

## Appendix 4D

### Half year report

Moelis Australia Limited ABN 68 142 008 428

Reporting period: six months ended 30 June 2017

Previous corresponding period: six months ended 30 June 2016

Preliminary financial statements for the half-year ended 30 June 2017 as required by ASX listing rule 4.2A

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to half-year ended 30 June 2016)

	\$m	Up/down	Movement %
Revenues from ordinary activities	37.4	up	45.5%
Profit after tax from ordinary activities attributable to members	8.1	up	125.3%
Net profit after tax attributable to members	8.1	up	125.3%
Total comprehensive income	8.2	up	153.6%

DIVIDEND INFORMATION	Franked		Tax rate for franking credit
	Amount per share (cents)	amount per share (cents)	

Pre-IPO dividend per share (paid 18 April 2017) *	31.0	13.3	30.0%
Interim 2017 dividend per share	none	N/A	N/A

	30 June 2017	30 June 2016
Net tangible assets per security *	\$0.43	\$0.26

This information should be read in conjunction with the 2016 Annual Report.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 30 June 2017.

This report is based on the consolidated financial statements for the half-year ended 30 June 2017 which have been reviewed by Deloitte Touche Tohmatsu.

\* number of shares adjusted for pre-listing share conversion

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**CONSOLIDATED HALF YEAR FINANCIAL REPORT**  
**30 JUNE 2017**

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**MOELIS AUSTRALIA LIMITED**  
**A.B.N. 68 142 008 428**

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**MOELIS AUSTRALIA LIMITED**  
**DIRECTORS REPORT**  
FOR THE HALF YEAR ENDED 30 JUNE 2017

The directors of Moelis Australia Limited (the "Company") present the financial report of Moelis Australia Limited and its subsidiaries (the "Group") for the half year ended 30 June 2017. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

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

	Appointed	Resigned
Mr K. Moelis		
Mr J Simon		
Mr A. Pridham		
Mr J Biggins	2/02/2017	
Mr J Browne	27/02/2017	
Ms M. Miyakawa	7/07/2010	8/06/2016
Mr H. Thomson	5/07/2013	2/02/2017

The above named directors held office during and since the end of the half year except if otherwise indicated above.

**Review of operations**

The Group is a financial services provider established in 2009 with offices in Sydney and Melbourne. The Group's expertise covers advisory and capital markets, institutional stockbroking and asset management.

A summary of the Group's net income and results for the six months ended 30 June by significant industry segments is set out below.

	2017	2016	Increase/(decrease)	
	\$'000	\$'000	\$'000	%
Corporate advisory and equities	23,898	14,975	8,923	60%
Asset management	12,455	5,563	6,892	124%
<b>Total segment net income</b>	<b>36,354</b>	<b>20,539</b>	<b>15,815</b>	<b>77%</b>
Personnel costs	19,442	13,309	6,133	46%
Marketing & business development costs	1,409	586	824	141%
Other costs	3,504	2,645	859	32%
<b>Total segment expenses</b>	<b>24,355</b>	<b>16,539</b>	<b>7,816</b>	<b>47%</b>
Corporate advisory and equities	5,449	812	4,638	571%
Asset management	6,549	3,188	3,361	105%
<b>Total segment profit before tax</b>	<b>11,998</b>	<b>3,999</b>	<b>7,999</b>	<b>200%</b>
<i>Unallocated revenue and expenses:</i>				
Share component of 2017 bonus	1,870	-	1,870	
Armada acquisition adjustments	(622)	-	(622)	
Interest income	204	217	(13)	
Onerous contract	(189)	458	(647)	
Listing costs expensed	(989)	-	(989)	
<b>Comprehensive income before tax *</b>	<b>12,272</b>	<b>4,674</b>	<b>7,598</b>	<b>163%</b>
Tax *	(4,050)	(1,433)	(2,617)	183%
<b>Total comprehensive income</b>	<b>8,222</b>	<b>3,242</b>	<b>4,980</b>	<b>154%</b>

\* includes the pre-tax unrealised gains or losses on AFS investments, and the tax referable to these gains or losses.

### Segment income

*Corporate advisory & equities - \$23.9 million, up 60%*

The increase is primarily due to a larger volume of advisory deals completed in the six month period compared to the prior year corresponding period (12 deals 2017, 9 deals 2016).

*Asset management - \$12.5 million, up 97%*

The increase in asset management revenue was primarily due to higher average assets under management (AuM) driven by investor inflows to existing funds and the establishment of new funds (2017 22 funds and average AuM \$1,136 million, 2016 19 funds and average AuM of \$819 million).

### Segment expenses

The 46% increase in personnel costs is in part due a higher average headcount (2017 80 staff, 2016 69 staff), with the majority of the headcount increase being in Asset Management. Also contributing to the increase is a higher bonus accrual reflective of the higher net profit.

It is expected that a proportion of the 2017 annual bonus will be delivered in shares in the company (2016 was 100% cash). The accounting treatment for the share component is to amortise the expense over the vesting period. The segment profit before tax includes any share component of the bonus as expensed in that period.

The higher marketing and business development costs reflect the efforts to increase brand awareness and attract new clients and investors, as well as the cost of originating new asset management products.

Other operating expenses increased due to costs associated with the company now being listed, such as additional insurance and legal expenses.

The Armada acquisition expenses include the transaction costs and the ongoing amortisation of the intangible asset and deferred remuneration components of the acquisition consideration amount. The ongoing operating expenses of the Armada operations are included in the total underlying expenditure.

The reduction in restructuring costs reflects the termination of the onerous contract in early 2017, refer significant events below.

### Earnings per share

Earnings per share increased to 7.3 cents per share (2016 3.6 cents per share).

### Dividends

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

## Significant events

### (i) Termination of onerous contract

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

### (ii) Listing of Moelis Australia

On 10 April 2017 Moelis Australia Ltd was listed on the Australian Stock Exchange. This resulted in the issue of 25,000,000 new shares representing 20% of the expanded issued capital of the Company and raised \$58.75 million.

### (iii) Acquisition of Armada Funds Management

On 1 June 2017, the Group acquired Rockford Capital Pty Ltd and its subsidiaries ("Armada Funds Management") a real estate funds manager, for a total consideration of \$30.7 million, comprising \$10.5 million in cash and the remainder in shares issued on 18 July 2017 (refer note 9 in the financial statements). Armada Funds Management manages 10 funds which in aggregate own interests in retail shopping centres of approximately \$800 million.

## Financial position

At 30 June 2017, the Group had cash and cash equivalents of \$41.4 million. Net assets increased from \$33 million to \$79 million as a result of the equity raised through the initial public offering.

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

### *Intangible asset up \$16.1m, Goodwill up \$8.5m*

Intangible asset and goodwill increased as a result of the Armada Funds Management acquisition, refer note 9 in the financial statements.

### *Current liabilities - Provisions down \$23.1m or 76%*

The drop in provisions reflects the termination of the Onerous Contract (provided for in 2015 & 2016) as well as the payment of the 2016 annual bonus in February 2017.

### *Income tax provision down \$6.4m*

The reduction is due to the payment of the final tax for 2016 and the payment of 2017 monthly tax instalments.

### *Deferred tax asset / liability*

The movement from an asset to a liability is primarily due to the payment made to terminate the onerous contract, refer significant events above, as well as the deferred tax in relation to the intangible recognised as part of the acquisition of Armada Funds Management, refer note 9.

**Subsequent events**

On 28 June 2017, a fund ("Fund") managed by a subsidiary of the Company agreed to acquire the Redcape Hotel Group for an enterprise value of \$677 million (excluding transaction costs). The Redcape portfolio consists of 25 gaming focused hotels in NSW and Queensland. The acquisition settled on 10 July 2017. Moelis Australia invested \$40 million in the Fund, which combined with funds raised from Moelis managed funds and third party investors was used to settle the \$337 million acquisition consideration and associated costs. For more details on the acquisition refer to note 11 in the financial statements.

**Auditor's independence declaration**

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

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

On behalf of the Directors



A. Pridham  
Director  
Sydney,



J. Biggins  
Director  
Sydney,

Date

16-Aug-17

**MOELIS AUSTRALIA LIMITED**  
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FOR THE HALF YEAR ENDED 30 JUNE 2017

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**Auditor's independence declaration**

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

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

On behalf of the Directors



A. Pridham  
Director  
Sydney,



J. Biggins  
Director  
Sydney,

Date

16-Aug-17

The Board of Directors  
Moelis Australia Limited  
Level 27, Governor Phillip Tower  
1 Farrer Place, Sydney NSW 2000

16 August 2017

Dear Board Members

### **Moelis Australia Limited**

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

As lead audit partner for the review of the financial statements of Moelis Australia Limited for the half year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

*DELOITTE TOUCHE TOHMATSU*

DELOITTE TOUCHE TOHMATSU

*DNell*

Delarey Nell  
Partner  
Chartered Accountants

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

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Moelis Australia Limited, which comprises the condensed statement of financial position as at 30 June 2017, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 27.

#### *Directors' Responsibility for the Half-Year Financial Report*

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Moelis Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the

# Deloitte.

*Corporations Act 2001*, which has been given to the directors of Moelis Australia Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

## *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

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Delarey Nell  
Partner  
Chartered Accountants  
Sydney, 16 August 2017

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**MOELIS AUSTRALIA LIMITED**  
**DIRECTORS DECLARATION**  
FOR THE HALF YEAR ENDED 30 JUNE 2017

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The directors declare that:

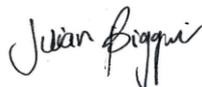
- (i) in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- (ii) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors



Andrew Pridham  
Director



Julian Biggins  
Director

Date        16-Aug-17

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**MOELIS AUSTRALIA LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 30 JUNE 2017**

	Note	Half Year Ended 30 June 2017 Consolidated \$	Half Year Ended 30 June 2016 Consolidated \$
Fee and commission income		35,468,524	25,420,990
Fee and commission expense		(996,339)	(3,667,783)
Net fee and commission income		34,472,185	21,753,207
Share of profits of associates		1,257,472	-
Investment income		297,891	288,572
Other gains and losses		347,774	(15,936)
<b>Total income</b>	<b>2</b>	<b>36,375,322</b>	<b>22,025,843</b>
Personnel costs		16,991,878	13,309,138
Marketing expenses		1,515,336	585,589
Occupancy expenses		1,000,804	728,407
Communications, data and information technology expenses		1,322,399	1,255,297
Restructuring costs		188,970	310,000
Listing costs	3	989,189	-
Share based payments		933,525	-
Intangible amortisation		163,100	-
Other expenses		1,180,819	660,977
<b>Total expenses</b>		<b>24,286,020</b>	<b>16,849,408</b>
<b>Profit before tax</b>	<b>2</b>	<b>12,089,302</b>	<b>5,176,435</b>
Income tax benefit/(expense)		(3,995,360)	(1,583,370)
<b>PROFIT FOR THE PERIOD</b>		<b>8,093,942</b>	<b>3,593,065</b>
<b>Other comprehensive income, net of income tax</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Net unrealised gain/(loss) on AFS investments		127,725	(351,539)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>8,221,667</b>	<b>3,241,526</b>
<b>PROFIT ATTRIBUTABLE TO:</b>			
Owners of the company		<b>8,221,667</b>	<b>3,241,526</b>
<b>Earnings per share *</b>			
From continuing operations			
Basic (cents per share)		<b>7.3</b>	<b>3.6</b>
Diluted (cents per share)		<b>7.2</b>	<b>3.6</b>

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

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

MOELIS AUSTRALIA LIMITED  
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017

	Note	As at 30 June 2017 Consolidated \$	As at 31 December 2016 Consolidated \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		41,445,998	37,229,131
Receivables		12,930,570	17,397,409
Other financial assets available-for-sale	8	2,545,581	2,703,440
Income tax receivable		1,865,855	-
Other assets		1,022,781	2,082,665
<b>Total current assets</b>		<b>59,810,785</b>	<b>59,412,645</b>
<b>Non-current assets</b>			
Restricted cash		1,988,076	1,773,113
Other assets		-	243,707
Other financial assets	8	3,377,764	1,629,723
Property, plant and equipment		808,398	666,130
Investments in associates	5	5,263,834	5,242,259
Deferred tax asset		-	3,282,030
Intangible asset	9	16,099,691	-
Goodwill	9	9,826,660	1,325,505
<b>Total non-current assets</b>		<b>37,364,423</b>	<b>14,162,467</b>
<b>Total assets</b>	2	<b>97,175,208</b>	<b>73,575,112</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Creditors		3,930,813	5,104,340
Income tax payable		-	4,498,347
Provisions		7,199,882	30,275,889
<b>Total current liabilities</b>		<b>11,130,695</b>	<b>39,878,576</b>
<b>Non-current liabilities</b>			
Creditors		111,123	111,121
Provisions		865,414	611,341
Deferred tax liability		5,343,894	-
Deferred rent		290,194	220,753
<b>Total non-current liabilities</b>		<b>6,610,624</b>	<b>943,215</b>
<b>Total liabilities</b>	2	<b>17,741,320</b>	<b>40,821,791</b>
<b>Net assets</b>		<b>79,433,888</b>	<b>32,753,321</b>
<b>Equity</b>			
Issued capital	6	67,714,098	9,400,000
Reserves		17,561,504	6,288,977
Retained earnings		(5,841,714)	17,064,344
<b>Total shareholders equity</b>		<b>79,433,888</b>	<b>32,753,321</b>

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

MOELIS AUSTRALIA LIMITED  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 30 JUNE 2017

Consolidated	Share Capital \$	Reserves *	Share based payment reserve \$	Retained Earnings \$	Investments Revaluation Reserve \$	Members Contribution ** \$	Total Equity \$
Balance at 1 January 2016	9,400,000	-	-	6,977,400	1,218,001	5,396,331	22,991,732
Profit for the period	-	-	-	3,593,065	-	-	3,593,065
Other comprehensive income for the period	-	-	-	-	(351,538)	-	(351,538)
Payment of dividends	-	-	-	-	-	-	-
Members contribution - SMU's and FBT	-	-	-	-	-	-	-
Issue of ordinary shares	-	-	-	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>9,400,000</b>	<b>-</b>	<b>-</b>	<b>10,570,465</b>	<b>866,463</b>	<b>5,396,331</b>	<b>26,233,258</b>
Balance at 1 January 2017	9,400,000	-	-	17,064,345	892,646	5,396,331	32,753,321
Profit for the period	-	-	-	8,093,942	-	-	8,093,942
Other comprehensive income for the period	-	-	-	-	127,725	-	127,725
Payment of dividends	-	-	-	(31,000,000)	-	-	(31,000,000)
Members contribution - SMU's and FBT	-	-	-	-	-	-	-
Issue of ordinary shares	58,750,000	-	-	-	-	-	58,750,000
Shares to be issued post balance date	-	10,085,108	-	-	-	-	10,085,108
Capitalised IPO costs	(435,902)	-	-	-	-	-	(435,902)
Share based payments	-	-	1,059,694	-	-	-	1,059,694
<b>Balance at 30 June 2017</b>	<b>67,714,098</b>	<b>10,085,108</b>	<b>1,059,694</b>	<b>(5,841,714)</b>	<b>1,020,371</b>	<b>5,396,331</b>	<b>79,433,888</b>

\* relates to the Armada acquisition - refer note 9

\*\* represents a contribution from shareholders which does not attract any additional rights to distributions or on the wind up of the group

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

**MOELIS AUSTRALIA LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE HALF YEAR ENDED 30 JUNE 2017

	Half Year Ended 30 June 2017 \$ Consolidated	Half Year Ended 30 June 2016 \$ Consolidated
<b>Cash flows from operating activities</b>		
Receipts from customers	37,684,387	27,104,751
Interest and dividends received	713,440	299,177
Amounts repaid to affiliates (Moelis US) under service agreements	(98,877)	(101,994)
Payments to suppliers and employees	(45,531,317)	(27,615,015)
Cash generated from operations	(7,232,367)	(313,081)
Income taxes refunded/(paid)	(6,675,632)	904,699
<b>Net cash generated by operating activities</b>	<b>(13,907,999)</b>	<b>591,618</b>
<b>Cash flows from investing activities</b>		
Payments to acquire financial assets	(2,002,376)	(1,309,385)
Proceeds on sale of financial assets	2,707,193	536,799
(Payments)/receipts for employee loans	1,351,325	(151,282)
Payments to acquire shares in subsidiary companies	(9,644,789)	-
Payments to acquire property, plant and equipment	(298,498)	(140,875)
<b>Net cash (used in)/generated by investing activities</b>	<b>(7,887,145)</b>	<b>(1,064,743)</b>
<b>Cash flows from financing activities</b>		
Amounts received/(advanced) to related parties	64,000	(163,650)
Proceeds from issue of equity shares	58,750,000	-
Payments related to the issue of equity shares	(1,566,510)	-
Proceeds from share based payments	126,169	-
Dividends paid to shareholders	(31,000,000)	-
<b>Net cash used in financing activities</b>	<b>26,373,659</b>	<b>(163,650)</b>
Net cash increase in cash and cash equivalents	4,578,515	(636,775)
Cash and cash equivalents at the beginning of the period	37,229,131	24,008,625
Effects of exchange rate changes on the balance of cash held in foreign currencies	(361,648)	(61,676)
Cash and cash equivalents at the end of the period	<b>41,445,998</b>	<b>23,310,174</b>

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

## 1 Significant accounting policies

### Statement of compliance

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

### Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2016 annual financial report for the financial year ended 31 December 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

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

- AASB 2015-1 Amendments to Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Accounting Standards - Disclosure Initiative: Amendments to AASB 101

### Impact of the application of AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

The Group has applied these amendments for the first time in the current year. The Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle include a number of amendments to various Accounting Standards, which are summarised below:

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**MOELIS AUSTRALIA LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2017**

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\* The amendments to AASB 5 Non-current Assets Held for Sale and Discontinued Operations introduce specific guidance in AASB 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in AASB 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

\* The amendments to AASB 7 Financial Instruments: Disclosures remove the requirement to provide disclosures relating to offsetting financial assets and financial liabilities in interim financial reports and provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to the transferred assets.

\* The amendments to AASB 119 Employee Benefits clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of the market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

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

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

Impact of the application of AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101

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

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

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**MOELIS AUSTRALIA LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE HALF YEAR ENDED 30 JUNE 2017

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- (a) Will not be reclassified subsequently to profit or loss
- (b) Will be reclassified subsequently to profit or loss when specific conditions are met.

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

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

## **2 Segment information**

The Group's is organised into the following business segments:

- Corporate advisory and equities
- Asset management

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

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

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

The main items of profit or loss and other comprehensive income used by management to assess each business are segment net income and segment earnings before interest and tax (EBIT).

**MOELIS AUSTRALIA LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE HALF YEAR ENDED 30 JUNE 2017

	Half Year Ended 30 June 2017 Consolidated \$	Half Year Ended 30 June 2016 Consolidated \$
<b>Business segment net income:</b>		
Total income as shown in statement of profit or loss and other comprehensive income	36,375,322	22,025,843
Less interest income	(204,196)	(217,374)
Add unrealised gain/(loss) on AFS investments before tax	182,465	(502,198)
Commissions payable under onerous contract		(767,659)
Total business segment net income	<u>36,353,591</u>	<u>20,538,612</u>
Corporate advisory and equities	23,898,150	14,975,416
Asset management	12,455,441	5,563,196
Total business segment net income	<u>36,353,591</u>	<u>20,538,612</u>
<b>Business segment EBIT:</b>		
Corporate advisory and equities	5,449,344	811,701
Asset management	6,548,798	3,187,503
Segment EBIT	<u>11,998,142</u>	<u>3,999,204</u>
<b>Unallocated items:</b>		
Estimated unamortised equity component of 2017 annual bonus	1,870,000	-
Armada acquisition adjustments	(622,411)	-
Interest income	204,196	217,374
Onerous contract expense	(188,970)	457,659
Listing costs expensed	(989,189)	-
Less unrealised (gains)/losses on AFS investments included in segment profit	(182,465)	502,198
Profit before tax	<u>12,089,302</u>	<u>5,176,435</u>

**MOELIS AUSTRALIA LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2017**

	<b>Half Year Ended 30 June 2017 Consolidated \$</b>	<b>Year Ended 31 December 2016 Consolidated \$</b>
<b>Segment assets</b>		
Corporate advisory and equities	41,332,216	52,272,984
Asset management	53,977,137	18,020,098
Total segment assets	<u>95,309,353</u>	<u>70,293,082</u>
Unallocated	1,865,855	3,282,030
Total assets	<u><u>97,175,208</u></u>	<u><u>73,575,112</u></u>
<b>Segment liabilities</b>		
Corporate advisory and equities	8,424,349	18,727,587
Asset management	3,973,077	17,595,857
Total segment liabilities	<u>12,397,426</u>	<u>36,323,444</u>
Unallocated	5,343,894	4,498,347
Total liabilities	<u><u>17,741,320</u></u>	<u><u>40,821,791</u></u>

### 3 Listing and IPO costs

The results for the period include costs of \$989,189 which are disclosed in the statement of profit or loss and comprehensive income and relate to the cost attributable to the listing of the Company. In addition, costs of \$435,902 relating to the raising of additional equity as part of the IPO has been capitalised and appears in the statement of changes in equity.

### 4 Dividends

During the half-year, Moelis Australia Limited made the following fully franked dividend payments:

#### Fully Paid Ordinary shares

Pre IPO dividend	31,000,000	-
	<u>31,000,000</u>	<u>-</u>

**MOELIS AUSTRALIA LIMITED**  
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**FOR THE HALF YEAR ENDED 30 JUNE 2017**

	<b>Half Year Ended 30 June 2017 Consolidated \$</b>	<b>Year Ended 31 December 2016 Consolidated \$</b>
<b>5 Investments in associates</b>		
Acure Asset Management Pty Ltd	2,340,000	1,500,000
GWP Credit Opportunity Fund No 1	2,923,834	3,742,259
	<u>5,263,834</u>	<u>5,242,259</u>

The Group owns a 50% interest in Acure Asset Management Pty Ltd, a real estate funds manager.

On 18 July 2016 the Group acquired a 21.5% interest in GWP Credit Opportunity Fund No 1, a fund investing in Australian corporate debt, for \$4,955,138. Since acquisition, the Group has received capital returns reducing the value of its investment in GWP Credit Opportunity Fund No 1 to \$2,923,834 as at 30 June 2017, while retaining its 21.5% interest.

**6 Issues, repurchases and repayments of equity securities**

Issued capital as at 30 June 2017 amounted to \$68,150,000 (125,000,000 ordinary shares) and for 30 June 2016 amounted to \$9,400,000 (10,000,000 ordinary shares).

On the 2 February 2017 and prior to the listing of its shares, the Company converted the existing 10,000,000 shares on issue in to a single class of 100,000,000 shares for nil consideration. Following this issue the Company had 100,000,000 shares on issue. As part of its initial public offering in April 2017, the Company issued 25,000,000 ordinary shares for \$58,750,000. There were no other movements in the ordinary share capital or other issued share capital of the company in the current or prior half-year.

**7 Key management personnel**

Remuneration arrangements of key management personnel are disclosed in the annual financial report. Bonuses accrued in December 2016 have been paid in cash in February 2017. There were fees paid to entities associated with key management personnel during the half year totalling \$75,000 for capital commitments provided in relation to the Group's underwriting activities. Key management personnel are included in the new share based payment arrangements, refer note 10.

**MOELIS AUSTRALIA LIMITED**  
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**8 Fair value of financial instruments**

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

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

<u>Financial assets / financial liabilities</u>	<u>Fair value as at</u>		<u>Fair value hierarchy</u>	<u>Valuation technique(s) and key input(s)</u>
	30/06/2017	31/12/2016		
1) Listed investments available for sale	Assets \$2,771,135	Assets \$2,913,327	Level 1	Quoted bid prices in an active market
2) Unlisted investments	Assets \$3,152,211	Assets \$1,419,835	Level 2	Based on recent transactions

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

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

**9 Acquisition of subsidiary**

On 1 June 2017, the Group acquired 100% of Rockford Capital Pty Limited. Rockford Capital Pty Limited is the holding company for Armada Funds Management, a real estate funds management business.

<b>Consideration transferred</b>	<b>1/06/2017</b>
Cash	10,523,494
Shares (i)	20,170,214
<b>Total consideration transferred</b>	<b>30,693,708</b>

(i) The 6,382,979 Moelis shares that form part of the consideration were issued to the two Armada Funds Management principals in mid July 2017. Half of these shares are restricted. Of the restricted shares, 1,595,744 will become unrestricted after two years, and 1,575,744 after three years. As a result, \$10,085,105 of the shares value has been deemed to be deferred remuneration (refer note 11 for treatment of share based payments).

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

**Assets acquired and liabilities assumed at the date of acquisition**

Under Accounting Standards the Company has 12 months in which to assess the fair value of the individual assets acquired and liabilities assumed. The table below uses the company's best estimates of the fair value of the identifiable assets acquired and liabilities assumed at the time of reporting.

	1/06/2017
<b>Current assets</b>	
Cash and cash equivalents	878,705
Receivables	248,296
Other assets	46,110
<b>Non current assets</b>	
Identifiable intangible assets	16,262,791
<b>Current liabilities</b>	
Trade and other payables	(243,070)
Deferred tax liability	(4,878,837)
Provisions	(206,547)
	12,107,448
<b>Goodwill arising on acquisition</b>	
Consideration transferred	30,693,708
Less: amount deemed remuneration (restricted shares)	(10,085,105)
Less: fair value of identifiable net assets acquired	(12,107,448)
Goodwill arising on acquisition	8,501,155

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

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

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

**Net cash outflow arising on acquisition**

Consideration paid in cash	(10,523,494)
Less: cash and cash equivalent balances acquired	878,705
	(9,644,789)

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The results of the group include revenue of \$394,129 and a loss after tax of \$97,389 from Aramada Funds Management since its acquisition on 1 June 2017.

Had the acquisition of Armada been effected at 1 January 2017, the total income of the Group for the six months ended 30 June 2017 would have been \$40.4 million and the profit for the six months would have been \$7.6 million.

## 10 Share based payments

### (i) Employee share option plan

#### Details of the employee share option plan

During the period the Company established a share option scheme for certain employees and the Chairman. The grant date of the options is 1 March 2017. Each share option entitles the option holder to acquire one share in the Company upon exercise and payment of the applicable exercise price. The key terms of the share options scheme are listed below.

<u>Employee Option Plan</u>	<u>Number of options (million)</u>	<u>Equivalent number of shares (million)</u>	<u>First Exercise Date</u>	<u>Offer price (\$)</u>	<u>Exercise Price (\$)</u>
Tranche 1	1.82	1.82	4th anniversary	0.03	3.00
Tranche 2	1.82	1.82	5th anniversary	0.03	3.15
Tranche 3	1.82	1.82	6th anniversary	0.01	3.36
<b>Total</b>	<b>5.47</b>	<b>5.47</b>			

<u>Chairman Option Plan</u>	<u>Number of options (million)</u>	<u>Equivalent number of shares (million)</u>	<u>First Exercise Date</u>	<u>Offer price (\$)</u>	<u>Exercise Price (\$)</u>
Tranche 1	0.39	0.39	2nd anniversary	0.02	2.80
Tranche 2	0.39	0.39	3rd anniversary	0.02	3.00
<b>Total</b>	<b>0.78</b>	<b>0.78</b>			

Each option will be exercisable for a period of one year, commencing on the first exercise date applicable to the relevant tranche (exercise window) as set out in the table above. Each option will expire if it is not exercised within the relevant exercise window. The vesting period of the options runs from the grant date to the first exercise date as shown in the table above.

**MOELIS AUSTRALIA LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2017**

Unless otherwise determined by the Board, an option holder must continue to be employed by the Company in order to exercise the option. Options may only be exercised during the relevant exercise window as outlined above.

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

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

Fair value of share options granted in the period

The weighted average fair value of the share options granted during the period is 3.75 cents, derived using a Black Scholes pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is based on the ASX Small Cap index.

**Inputs into the model**

<u>Employees</u>	<u>Tranche 1</u>	<u>Tranche 2</u>	<u>Tranche 3</u>
Grant date share price	2.35	2.35	2.35
Exercise price	3.00	3.15	3.36
Expected volatility	13.80%	13.80%	13.80%
Option life	5 years	6 years	7 years
Dividend yield	4.00%	4.00%	4.00%
Risk-free interest rate	2.50%	2.50%	2.50%

<u>Chairman</u>	<u>Tranche 1</u>	<u>Tranche 2</u>
Grant date share price	2.35	2.35
Exercise price	2.80	3.00
Expected volatility	13.80%	13.80%
Option life	3 years	4 years
Dividend yield	4.00%	4.00%
Risk-free interest rate	2.50%	2.50%

**MOELIS AUSTRALIA LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2017**

Movements in share options during the period

The following reconciles the share options outstanding at the beginning and end of the period.

	<u>Number of options</u>	<u>Weighted average exercise price (\$)</u>	<u>Number of options</u>	<u>Weighted average exercise price (\$)</u>
	<u>Employees</u>	<u>Employees</u>	<u>Chairman</u>	<u>Chairman</u>
Balance at beginning of period	-	-	-	-
Granted during the period	5,468,750	3.17	781,250	2.90
Forfeited during the period	(276,600)	3.17	-	-
Exercised during the period	-		-	-
Expired during the period	-		-	-
Balance at end of period	<u>5,192,150</u>	<u>3.17</u>	<u>781,250</u>	<u>2.90</u>

No options are exercisable at the end of the respective reporting period.

Share options outstanding at the end of the period

The share options outstanding at the end of the period for the employees had a weighted average exercise price of \$3.17 and a weighted average remaining contractual life of 2,103 days. The Chairman options had a weighted average exercise price of \$2.90 and a weighted average remaining contractual life of 1,190 days.

**(ii) Employee incentive scheme**

On 1 March 2017, through the issue of the Group's prospectus and in conjunction with the initial public offering process, the Group announced a change to its incentive scheme to allow annual bonuses to be paid in cash, shares or a combination of cash and shares. Previously bonuses had been paid wholly in cash.

At the end of the year, the Group's Board of Directors determines the annual bonus to be paid to employees, based on an assessment of the performance of each employee as well as the performance of the division or area of the company in which the employee works and the overall performance of the Group for the year and market remuneration levels. The Board also determines how the annual bonuses are to be paid (cash, shares or a combination of cash and shares) and any associated conditions such as vesting periods. In determining any share component of the bonus, the Board takes into consideration the need to align employees with the goals of the Group and the use that the Group may have for the cash retained.

As at 30 June 2017, the Group has estimated the expected outcome of the determination of the annual bonuses, including an estimate of the amount of bonuses to be paid in cash and the amount to be paid in shares.

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**MOELIS AUSTRALIA LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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The profit and loss impact (after tax) of the estimated cash component for services received as at 30 June 2017 was \$4,256,000.

The component expected to be paid in shares has been accounted for as a share based payment, with the amounts accruing over the expected vesting period of between 1 to 5 years. The profit and loss impact (after tax) of the estimated share component for services received as at 30 June 2017 was \$406,000 (2016 \$Nil). The accounting standards require the value of the share based component to be determined when there is a shared understanding of the terms and conditions of the scheme and so the estimate of the accrual to date could change until this grant date is achieved.

As a result of the discretionary nature of the scheme, no incentive shares have been issued under the scheme during the interim period ended 30 June 2017. As at 30 June 2017, there are no unvested incentive shares on issue.

**(iii) Armada acquisition**

As part of the acquisition of Armada Funds Management, 6,382,979 shares in the Company have been issued to the two Armada Funds Management principals. Half of these shares are restricted (3,191,489) and, as a result, have been deemed to be a share based payment and are being amortised over the restriction period, being two years for 1,595,745 and three years for the remaining 1,595,744. The value was based on a traded price of the Company's shares on the day of acquisition of \$3.16. The grant date was 1 June 2017.

**11 Subsequent events**

Leasing arrangements

Moelis & Company Australia Pty Limited signed an operating lease on premises at Level 28 Suite 28.04, Governor Phillip Tower, 1 Farrer Place, Sydney in July 2017. The lease commences 1 July 2017 and is due to expire 31 December 2021.

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Redcape acquisition

On 10 July 2017 a Moelis Australia managed fund ("Fund") acquired the Redcape Hotel Group. The Redcape Hotel Group owns and/or operates 25 gaming focused hotels in NSW and Queensland. Moelis Australia invested \$40 million in the Fund on 10 July 2017 (10% of the Fund's total equity), which combined with funds raised from Moelis managed funds and third party investors was used to settle the \$337 million acquisition consideration and associated costs. Moelis Australia will be required to consolidate the Redcape Hotel Group under Australian Accounting Standards.

<b>Estimated consideration transferred</b>	<b>\$</b>
Cash	326,739,000
Vendor finance	10,700,000
Total consideration	<u>337,439,000</u>

The consideration paid for Redcape Group assets was based on an assessment of the value of the hotels as operating businesses, not as the sum of the value of its individual identifiable assets such as land, buildings and plant and equipment. Under Accounting Standards Moelis Australia has 12 months in which to assess the fair value of the individual assets acquired and liabilities assumed. Prior to this exercise being completed, the estimated carrying values of the individual assets and liabilities as recorded in Redcape Hotels Group's account on the date of acquisition (shown in table below) have been used. The difference between the aggregate of the carrying values of the assets and liabilities and the consideration paid is shown as goodwill and fair value adjustments.

<b>Estimated current assets</b>	<b>\$</b>
Cash and cash equivalents	13,889,000
Stock	4,636,000
Receivables	1,250,000
Other assets	2,236,587
<b>Estimated non-current assets</b>	
Investments	2,200,000
Land & Buildings	213,467,000
Property, plant & equipment	45,972,000
Deferred tax asset	4,435,000
<b>Estimated current liabilities</b>	
Trade and other payables	(28,410,595)
Other liabilities	(1,083,000)
Provisions	(3,276,000)
<b>Estimated non-current liabilities</b>	
Borrowings	(331,700,000)
Provisions	(2,241,000)
<b>Estimated net liabilities</b>	<u>(78,625,008)</u>

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**MOELIS AUSTRALIA LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2017**

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<b>Estimated goodwill arising on acquisition</b>	<b>\$</b>
Estimated consideration transferred	337,439,000
Add: estimated carrying value of identifiable net liabilities acquired	<u>78,625,000</u>
Estimated goodwill and fair value adjustments arising on acquisition	<u><u>416,064,000</u></u>

The goodwill arising on this acquisition is not expected to be deductible for tax purposes, unless the Fund subsequently sells part or all of its investment in Redcape Hotel Group.

<b>Estimated net cash outflow arising on acquisition</b>	<b>\$</b>
Estimated consideration paid in cash	(326,739,000)
Less: estimated cash and cash equivalent balances acquired	<u>13,889,000</u>
Net cash outflow on acquisition	<u><u>(312,850,000)</u></u>

The Fund incurred transaction costs, including stamp duty, of approximately \$23 million.

Subsequent share issues

On 18 July 2017 6,382,979 shares were issued for \$20,170,213 (half with restrictions) as part of the consideration for the acquisition of Armada Funds Management (refer note 9).

On 18 July 2017 426,797 shares have been issued for \$1,305,999 in relation to the acquisition of the Redcape Hotel Group.