the Class H Shares and the fair value of the solar projects is provided in full as potential obligation of the Group.

Movement of provision for estimated liability for Nereus for the year

	2019 $'000	2018 $'000
Opening balance	–	–
Provisions for the year (Note 3)	7,688	–
Foreign currency movement	238	–
Ending balance	**7,926**	**–**

b. Accounting policies

(i) Provisions

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

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

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

(ii) Provision for annual leave and long service leave

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

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

D. CAPITAL, FINANCING AND FINANCIAL RISK MANAGEMENT

15. Financial liabilities

a. Analysis of balances

	2019 $'000	2018 $'000
Current		
Financial liabilities at amortised cost:		
- Bank overdraft (Note 7)	–	9,269
- Notes payable - Seizert[1]	7,499	1,600
- Share of deferred commitments[2]	–	2,045
- Sublease liability	246	225
	7,745	13,139
Financial liabilities at FVTPL		
- Earn-out liability[3]	9,224	–
	16,969	**13,139**
Non-current		
Financial liabilities at amortised cost:		
- Notes payable – Seizert[1]	–	11,817
- Sublease liability	255	443
	255	12,260
Financial liabilities at FVTPL:		
- Earn out liability[3]	3,433	–
- Deferred payment – former owners of EAM Global[4]	165	169
	3,598	169
	3,853	**12,429**

Notes:

[1] The notes payable – Seizert pertains to the notes issued by the Trust in November 2014 to the former owners of Seizert as part of the consideration for the acquisition by Midco for the equity interest in Seizert. The interest rate associated with the notes equals the 12-month LIBOR rate plus 5%. The Group made payments to the holders of the notes payable of an amount of $6,969,000 (USD5,096,000) on 29 November 2018. The outstanding balance is due on 24 November 2019.

[2] The share of deferred commitments pertained to 40% share in RARE deferred commitments in accordance with the side agreement amongst the former owners of RARE to lock in the employment of the investment team with RARE for a certain number of years. An 8% discount rate was applied to determine the net present value of this liability as at 21 October 2015. At 30 June 2019, the share in deferred commitments had been paid in full.

[3] The earn-out liability represents the amount owed by the Group to the two founders of Aether, for marketing and offering interests in the Aether Real Assets V, L.P. ("ARA Fund V"). As part of the merger between the Company and Northern Lights Capital Partners ("NLCP"), Aether was acquired by the Group in November 2014 under the provisions of the Purchase Agreement ("Purchase Agreement") executed by and between the Company, NLCP and former founders of Aether. The Purchase Agreement contemplated the creation of, at least, ARA Fund IV, ARA Fund V and ARA Fund VI. At the time of execution of the Purchase Agreement, ARA Fund IV was closing. The Group will distribute to the founders 50% of the revenue to be generated by any new funds that close before ARA Fund VI and that earn more than US$2,500,000 of average annual revenue. The Group is effectively benefitting from the remaining 50% of ARA Fund V revenues over its 12 years life.

During the year, ARA Fund V was launched, with its first soft close occurred on 21 July 2018, second close occurring on 2 January 2019 and formal close occurred on 20 July 2019. ARA Fund V has raised funds under management ("FUM") and earned management fees during the year. By virtue of Aether recognising these FUM and the associated revenue at 30 June 2019, the Group has effectively acknowledged an obligation relating to ARA Fund V and created a valid expectation on the part of other parties that it will discharge its responsibilities. Accordingly, the Group recorded an earn-out liability for ARA Fund V. Two thirds of each earn-out amount is due within 90 days of each fund's final close. The remainder is due at the earlier of the final close of ARA Fund VII or 3 years after the close of ARA Fund VI.

[4] The deferred payment pertains to the acquisition of the additional 375 preferred units in EAM Global from its former owners representing additional 3.75% equity ownership in EAM Global. This is based on the projected 2% and 1% of EAM Global's gross revenues for the year ending 31 March 2022 and 31 March 2023, respectively. The deferred payment will be settled 60 days after 31 March 2022 and 31 March 2023.

(i) Movement of financial liabilities at amortised cost

	Opening balance $'000	Additions $'000	Imputed and interest accrued $'000	Repayments $'000	Reclassi-fications $'000	Adjustment $'000	Foreign currency movement $'000	Closing balance $'000
2019								
Current	13,139	–	693	(18,618)	12,670	43	(182)	7,745
Non-current	12,260	–	–	–	(12,670)	–	665	255
	25,399		693	(18,618)	–	43	483	8,000
2018								
Current	27,982	9,269	450	(28,439)	3,851	272	(246)	13,139
Non-current	28,710	–	1,254	(14,392)	(3,851)	81	458	12,260
	56,692	9,269	1,704	(42,831)	–	353	212	25,399

(ii) Movement of financial liabilities at FVTPL

	Opening balance $'000	Additions $'000	Revaluation $'000	Foreign currency movement $'000	Closing balance $'000
2019					
Current	–	8,901	311	12	9,224
Non-current	169	3,313	103	13	3,598
	169	12,214	414	25	12,822
2018					
Non-current	–	163	–	6	169

b. Accounting policies

The Group's financial liabilities are classified in accordance with the substance of the contractual arrangement.

(i) Financial liabilities at amortised cost

These financial liabilities are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost.

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 discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(ii) Financial liabilities at FVTPL

The Group designates its financial liabilities as at fair value through profit or loss upon initial recognition if:

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

(iii) Derecognition of financial liabilities

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

c. Key estimates, judgements and assumptions

(i) Valuation of financial liabilities at fair value

The Group exercises significant judgement in areas that are highly subjective (refer to Note 19f). The valuation of liabilities and the assessment of carrying values require that a detailed assessment be undertaken which reflects assumptions on markets, manager performance and expected growth to project future cash outflows that are discounted at a rate that imputes relative risk and cost of capital considerations.

16. Share capital

a. Analysis of balances

	2019 $'000	2018 $'000
Issued and fully paid ordinary shares	**166,279**	**166,279**

(a) Movements in ordinary shares on issue

	2019		2018	
	No. of shares	$'000	No. of shares	$'000
Opening balance	47,642,367	166,279	47,642,330	166,278
Shares issued:				
- 18 October 2017	–	–	37	1
Closing balance	**47,642,367**	**166,279**	**47,642,367**	**166,279**

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

b. Accounting policies

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

c. Capital management

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

During the year ended 30 June 2019, the Company paid dividends of $15,246,000 (2018: $8,576,000). The Board anticipates that the medium payout ratio is 50% to 80% of the underlying net profit after tax of the Group. The Board continues to monitor the appropriate dividend payout ratio over the medium term.

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

17. Reserves

a. Analysis of balances

	2019 $'000	2018 (restated) $'000
Investment revaluation reserve	36,316	27,320
Foreign currency translation reserve	47,844	33,035
Equity-settled employee benefits reserve	6,774	5,758
	90,934	**66,113**

(i) Investment revaluation reserve

Effective 1 July 2018, this reserve records the Group's gain on its financial assets at FVTOCI following the adoption of AASB 9. In prior year, this reserve records the Group's net gain on its available-for-sale investments, net of income tax.

Movements in reserve:

	2019 $'000	2018 (restated) $'000
Opening balance	27,320	3,064
Net fair value gain on financial assets at FVTOCI, net of income tax	6,627	–
Reversal of the share of net fair value gain on available-for-sale financial assets of an associate derecognised in the prior year	–	(131)
Net fair value gain on available-for-sale financial assets, net of income tax	–	23,156
Share in the fair value loss on available-for-sale financial assets of an associate	–	(106)
Foreign currency movement	2,369	1,337
Closing balance	**36,316**	**27,320**

(ii) Foreign currency translation reserve

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

Movements in reserve:

	2019 $'000	2018 (restated) $'000
Opening balance	33,035	19,103
Exchange differences on translating foreign operations of the Group	14,758	13,927
Share of non-controlling interests	51	5
Closing balance	**47,844**	**33,035**

(iii) Equity settled employee benefits reserve

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

Movements in reserve:

	2019 $'000	2018 (restated) $'000
Opening balance	5,758	4,377
Share-based payments	1,016	1,381
Closing balance	**6,774**	**5,758**

18. Dividends paid and proposed

a. Analysis of balances

	2019 $'000	2018 $'000
Previous year final:		
Fully franked dividend (22 cents per share) (2018: 18 cents per share)	10,482	8,576
Current year interim:		
Fully franked dividend (10 cents per share) (2018: nil)	4,764	–
	15,246	**8,576**
Declared after the reporting period and not recognised[1]:		
Fully franked dividend (15 cents per share) (2018: 22 cents per share)	7,146	10,482

b. Franking credit balance

	2019 $'000	2018 $'000
The balance at the end of the financial year at 30% (2018: 30%)[2]	31,587	26,511
Franking credits that will arise from the receipt of dividends/distributions recognised as receivables by the parent entity at the reporting date	144	31
The impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders	(3,063)	(4,492)
	28,668	22,050
Franking credits that will arise on payment of current tax liability	2,372	11,297
The amounts of franking credits available for future reporting periods:	**31,040**	**33,347**

The tax rate at which paid dividends have been franked and dividends proposed will be franked is 30% (2018: 30%).

Notes:
[1] Calculation was based on the ordinary shares on issue as at 31 July 2019 (2018: 31 July 2018).
[2] The increase in franking credits arose from the payment of current tax liabilities.

19. Financial risk management

The Group is exposed to a variety of financial risks comprising interest rate risk, credit risk, liquidity risk, foreign currency risk and price risk.

The Board have overall responsibility for identifying and managing operational and financial risks.

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

The Group holds the following financial instruments:

	At amortised cost		At fair value through profit or loss		At fair value through OCI		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial assets								
Cash and cash equivalents	80,232	110,096	–	–	–	–	80,232	110,096
Short-term deposits	–	20,000	–	–	–	–	–	20,000
Trade and other receivables	12,809	9,135	–	–	–	–	12,809	9,135
Other financial assets								
– current	6,180	–	1,338	–	–	–	7,518	–
– non-current	2,183	–	51,283	21,500	66,600	53,616	120,066	75,116
Loans and other receivables								
– current	–	5,775	–	–	–	–	–	5,775
– non-current	–	7,325	–	–	–	–	–	7,325
Other assets								
– current[1]	139	3,282	–	–	–	–	139	3,282
– non-current	254	2,306	–	–	–	–	254	2,306
	101,797	157,919	52,621	21,500	66,600	53,616	221,018	233,035
Financial liabilities								
Trade and other payables	7,506	6,530	–	–	–	–	7,506	6,530
Other financial liabilities								
– current	7,745	13,139	9,224	–	–	–	16,969	13,139
– non-current	255	12,260	3,598	169	–	–	3,853	12,429
	15,506	31,929	12,822	169	–	–	28,328	32,098

Notes:
[1] The amount excludes prepayments.

a. Interest rate risk

At the reporting date, the Group had the following direct exposure to global variable interest rate risk:

	2019 $'000	2018 $'000
Interest bearing financial assets:		
- Cash and cash equivalents	80,232	110,096
- Receivable from other party	5,108	10,092
	85,340	**120,188**
Interest bearing financial liabilities:		
- Bank overdraft	–	9,269
- Notes payable - Seizert	7,499	13,417
	7,499	**22,686**

Sensitivity analysis

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

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

Net impact on profit after tax	2019 $'000	2018 $'000
+0.75% [2018: 0.75%]/ (75 basis points), [2018: 75 basis points]	399	282
-0.75% [2018: 0.75%]/ (75 basis points), [2018: 75 basis points]	(399)	(282)

b. Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade receivables, and other debt instruments. The Group's exposure to credit risk arises from potential default of the counterparty, with the maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each applicable note. The Group does not hold any credit derivatives to offset its credit exposure.

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

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

The Company provides financing to the members of the Group in certain circumstances where these entities are deemed credit worthy. The maximum exposure to credit risk is the carrying value of the loans.

c. Liquidity risk

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

The following table details the Group's expected maturity for its financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on 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.

	Weighted average effective interest rate	1 to 3 months $'000	3 months to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000
2019						
Trade receivables and contract assets	0%	5,985	656	–	–	6,641
Dividend receivable	0%	6,165	–	–	–	6,165
Sundry receivables	0%	3	–	–	–	3
Receivable from other party	0.88%	–	5,118	–	–	5,118
Receivable from EAM Investors	10.00%	197	571	714	1,689	3,171
Sublease receivable	7.25%	61	186	361	–	608
Loans receivable from third parties	7.00%	3	9	11	35	58
Receivable from Raven	7.78%	354	1,048	1,398	1,565	4,365
Security deposits	2.32%	112	–	–	258	370
		12,880	**7,588**	**2,484**	**3,547**	**26,499**
2018						
Short-term deposits	2.40%	120	20,128	–	–	20,248
Trade receivables	0%	8,576	20	–	–	8,596
Dividend receivable	0%	–	73	–	–	73
Sundry receivables	0%	466	–	–	–	466
Receivable from other party	1.25%	–	5,094	5,126	–	10,220
Receivable from EAM Investors	10.00%	180	579	729	2,279	3,767
Sublease receivable	7.25%	66	204	565	121	956
Loans receivable from third parties	7.00%	1	44	–	–	45
Receivable from Raven	9.03%	152	2,887	1,688	–	4,727
Security deposits	1.92%	–	–	112	171	283
		9,561	**29,029**	**8,220**	**2,571**	**49,381**

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. 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. The table includes both principal and interest cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

	Weighted average effective interest rate	1 to 3 months $'000	3 months to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000
2019						
Trade and other payables	0%	7,506	–	–	–	7,506
Notes payable - Seizert	7.37%	–	7,722	–	–	7,722
Earn-out liability	8.00%	–	9,464	–	4,731	14,195
Sublease liability	7.25%	60	186	342	–	588
Deferred payment	18.32%	–	–	–	281	281
		7,566	**17,372**	**342**	**5,012**	**30,292**

	Weighted average effective interest rate	1 to 3 months $'000	3 months to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000
2018						
Trade and other payables	0%	6,530	–	–	–	6,530
Bank overdraft	8.23%	–	9,472	–	–	9,472
Notes payable - Seizert	6.58%	–	2,505	12,113	–	14,618
Share of deferred commitments	0%	1,160	885	–	–	2,045
Sublease liability	7.25%	55	170	476	83	784
Deferred payment	17.45%	–	–	–	339	339
		7,745	13,032	12,589	422	33,788

d. Foreign currency risk

The Group adopted an accounting treatment to hedge its dollar net assets for its Investment in Northern Lights Midco, LLC ("Midco") for foreign exchange exposure arising between the Australian dollar and US dollar. The Group's designated external borrowings denominated in US$ [(notes payable - Seizert held by the Trustee with a total carrying value of $7,499,000 or USD5,267,000) (2018: $13,417,000 or USD9,935,000)] as hedging instruments to hedge a designated portion of the Trust's net investment in Northern Lights Midco, LLC ("Midco"). For the period of the hedge relationship, foreign exchange movements on the US dollar hedging instruments (being the US dollar external borrowings) are recognised in other comprehensive income as part of the foreign currency translation reserve, offsetting the exchange differences, recognised in other comprehensive income arising on the translation of the designated dollar net assets of Midco to Australian dollar. The cumulative foreign exchange movement recognised in other comprehensive income will only be reclassified to profit or loss upon loss of control over Midco. There was no hedge ineffectiveness recognised in profit or loss during the year. Therefore, there are no profit or loss accounts, assets and liabilities that have been impacted by the hedge.

(i) Consolidated statement of profit or loss

Profits and losses are translated at an average exchange rate. A falling Australian dollar relative to the USA dollar, UK pound ("GBP") and Euro results in a higher net profit in the Group. The day to day expenses of the operations in Australia, the USA and the UK are predominately funded with cash flows from those local operations.

(ii) Consolidated statement of financial position

The Group is an international multi boutique business with operations primarily within Australia, the USA and the UK. In addition, the Group has an investment in Luxembourg where the transactions are denominated in Euro ("EUR"). The impact of foreign currency translation of the foreign operations is taken up in the equity reserves of the Group. The impact of the EUR denominated transactions is taken up through profit or loss.

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

	2019			2018		
	USD $'000	GBP $'000	EUR $'000	USD $'000	GBP $'000	EUR $'000
Financial assets						
Cash and cash equivalents	65,641	3,644	–	106,971	536	–
Trade and other receivables	8,778	281	2,780	6,809	2,007	–
Other financial assets	122,476	–	–	53,616	–	–
Loans and other receivables	–	–	–	3,008	–	–
Other assets	1,494	42	–	5,251	24	–
	198,389	**3,967**	**2,780**	**175,655**	**2,567**	–

	2019			2018		
	USD $'000	GBP $'000	EUR $'000	USD $'000	GBP $'000	EUR $'000
Financial liabilities						
Trade and other payables	4,247	1,253	–	4,694	–	–
Other financial liabilities	13,324	–	–	14,254	–	–

(iii) Sensitivity analysis

As at year end, the Group's exposure in USD foreign currency is mitigated by hedging its notes payable - Seizert with a total carrying value of $7,499,000 or USD5,267,000 against its net investment in Midco with a net asset of $373,563,000 of USD262,366,000. The impact of the sensitivity is taken to foreign currency translation reserve. The Group's exposure in GBP and EUR foreign currencies are not material.

(iv) Accounting policies

Hedges of a net investment in a foreign operation that qualify for hedge accounting

The effective portion of the changes in the foreign currency risk component of notes payable - Seizert that is designated and qualifies as a hedge of a net investment in a foreign operation is recognised as part of foreign currency translation reserve within equity. The gain or loss relating to any ineffective portion is recognised immediately in profit or loss, within other expenses.

The accumulated gains and losses on the hedging instrument relating to the effective portion of the foreign currency risk component of notes payable - Seizert is reclassified from foreign currency translation reserve to profit or loss on the disposal or partial disposal of the foreign operation.

e. Price risk

The Group is exposed to securities price risk. This arises from the Group's investments in financial instruments held at fair value.

Sensitivity analysis

As at year end, if the key inputs discussed in Note 19f(ii) have moved, post tax profit and reserves would have been affected as follows:

	2019		2018	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Held-for-sale financial assets				
- variable inputs - impact on profit after tax	1,648	(1,468)	–	–
Financial assets at FVTPL				
- 1% (2018: 10%) variable inputs - impact on profit after tax	4,182	(3,645)	3,500	2,800
Financial assets at fair value through OCI (2018: available-for-sale investments)				
- variable inputs - impact on profit after tax[1]	–	–	–	(1,763)
- variable inputs - impact on equity	2,755	(2,301)	2,442	(1,920)

Note:
[1] The prior year changes in variable inputs (for example, a lower discount rate applied in the valuation of the investment in Nereus would result in the Group to make up for the shortfall in the redemption value of the Class H in Nereus). Although Nereus was classified as available-for-sale investment in 2018, this additional obligation will have an impact in the profit or loss. Any increase in variable inputs would not have an impact in the profit or loss.

	2019		2018	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Financial liabilities at FVTPL				
- 1% variable inputs - impact on profit after tax	(134)	129	(4)	7

f. Fair value estimation

(i) Fair value hierarchy

Some of the Group's financial assets and financial liabilities are measured on a recurring basis at fair value at the end of each reporting period.

The Group classifies fair value measurements using the fair value hierarchy 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.

The following table gives information about how the fair values of those financial assets / liabilities categorised as Level 3 items are determined (in particular, the valuation techniques and inputs used):

Financial instruments	2019 $'000	2018 $'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable input
Held-for-sale					
Investment in Nereus[1]	–	–	Discounted cash flow. Future cash flows are determined from expected cash available for distribution to shareholders. Net cash flows are based on revenues and expenses generated by the two solar projects discounted at 12.46% (2018:10.7%).	Discount rate Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value.
Financial assets at FVTPL					
Investment in Carlisle (acquired on 31 January 2019)	48,766	–	Cost. This was acquired on 31 January 2019. It was determined that the acquisition cost approximates its fair value.	Discount rate from the acquisition model. Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the discount rate, the lower the fair value.
Receivable from Raven[2]	3,855	4,330	Discounted cash flow. Future cash flows are determined based on the projected earn-out payments in relation to the new FUM of the business discounted at 7.78% (2018: 9.03%).	Discount rate was derived based on the adjusted risk-free rate of a USA 10-year government bond plus the size risk factors partially mitigated by the nature of Raven's funds (closed-end funds).	The higher the discount rate, the lower the fair value.

Financial instruments	2019 $'000	2018 $'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable input
Investment in RARE (sold on 10 October 2018)	–	21,500	Discounted cash flow. Future cash flows are determined based on current and projected FUM of the business using various growth rates discounted at 30 June 2019 at 12.5% to 13%.	Discount rate Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value.
Financial assets at FVTOCI					
Investment in EAM Global	8,543	10,129	Discounted cash flow. Future cash flows are determined based on current and projected FUM of the business using various growth rates discounted at 18.5% (2018: 18.5%).	Discount rate Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value.
Investment in GQG	56,526	43,487	Discounted cash flow. Future cash flows are determined based on current and projected FUM of the business using various growth rates discounted at 15% (2018: 15%).	Discount rate Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value.
Investment in IFP (acquired on 24 January 2019)	1,531	–	Cost. This was acquired on 24 January 2019. It was determined that the acquisition cost approximates its fair value.	Discount rate from the acquisition model. Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the discount rate, the lower the fair value.
Financial liabilities at FVTPL					
Earn out liability	12,657	–	Discounted cash flow. Future cash flows are determined based on the projected revenues through-out the life of the fund discounted at 8%.	Discount rate	The higher the discount rate, the lower the fair value.
Deferred payment	165	169	Discounted cash flow. Future cash flows are determined based on the current and projected FUM of the business for the years' ending 31 March 2022 and 2023 discounted at 18.5% (2018: 18.5%).	Discount rate Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value.

Notes:

[1] At 30 June 2019, the investment in Nereus was classified as held-for sale (refer to Note 10 for details). The cost to sell and the difference between the assessed value of the underlying assets and the value of Class H shares were recognised as a provision (refer to Note 14 for details).

[2] The receivable from Raven was measured at amortised cost at 30 June 2018 and was recategorised as at fair value through profit or loss at 1 July 2018 as a result of the adoption of AASB 9. Refer to Note 30 for details.

(ii) Valuation inputs and relationships to fair value

The following are the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements:

(ii.a) Held-for-sale

Investment in Nereus

In determining the fair value of the investment in Nereus, revenues were derived from applying terms of long-term power purchase agreements to the expected output of the solar power projects owned by Nereus based on 12.46% (2018: 10.7%) cost of capital. Power output was determined using PVSyst, the standard in solar output forecasting. Expenses are based on executed long-term operating and maintenance contracts for the service of the solar projects. With output/revenues and expenses effectively stable, varying the cost of capital demands of a potential acquirer is the primary variable for determining the value of Nereus. At 30 June 2019, management's assessment of the fair value of the solar projects in Nereus is approximately $23,070,000 (USD16,203,000).

Applying 1% (2018: 1%) lower or higher to the rate of cost of capital, while all the other variables were held constant, the fair value would still be $nil. For the year ended 30 June 2019 the obligation of the Group would decrease by $1,468,000 for a 1% decrease in the discount rate and increase by $1,648,000 for a 1% increase in the discount rate. For the year ended 30 June 2018, the Group would be entitled to $1,763,000 for a 1% decrease in the discount rate and an obligation of $308,000 for a 1% increase in the discount rate.

(ii.b) Financial assets at FVTPL

(ii.b.1) Investment in Carlisle

In calculating the sensitivity of the investment in Carlisle, the discount rate of 14.08% from the acquisition model was used.

If the discount factor was 1% lower or higher, while all the other variables were held constant, the fair value would increase by $5,235,000 and decrease by $4,556,000.

(ii.b.2) Receivable from Raven

In determining the fair value of receivable from Raven, the cash flows from the new FUM is discounted by applying a discount factor of 7.78% (2018: 9.03%).

If the discount factor was 1% lower or higher while all the other variables were held constant, the fair value would increase by $59,000 and decrease by $57,000.

At 30 June 2018, the receivable from Raven was measured at amortised cost and was recategorised to FVTPL on 1 July 2018. Refer to Note 30 for details.

(ii.b.3) Investment in RARE

In determining the fair value of the investment in RARE in the prior year, a 2.5% fee compression has been used and a discount factor of 12.5% to 13% was applied on the revenue share based on a sliding scale proportion of the net revenues of RARE.

If these revenue inputs to the valuation model were 10% higher while all the other variables were held constant, the fair value would have increased by $5,000,000. On the other hand, if these revenue inputs to the valuation model were 10% lower while all the other variables were held constant, the fair value would have increased by $4,000,000.

The investment in RARE was sold on 10 October 2018.

(ii.c) Financial assets at FVTOCI

(ii.c.1) Investment in EAM Global

In determining the fair value of the investment in EAM Global, a revenue growth derived from FUM growth factor of 5% to 10.5% (2018: 10% to 42.8%) has been used with appropriate probabilities assigned to each, applying an average fee rate based on the expected, weighted average fees across all funds. In addition, 0% (2018: 5%) fee compression has been used, discount factor of 18.5% and growth rate of 3% (2018: discount factor of 18.5% and growth rate of 3%) have been applied.

If the growth rate in the revenue inputs to the valuation model were 1% (2018: 1%) higher or lower while all the other variables were held constant, the fair value would increase by $285,000 and decrease by $285,000 (2018: increase by $270,000 and decrease by $405,000).

(ii.c.2) Investment in GQG

In determining the fair value of the investment in GQG, a revenue growth derived from FUM growth factors ranging from 10% to 22.3% (2018: 10% to 50%) has been used with appropriate probabilities assigned to each, applying an average fee rate based on the expected, weighted average fees across all funds. In addition, 5% (2018: 5%) fee compression has been used, discount factor of 15% and terminal growth rate of 3% (2018: discount factor of 15% and terminal growth rate of 3%) have been applied.

If the terminal growth was 1% (2018: 1%) lower or higher, while all the other variables were held constant, the fair value would increase by $3,132,000 and decrease by $2,563,000 (2018: increase by $2,431,000 and decrease by $2,026,000).

(ii.c.3) Investment in IFP

In calculating the sensitivity of the investment in Carlisle, the discount rate of 7.7% from the acquisition model was used.

If the discount factor was 1% lower or higher, while all the other variables were held constant, the fair value would increase by $70,000 and decrease by $65,000.

(ii.d) Financial liabilities at FVTPL

Earn-out liability

In determining the fair value of the earn-out liability, a discount rate of 8% was used.

If the discount rate was 1% higher or lower while all the other variables were held constant, the fair value would increase by $164,000 and decrease by $158,000.

Deferred payment

In determining the fair value of deferred payment - former owners of EAM Global, a projected 2% and 1% (30 June 2018: 2% to 1%) of its gross revenues for the years ending 31 March 2022 and 2023 was used as the basis. In addition, a discount factor of 18.5% (30 June 2018: 18.5%) has been applied and no compression was assumed.

If the discount rate was 1% higher or lower while all the other variables were held constant, the fair value would increase by $5,000 and decrease by $5,000 (30 June 2018: increase by $4,000 and decrease by $7,000).

(iii) Transfers between levels and changes in valuation techniques

There were no transfers between the levels of fair value hierarchy during the financial year. There were also no changes made to any of the valuation techniques applied as at 30 June 2019.

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

Except as detailed in the table below, the carrying amounts of financial assets (cash and cash equivalents, short-term deposits, trade and other receivables, loans receivable from third parties) and financial liabilities (trade and other payables, bank overdraft and share of deferred commitments) recognised in the consolidated financial statements approximate their fair values.

	2019		2018	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets at amortised cost				
- Receivable from other party	5,108	5,108	10,092	10,051
- Receivable from EAM Investors	2,600	2,587	2,966	2,970
- Receivables from Raven	–	–	4,330	4,330
- Sublease receivable	607	623	803	795
Financial liabilities at amortised cost				
- Notes payable - Seizert	7,499	7,396	13,417	12,859
- Sublease liability	501	525	668	659

20. Capital commitments, operating lease commitments and contingencies

	2019 $'000	2018 $'000

(a) Capital commitments

The Group has outstanding capital commitments as follows:

	2019 $'000	2018 $'000
- IFP subsequent capital calls subject to certain milestones (USD1,500,000)	2,136	–
- CAMG further drawdowns until April 2021 (GBP2,500,000)	4,520	4,459
- Nereus escrow facility (USD5,000,000)[1]	7,119	6,753
- GQG to be drawn to fund the operations of the business (USD1,333,000) until 1 June 2019	–	1,801
- NLAA capital call to be further invested at any time up to 10 April 2019 (USD400,000)	–	540
Total capital commitments	**13,775**	**13,553**

(b) Operating lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases:

	2019 $'000	2018 $'000
- not later than one year	779	750
- later than one year and not later than five years	2,092	2,335
- later than five years	336	672
Total lease commitments	**3,207**	**3,757**

The operating lease commitments predominantly represents the commercial property leases of the Group to meet its office accommodation requirements. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

(c) Contingencies

The Group has the following contingent liabilities where the amount could not be determined as at 30 June 2019:

- Earn-out payments for the future funds of Aether

  This represents the potential earn out liability to be owed by the Group to the two founders of Aether, for marketing and offering interests for the set-up and successful launching of future Aether funds (ARA Fund VI and interim funds related to ARA Fund V and ARA Fund VI). Refer to Note 15 footnote 3 for details.

- Capital contributions to Nereus

  The Group has a contingent obligation to provide capital contributions to Nereus to cover shortfall payments when certain prescribed thresholds in respect to annual revenues of Nereus are not met.

Notes:

[1] The capital commitment to Nereus is the Group's obligation to cover the shortfall payments, which are basically the amounts that are drawn upon by Nereus if and when certain prescribed thresholds in respect to annual revenues of Nereus are not met. These shortfall payments are drawn from the escrow account. The Group shall contribute additional amounts to the escrow account equal to any amounts drawn down by Nereus so that the balance of the of the escrow account will be kept at USD5,000,000.

E. GROUP STRUCTURE

21. Interests in subsidiaries

The following are the Company's subsidiaries:

Name of subsidiaries	Country of incorporation	Ownership interest held by the Company	
		2019 %	2018 %
Aurora Investment Management Pty Ltd	Australia	100	100
The Aurora Trust	Australia	100	100
Treasury Evergreen Pty Ltd[1]	Australia	100	100
Treasury Group Investment Services Pty Ltd	Australia	100	100
Treasury ROC Pty Ltd[1]	Australia	100	100
Northern Lights MidCo, LLC (“Midco”)	USA	100	100
Northern Lights Capital Group, LLC	USA	100	100
Carlisle Acquisition Vehicle, LLC (“CAV”)[2]	USA	100	-
NLCG Distributors, LLC	USA	100	100
Northern Lights Capital Partners (UK) Ltd (“NLCPUK”)	UK	100	100
Strategic Capital Investments, LLP	UK	60	60
Northern Lights MidCo II, LLC	USA	100	100
Aether Investment Partners, LLC	USA	100	100
Seizert Capital Partners, LLC[3]	USA	50	50

Notes:
[1] These subsidiaries are holding companies and non-operating.
[2] CAV is a limited liability company set-up on 12 January 2019 to hold the Group’s investment in Carlisle. Midco owns 95% and the remaining 5% is owned by NLCPUK.
[3] The Aurora Trust owns 50% of the common units which are entitled to the 50% voting rights and the 100% of the preferential units which have a preference in the allocation of income and the majority of Board seats which are the basis of control and therefore the treatment of Seizert as a subsidiary.

Accounting policies

(i) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders, potential voting rights held by the Company, other vote holders or other parties, rights arising from other contractual arrangements, and any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

(ii) Foreign currency translations and balances

Functional and presentation currency

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

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

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

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

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

22. Intangible assets

a. Analysis of balances

	2019 $'000	2018 $'000
Goodwill, net of impairment	58,133	79,977
Other identifiable intangible assets, at carrying amount		
- Brand and trademark	18,055	17,126
- Management rights	17,906	7,723
	35,961	24,849
Total intangible assets	**94,094**	**104,826**

	Goodwill $'000	Brand and trademark $'000	Management rights $'000	Total $'000
Movement of intangible assets				
2019				
Opening balance	79,977	17,126	7,723	104,826
Additions[1]	–	–	12,213	12,213
Impairment	(25,943)	–	–	(25,943)
Amortisation	–	–	(2,624)	(2,624)
Other movement	–	–	189	189
Effect of foreign currency differences	4,099	929	405	5,433
Closing balance	58,133	18,055	17,906	94,094
2018				
Opening balance	77,159	16,520	8,731	102,410
Amortisation	–	–	(1,362)	(1,362)
Effect of foreign currency differences	2,818	606	354	3,778
Closing balance	79,977	17,126	7,723	104,826

Cash generating units

Goodwill:

	2019 $'000	2018 $'000
- Aether	44,414	43,641
- Seizert	13,719	36,336
	58,133	**79,977**

Notes:

[1] The additions to the management rights refer to the Group's entitlement to receive the management fees to be generated from managing ARA Fund V. The cost to acquire this right was determined based on the 50% of the total revenues to be generated by ARA Fund V. Refer to Note 15 footnote 3 for details.

b. Accounting policies

(i) 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.

(ii) Brand and trademark and management rights

Brand and trademark and management rights acquired as part of a business combination are recognised separately from goodwill. These are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

- Brand and trademark – Subsequent to initial recognition, brand and trademark which have indefinite lives are reported at cost less accumulated impairment losses.
- Management rights – Subsequent to initial recognition, management rights are reported at cost less accumulated amortisation and accumulated impairment losses. Management rights are amortised as follows:
  - Acquired in 2014 – based on a straight-line basis over their estimated remaining useful life of 6.67 years; and
  - Acquired in 2019 – based on 50% of the annual revenue to be earned from ARA Fund V over 12 years.

(iii) Impairment of goodwill

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

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

(iv) Impairment of brand and trademark and management rights

At the end of each reporting period, the Group reviews the carrying amounts of its brand and trademark and management rights to determine whether there is any indication that these 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).

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

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Any impairment loss is recognised immediately in profit or loss.

c. Key estimates, judgments and assumptions

Impairment of goodwill and other identifiable intangible assets

At the end of each reporting period, management is required to assess the level of goodwill and other identifiable intangible assets of each of the underlying assets of the Group. Should assets underperform or not meet expected growth targets from prior expectations, a resulting impairment of the goodwill and other identifiable intangible assets are recognised if that deterioration in performance is deemed not to be derived from short term factors such as market volatility. Factors that are considered in assessing possible impairment in addition to financial performance include changes to key investment staff, significant investment underperformance and litigation. Impairments of goodwill in relation to subsidiaries cannot be reversed if a business recovers or exceeds previous levels of financial performance.

Aether

The recoverable amount of Aether as cash-generating unit is determined based on a value in use calculation which uses cash flow projections. These cash flow projections include expected revenues from existing funds, which are largely certain, as well as anticipated new fund raising every two years. A five-year discrete period was applied as it is believed that it is sufficient time for the business to be in steady state in terms of launching new funds based on the existing plan for the business. During the year, the goodwill and other identifiable intangible assets were assessed and tested for impairment and $1,590,000 impairment (2018: nil) was recognised.

A weighted average discount rate of 15.5% (2018: 15.5%) was applied in the cash flow projections during the discrete period, tax rate of 21% (2018: 21%) and the terminal growth rate of 3% (2018: 4%) were applied.

Seizert

The recoverable amount of Seizert as cash-generating unit is determined based on a value in use calculation which uses cash flow projections. These cash flow projections include expected revenues from existing funds under management, as well as expected FUM movement over the future years. A five-year discrete period was applied as it is believed that it is sufficient time for the business to be in steady state. During the year, the goodwill and other identifiable intangible assets were assessed and tested for impairment and a total impairment of $24,353,000 (2018: nil) was recognised.

A weighted average discount rate of 13.5% (2018: 13.5%) was applied in the cash flow projections during the discrete period, tax rate of 21% (2018: 21%) and the terminal growth rate of 3% (2018: 4%) were applied.

Sensitivity analysis

An analysis was conducted to determine the sensitivity of the impairment test to reasonable changes in the key assumptions used to determine the recoverable amount of the CGU. The sensitivities tested include a 5% reduction in the annual cash flow of the CGU, a 1% decrease in the terminal growth rate used to extrapolate cash flows beyond financial year 2020 and a 1% increase in the discount rate applied to cash flow projections.

The impact on the impairment as result of these sensitivities is shown below:

Sensitivity	Impact on impairment assessment	Amount of impairment $'000
A 5% decrease in cash flows	Further impairment of Seizert	1,093
A 1% decrease in terminal growth rate	Further impairment of Seizert	1,074
A 1% increase in discount rate	Further impairment of Seizert and impairment of Aether	3,678

AASB 136 requires that where a reasonably possible change in a key assumption would cause the carrying amount of the CGU to exceed its recoverable amount, the value at which an impairment first arises shall be disclosed. An impairment to Aether at 30 June 2019 would first arise if the discount rate was increased by 1%.

23. Investment in associates

a. Analysis of balances

	2019 $'000	2018 $'000
Opening balance	46,023	79,499
Acquisition of associates	94,825	2,724
Contribution to associates	127	144
Share of net profits/(loss) of associates	1,118	(4,374)
Share of unrealised loss reserve of an associate	–	(106)
Reversal of share of unrealised gains reserve of an associate	–	(131)
Dividends and distributions received/receivable	(5,716)	(13,366)
Sale of investment in associates	(30,185)	(15,034)
Impairment	(2,914)	(4,818)
Charged to expense	178	–
Foreign currency movement	6,687	1,485
Closing balance	110,143	46,023

(i) Details of associates

Associates	Principal activity	Ownership interest 2019 %	2018 %	Place of incorporation and operation
Aether General Partners[1]	Funds Management	**25.00**	25.00	USA
AlphaShares, LLC[2]	Funds Management	**36.53**	36.53	USA
Aperio Group, LLC[3]	Funds Management	**-**	23.38	USA
Blackcrane Capital, LLC[4]	Funds Management	**25.00**	25.00	USA
Capital & Asset Management Group, LLP[5]	Funds Management	**20.00**	20.00	USA/UK
Celeste Funds Management Limited[6]	Funds Management	**-**	27.48	Australia
Freehold Investment Management Limited[7]	Funds Management	**30.89**	30.89	Australia
Northern Lights Alternative Advisors LLP[8]	Placement Agent	**23.00**	23.00	UK
Roc Group[9]	Funds Management	**17.59**	17.59	Australia
Victory Park Capital Advisors, LLC[10]	Funds Management	**24.90**	-	USA
Victory Park Capital GP Holdco, L.P.[11]	Funds Management	**24.90**	-	USA

Notes:

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

[2] AlphaShares, LLC provides investors with direct exposure to Chinese markets primarily through a series of China related equity indexes.

[3] Aperio is an investment management firm based in California with highly customised index-based portfolios using Aperio's expertise in tax management, factor tilts and passive investments. The investment was sold on 8 August 2018.

[4] Blackcrane is a boutique asset management firm focusing on global and international equities.

[5] CAMG is a private infrastructure investment firm based in London and Washington DC.

[6] Celeste is an Australian equity manager with smaller company focus. The investment was sold on 3 October 2018.

[7] FIM is a specialist investment manager focusing on Australian and global real estate and infrastructure sectors.

[8] NLAA is a strategic partner and placement agent for hedge funds, private equity, private credit and longer duration specialist funds. NLAA is based in London.

[9] Roc Group includes Roc Partners Pty Ltd, Roc Management Services Trust and Roc Partners (Cayman) Limited. Roc Partners is a leading alternative investment manager specializing in private equity in the Asia Pacific Region.

[10] VPC is an investment firm specialising in managing funds and mandates investing in non-bank lending. The investment was acquired on 3 July 2018.

[11] VPC-Holdco holds direct and indirect interest in VPC funds and their general partner entities. The investment was acquired on 3 July 2018.

(ii) Acquisitions of associates

On 3 July 2018, the Group acquired 24.9% equity interest in each of VPC and VPC-Holdco for $69,114,000 (USD51,020,000) and $25,711,000 (USD18,980,000), respectively. The acquisition of VPC included management rights and goodwill of $72,483,000. The acquisition of VPC-Holdco included a goodwill of $25,789,000.

In the prior year, the Group acquired 20% equity interest in CAMG on 6 April 2018 for an initial consideration of $2,724,000 (GBP1,500,000).

(iii) Sale of investment in associates

On 8 August 2018, the Group sold its 23.38% equity interest in Aperio. The Group originally acquired the stake for $44,181,000 (US$31,786,000) in two tranches in January 2016 and January 2017. On 4 October 2018, the sale was completed and the proceeds amounting to $101,593,000 (USD71,906,000) before tax were received.

On 3 October 2018, the Group sold its 27.48% equity interest in Celeste for $1,595,000.

In the prior year, the Group sold its 40% legal interest in IML for $116,879,000 and 18.81% equity interest in Goodhart for $3,186,000 (USD2,385,000).

The above sale transactions resulted in the recognition of a gain in profit or loss, calculated as follows:

	2019 $'000	2018 $'000
Considerations received	103,188	120,065
Less: Carrying amount of investments on the date of sale	(30,185)	(15,034)
Gains recognised on the sale	73,003	105,031

b. Summarised financial information for associates

	Aperio[1] $'000	VPC $'000	VPC-Holdco $'000	Aggregate of immaterial associates $'000	Total $'000
2019					
Comprehensive income					
Revenue for the year	18,873	32,488	5,015	33,287	89,663
Profit after tax for the year	9,144	2,361	4,762	3,004	19,271
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	9,144	2,361	4,762	3,004	19,271
Dividends/distributions received during the year	3,878	–	971	867	5,716
The above profit after tax includes the following:					
- Depreciation and amortisation	48	960	–	1,206	2,214
- Interest income	–	10	–	38	48
- Interest expense	–	717	–	320	1,037
- Income tax expense	–	–	–	830	830
Financial position					
Current assets	–	39,229	8,981	17,702	65,912
Non-current assets	–	12,074	–	15,374	27,448
Current liabilities	–	(52,483)	(257)	(10,460)	(63,200)
Non-current liabilities	–	(3,795)	–	(5,899)	(9,694)
Net (liabilities)/assets	–	(4,975)	8,724	16,717	20,466
Reconciliation of the summarised financial position to the carrying amount recognised by the Group:					
- Net assets before determination of fair values	–	(4,975)	8,724	16,717	20,466
- Ownership interest in %	–	24.90%	24.90%	22.18%[2]	
- Proportion of the Group's ownership interest	–	(1,239)	2,172	3,708	4,641
- Acquired goodwill and intangibles	–	68,603	23,538	9,820	101,961
- Impairment	–	–	–	(2,914)	(2,914)
- Undistributed profits	–	588	216	(14)	790
- Foreign currency movement	–	3,508	1,313	844	5,665
Closing balance	–	71,460	27,239	11,444	110,143
The above assets and liabilities include the following:					
- Cash and cash equivalents	–	723	–	8,004	8,727
- Current financial liabilities (excluding trade and other payables and provisions)	–	15,697	–	35	15,732
- Non-current financial liabilities (excluding trade and other payables and provisions)	–	2,770	–	4,673	7,443

Notes:

[1] Aperio was sold on 8 August 2018, therefore the profit or loss information only covers the period 1 July 2018 to the date of disposal.

[2] The rate relates to multiple different % across multiple entities.

	Aperio $'000	IML[3] $'000	Aggregate of immaterial associates $'000	Total $'000
2018				
Comprehensive income				
Revenue for the year	61,556	14,137	41,334	117,027
(Loss)/profit after tax for the year	(31,783)[4]	6,614	8,101	(17,068)
Other comprehensive income for the year	–	(238)	–	(238)
Total comprehensive income for the year	(31,783)	6,376	8,101	(17,306)
Dividends/distributions received during the year	4,103	7,805	1,458	13,366
The above (loss)/profit after tax includes the following:				
- Depreciation and amortisation	123	63	1,009	1,195
- Interest income	–	51	7	58
- Interest expense	–	–	458	458
- Income tax expense	–	2,834	1,138	3,972
Financial position				
Current assets	21,706	–	16,791	38,497
Non-current assets	948	–	17,082	18,030
Current liabilities	(71,484)	–	(8,457)	(79,941)
Non-current liabilities	–	–	(5,804)	(5,804)
Net (liabilities)/assets	(48,830)	–	19,612	(29,218)
Reconciliation of the summarised financial position to the carrying amount recognised by the Group:				
- Net (liabilities)/assets before determination of fair values	(48,830)	–	19,612	(29,218)
- Ownership interest in %	20.38%	–	22.56%[2]	
- Proportion of the Group's ownership interest	(9,952)	–	4,424	(5,528)
- Acquired goodwill and intangibles	40,197	–	14,496	54,693
- Impairment	–	–	(4,818)	(4,818)
- Undistributed profits	–	–	191	191
- Foreign currency movement	990	–	495	1,485
Closing balance	31,234	–	14,788	46,023
The above assets and liabilities include the following:				
- Cash and cash equivalents	19,697	–	8,502	28,199
- Current financial liabilities (excluding trade and other payables and provisions)	64,796	–	1,723	66,519
- Non-current financial liabilities (excluding trade and other payables and provisions)	–	–	4,364	4,364

Notes:

[3] IML was sold on 3 October 2017, therefore the profit or loss information only covers the period 1 July 2017 to the date of disposal.

[4] Aperio's net loss included $62,643,000 valuation of the S Class units which were accounted for as share based payments, of which $12,905,000 was the share of the Group. The corresponding liability was included as part of current liabilities.

c. Accounting policies

(i) Associates

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

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

The results of associates are incorporated in the consolidated financial statements using the equity method of accounting from the date on which the investee becomes an associate. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income or loss of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

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

(ii) Impairment

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

(iii) Disposal

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

d. Key estimates, judgments and assumptions

Impairment of investments in associates

At the end of each reporting period, management is required to assess the carrying values of each of the underlying investments in associates of the Group. Should assets underperform or not meet expected growth targets from prior expectations, a resulting impairment of the investments is recognised if that deterioration in performance is deemed not be derived from short term factors such as market volatility. Factors that are considered in assessing possible impairment in addition to financial performance include changes to key investment staff, significant investment underperformance and litigation. A significant or prolonged decline in the fair value of an associate below its cost is also an objective evidence of impairment. During the year, the investments in associates were tested for impairment. AlphaShares, LLC, Blackcrane and FIM were impaired for $2,914,000 (2018: $4,818,000 for NLAA).

Sensitivity analysis

An analysis was conducted to determine the sensitivity of the impairment test to reasonable changes in the key assumptions used to determine the recoverable amount of the Group's investment in associates. The sensitivities tested include a 5% reduction in the annual cash flow of the associates, a 1% decrease in the terminal growth rate used to extrapolate cash flows beyond financial year 2020 and a 1% increase in the discount rate applied to cash flow projections.

The impact on the impairment as result of these sensitivities is shown below:

Sensitivity	Impact on impairment assessment	Amount of impairment $'000
A 5% decrease in cash flows	Further impairment of Alphashares, LLC	5
A 1% decrease in terminal growth rate	No impact	–
A 1% increase in discount rate	Impairment of VPC	136

AASAB 136 requires that where a reasonably possible change in a key assumption would cause the carrying amount of the investment in associates to exceed its recoverable amount, the value at which an impairment first arises shall be disclosed. An impairment to VPC at 30 June 2019 would first arise if the discount rate was increased by 1%.

24. Parent entity disclosures

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

	2019 $'000	2018 $'000
Summarised statement of financial position		
Assets		
Current assets	3,342	22,056
Non-current assets	225,112	225,088
Total assets	228,454	247,144
Liabilities		
Current liabilities	36,184	35,690
Non-current liabilities	1,609	5,504
Total liabilities	37,793	41,194
Net assets	**190,661**	**205,950**
Equity		
Share capital	166,279	166,279
Retained earnings	19,765	36,070
Reserves	4,617	3,601
Total equity	**190,661**	**205,950**

Summarised statement of profit or loss and other comprehensive income

	2019 $'000	2018 $'000
(Loss) for the year	(7,030)	(21,711)
Other comprehensive income for the year	–	–
Total comprehensive (loss) for the year	**(7,030)**	**(21,711)**

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

25. Related party transactions

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

	2019 $	2018 $
Compensation paid to key management personnel (KMP) of the Company		
Short-term employee benefits	2,628,029	3,390,172
Post employment benefits	79,191	74,716
Termination benefits	350,378	–
Share based payments	1,015,992	1,135,661
	4,073,590	**4,600,549**

Detailed remuneration disclosures are provided in the Remuneration Report.

Apart from the above, the Group had no other transactions with Directors, their related parties or loans to KMP.

	2019 $	2018 $
Transactions with associates and affiliated entities		
Revenue and other income transactions		
- Commission income (Blackcrane and GQG)	5,076,630	5,989,825
- Retainer fees (Blackcrane, GQG and VPC)	751,483	186,656
- Service fees (AlphaShares, LLC and Blackcrane)	65,101	75,891
- Interest income (ROC Partners Pty Ltd and FIM)	–	178,214
- Dividends and distributions income (GQG)	11,146,488	3,071,366
- Other income – Rent (FIM)	2,500	30,182
Investment in associates transactions		
- Additional contributions	126,662	143,743
- Dividends and distributions	5,716,267	13,365,544
- Collections of loans to associates (ROC Partners Pty Ltd and FIM)	–	3,594,962
Ending balances		
- Trade receivables (AlphaShares, LLC, Blackcrane, GQG and VPC)	2,407,876	1,552,290
- Dividends receivable (FIM, GQG and ROC)	2,812,748	72,594

The above transactions with related parties were on normal terms and conditions.

F. RESTATEMENT

26. Restatement of consolidated financial statements

In the Group's financial statements for the year ended 30 June 2018, a restatement was required for the year ended 30 June 2017 to recognise that the tax status of the Company for USA tax purposes had changed. This occurred on 13 April 2017 when the Company moved from partial to full ownership through acquisition of the remaining units in the Trust held by Northern Lights Capital Partners ("NLCP") and Fund BNP Paribas Capital Partners Participations ("BNP Paribas"). The Company became the ultimate entity liable for the tax obligations in the USA arising from the taxes on its USA based investments and gains on the disposal of any of its investments.

For historical purposes, the Trust elected to be treated as a partnership for USA tax purposes when it was formed in August 2014. The partners of the Trust following the 25 November 2014 merger included the Company, NLCP and BNP Paribas.

Following the redemption of the X-RPU units on 13 October 2017, the Trust was deemed to be liquidated for USA tax purposes as it became wholly-owned by the Company. The deemed liquidation event and USA Internal Revenue Code Section 732 permits the Company to "step-up" the tax basis of all the Trust's investments. The basis step-up equals the fair value of amounts exchanged by the Company with the departing partners less any pre-existing tax basis held by the departing partners. In this case, the exchange of the Company shares with NLCP and BNP Paribas, as well as the redemption of NLCP and BNP Paribas' X-RPU units in the Trust in October 2017 were the consideration paid in connection with the deemed liquidation of the Trust.

During the current financial year, management worked with an external tax expert to recalculate the USA tax basis of the Company's individual assets held through the Trust. The purpose and results of the USA tax basis analysis (the "USA Basis Analysis") were to ensure the Company continues to effectively and appropriately manage its tax compliance in various jurisdictions, including the required reporting of any USA tax basis adjustments on the Company's USA tax filing for the financial year ended 30 June 2018 which was lodged in April 2019.

Under the USA Internal Revenue Code and partnership tax rules, the tax basis of an asset is calculated for USA tax purposes as the initial cost basis. To the extent the investment is held in partnership form, further basis adjustments are made for income/(loss) recognition, as well as capital contributions (distributions). Upon formation of the Trust, USA tax basis rules would provide that all assets contributed to the Trust, by both the Company and NLCP, are contributed with tax basis equal to initial cost basis (along with any adjustments for partnership investments as appropriate).

The USA Internal Revenue Code also permits tax basis adjustments to individual assets in certain circumstances to reflect various types of transactions, including when the gain is otherwise recognised by a partner on disposition of its interest in the partnership or a partnership is actually (or deemed) liquidated.

Collectively, the deemed liquidation and the result of the USA Basis Analysis allowed the Group to adjust the individual tax basis in each of its global asset base by over USD73,304,000, with the tax basis adjustment being allocated to individual investments based on their relative fair market value as of the Trust's deemed liquidation date in October 2017. Of the total tax basis adjustment, approximately USD13,246,000 was allocated to Australian assets, USD59,473,000 was allocated to the USA assets, and USD585,000 was allocated to other jurisdictions.

The Group pays taxes in the USA based on earnings its USA investments generate, as well as on any gains on the disposal of any USA investment. The USA Basis Analysis resulted in USD59,473,000 of additional tax basis specific to USA based investments which will result in future USA tax savings upon a sale of a USA investment. For example, a USA tax obligation was crystallised during the current year ended 30 June 2019 with the sale of Aperio in October 2018. The Group therefore recorded a deferred tax asset of USD20,815,000 (gross) as additional tax basis to be used to reduce future tax obligations.

a. Impact on deemed liquidation date (17 October 2017)

Of the USD59,473,000 increase in tax basis, USD41,391,000 was allocated to investments other than those that were held as available for sale investments (restatement was recorded in profit or loss) and USD18,081,000 was allocated to available-for-sale investments (restatement was recorded in other comprehensive income).

The tax result of USD14,487,000 was recognised as an income tax benefit and USD6,328,000 was recognised through the investment revaluation reserve. These deferred tax assets were based on a US corporate tax rate of 35%, which was in place as of the deemed liquidation being 17 October 2017.

b. Impact at 30 June 2018

Of the USD59,473,000 tax base uplift referred above, only USD44,360,000 was required to be accounted for at 30 June 2018 given that USD15,113,000 tax base uplift had previously been recognised at 30 June 2018. Of this USD44,360,000 tax base up lift, USD26,278,000 related to assets other than the available-for-sale investments (restatement has been recorded in profit or loss) and USD18,081,000 related to available-for-sale investments (restatement was recorded in other comprehensive income).

The tax result of USD7,226,000 (USD26,278,000 at 27.5% effective income tax rate) was recognised as an income tax benefit.

An income tax benefit of USD4,972,000 (USD18,081,000 at 27.5% effective income tax rate) was recognised through the investment revaluation reserve.

(i) Impact to the consolidated statement of profit or loss

The table below discloses the impact of the restatement on the consolidated statement of profit or loss for the year ended 30 June 2018.

Affected profit or loss accounts	Previously Reported $'000	Tax Restatement $'000	Restated $'000
Profit before income tax expense	95,410	–	95,410
Income tax (expense)/benefit[1]	(4,602)	7,371	2,769
Profit for the year	90,808	7,371	98,179
Attributable to:			
The members of the parent	90,232	7,371	97,603
Non-controlling interests	576	–	576
	90,808	7,371	98,179
Earnings per share attributable to ordinary equity holders of the parent (cents per share):			
- Basic	189.39	15.47	204.86
- Diluted	189.06	15.47	204.53

Notes:

[1] This is the income tax benefit from the uplift in tax cost base of $9,759,000 (USD7,226,000, being USD26,278,000 at the 27.5%[2] effective income tax rate converted based on the average foreign currency rate for the full year) reduced by $2,388,000 (USD1,514,000) which is the movement of other temporary differences at 30 June 2018.

[2] On 22 December 2017, the US enacted the Tax Cuts and Jobs Act (the "TCJA"). Among other things, the TCJA reduces the US federal corporate tax rate from 35% to 21% percent effective on 1 January 2018. The Group remeasured its tax obligation using the average tax rate of 27.5% during the year.

(ii) Impact to the consolidated statement of other comprehensive income

The table below discloses the impact of the restatement on the consolidated statement of comprehensive income for the year ended 30 June 2018.

Affected other comprehensive income accounts	Previously Reported $'000	Tax Restatement $'000	Restated $'000
Profit for the year	90,808	7,371	98,179
Items that were reclassified to profit or loss			
Reversal of the share in net fair value gain on available-for-sale financial asset of an associate derecognised during the year	(131)	–	(131)
Items that may be reclassified subsequently to profit or loss			
Change in fair value on available-for-sale financial assets, net of income tax[3]	19,151	4,005	23,156
Foreign currency movement of investment revaluation reserve	1,337	–	1,337
Share of net fair value (loss) on available-for-sale financial asset of an associate	(106)	–	(106)
Exchange differences on translating foreign operations	12,180	1,747	13,927
	32,562	5,752	38,314
Other comprehensive income for the year	32,431	5,752	38,183
Total comprehensive income	**123,239**	**13,123**	**136,362**
Attributable to:			
The members of the parent	122,668	13,123	135,791
Non-controlling interests	571	–	571
	123,239	**13,123**	**136,362**

Notes:

[3] This is the $6,415,000 (USD18,082,000 at 27.5% effective income tax rate converted at spot rate) reduced by $2,509,000 (USD1,945,000) arising from the decrease in the tax basis for the available-for-sale investments recognised through investment revaluation reserve at 30 June 2018 and $99,000 foreign currency movement.

(iii) Impact to the consolidated statement of financial position

The table below discloses the impact of the restatements on the consolidated statement of financial position for the year ended 30 June 2018.

Affected financial position accounts	Previously Reported $'000	Tax Restatement $'000	Restated $'000
Current tax liabilities[4]	13,778	(910)	12,868
Total current liabilities	33,857	(910)	32,947
Non-current liabilities			
Deferred tax liabilities[5]	17,665	(12,213)	5,452
Total non-current liabilities	30,285	(12,213)	18,072
Total liabilities	64,142	(13,123)	51,019
Net assets	323,301	13,123	336,424
Equity			
Share capital	166,279	–	166,279
Reserves[6]	60,361	5,752	66,113
Retained earnings[7]	96,040	7,371	103,411
Non-controlling interests	621	–	621
Total equity	323,301	13,123	336,424

Notes:

[4] This is the impact of the Trust's blackhole deductions and accruals taken out as deductible items.

[5] This relates to the deferred tax asset on the uplift in tax cost base of $12,213,000 (USD9,316,000 being the 21% effective income tax rate on USD44,360,000 reduced by USD272,000 converted at spot rate).

[6] This relates to the total movement in the statement of other comprehensive income arising from the change in value of available-for-sale investment and exchange differences in translating foreign operations (refer to page 100).

[7] This is the profit or loss impact (refer to page 99).

G. OTHER INFORMATION

27. Share-based payments

a. The Group Long-Term Incentive (“LTI”) Plan

(i) Performance rights of Mr. Greenwood

Under the MD & CEO LTI Plan

The performance rights to Mr. Greenwood granted on 21 June 2018 was approved by the shareholders on 30 November 2018 at the Annual General Meeting. The issue of performance rights to Mr. Greenwood as part of his new role effective 1 July 2018 was no more than 2,500,000 performance rights. One tranche covers the performance period 1 July 2018 to 30 June 2021 and the other tranche covers the performance period 1 July 2018 to 30 June 2022. Tranche 1 and Tranche 2 have vesting dates of 30 June 2021 and 30 June 2022, respectively. Each tranche is subdivided into three lots with different performance conditions, one requiring continuous employment and a share price hurdle and the other two requiring different total shareholder return hurdles to be satisfied (refer to Section 3 of the Remuneration Report for details). The average value of each right was $0.609. The total value at grant date of these outstanding performance rights was $1,520,506 for an equivalent number of shares of 871,398. The performance rights on issue were valued on 30 November 2018 by an independent adviser using a Monte Carlo pricing model.

Under the Old LTI Plan

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

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

AON Hewitt (“AON”) was commissioned to provide a report to determine whether the performance rights issued on 5 October 2016 have vested as at 1 July 2019. AON determined that 41% of the 250,000 performance rights vested as at 1 July 2019 and accordingly, 102,500 ordinary shares of the Company will be issued to Mr. Greenwood.

Any securities to be allocated on vesting of the performance rights will be purchased on the market under this plan and therefore shareholder approval is not required or at Board’s discretion, shareholder approval may be sought.

AON was commissioned to provide a report to determine whether the performance rights issued on 15 February 2016 have vested as at 1 July 2018. AON determined that none of these performance rights vested as at 1 July 2018 and accordingly, 500,000 performance rights have lapsed as at 1 July 2018.

(ii) Performance rights of Mr. Ferragina

Under the Old LTI Plan

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

AON was commissioned to provide a report to determine whether the performance rights issued on 26 October 2016 have vested as at 1 July 2019. AON determined that 41% of 100,000 performance rights vested as at 1 July 2019. Thus 41,000 ordinary shares of the Company will be issued to Mr. Ferragina.

AON was commissioned to provide a report to determine whether the performance rights issued on 15 February 2016 have vested as at 1 July 2018. AON determined that none of these performance rights vested as at 1 July 2018 and accordingly, 305,000 performance rights have lapsed as at 1 July 2018.

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

(iii) Performance rights of officers and employees

Under the Employee Share Ownership Plan 2018

On 25 June 2019, the Company granted no more than 750,000 performance rights to certain officers in accordance with the Employee Share Ownership Plan approved by shareholders on 30 November 2018 at the 2018 Annual General Meeting. Tranche 1 covers the performance period 1 July 2018 to 30 June 2021 and Tranche 2 covers the performance period 1 July 2018 to 30 June 2022. Tranche 1 and Tranche 2 have vesting dates of 30 June 2021 and 30 June 2022, respectively. Each tranche is subdivided into three lots with different performance conditions, one requiring continuous employment and a share price hurdle and the other two requiring different total shareholder return hurdles to be satisfied. The average value of each right was $0.183. The total value at grant date of these outstanding performance rights was $136,993 for an equivalent number of shares of 222,913. The performance rights on issue were valued on 25 June 2019 by an independent adviser using a Monte Carlo pricing model.

(iv) Performance rights recognised in the profit or loss

The amount of performance rights amortisation expense for the year was $1,016,000 (2018: $1,381,000).

(v) Other

AON was commissioned to provide a report to determine whether the performance rights issued on 15 February 2016 have vested as at 1 July 2018. AON determined that none of these performance rights vested as at 1 July 2018 and accordingly, 264,000 performance rights have lapsed as at 1 July 2018.

b. Accounting policies

Equity settled transactions

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

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

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

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

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

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

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

c. Key estimates, judgments and assumptions

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using hybrid Monte-Carlo/binomial option pricing model with the assumptions. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

28. Auditors' remuneration

	2019 $	2018 $
Amounts received or due and receivable by Deloitte Touche Tohmatsu:		
- an audit or review of the financial report of the Group	955,000	992,966
- audit services related to the restatement of the Group's financial report	300,000	220,000
- other non-audit services	–	40,120
	1,255,000	1,253,086
Amounts received or due and receivable by related parties of Deloitte Touche Tohmatsu:		
- audit of subsidiary	109,264	–
- tax advisory and compliance services	648,059	384,839
	2,012,323	1,637,925
Other firms audit services		
- an audit or review of the financial report	299,917	405,717
- other non-audit services	6,624	–
- tax advisory and compliance services	6,696	–
	2,325,560	**2,043,642**

29. Significant events subsequent to reporting date

Other than the matters detailed below, there has been no matter or circumstance, which has arisen since 30 June 2019 that has significantly affected or may significantly affect in the financial years subsequent to 30 June 2019 either the operations or the state of affairs, of the Group.

On 2 July 2019, the Group acquired an additional 12.41% equity interest in Roc Group for $6,826,000 increasing the Group's equity interest to 30%.

On 30 August 2019, the Directors of the Company approved the issue of 102,500 ordinary shares for Mr. Greenwood and 41,000 ordinary shares for Mr. Ferragina, respectively, as a result of the vesting of their performance rights issued in October 2016.

On 30 August 2019, the Directors of the Company declared a final dividend on ordinary shares in respect of the 2019 financial year. The total amount of the dividend is $7,146,000 which represents a fully franked dividend of 15 cents per share. The dividend has not been provided for in the 30 June 2019 consolidated financial statements.

30. Adoption of new and revised Standards

a. New and amended AASB standards that are effective for the current year

(i) AASB 9: *Financial Instruments* – Impact of adoption

AASB 9 replaces the provisions of AASB 139: *Financial Instruments: Recognition and Measurement* that relate to recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment for financial assets; and general hedge accounting.

The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated.

(i.a) Classification and measurement

(i.a.1) Impact on the classification and measurement of financial assets

On 1 July 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. The main effects resulting from this reclassification are as follows:

Financial assets – 1 July 2018	**Loans and other receivables $'000**	**FVTPL $'000**	**Available-for-sale $'000**	**Other assets $'000**	**At amortised cost $'000**	**FVTOCI $'000**
Closing balance at 30 June 2018 – AASB 139:						
Current	5,775	–	–	5,442	–	–
Non-current	7,325	21,500	53,616	2,306	–	–
Closing balance after impact of AASB 15	13,100	21,500	53,616	7,748	–	–
Reclassification from loans and other receivables to amortised cost[1]	(13,100)	–	–	–	13,100	–
Reclassification from available-for-sale to FVTOCI[2]	–	–	(53,616)	–	–	53,616
Reclassification from other assets to FVTPL[3, 4]	–	4,330	–	(4,330)	–	–
Reclassification from other assets to amortised cost to combine similar financial assets[5]	–	–	–	(803)	803	–
Opening balance at 1 July 2018 – AASB 9	–	25,830	–	2,615	13,903	53,616
Split of the opening balance at 1 July 2018:						
Current	–	2,836	–	2,336	6,045	–
Non-current	–	22,994	–	279	7,858	53,616
	–	25,830	–	2,615	13,903	53,616

Notes:

[1] Reclassification from loans and other receivables to amortised cost

Receivable from other party, receivable from EAM Investors and loans receivable from third parties were reclassified from loans and receivables to at amortised cost. At the date of initial application, the Group's business model is to hold these assets for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount. There were no differences between the previous carrying amounts and the measurement requirement did not change from the adoption of AASB 9.

[2] Reclassification from available-for-sale to FVTOCI

The Group elected to present in other comprehensive income changes in the fair value of its equity investments in EAM Global and GQG previously classified as available-for-sale investments, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, the fair value of $53,616,000 was reclassified from available-for-sale financial assets to financial assets at FVTOCI. In respect to the fair value gains of $27,320,000 (net of income tax), these remained in the investment revaluation reserve with an explanation on the changes within the reserve (refer to Note 17(a) for details).

[3] Reclassification from available-for-sale to FVTPL

Investment in Nereus previously included as part of available-for-sale investments was reclassified to FVTPL.

Subsequent to 1 July 2018, investment in Nereus was reclassified as held for sale as discussed in Note 10 (footnote 9). Impairment for the additional contributions made to Nereus for the year ended 30 June 2019 amounting to $542,000 (USD400,000) was recognised directly to profit or loss as this contribution was made for the purpose of providing financial support to Nereus.

[4] Reclassification from other assets to FVTPL

Receivable from Raven previously included as part of other assets was reclassified to FVTPL. The financial asset did not meet the criteria for classification at amortised cost because its cash flows does not represent solely payments of principal and interest. A recommendation from an external valuer on the appropriate discount rate was used at 30 June 2018 whereby the earn-out was discounted by using 9.03% to determine the net present value of the future payments from Raven.

The discount rate of 9.03% was derived based on the adjusted risk-free rate of a US 10-year government bond plus the size risk factors partially mitigated by the nature of Raven's funds (closed-end funds).

At 1 July 2018, the same rate of 9.03% was used in determining the fair value of the financial asset. The fair value of the receivable from Raven at 1 July 2018 was equivalent to the carrying value at 30 June 2018.

[5] Reclassification from other assets to at amortised cost to combine similar financial assets

The sublease receivable previously included as part of other assets was reclassified to at amortised cost to combine similar financial assets. The measurement of sublease receivable did not change from the adoption of AASB 9.

The above changes had no impact on the Group's equity.

(i.a.2) Impact on the classification and measurement to the Group's investments in associates

The Group assessed the impact of adoption of AASB 9 to its investments in associates and determined that no material impact on the carrying value of the investments in associates at 1 July 2018.

(i.a.3) Impact on the classification and measurement of financial liabilities

The accounting policy for the Group's financial liabilities did not change since this is already aligned with AASB 9.

(i.b) Hedging activities

The foreign currency risk component of Notes payable – Seizert in place as at 30 June 2019 qualified as a hedge of a net investment in a foreign operation under AASB 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of AASB 9 and these relationships are therefore treated as continuing hedges.

Since the adoption of AASB 9, the Group continues to recognise the movement of foreign currency risk component of Notes payable – Seizert in other comprehensive income as part of foreign currency translation reserve. The adoption of hedge accounting did not result in a restatement of the Group's 30 June 2018 information and 1 July 2018 information.

(i.c) Impairment of financial assets

The Group has four types of financial assets that are subject to AASB 9's new expected credit loss model:

- Trade receivables for provision of asset management, distribution and administration services;
- Contract assets relating to asset management and distribution contracts;
- Debt instruments carried at amortised cost; and
- Lease receivables.

The Group has revised its impairment methodology to align with the requirements of AASB 9 for each of these classes of assets. The impact of the change in the impairment methodology is not material and no adjustments were made to its opening retained earnings and equity.

Whilst cash and cash equivalents, short-term deposits and security deposits are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

(i.c.1) Trade receivables and contract assets

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled asset management and distribution services and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. In determining the expected loss rates, the Group reviewed the collection history, anticipated collection trend for the period and the credit worthiness of its counterparties. The Group's counterparties are institutional clients with high credit ratings with no known history of default.

On that basis, the loss allowance as at 1 July 2018 was determined as follows for both trade receivables and contract assets:

	Current	Past due 31- 60 days	Past due 61- 90 days	Past due over 90 days	Total
Expected loss rate	0.005%	0.005%	2.5%	5%	
Gross carrying amount ($)	8,795,000	8,000	11,000	9,000	8,823,000
Loss allowance ($)	400	–	300	500	1,200

The Group has a nominal loss allowance of $1,200 for its trade receivables and contract assets which was not recognised at 1 July 2018 because the amount was considered immaterial, therefore no impact to the opening retained earnings.

Trade receivables and contract assets 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, and a failure to make contractual payments for a period of greater than 90 days past due.

(i.c.2) Debt instruments carried at amortised cost

The Group's assessment of its debt instruments is detailed below:

- Receivable from other party - The amount of $10,155,000 relates to deferred settlement proceeds from the sale of the Group's equity holdings in IML (former associate). The amount is to be paid in two instalments, April 2019 and October 2019. The amount is held in escrow and contingent on meeting customary commercial commitments. The amount is held in a trust account under the control of an appointed registrar. The money is held outside the control of the acquirer and the release. Applying the expected credit loss model resulted in a $3,000 loss at 1 July 2018.

- Receivable from EAM Investors - The Group provided financing for EAM Investors to acquire the equity from a part owner WHV. The loan is governed by the Secured Promissory Note deed whereby various protective features are defined such as the maintenance of an escrow account to hold a reserve requirement, quarterly repayments, reporting obligations including on the escrow account, security over the units acquired by EAM Investors. The Group is responsible for the sales and distribution of EAM Global and has visibility of the growth and operations of EAM Global. Based on the current pipeline of FUM growth, EAM Global will see significant increase in revenues. Applying the expected credit loss model resulted to a $2,000 loss at 1 July 2018.

- Sublease receivable – The Group subleased its Seattle office premises to a third party over 7 years whereby monthly lease payments from the sublessee are received. Management considered the credit risk to be low since it has a low risk of default based on the historical information available. Applying the expected credit loss model resulted to a $1,000 loss at 1 July 2018.

- Loans receivable– The Group provided interest bearing advances to the former principals of AlphaShares, LLC. At 30 June 2018, the outstanding balance amounted to $42,000. The probability of default is low in reference to the collection pattern and the anticipated collections of the remaining balance. Applying the expected credit loss model resulted to a loss of less than $1,000 at 1 July 2018.

- Sundry receivables and dividend receivable – The Group's sundry receivables mainly consisted of other receivables and interest from short-term deposit. The probability of default is low in reference to the collection pattern normally received in full upon maturity of the short-term deposit. Applying the expected credit loss model resulted to a loss of less than $1,000 at 1 July 2018.

Total expected credit losses at 1 July 2018:

The total of the expected credit losses of financial assets at amortised cost was $7,000 which was below $10,000, the amount set by management to be material. Therefore, the total loss was not recognised at 1 July 2018.

(i.c.3) Impact on the carrying values of the Group's investments in associates

The Group's carrying values of its investments in associates are impacted by the impairment of the underlying financial assets of the associates through the Group's share in net profits/losses. Management assessed the impact of the new impairment requirements in determining the expected loss rates and reviewed the collection history as applicable, anticipated collection trend for the period and the credit worthiness of the associates' counterparties. The associates' counterparties are mainly institutional clients with high credit ratings with no known history of default. The same process was undertaken by management in determining the expected credit losses of the associates and calculated the share of the Group for 1 July 2018 and 30 June 2019. A nominal amount of allowance for both periods were noted but not recognised as the impact is immaterial to the Group.

(ii) AASB 15: *Revenue from Contracts with Customers* – Impact of adoption

The Group has adopted AASB 15 from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in AASB 15, the Group has adopted the new rules using the modified retrospective approach. A modified retrospective approach results to the adjustment of the opening retained earnings and other affected balance sheet accounts for the impact relating to the prior comparative information. The adoption of AASB 15 has no impact on the timing or amount of revenue recognition. However, there is a change in classification of contract assets as follows at the date of initial application (being 1 July 2018):

	AASB 118 carrying amount 30 June 2018 $'000	Reclassification $'000	AASB 15 carrying amount 1 July 2018 $'000
Current assets			
Trade and other receivables			
Trade receivables	8,596	–	8,596
Contract assets[1]	–	227	227
Dividend receivable - associate	73	–	73
Sundry receivables[1]	466	(227)	239
	9,135	–	9,135

Notes:
[1] Contract assets recognised in relation to asset management and administration contracts were previously presented as part of sundry receivables ($227,000 as at 1 July 2018).

(ii.a) Presentation of assets and liabilities

The Group has voluntarily changed the presentation of certain amounts in the consolidated statement of financial position to reflect the terminology of AASB 15 and AASB 9:

(ii.b) Impact on the revenue recognition to the Group's investments in associates

The Group assessed the impact of adoption of AASB 15 to its investments in associates and determined that there has been no impact on the timing or amount of revenue recognition except for the recognition of carried interest and incentive fees. Certain associates recognise carried interest (performance fees) and incentive fees on accruals basis when certain performance metrics are met. However, the right to compensation is not yet realised and can still be reversed in the future. The Group excludes this in the calculation of its share in the net profits/losses of associates in accordance with its accounting policy on carried interest.

(iii) Other accounting standards mandatorily effective for the current year

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

- AASB 2016-5: *Amendments to Australian Accounting Standards – Classification and Measurement of Share based Payment Transactions;*
- AASB 2017-1: *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014 2016 Cycle and Other Amendments;*
- AASB 2017-5: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections; and*
- Interpretation 22: *Foreign Currency Transactions and Advance Consideration.*

Adoption of accounting standards and Interpretation had no material financial and disclosure impact on the Group.

b. New and amended AASB Standards that are not yet effective for the current year but early adopted

AASB 2017-4

The Group has elected to early adopt AASB 2017-4, *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*. This will result in the Group recognising the cumulative effect of applying AASB Interpretation 23: *Uncertainty Over Income Tax Treatments* as an adjustment to the opening balance of retained earnings, or other component of equity, as appropriate. Early adoption of this standard did not result in a material financial impact to the consolidated financial statements other than the additional disclosures made in Note 4 under key estimates, judgments and assumptions.

c. Standards and interpretations in issue not yet adopted

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

At the date of authorisation of the consolidated financial statements, the accounting standards and interpretations that were issued but not yet effective are reflected below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16: *Leases*	1 January 2019	30 June 2020
AASB 2017-7: *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*	1 January 2019	30 June 2020
AASB 2018-1: *Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle*	1 January 2019	30 June 2020
AASB 2018-6: *Amendments to Australian Accounting Standards – Definition of a Business*	1 January 2020	30 June 2021
AASB 2018-7: *Amendments to Australian Accounting Standards – Definition of Material*	1 January 2020	30 June 2021

There have been no other AASB standards and IFRIC Interpretations that are not yet issued by the AASB and issued but not yet effective that could impact the Group.

The impact of the accounting standards issued but not yet adopted by the Group are discussed below:

(i) AASB 16

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

The Group intends to adopt the modified retrospective method on transition to AASB 16. A modified retrospective approach results to the adjustment of the opening retained earnings and other affected balance sheet accounts for the impact relating to the prior comparative information. In applying AASB 16, the Group implemented, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application.

The following tables below show the adjustments recognised for each individual line item on the consolidated financial statements as at and for the year ended 30 June 2019. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	As currently presented $'000	Impact of AASB 16 $'000	Presented after impact of AASB 16 $'000
Profit or loss extract:			
Revenue – rental income	3	279	282
Expenses:			
- Administration and general expenses – lease	(1,089)	622	(467)
- Depreciation and amortisation expense	(2,992)	(758)	(3,750)
- Interest expense	(648)	(284)	(932)
Total expenses:	(82,510)	(420)	(82,930)
Share in net profits of associates	1,118	(167)	951
Profit for the year	**38,890**	**(308)**	**38,582**
Earnings per share attributable to ordinary equity holders of the parent (cents per share):			
- Basic	78.95	(0.94)	78.00
- Diluted	78.14	(0.94)	77.19
Financial position extract:			
Other financial assets	7,518	(293)	7,225
Total current assets	102,628	(293)	102,335
Other financial assets	120,066	(314)	119,752
Plant and equipment	1,208	2,983	4,191
Investment in associates	110,143	(170)	109,973
Total non-current assets	325,765	2,499	328,264
Total assets	428,393	2,206	430,599
Financial liabilities	16,969	474	17,443
Total current liabilities	33,422	474	33,896
Provisions	219	67	286
Financial liabilities	3,853	2,115	5,968
Total non-current liabilities	12,547	2,182	14,729
Total liabilities	45,969	2,656	48,625
Net assets	**382,424**	**(450)**	**381,974**
Equity			
Reserves	89,831	(4)	89,827
Retained earnings	125,777	(446)	125,331
Total equity	**382,424**	**(450)**	**381,974**
Cash Flows Extract:			
Cash flow from operating activities			
Receipts from customers	44,135	279	44,414
Payments to suppliers and employees	(39,430)	575	(38,855)
Cash flows used in operating activities	(2,364)	854	(1,510)
Cash flow from financing activities			
Repayments of financial liabilities	(8,494)	(854)	(9,348)
Cash flows used in financing activities	(34,320)	(854)	(35,174)

(ii) AASB 2017-7, AASB 2018-1, AASB 2018-6 and AASB 2018-7

As at 30 June 2019, the Group assessed the impact of AASB 2017-7 and AASB 2018-1 and determined no material financial impact to the consolidated financial statements of the Group in respect to its accounting for its associates, business combination, income tax and borrowing costs. For AASB 2018-6 and AASB 2018-7, there are no material disclosure and monetary impact to the Group.

The Directors declare that:

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

(b) in the Directors' opinion, the attached consolidated financial statements are in compliance with International Financial Reporting Standards, as stated in Section A in the notes to the financial statements;

(c) in the Directors' opinion, the attached consolidated 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 Group; and

(d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

A. Robinson
Chairman

6 September 2019

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

Independent Auditor's Report to the members of Pacific Current Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pacific Current Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Assessment for impairment of the investments in associates As at 30 June 2019, the carrying value of the investments in associates totals $110.1m, as disclosed in Note 23. These investments are assessed for impairment annually. The identification of impairment events and the determination of any impairment charge requires the application of significant judgement by management, in particular, future cash flows, growth rates, underlying FUM forecasts, discount rates and terminal value calculations.	Our procedures included, but were not limited to: • Assessing the design and implementation of key controls within management's assessment; • Engaging internal valuation specialists to assist in challenging management's assumptions applied in calculating the fair value of the investments, including future cash flows, growth rates, underlying funds under management (FUM) forecasts, discount rate and terminal value calculations; • Performing a retrospective review of the historic results to assess whether forecasted cash flow results are reasonable; • Comparing forecast FUM flows, performance and margins to recent industry data; • Performing an independent sensitivity analysis to determine whether reasonably foreseeable changes to the key assumptions would trigger a material impairment; and • Comparing management's assessment of the fair value of the investments to the carrying value to determine whether there is any evidence of impairment. We also assessed the appropriateness of the disclosures in the Notes to the financial statements.
Assessment for impairment of intangible assets, including goodwill As at 30 June 2019 the carrying value of goodwill and other identifiable intangible assets totals $94.1m, as disclosed in Note 22. Goodwill and other identifiable intangible assets are assessed for impairment on an annual basis. The impairment testing process for these assets is subject to significant judgement around the identification of indicators of impairment and key inputs and assumptions applied in the value in use calculations. Key inputs and assumptions that require judgement and a high level of estimation include future cash flows, growth rates, underlying FUM forecasts, discount rates and terminal value calculations.	Our procedures included, but were not limited to: • Assessing the design and implementation of key controls within management's assessment; • Engaging internal valuation specialists to assist in the evaluation of management's assumptions applied in calculating the value in use of the identified cash generating units ("CGUs"), including future cash flows, growth rates, underlying FUM forecasts, discount rates and terminal value calculations; • Performing a retrospective review of the historic results to assess whether forecasted results are reasonable; • Comparing forecast FUM flows, performance and margins to recent industry data; • Performing an independent sensitivity analysis to determine whether reasonably foreseeable changes to the key inputs and assumptions would trigger a material impairment; • Assessing the appropriateness of the allocation of goodwill between CGUs; and • Comparing the value in use of the CGUs to the carrying value to determine whether there is any evidence of impairment. We also assessed the appropriateness of the disclosures in the Notes to the financial statements.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Valuation of Financial Assets recorded at Fair Value
 	
As at 30 June 2019 the Group's financial assets at fair value through profit or loss were valued at $52.6m and financial assets at fair value through other comprehensive income were valued at $66.6m as disclosed in Note 10.
 	
Significant judgement is involved in estimating the fair value of these financial assets classified as Level 3 instruments in the Fair Value hierarchy, as values are derived substantially from unobservable inputs. The most significant of these include forecast future cash flows, growth rates, underlying FUM forecasts, discount rates and terminal value calculations.
	Our procedures included, but were not limited to:
	
	• Assessing the design and implementation of key controls within management's valuation assessment;
	• Where a recent market transaction has occurred, comparing the value of the market transaction to the proposed fair value as at 30 June and determining whether there are any indicators to suggest that this is not appropriate;
	• Where a recent transaction has not occurred:
	    • Engaging internal valuation specialists to assist in challenging management's key assumptions in the fair value calculations including the future cash flows, growth rates, underlying FUM forecasts, discount rate and terminal value calculations;
	    • Performing a retrospective review of the historic results to assess whether forecasted results are reasonable;
	    • Comparing forecast FUM flows, performance and margins to recent industry data; and
	    • Assessing the reasonableness of management's sensitivity analysis of the impact of reasonably foreseeable changes to the key inputs and assumptions to the fair value assessment.
	
	We also assessed the appropriateness of the disclosures in the Notes to the financial statements.

Accounting for Income Taxes The Group's operations resulted in an income tax expense totalling $15.1m for the year ended 30 June 2019, a current tax liability of $0.5m and a net deferred tax liability of $7.4m, as disclosed in Note 4. The Group is subject to income taxes in the jurisdictions in which it operates, primarily Australia and the United States of America ("USA"). There are a number of transactions and calculations undertaken during the ordinary course of business that require significant judgment in determining the tax impact.	Our procedures included, but were not limited to: • Obtaining management's independent advisors' report on the tax calculations for Australia and the USA; • Assessing the competency, objectivity and independence of management's independent tax advisors; • Engaging our tax specialists to assist in the assessment of the validity, completeness and accuracy of the tax computations; • Understanding and evaluating the key assumptions and judgements formed by management and the respective tax advisors in preparation of the tax calculations and financial statement note disclosures; and • Performing procedures to assess the integrity of the tax calculations for each jurisdiction. We also assessed the appropriateness of the disclosures in the Notes to the financial statements.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Restatement of prior period tax balances As a consequence of the equity ownership restructure on 13 April 2017, Pacific Current Group acquired the remaining interest in Aurora Trust and became the tax payer for the US subsidiaries of the group from that date. As a result of the tax complexities described above, the deferred tax balances attributable to the investments, other assets and liabilities held through the Group's subsidiary, Northern Lights MidCo LLC, were restated at 30 June 2018. The impact of the restatement is disclosed in Note 26 to the financial statements, and is consistent with the interim financial statements.	Our procedures included, but were not limited to: • Assessing the design and implementation of key controls within management's financial reporting processes; • Reviewing management's restated financial information for the year ended 30 June 2018 and obtaining evidence to support the adjustments to the previously disclosed financial information of the Group; • Engaging our financial reporting and US tax specialists to assist in the assessment of the validity, completeness and accuracy of the adjustments; and • Recalculating the impact of the restatement adjustments on the financial statements and notes to the financial statements for the current year, and comparative financial information. We also assessed the appropriateness of the disclosures in the Notes to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report and Corporate Directory, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Key Financial Highlights, Chairman's Report, Managing Director, Chief Executive Officer and Chief Investment Officer's Report, and ASX Additional Information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Key Financial Highlights, Chairman's Report, Managing Director, Chief Executive Officer and Chief Investment Officer's Report, and ASX Additional Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Deloitte.

Report on the Remuneration Report

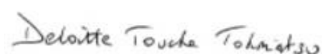
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 30 of the Directors' Report for the year ended 30 June 2019.

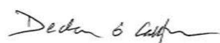
In our opinion, the Remuneration Report of Pacific Current Group Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan
Partner
Chartered Accountants
Sydney, 6 September 2019

Directors
Mr. Antony Robinson, Chairman
Mr. Paul Greenwood, Executive Managing Director
Mr. Peter Kennedy, Non-Executive Director
Ms. Melda Donnelly, Non-Executive Director
Mr. Gilles Guérin, Non-Executive Director
Mr. Jeremiah Chafkin, Non-Executive Director (Appointed – 10 April 2019)
Mr. Michael Fitzpatrick, Non-Executive Director (Resigned - 1 March 2019)

Executive Management
Mr. Paul Greenwood, Chief Executive Officer and Chief Investment Officer
Mr. Joseph Ferragina, Chief Financial Officer and Chief Operating Offer - Australia (Employment ended – 2 July 2019)
Mr. Ashley Killick, Interim Chief Financial Officer (Appointed – 20 March 2019)

Company Secretary
Mr. Philip Mackey

Registered Office / Principal Place of Business
Level 29, 259 George Street, Sydney, NSW, 2000
Phone +61 2 8243 0400
Facsimile +61 2 8243 0410
www.paccurrent.com

Share Register
Computershare Investor Services Pty Ltd
452 Johnston Street, Abbotsford, VIC, 3067
Phone +61 3 9415 5000

Bankers
Westpac Banking Corporation

Auditors
Deloitte Touche Tohmatsu
225 George Street, Sydney, NSW, 2000
+61 2 9322 7000

Stock Exchange Listing
Pacific Current Group Limited shares are listed on the Australian Securities Exchange, code: PAC.