

**Pacific Current Group Limited and
controlled entities**

ABN 39 006 708 792

Condensed consolidated financial report
For the half-year ended 31 December 2017

TABLE OF CONTENTS

Directors' report	1 – 5
Auditor's independence declaration	6
Financial report	
Consolidated statement of profit or loss	7
Consolidated statement of other comprehensive income	8
Consolidated statement of financial position	9
Consolidated statement of changes in equity	10 – 11
Consolidated statement of cash flows	12
Notes to condensed consolidated financial statements	13 – 48
Directors' declaration	49
Independent auditor's review report	50 – 51

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES

ABN 39 006 708 792

DIRECTORS' REPORT

The directors submit herewith the interim condensed consolidated financial report of Pacific Current Group Limited (the Company) and together with its controlled entities (the Group) for the half-year ended 31 December 2017. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of the Company's directors in office during the half-year and until the date of this report are as below. Unless otherwise noted, the directors were in office for this entire period.

M. Fitzpatrick, Chairman
P. Greenwood, Executive Director, Global Chief Investment Officer (CIO) and President, North America
T. Robinson, Executive Director
M. Donnelly, Non-executive Director
G. Guerin, Non-executive Director
P. Kennedy, Non-executive Director

Company Secretary

P. Mackey

The Company is a company limited by shares and is incorporated in Australia. The Company has prepared a condensed consolidated financial report incorporating the entities that it controlled during the half-year period ended 31 December 2017.

Corporate structure

There was no change in the corporate structure of the Company during the half year. The Company invests in global asset management companies through its wholly owned and controlled investment in the Aurora Trust (the Trust). The Trust is an international multi boutique funds management business that holds interests in 14 boutiques in Australia, the United States of America and other jurisdictions. These boutiques range in their sector exposures from traditional equities to alternatives and private equity.

During the half year, the Trust and Treasury Group Investment Services Ltd joined the tax consolidated group headed by the Company.

Restatement of Financial Statements

On formation of the Trust, the Board assessed and formed the view that the Trust was a jointly controlled entity based on how the Trust conducted its investment activities and the governing documents of the Trust that included various deeds such as the Trust Deed, Implementation Deed, Exchange Deed and Partnership Allocation Deed that the Company had entered into with Northern Lights Capital Partners, LLC (NLCP) on 25 November 2014.

Following a review from the Australian Securities Investment Commission (ASIC), they recommended that the Company apply the principles of consolidation in accounting for the Trust upon acquisition of the initial interest in the Trust on 25 November 2014. Whilst the Board considered the Trust as a jointly controlled entity, it recognised that this is a complex matter and there is a scope for differing views. In the circumstances, the Board had decided to prepare the Group's 31 December 2017 condensed consolidated financial statements in accordance with ASIC's view.

Accordingly, the financial statements were restated retrospectively as if consolidation occurred since 25 November 2014. More information in respect of this restatement can be found in Note 26 to the condensed consolidated financial statements.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES

ABN 39 006 708 792

DIRECTORS' REPORT

Restatement of Financial Statements (Continued)

The restated financial statements of the Company reflect the consolidation of the Company including the Trust, Seizert Capital Partners (Seizert), Aether Investment Partners (Aether), Strategic Capital Investors (SCI) and Northern Lights Midco, LLC (Midco). The condensed consolidated statement of profit or loss therefore shows the aggregation of the various forms of revenue across each business (predominantly management fees) as well as the total expenses across the consolidated group adjusted for any intercompany transactions (consolidation eliminations).

The impact of the change has seen a material reported consolidated profit of the Group for the six-month period to 31 December 2017 reflecting the previously announced proceeds from the sale of the Group's investment in Investors Mutual Limited (IML) in October 2017, and the impact of consolidating the Trust from an earlier period which unwinds previous revaluations of that investment. The reported consolidated profit is \$89.5 million, approximately \$65.5 million more than it would be if no change were made.

In addition, the restated results for the comparison periods reflect:

- (a) the unwinding of the revaluations of the IML investment and other investments made at the time of the transaction with NLCP;
- (b) the unwinding of some of the revaluations that occurred following the simplification of the corporate structure of PAC and consequent consolidation of the Aurora Trust as noted in the Company's annual report for the financial year ended 30 June 2017; and
- (c) related tax impacts and other matters.

The impact of these changes to the comparison periods are:

- (a) a reduction in the equity position at 30 June 2017 of approximately \$40 million due to lower total assets of approximately \$72 million reflecting principally the unwinding of both the revaluation of IML at the date the joint venture with NLCP was first created and the subsequent revaluation on completion of the simplification in April 2017 mentioned above, and lower liabilities principally reflecting the removal of the deferred tax liability associated with these revaluations;
- (b) a reduction in the full-year profit attributable to members of PAC at 30 June 2017 of approximately \$43 million resulting from the removal of the upward revaluations of IML and some other assets as part of simplification of the corporate structure; and
- (c) an increase in the profit attributable to members of PAC at 31 December 2016 of approximately \$2 million resulting from the difference in the tax expense for the period.

The results of the Group for 30 June 2017 is on the following page, showing the restated underlying earnings on a consolidated basis, which did not change from the previously reported amounts.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES

ABN 39 006 708 792

DIRECTORS' REPORT

Restatement of Financial Statements (Continued)

	30 June 2017
	\$
Net loss after tax attributable to the Group	(46,969,881)
Add/(deduct): Items that are non-recurring/non-cash	
- Impairment of investments	81,607,936
- Loss on revaluation of investment held at FVTPL	14,850,000
- Amortisation of identifiable intangible assets	2,131,814
- Fair value adjustments	1,443,020
- Foreign currency losses	1,419,589
- East West debt facility	1,289,160
- Legal and consulting expenses in relation to Simplification	1,202,463
- Long term incentives amortisation	1,121,655
- Other expenses	479,558
- Employee restructuring	98,000
- Deal costs	60,089
- Gain on revaluation of X-RPUs	(17,845,924)
- Adjustment in deferred commitments	(1,498,567)
- Gain on sale of investments in Aubrey and Raven	(375,713)
- Share of non-controlling interests on the non-recurring/non-cash items	(12,688,777)
- Back-out of net Income tax (benefit)	(9,725,583)
	63,588,720
Total underlying profit attributable to members of the parent	16,618,839
Underlying earnings per share	53.30
Statutory loss per share	(150.58)

Review of operations

On 5 October 2017, the Company granted 250,000 performance rights to Mr Greenwood as part of his renegotiated employment contract in the prior half year. The vesting date of the rights issued on 5 October 2017 is 1 July 2020. Any securities to be allocated on vesting of the performance rights will be purchased on the market under the Long-Term Incentive Plan and therefore shareholder approval is not required.

On 3 October 2017, the Group sold its 40% equity ownership in IML to Natixis Global Asset Management for \$116.9 million consideration that included \$106.9 million cash and \$10.0 million as retention that was held in escrow, with the \$5.0 million to be released after 18 months and the remaining \$5.0 million after 24 months. The release of the escrow is subject to customary commercial commitments being met.

On 28 September 2017, the Company and Aurora Investment Management Pty Ltd (the Trustee of the Trust) redeemed and cancelled the US\$21.0 million X-Redeemable Preference Units (X-RPUs) held by NLCP and Fund BNP Paribas Capital Partners Participations, represented by BNP Paribas Capital Partners (BNP Paribas). Repayment followed on 11 October 2017.

On 28 September 2017, the Company paid a dividend of 18 cents per share.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES

ABN 39 006 708 792

DIRECTORS' REPORT

Results of operations

The Company reports its half year financial results to 31 December 2017.

The Company generated a net profit after tax attributable to the members of the Group of \$89.5 million for the half-year ended 31 December 2017. The Group reported a net profit after tax of \$6.1 million for the corresponding period ended 31 December 2016. The results during the period reflected the consolidation of the Trust into the Group. The comparative periods were restated to reflect consolidation as recommended by ASIC.

The underlying profit of the Company as reported in the 31 December 2017 half year report has increased compared to the 31 December 2016 half year result due to the following non-recurring and non-cash items shown in the table in below:

	31 December 2017	31 December 2016 (restated)
	\$	\$
Net profit after tax attributable to the members of the Group	89,511,671	6,109,452
Add/(deduct): Items that are non-recurring/non-cash		
- Gain on sale of investments (IML)/(2016: Aubrey)	(104,292,732)	(486,917)
- Income tax expense on the sale of IML	17,923,226	146,075
- Take-up of liability relating to S class shares issued by Aperio	2,847,823	-
- Loss on redemption and cancellation of X-RPUs (2016: gain on revaluation of X-RPUs ¹)	844,242	(15,307,855)
- Foreign currency losses/(gains)	1,968,185	(356,894)
- Amortisation of identifiable intangible assets	609,842	1,071,233
- Fair value adjustments ²	442,034	901,814
- Long term incentives amortisation	648,687	523,733
- Legal and consulting expenses in relation to sale of IML, Simplification and X-RPU restructuring	713,725	-
- Other expenses	426,957	-
- Impairment of investments	-	11,220,471
- Loss on revaluation of investment held at FVTPL	-	7,677,396
- Deal costs	-	60,089
- Share of non-controlling interests on the non-recurring/non-cash items	(219,021)	(3,894,563)
- Back-out of net Income tax (benefit)	(2,081,474)	(1,821,298)
	(80,168,506)	(266,716)
Total underlying profit attributable to members of the parent	9,343,165	5,842,736
Underlying earnings per share	19.61	20.77
Statutory earnings per share	187.88	21.72

¹This amount was the gain on revaluation of the X-RPU debt instrument which was required to be fair valued at 31 December 2016.

²These were the interest amortisation of debt instruments that were discounted to their net present value.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES

ABN 39 006 708 792

DIRECTORS' REPORT

Subsequent events

On 21 February 2018, the Group entered into a transaction to help finance the repurchase of EAM Global Investors, LLC (EAM Global) equity from an outside shareholder, while also increasing its stake in EAM Global from 15% to 18.75%. The EAM Global management team will acquire 11.25% of equity in EAM Global from an outside party using financing provided by PAC, while PAC will acquire an additional 3.75%. The financing provided by the Company to the EAM Global management team is a six-year term loan at standard commercial terms. The total investment includes US\$3 million of upfront consideration and potentially two deferred payments in years four and five following the sale date, based on EAM Global's revenues at the time.

On 15 February 2018, ROC Partners paid \$1.5 million out of its \$3.2 million loan outstanding to the Group. The balance remaining is \$1.7 million.

On 26 January 2018, the Group completed the sale of its interest in Goodhart Partners, LLP (UK) for GBP 1.68 million (approximately \$3.0 million) following the approval by Financial Conduct Authority (FCA), the financial regulatory body in the United Kingdom. The Group is also entitled to certain performance fees earned by Goodhart through 31 March 2019.

The directors of the Company did not declare an interim dividend on ordinary shares in respect of the half-year ended 31 December 2017.

There has been no other matter or circumstance, which has arisen since 31 December 2017 that has significantly affected or may significantly affect:

- (a) the operations, in financial periods subsequent to 31 December 2017, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial periods subsequent to 31 December 2017, of the Group.

Auditor's independence declaration

A copy of the auditor's independence declaration in relation to the half-year review is provided with this report on Page 5.

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

On behalf on the directors



M. Fitzpatrick
Chairman

28 February 2018

The Board of Directors
Pacific Current Group Limited
Level 29, 259 George Street
Sydney NSW 2000

28 February 2018

Dear Directors

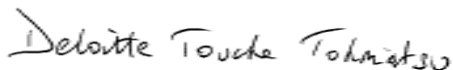
Pacific Current Group Limited

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.

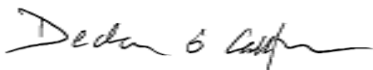
As lead audit partner for the review of the financial statements of Pacific Current Group Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan
Partner
Chartered Accountants

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	31 December 2017 \$	31 December 2016 (restated)* \$
Revenues			
Revenue	6	19,756,876	20,096,901
Net gains on investments	6	<u>103,757,047</u>	<u>8,137,486</u>
		<u>123,513,923</u>	<u>28,234,387</u>
Expenses			
Salaries and employee benefits	7	(10,525,063)	(8,834,101)
Other expenses	7	(8,813,959)	(18,356,120)
Depreciation and amortisation expense	7	(711,157)	(1,227,505)
Interest expense	7	<u>(1,248,334)</u>	<u>(1,937,928)</u>
		<u>(21,298,513)</u>	<u>(30,355,654)</u>
Share of net profits of associates accounted for using the equity method	7	<u>2,500,746</u>	<u>7,704,706</u>
Profit before income tax expense		104,716,156	5,583,439
Income tax (expense)/benefit	8	<u>(15,204,485)</u>	<u>526,013</u>
Profit for the period		<u>89,511,671</u>	<u>6,109,452</u>
Attributable to:			
The members of the parent		89,292,650	3,880,488
Non-controlling interests		<u>219,021</u>	<u>2,228,964</u>
		<u>89,511,671</u>	<u>6,109,452</u>
Earnings per share (cents per share):			
- basic earnings for the period attributable to ordinary equity holders of the parent	10	187.42	13.80
- diluted earnings for the period attributable to ordinary equity holders of the parent	10	187.42	13.80
Franked dividends paid per share (cents per share) for the period	9	18.00	5.00

The accompanying notes form part of these condensed consolidated financial statements.

*The consolidated statement of profit or loss for the period ended 31 December 2016 has been restated. Refer to Notes 1, 3 and 26 for the explanation.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December 2017	31 December 2016 (restated)*
	\$	\$
Profit for the period	89,511,671	6,109,452
Other comprehensive income:		
<i>Items that were reclassified to profit or loss</i>		
Reversal of the share on net fair value gain on AFS financial assets derecognised during the period	-	617,660
	<u>-</u>	<u>617,660</u>
<i>Items that may be reclassified subsequently to profit</i>		
Change in fair value of available-for-sale (AFS) financial assets	17,220,096	9,593,266
Exchange differences on translating foreign operations of a subsidiary	(3,153,276)	8,704,074
	<u>14,066,820</u>	<u>18,297,340</u>
Other comprehensive income for the period	<u>14,066,820</u>	<u>18,915,000</u>
Total comprehensive income	<u>103,578,491</u>	<u>25,024,452</u>
Attributable to:		
The members of the parent	103,359,470	16,418,865
Non-controlling interests	<u>219,021</u>	<u>8,605,587</u>
	<u>103,578,491</u>	<u>25,024,452</u>

The accompanying notes form part of these condensed consolidated financial statements.

*The consolidated statement of other comprehensive income for the period ended 31 December 2016 has been restated. Refer to Notes 1, 3 and 26 for the explanation.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	31 December 2017 \$	30 June 2017 (restated)* \$	1 July 2016 (restated)* \$
Current assets				
Cash and cash equivalents	12	108,975,276	40,248,286	23,781,878
Trade and other receivables	13	7,699,748	6,726,673	8,193,029
Loans and other receivables	14	-	303,682	-
Investment in associate held for sale	17	2,319,088	-	-
Other assets	15	<u>1,629,813</u>	<u>2,374,603</u>	<u>2,017,151</u>
Total current assets		<u>120,623,925</u>	<u>49,653,244</u>	<u>33,992,058</u>
Non-current assets				
Loans and other receivables	14	13,217,420	3,292,247	5,295,915
Other financial assets	16	69,583,499	52,874,338	60,812,382
Investments in associates	17	54,252,930	79,498,593	92,044,454
Intangible assets	18	99,982,750	102,409,990	175,790,348
Deferred tax assets	8	-	1,886,625	-
Other assets, property and equipment	15	<u>6,087,665</u>	<u>12,325,491</u>	<u>8,360,008</u>
Total non-current assets		<u>243,124,264</u>	<u>252,287,284</u>	<u>342,303,107</u>
Total assets		<u>363,748,189</u>	<u>301,940,528</u>	<u>376,295,165</u>
Current liabilities				
Trade and other payables	19	4,101,698	4,821,961	13,291,376
Financial liabilities	20	3,413,997	27,981,577	21,874,929
Provisions		376,772	345,102	236,468
Current tax liabilities	8	<u>11,071,408</u>	<u>5,069,098</u>	<u>15,171,248</u>
Total current liabilities		<u>18,963,875</u>	<u>38,217,738</u>	<u>50,574,021</u>
Non-current liabilities				
Financial liabilities	20	11,955,899	28,710,254	73,939,097
Provisions		160,521	150,614	175,268
Deferred tax liabilities	8	<u>2,154,172</u>	<u>-</u>	<u>12,153,674</u>
Total non-current liabilities		<u>14,270,592</u>	<u>28,860,868</u>	<u>86,268,039</u>
Total liabilities		<u>33,234,467</u>	<u>67,078,606</u>	<u>136,842,060</u>
Net assets		<u>330,513,722</u>	<u>234,861,922</u>	<u>239,453,105</u>
Equity				
Share capital	21	166,278,560	166,278,319	74,556,705
Reserves	22	49,876,133	35,160,626	28,504,228
Retained earnings		<u>114,090,994</u>	<u>33,373,963</u>	<u>(14,118,742)</u>
Total equity attributable to owners of the Company		<u>330,245,687</u>	<u>234,812,908</u>	<u>88,942,191</u>
Non-controlling interests		<u>268,035</u>	<u>49,014</u>	<u>150,510,914</u>
Total equity		<u>330,513,722</u>	<u>234,861,922</u>	<u>239,453,105</u>

The accompanying notes form part of these condensed consolidated financial statements.

*The consolidated statement of financial position as at 30 June 2017 and 1 July 2016 have been restated. Refer to Notes 1, 3 and 26 for the explanation.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Share Capital \$	Reserves \$	Retained earnings \$	Non-controlling interests \$	Total equity \$
Balance as at 1 July 2016					
As previously reported	74,556,705	21,401,642	91,471,250	-	187,429,597
Impact of restatement*	<u>-</u>	<u>7,102,586</u>	<u>(105,589,992)</u>	<u>150,510,914</u>	<u>52,023,508</u>
As restated	74,556,705	28,504,228	(14,118,742)	150,510,914	239,453,105
Profit for the period	-	-	3,880,488	2,228,964	6,109,452
Other comprehensive income:					
(i) Net movement in investment revaluation reserve	-	6,867,673	-	3,343,253	10,210,926
(ii) Net movement in foreign currency translation reserve	<u>-</u>	<u>5,670,704</u>	<u>-</u>	<u>3,033,370</u>	<u>8,704,074</u>
Total comprehensive income for the period	<u>-</u>	<u>12,538,377</u>	<u>3,880,488</u>	<u>8,605,587</u>	<u>25,024,452</u>
Transactions with owners in their capacity as owners:					
(i) Recognition of non-controlling interest	-	-	-	5,802,390	5,802,390
(ii) Dividends paid	-	-	(1,406,298)	-	(1,406,298)
(iii) Share based payments expensed	<u>-</u>	<u>523,733</u>	<u>-</u>	<u>-</u>	<u>523,733</u>
Total transactions with owners in their capacity as owners	<u>-</u>	<u>523,733</u>	<u>(1,406,298)</u>	<u>5,802,390</u>	<u>4,919,825</u>
Balance as at 31 December 2016	<u>74,556,705</u>	<u>41,566,338</u>	<u>(11,644,552)</u>	<u>164,918,891</u>	<u>269,397,382</u>

The accompanying notes form part of these condensed consolidated financial statements.

*The consolidated statement of changes in equity for the period ended 31 December 2016 has been restated. Refer to Notes 1, 3 and 26 for the explanation.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Share Capital \$	Reserves \$	Retained earnings \$	Non-controlling interests \$	Total equity \$
Balance as at 1 July 2017					
As previously reported	166,278,319	7,958,207	100,693,841	253,809	275,184,176
Impact of restatement*	<u>-</u>	<u>27,202,419</u>	<u>(67,319,878)</u>	<u>(204,795)</u>	<u>(40,322,254)</u>
As restated	166,278,319	35,160,626	33,373,963	49,014	234,861,922
Profit for the period	-	-	89,292,650	219,021	89,511,671
Other comprehensive income:					
(i) Net movement in investment revaluation reserve	-	17,220,096	-	-	17,220,096
(ii) Net movement in foreign currency translation reserve	<u>-</u>	<u>(3,153,276)</u>	<u>-</u>	<u>-</u>	<u>(3,153,276)</u>
Total comprehensive income for the period	<u>-</u>	<u>14,066,820</u>	<u>89,292,650</u>	<u>219,021</u>	<u>103,578,491</u>
Transactions with owners in their capacity as owners:					
(i) Issuance of ordinary shares	241	-	-	-	241
(ii) Dividends paid	-	-	(8,575,619)	-	(8,575,619)
(iii) Share based payments expensed	<u>-</u>	<u>648,687</u>	<u>-</u>	<u>-</u>	<u>648,687</u>
Total transactions with owners in their capacity as owners	<u>241</u>	<u>648,687</u>	<u>(8,575,619)</u>	<u>-</u>	<u>(7,926,691)</u>
Balance as at 31 December 2017	<u>166,278,560</u>	<u>49,876,133</u>	<u>114,090,994</u>	<u>268,035</u>	<u>330,513,722</u>

The accompanying notes form part of these condensed consolidated financial statements.

*The consolidated statement of changes in equity for the period ended 30 June 2017 has been restated. Refer to Notes 1, 3 and 26 for the explanation.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	31 December 2017 \$	31 December 2016 (restated)* \$
Cash flow from operating activities			
Receipts from customers		17,257,821	19,782,344
Payments to suppliers and employees		(17,569,061)	(21,991,837)
Dividends and distributions received		12,664,034	7,340,328
Interest received		485,235	54,544
Interest paid		(1,413,058)	(34,665)
Income tax paid		<u>(4,852,732)</u>	<u>(1,098,516)</u>
Net cash provided by operating activities	12(a)	<u>6,572,239</u>	<u>4,052,198</u>
Cash flow from investing activities			
Proceeds from sale of an associate		106,879,324	9,026,672
Receipts of funds previously held in escrow		6,513,770	-
Additional contributions to associates		(143,018)	-
Repayments of loans by associates		418,328	-
Payment for plant and equipment		(310,613)	(395,069)
Payments for the purchase of associates		-	(23,674,529)
Payments for the purchase of AFS investments		-	(3,355,784)
Proceeds from winding-up of a subsidiary		<u>-</u>	<u>133,679</u>
Net cash provided by/(used in) investing activities		<u>113,357,791</u>	<u>(18,265,031)</u>
Cash flow from financing activities			
Dividends paid		(8,575,619)	(1,406,298)
Repayments of financial liabilities		(42,059,560)	-
Proceeds from issuance of shares		241	-
Proceeds from borrowings		<u>-</u>	<u>12,778,052</u>
Net cash (used in)/provided by financing activities		<u>(50,634,938)</u>	<u>11,371,754</u>
Net increase/(decrease) in cash and cash equivalents held		69,295,092	(2,841,079)
Cash at beginning of the financial period		40,248,286	23,781,878
Unrealised foreign exchange difference in cash		(568,102)	525,682
Less: restricted cash		<u>-</u>	<u>(7,988,353)</u>
Cash at end of financial period		<u>108,975,276</u>	<u>13,478,128</u>
Non-cash investing activities			
Investing activities ¹		<u>-</u>	<u>(10,827,886)</u>

¹Reinvestment of distributions received from Aurora Trust.

The accompanying notes form part of these condensed consolidated financial statements.

*The consolidated statement of cash flows for the period ended 31 December 2016 has been restated. Refer to Notes 1, 3 and 26 for the explanation.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 1: CORPORATE INFORMATION

The condensed consolidated financial report of Pacific Current Group Limited (the Company) and together with its controlled entities (the Group) for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 28 February 2018.

The Company restated its comparative consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended 31 December 2016 and the comparative consolidated statement of financial position for the year ended 30 June 2017 and at 1 July 2016. This was a result of the recommendation of the Australian Securities and Investment Commission (ASIC) that Aurora Trust (the Trust) should have been consolidated since the Company's acquisition of its initial interest in the Trust on 25 November 2014. Refer also to Notes 3(c) and 26 for further information.

The Company is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

The nature of operations and principal activities of the Company are disclosed in the Directors' Report.

NOTE 2: APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

(a) Amendments to Australian Accounting Standards Board (AASBs) and the new Interpretation that are mandatorily effective for the current period

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

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

- *AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*

- *AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

Adoption of the above new and revised accounting standards had no material impact on the Group.

(b) 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 decided not to early adopt any of these new and amended pronouncements.

At the date of authorisation of the condensed consolidated financial statements, the Standards and Interpretations that were issued but not yet effective are listed overleaf. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out in the next page. Their adoption may affect the accounting for future transactions or arrangements.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 2: APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

(b) Standards and interpretations in issue not yet adopted (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<i>AASB 9 Financial Instruments</i> , AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018	30 June 2019
<i>AASB 15 Revenue from Contracts with Customers</i> 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15, 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	30 June 2019
<i>AASB 16 Leases</i>	1 January 2019	30 June 2020
<i>AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	1 January 2017	30 June 2018
<i>AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128</i>	1 January 2018	30 June 2019
<i>AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018	30 June 2019
<i>AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments</i>	1 January 2018	30 June 2019
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	30 June 2019
Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	30 June 2020

At the date of authorisation of the consolidated financial statements, there have been no IASB Standards and IFRIC Interpretations that are issued but not yet effective that could impact the Group.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 2: APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

(b) Standards and interpretations in issue not yet adopted (continued)

- *AASB 9 Financial Instruments, AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9*
These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the Group on initial application of AASB 9 and associated amending Standards include:
 - simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
 - permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
 - requiring financial assets with embedded derivatives to be measured at fair value through profit or loss and not permitting embedded derivatives to be separated
 - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
 - introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
 - requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

The Group is in the process of assessing the impact of AASB 9.

- *AASB 15 Revenue from Contracts with Customers 2014 5 Amendments to Australian Accounting Standards arising from AASB 15, 2015 8 Amendments to Australian Accounting Standards – Effective date of AASB 15, 2016 3 Amendments to Australian Accounting Standards – Clarifications to AASB 15*
AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

The Group is in the process of assessing the impact of AASB 15.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 2: APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

(c) Standards and interpretations in issue not yet adopted (continued)

▪ *Other Standards*

The Group is in the process of assessing the impact of AASB 16, AASB 2016-2, AASB 2015-10, AASB 2016-5, AASB 2017-1, Interpretation 22 and Interpretation 23.

NOTE 3: ACCOUNTING POLICIES

(a) Basis of preparation of the financial report

These condensed consolidated financial statements are general purpose financial statements for the half-year ended 31 December 2017 and have been prepared in accordance with Australian Accounting Standards 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The Company has restated the comparatives this half year. This was a result of ASIC's recommendation that the Trust should have been consolidated since the acquisition of the initial interest on 25 November 2014.

The half year condensed consolidated financial report should be read in conjunction with the annual report for the year ended 30 June 2017 except for the restatements. It should be considered together with any public announcements made by the Company during the half year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

All other accounting policies applied are consistent with the annual financial report for the year ended 30 June 2017. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards (IFRS).

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 revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise stated.

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*.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 3: ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial report (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(b) Rounding of amounts to nearest dollar

In accordance with ASIC Corporations (Rounding of Financial/Directors' Reports) Instrument 2016/191, the amounts in the condensed consolidated financial report have been rounded to the nearest dollar.

(c) Restatement

On 25 November 2014, the Company acquired 61.22% in Aurora Trust, an unlisted unit Trust domiciled in Australia. The Company referred to its investment in the Trust as a Joint Venture and the principles of the equity accounting method were applied from the acquisition of the Trust up to 12 April 2017. The Company acquired the remaining ownership in the Trust on 13 April 2017.

The Company had been consolidating the Trust from 13 April 2017. Following a review from ASIC, they recommended the Company apply the principles of consolidation in accounting for the Trust upon acquisition of the initial interest in the Trust on 25 November 2014. The Company considered the recommendation of ASIC and applied it retrospectively as if the consolidation occurred since 25 November 2014. The prior period financial statements of the Company have been restated in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Refer to Note 26 for the impact of the restatement in the comparative periods.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 4: CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the consolidated financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates 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 judgments, estimates and assumptions.

Significant accounting judgments, estimates and assumptions

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

Tax cost base reset and determination of Cost Allocable Amount (ACA)

During the half year, the Trust joined the tax consolidated group headed by the Company. The tax cost bases of the Trust's assets were reset in accordance with the prescribed process under the tax laws and regulations. This process involved an independent expert who was engaged to assist in determining the market values of the Trust's investments for the purpose of the ACA allocation. The independent expert applied significant judgement and assumptions in determining the fair values of the Trust's investments. Refer to Note 8.

The tax cost base reset exercise involved an estimation of the cost allocable amount.

Valuation of investments

In preparing the consolidated financial statements of the Group, management exercises significant judgement in areas that are highly subjective (refer to Note 5). The valuation of assets and the assessment of carrying values as per Note 16 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.

Impairment of investments

At the end of each reporting period, management is required to assess the carrying values of each of the underlying assets of the Group. Should assets underperform or not meet expected growth targets, 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 equity accounted associate below its cost is also an objective evidence of impairment. During the period, the investments were assessed for impairment indicators only. No indicators of impairment were noted and they were deemed not to be impaired.

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 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. Impairments of goodwill in relation to subsidiaries cannot be reversed if a business recovers or exceeds previous levels of financial performance. During the period, the goodwill and other identifiable intangible assets were assessed for impairment indicators only. No indicators of impairment were noted and they were deemed not to be impaired. Refer to Note 18.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 5: FINANCIAL RISK MANAGEMENT

Some of the Group's financial assets 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 of the Group are determined (in particular, the valuation techniques and inputs used):

Financial assets	Fair values at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable input
	31 December 2017	30 June 2017				
	\$	\$				
AFS - Investment in EAM Global Investors, LLC (EAM Global)	10,159,501	9,200,000	Level 3	Discounted cash flow. Future cash flows are determined based on current and projected FUM of the business using various growth rates discounted at 16.5% (30 June 2017: 16.5%).	16.5% 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.
AFS - Investment in GQG Partners, LLC (GQG)	36,723,998	20,974,338	Level 3	Discounted cash flow. Future cash flows are determined based on current and projected FUM of the business using various growth rates discounted at 16.5% (30 June 2017: 16.5%).	16.5% 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.
AFS - Investment in Nereus Holdings LP (Nereus)	-	-	Level 3	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 10.5% (30 June 2017: 10.5%).	10.5% 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.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 5: FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial assets	Fair values at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable input
	31 December 2017	30 June 2017				
	\$	\$				
FVTPL - Investment in RARE Infrastructure Ltd (RARE)	22,700,000	22,700,000	Level 3	Discounted cash flow. Future cash flows are determined based on current and projected FUM of the business using various growth rates discounted at 12% to 14% (30 June 2017: 12% to 14%).	12% to 14% 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.

Reconciliation of recurring level 3 fair value movements

For each asset and liability categorised as recurring level 3 fair value measurements, the following table presents the reconciliation of fair value from opening balances to the closing balances.

	31 December 2017	30 June 2017
	\$	(restated) \$
AFS investments		
Beginning balance	30,174,338	23,262,382
Contributions	-	3,799,700
Disposal	-	(1,313,105)
Impairment	-	(7,697,210)
Net gains recognised in other comprehensive income	16,709,161	12,122,571
Closing balance	46,883,499	30,174,338
Investment held at FVTPL (RARE)		
Beginning balance	22,700,000	37,550,000
Revaluation for investment held at FVTPL	-	(14,850,000)
Closing balance	22,700,000	22,700,000

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December 2017	31 December 2016 (restated)
	\$	\$
NOTE 6: REVENUES		
Revenue		
- Fund management fee	15,263,689	16,770,917
- Service fees	<u>462,952</u>	<u>154,093</u>
	<u>15,726,641</u>	<u>16,925,010</u>
Other revenue		
- Dividends and distributions		
- Dividends	<u>946,111</u>	<u>609,730</u>
	<u>946,111</u>	<u>609,730</u>
- Interest income		
- Related parties - associates	111,075	444,575
- Other persons/corporations	<u>472,967</u>	<u>152,651</u>
	<u>584,042</u>	<u>597,226</u>
- Other income		
- Commission revenue	2,392,947	336,983
- Retainer revenue	79,991	255,846
- Gain from termination of lease	-	779,724
- Sundry income	<u>27,144</u>	<u>592,382</u>
	<u>2,500,082</u>	<u>1,964,935</u>
Total revenues	<u>19,756,876</u>	<u>20,096,901</u>
Net gains on investments and financial liabilities		
- Gain on sale of investment	104,292,732	486,917
- Loss on redemption and cancellation of X-Redeemable Preference Units (X-RPUs) (refer to Note 20 ²)	(844,242)	-
- Adjustment in deferred commitments	308,557	-
- Gain on revaluation of X-RPUs	-	15,307,855
- Loss on revaluation of financial assets at FVTPL	-	(7,677,396)
- Net gain on winding up a subsidiary	<u>-</u>	<u>20,110</u>
Total net gains on investments/financial liabilities	<u>103,757,047</u>	<u>8,137,486</u>
	<u>123,513,923</u>	<u>28,234,387</u>

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December 2017	31 December 2016 (restated)
	\$	\$
NOTE 7: EXPENSES AND SHARE IN PROFITS		
Profit before income tax has been determined after:		
(a) Salaries and employee benefits:		
- Salaries and employee benefits	9,876,376	8,310,368
- Share-based payment expense arising from equity-settled share-based payment transactions	<u>648,687</u>	<u>523,733</u>
Total salaries and employee benefits	<u>10,525,063</u>	<u>8,834,101</u>
(b) Other expenses:		
- Accounting and audit fees	940,248	1,263,997
- Commission payments to former employees	476,859	-
- Directors' fees	217,678	243,737
- Impairment expense ¹	-	11,220,471
- Insurance expense	591,205	655,552
- Legal and compliance fees	1,406,654	2,178,343
- Net foreign exchange loss/(gain)	1,968,185	(356,894)
- Operating lease rental – minimum lease payments	521,826	794,344
- Payroll tax	59,376	67,857
- Sales and marketing expense	476,585	305,105
- Share registry and ASX fees	127,937	133,924
- Travel and accommodation costs	528,002	859,912
- Other expenses	<u>1,499,404</u>	<u>989,772</u>
Total other expenses	<u>8,813,959</u>	<u>18,356,120</u>
(c) Depreciation and amortisation expense:		
- Depreciation expense	101,315	156,272
- Amortisation of management rights	609,842	966,138
- Amortisation of client relationships	<u>-</u>	<u>105,095</u>
Total depreciation and amortisation expense	<u>711,157</u>	<u>1,227,505</u>

¹ Impairment expenses on investments are detailed and explained in the next page.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December 2017	31 December 2016 (restated)
	\$	\$
NOTE 7: EXPENSES AND SHARE IN PROFITS (CONTINUED)		
<i>Details of impairment expenses on investments:</i>		
- Nereus Holdings LP (Nereus) ¹	-	6,988,579
- Aether Investment Partners, LLC (Aether) ²	-	3,516,701
- Raven Capital Management, LLC (Raven) ³	-	417,705
- Global Value Investors Ltd (GVI) ³	-	245,933
- Northern Lights Alternative Advisors Ltd (NLAA) ³	-	<u>51,553</u>
Total impairment expenses	-	<u>11,220,471</u>
¹ This was due to the delay in the commissioning projects and the failure to secure additional projects in the time expected in the December 2016 valuation model.		
² This was due to the fund size which was lower than originally expected.		
³ The other impairments were driven by FUM outflow, or delays in launching funds.		
(d) Interest expense:		
- Notes payable - Seizert	594,245	798,352
- X-RPUs	442,034	901,814
- Loan origination costs	128,623	-
- Unwinding of discount relating to share of retention payments to RARE	80,405	149,832
- Other	3,027	87,930
Total interest expenses	<u>1,248,334</u>	<u>1,937,928</u>
Total expenses	<u>21,298,513</u>	<u>30,355,654</u>
(e) Share of net profits of equity accounted investments:		
- Share in net profits from associates	<u>2,500,746</u>	<u>7,704,706</u>
Total share of net profits of equity accounted investments	<u>2,500,746</u>	<u>7,704,706</u>

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December 2017	31 December 2016 (restated)
	\$	\$
NOTE 8: INCOME TAX		
PROFIT OR LOSS		
(a) Income tax expense/(benefit) recognised in profit or loss		
The major components of income tax expense/(benefit) are:		
Current tax	10,855,042	-
Deferred tax	3,283,293	(964,708)
Under provision in prior periods	<u>1,066,150</u>	<u>438,695</u>
Total income tax expense/(benefit) recognised in the period	<u><u>15,204,485</u></u>	<u><u>(526,013)</u></u>
(b) Reconciliation between aggregate tax expense/(benefit) recognised in the consolidated statement of profit or loss and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense/(benefit) and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:		
Prima facie income tax expense on profit before income tax at 30% (2016: 30%)	<u>31,414,847</u>	<u>1,675,032</u>
Add tax effect of:		
- Reduction of US corporate tax rate ¹	3,665,961	-
- Under provision in prior periods	1,066,150	438,695
- Redemption and cancellation of X-RPUs	578,406	-
- Share-based payments	194,606	157,121
- Amortisation of other identifiable intangible assets	82,111	-
- Others	<u>926,820</u>	<u>-</u>
	6,514,054	595,816
Less tax effect of:		
- Impact of the Trust joining the tax consolidated group	15,424,284	-
- Franking credits received net of tax	2,546,349	-
- Reconciliation of deferred tax liability on underlying domestic investments	2,467,054	1,044,608
- Non-assessable non-exempt income from Midco	1,277,428	-
- Reversal of Aurora Trust results	1,009,301	1,612,970
- Capital losses recognised	-	84,310
- Others	<u>-</u>	<u>54,973</u>
	<u>22,724,416</u>	<u>2,796,861</u>
Income tax expense/(benefit) attributable to profit	<u><u>15,204,485</u></u>	<u><u>(526,013)</u></u>

¹ 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 US deferred tax asset and liability balances at 31 December 2017 based on the rates at which they are expected to reverse in the future, which is 21%.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December 2017	30 June 2017 (restated)
	\$	\$
NOTE 8: INCOME TAX (CONTINUED)		
(c) Provision for income tax		
Current		
Provision for income tax	<u>11,071,408</u>	<u>5,069,098</u>
(d) Deferred tax		
Non-current		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Tax deductible goodwill and other identifiable intangible assets	4,073,538	7,962,417
Accruals and provisions	867,690	284,536
Deductible capital expenditures	601,688	260,366
Tax losses carried forward	-	3,339,441
	<u>5,542,916</u>	<u>11,846,760</u>
Deferred tax liabilities		
The balance comprises:		
Investment in associates	<u>7,697,088</u>	<u>9,960,135</u>
Net deferred tax liabilities/(assets)	<u>2,154,172</u>	<u>(1,886,625)</u>
	31 December 2017	31 December 2016 (restated)
	\$	\$
(e) Deferred income tax (revenue)/expense included in income tax expense comprises		
Tax deductible goodwill and other identifiable intangible assets	3,748,072	-
Tax losses	3,166,384	(82,702)
Deductible capital expenditures	(343,587)	45,626
Accruals and provisions	(746,842)	235,198
Investment in associates	<u>(2,540,734)</u>	<u>(1,162,830)</u>
	<u>3,283,293</u>	<u>(964,708)</u>
(f) Deferred income tax related to items charged or credited directly to equity		
Movement of the Group's foreign currency translation reserve	<u>(140,715)</u>	<u>-</u>

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 8: INCOME TAX (CONTINUED)

(g) Tax consolidation

As at the date of this report, the Company, Aurora Investment Management Pty Limited the Trustee of Aurora Trust (Trustee), the Trust and Treasury Group Investment Services Ltd (TIS) are the members of the tax consolidated entity.

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.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group allocate current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*. Allocations are made at the end of each half year.

The allocation of taxes is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated head company, the Group. The Company has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

	31 December 2017	31 December 2016
	\$	\$

NOTE 9: DIVIDENDS PAID AND PROPOSED

Dividends proposed and recognised as a liability:

Fully franked dividend (nil cents per share) (2016: nil cents per share)	-	-
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Dividends paid during the half-year:

Fully franked dividend (18 cents per share) (2016: 5 cents per share)	8,575,619	1,406,298
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Dividends declared after the reporting period and not recognised

Since the end of the reporting period the directors did not recommend / declare any dividends	-	-
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PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December 2017	31 December 2016 (restated)
	\$	\$

NOTE 10: EARNINGS PER SHARE

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

Net profit attributable to the members of the parent	89,292,650	3,880,488
Weighted average number of shares		
Weighted average number of ordinary shares used in calculating basic earnings per share	47,642,338	28,125,955
Effect of dilutive securities:		
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	47,642,338	28,125,955
Earnings per share (cents per share):		
Basic profit for the period attributable to the members of the parent	187.42	13.80
Diluted profit for the period attributable to the members of the parent	187.42	13.80 ¹

¹The conversion of the non-controlling interests was not included at 31 December 2016 as the conversion was subject to shareholders' approval. If included, this would have had an impact of 12.37 cents reduction to the diluted earnings per share if approved.

NOTE 11: SEGMENT INFORMATION

(a) Reportable segments

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

As at 31 December 2017, the Group's reportable segments under AASB 8 'Operating Segments' are as follows:

- Core boutiques (include Seizert Capital Partners, LLC and Aether which are being consolidated; IML and Aperio Group, LLC as equity accounted investments and RARE as FVTPL investment);
- Growth boutiques (include ROC Group and Blackcrane Capital, LLC as equity accounted investments and EAM and GQG as AFS investments); and
- Other boutiques (Strategic Capital Investments, LLP (SCI), which is consolidated and all other equity accounted investments).

Core boutiques include holdings in larger strategic partnerships with well established businesses with a relatively stable/growing earnings contribution.

Growth boutiques include smaller capital commitments compared to core boutiques. These are highly scalable opportunities. Emerging managers offer the ability for rapid growth and value creation.

Other boutiques are the ones that are in very early stages of business cycle or contribute smaller portion of earnings compared to Core and Growth boutiques.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 11: SEGMENT INFORMATION (CONTINUED)

(b) Segment revenues and results

The following is an analysis of the Group's results by reportable segments:

	Segment revenue for the period		Segment profit after tax for the period	
	31 December 2017	31 December 2016 (restated)	31 December 2017	31 December 2016 (restated)
	\$	\$	\$	\$
Core boutiques	16,955,804	16,129,106	7,814,911	5,369,502
Growth boutiques	1,053,992	336,024	1,068,325	388,193
Other boutiques	<u>1,579,473</u>	<u>1,166,586</u>	<u>1,522,615</u>	<u>(6,495,994)</u>
	19,589,269	17,631,716	10,405,851	(738,299)
Central administration	<u>106,425,400</u>	<u>18,307,377</u>	<u>79,105,820</u>	<u>6,847,751</u>
Total per consolidated statement of profit or loss	<u>126,014,669</u>	<u>35,939,093</u>	<u>89,511,671</u>	<u>6,109,452</u>

Central administration consists of:

Commission and distribution income	2,493,024	1,539,257	2,493,024	1,539,257
Interest income from other persons/corporations	483,885	174,089	483,885	174,089
Gain on sale of IML ¹	104,292,733	-	104,292,733	-
Loss on redemption and cancellation of X-RPUs	(844,242)	-	(844,242)	-
Gain on revaluation of X-RPUs	-	15,307,855	-	15,307,855
Gain from termination of lease	-	779,724	-	779,724
Sundry	-	506,452	-	506,452
Salaries and employee benefits expenses	-	-	(4,453,259)	(2,986,790)
Foreign exchange loss	-	-	(835,508)	217,810
Interest expense on X-RPUs and subleases	-	-	(445,061)	(989,744)
Depreciation expense	-	-	(101,314)	(1,202,046)
Other expenses	-	-	(4,827,162)	(5,813,865)
Income tax expense	-	-	(16,657,276) ¹	(684,991)
	<u>106,425,400</u>	<u>18,307,377</u>	<u>79,105,820</u>	<u>6,847,751</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3 of the Group's 30 June 2017 notes to the financial statements. 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 the purposes of resource allocation and assessment of segment performance.

¹The gain on sale of IML and the related income tax expense is classified under central administration. The allocated income tax expense does not necessarily reconcile back to the income tax expense as per the profit and loss.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 11: SEGMENT INFORMATION (CONTINUED)

(c) Segment assets and liabilities

	Segment assets at end of the financial period		Segment liabilities at end of the financial period	
	31 December 2017	30 June 2017 (restated)	31 December 2017	30 June 2017 (restated)
	\$	\$	\$	\$
Core boutiques	183,433,226	212,120,338	18,001,255	34,467,164
Growth boutiques	56,823,483	39,939,654	-	-
Other boutiques	11,787,409	18,309,072	406,320	538,263
	252,044,118	270,369,064	18,407,575	35,005,427
Central administration	111,704,071	31,571,464	14,826,892	32,073,179
Total per consolidated statement of financial position	363,748,189	301,940,528	33,234,467	67,078,606

Central administration consists of:

Cash and cash equivalents	102,787,776	23,221,622	-	-
Trade and other receivables	1,918,429	1,452,217	-	-
Prepayments	1,036,626	1,224,226	-	-
Other receivables	4,007,081	3,917,420	-	-
Other current and non-current assets	1,289,457	1,289,448	-	-
Plant and equipment	664,702	466,531	-	-
Trade creditors, provisions and other payables	-	-	2,668,916	3,529,171
X- RPU liability	-	-	-	26,040,479
Current and non-current sublease liability	-	-	720,531	820,793
Current and non-current provision for annual leave and long service leave	-	-	537,293	495,716
Provision for income tax	-	-	11,071,408	5,069,098
Net deferred tax	-	-	(171,256)	(3,882,078)
	111,704,071	31,571,464	14,826,892	32,073,179

	31 December 2017	30 June 2017 (restated)
	\$	\$
Segment net assets at end of the period		
Core boutiques	165,431,971	177,653,174
Growth boutiques	56,823,483	39,939,654
Other boutiques	11,381,089	17,770,809
	233,636,543	235,363,637
Central administration	96,877,179	(501,715)
Total per consolidated statement of financial position	330,513,722	234,861,922

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December 2017	30 June 2017 (restated)
	\$	\$
NOTE 12: CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	108,975,276	32,322,411
Restricted cash ¹	<u>-</u>	<u>7,925,875</u>
	<u>108,975,276</u>	<u>40,248,286</u>

¹ This was released and paid to the holders of Notes Payable – Seizert on 12 August 2017. Refer to Note 20 for details.

	31 December 2017	31 December 2016 (restated)
	\$	\$
(a) Reconciliation of cash flow from operations with profit after income tax		
Profit from ordinary activities after income tax	89,511,671	6,109,452
Adjustments and non-cash items:		
Net gain on sale of associates	(104,292,732)	(486,917)
Share of net profit from associates	(2,500,746)	(7,704,706)
Adjustment in the retention payment of RARE	(304,384)	-
Non-operating interest expense payments	(293,347)	1,903,263
Dividends received from associates	11,717,923	6,730,598
Non-operating foreign exchange transactions	1,730,995	(293,985)
Loss on redemption and cancellation of X-RPUs	844,242	-
Depreciation and amortisation expense	711,157	1,227,505
Share based payments	648,687	523,733
Gain on revaluation of X-RPUs	-	(15,307,855)
Impairment of investments	-	11,220,471
Loss on revaluation of financial assets at FVTPL	-	7,677,396
Other	(337,363)	(562,791)
Changes in operating assets and liabilities:		
(Increase) in trade and other receivables	(973,075)	(201,835)
Decrease/(increase) in other assets	744,790	(1,491,548)
(Decrease) in trade and other payables	(720,263)	(3,629,018)
Increase/(decrease) in current tax liabilities	6,002,310	(641,448)
Net decrease/(increase) in deferred taxes	4,040,797	(1,011,468)
Increase/(decrease) in provisions	41,577	(8,649)
Cash flows from operating activities	<u>6,572,239</u>	<u>4,052,198</u>

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December 2017	30 June 2017 (restated)
	\$	\$
NOTE 13: TRADE AND OTHER RECEIVABLES		
CURRENT		
Trade receivables	6,785,480	6,531,277
Sundry receivables	<u>914,268</u>	<u>195,396</u>
	<u>7,699,748</u>	<u>6,726,673</u>
 NOTE 14: LOANS AND OTHER RECEIVABLES		
CURRENT		
Advances to other related party	<u>-</u>	<u>303,682</u>
NON-CURRENT		
Loans receivable due from associates	3,217,420	3,292,247
Receivable due from other party ²	<u>10,000,000</u>	<u>-</u>
	<u>13,217,420</u>	<u>3,292,247</u>
 ² This is the retention amount held in escrow relating to the sale of IML. Refer to Note 17 ⁽¹⁾ for details.		
 NOTE 15: OTHER ASSETS		
CURRENT		
Prepayments	1,611,732	2,359,907
Other current assets	<u>18,081</u>	<u>14,696</u>
	<u>1,629,813</u>	<u>2,374,603</u>
NON-CURRENT		
Security deposit – HSBC escrow account ¹	-	6,513,770
Receivable from Raven ²	4,007,081	3,917,420
Other security deposits and assets	1,314,555	1,332,581
Plant and equipment	<u>766,029</u>	<u>561,720</u>
	<u>6,087,665</u>	<u>12,325,491</u>

¹ On 17 November 2017, the Group received the US\$5.0m held in escrow with the Hong Kong and Shanghai Banking Corporation Limited Singapore. A new escrow agreement is being negotiated with another financial institution. It is expected that the US\$5.0m will be transferred to this new financial institution.

² This is the earn out component as part of the consideration on the sale of the investment in Raven. The earn out is based upon new FUM received. Payments will be calculated quarterly until the US\$3,500,000 earn out cap is met. The earn-out was discounted by using an 8% rate to determine the net present value of the future payments from Raven.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December 2017	30 June 2017 (restated)
	\$	\$
NOTE 16: OTHER FINANCIAL ASSETS		
NON-CURRENT		
Financial assets at Fair Value Through Profit or Loss		
Investment in RARE	<u>22,700,000</u>	<u>22,700,000</u>
AFS investments		
Investment in EAM	10,159,501	9,200,000
Investment in Nereus	-	-
Investment in GQG	<u>36,723,998</u>	<u>20,974,338</u>
Total available-for-sale financial assets	<u>46,883,499</u>	<u>30,174,338</u>
Total other financial assets	<u>69,583,499</u>	<u>52,874,338</u>

NOTE 17: INVESTMENTS IN ASSOCIATES

NON-CURRENT

Investments in associates	<u>54,252,930</u>	<u>79,498,593</u>
Carrying amount of investments in associates		
Beginning balance	79,498,593	92,044,454
Contribution to associates	143,018	1,259,482
Share of net profits of associates	2,500,746	16,986,429
(Reversal)/share of unrealised gains reserve of an associate	(48,102)	111,910
Dividends and distributions received/receivable	(11,717,923)	(10,055,104)
Sale of investment in associate ¹	(12,538,490)	(12,392,711)
Transfer to held for sale under other current assets ²	(2,319,088)	-
Impairment	-	(6,535,850)
Foreign currency movement	<u>(1,265,824)</u>	<u>(1,920,017)</u>
Balance at the end of the year	<u>54,252,930</u>	<u>79,498,593</u>

¹ At 30 June 2017, the Group held 40% equity stake in IML. The investment in IML was equity accounted for accounting purposes at 45.44% interest due to share options issued by IML to its employees that have not vested. On 3 October 2017, the Group sold its 40% legal interest on a fully diluted basis to Natixis Global Asset Management for \$116,879,324 consideration that included \$106,879,324 cash and \$10,000,000 as retention that was held in escrow, with the \$5,000,000 to be released after 18 months and the remaining \$5,000,000 after 24 months. The escrow attracts a commercial rate of interest. The release of the escrow was subject to certain customary commercial commitments being met. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 17: INVESTMENTS IN ASSOCIATES (CONTINUED)

	\$
Considerations received	116,879,324
Less: Carrying amount of investment on the date of sale	<u>12,586,592</u>
Gain recognised on the sale of IML	<u>104,292,732</u>

² As at 31 December 2017, the Group agreed to sell its 18.81% interest in Goodhart to the members of Goodhart. On 26 January 2018, the proceeds of GBP 1,680,000 (approximately \$3,000,000) were received following the approval of the sale by Financial Conduct Authority (FCA), the financial regulatory body in the United Kingdom (UK). The investment in Goodhart was transferred to investment in associate held for sale under other current assets as at 31 December 2017. The sale was completed on 26 January 2018.

(a) Name of associates

	Reportable segments	Principal activity	Ownership interest		Place of incorporation and operation
			31 December 2017	30 June 2017	
Associates			%	%	
ROC Group	Growth	Funds Management	17.59	17.59	Australia
Celeste Funds Management Limited	Other	Funds Management	27.48	27.48	Australia
Freehold Investment Management Limited	Other	Funds Management	30.89	30.89	Australia
AlphaShares, LLC	Other	Funds Management	31.03	31.03	USA
Aperio Group, LLC	Core	Funds Management	23.38	23.38	USA
Blackcrane Capital, LLC	Growth	Funds Management	25.00	25.00	USA
Goodhart	Other	Funds Management	18.81	18.81	USA/UK
NLAA	Other	Funds Management	20.00	20.00	USA/UK
Aether General Partnership interests	Other	Funds Management	25.00	25.00	USA
IML	Core	Funds Management	-	40.91	Australia

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 17: INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) Summarised financial information for material associates

	31 December 2017		30 June 2017	
	Aperio \$	IML \$	Aperio \$	IML \$
Profit or Loss				
Revenue for the period	29,308,219	14,136,510	47,980,374	50,890,865
Profit after tax for the period	3,553,114 ¹	6,613,673	24,796,021	24,101,159
Other comprehensive income for the period	-	-	-	105,856
Total comprehensive income for the period	<u>3,553,114</u>	<u>6,613,673</u>	<u>24,796,021</u>	<u>24,207,015</u>
Dividends/distributions received during the period	3,203,046	7,804,740	4,510,727	5,215,431
Financial Position				
Current assets	5,224,268	-	10,308,829	24,465,316
Non-current assets	819,335	-	541,735	19,212,947
Current liabilities	(4,439,775)	-	(4,182,204)	(9,495,753)
Non-current liabilities	(12,131,850) ¹	-	(1,476,522)	(661,317)
Net (liabilities)/ assets	<u>(10,528,022)</u>	<u>-</u>	<u>5,191,838</u>	<u>33,521,193</u>
Reconciliation of the above summarised financial information to the carrying amount of the interest in the material associates recognised in the consolidated financial statements:				
Net (liabilities)/assets of the associates before determination of fair values	(10,528,022)	-	5,191,838	33,521,193
Ownership interest in %	<u>23.38%</u>	<u>-</u>	<u>23.38%</u>	<u>45.44%</u>
Proportion of the Group's ownership interest in the associates	(2,461,452)	-	1,213,852	15,232,030
Implied goodwill	40,658,394	-	41,452,905	-
Undistributed profits	-	-	-	3,074,619
Balance at the end of the period	<u>38,196,942</u>	<u>-</u>	<u>42,666,757</u>	<u>18,306,649</u>

¹ Aperio's net profit for the half-year ended 31 December 2017 included \$12,131,850 valuation of the S Class units which were accounted for as share based payments. The corresponding liability was included as part of non-current liabilities.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December 2017	30 June 2017 (restated)
	\$	\$
NOTE 18: INTANGIBLE ASSETS		
Goodwill, net of impairment ¹	<u>75,795,324</u>	<u>77,158,732</u>
Other identifiable assets, at carrying amount		
Brand and trademark	16,228,080	16,520,031
Management rights	<u>7,959,346</u>	<u>8,731,227</u>
Total other identifiable assets ¹	<u>24,187,426</u>	<u>25,251,258</u>
Total intangible assets	<u>99,982,750</u>	<u>102,409,990</u>
NOTE 19: TRADE AND OTHER PAYABLES		
CURRENT		
Trade creditors	632,981	214,429
Other payables	<u>3,468,717</u>	<u>4,607,532</u>
	<u>4,101,698</u>	<u>4,821,961</u>
NOTE 20: FINANCIAL LIABILITIES		
CURRENT		
Notes payable – Seizert ²	998,903	-
X-RPUs ³	-	26,040,479
Share of deferred commitments ⁴	2,205,991	1,732,353
Sublease liability	<u>209,103</u>	<u>208,745</u>
	<u>3,413,997</u>	<u>27,981,577</u>
NON-CURRENT		
Notes payable – Seizert ²	11,444,471	26,240,639
Share of deferred commitments ⁴	-	1,857,567
Sublease liability	<u>511,428</u>	<u>612,048</u>
	<u>11,955,899</u>	<u>28,710,254</u>

¹ These are the goodwill and other identifiable intangible assets related to the acquisition of Aether and Seizert that are denominated in US\$ which are translated every reporting period.

² The Trustee made payments to holders of Notes payable – Seizert an amount of \$7,925,875 (US\$6,083,938) and \$6,465,635 (US\$4,992,905) on 12 August 2017 and 30 November 2017, respectively. The current portion is due on 24 November 2018 and the non-current portion is due on 24 November 2019.

³ On 28 September 2017, the Trustee redeemed and cancelled the X-RPUs. Repayment followed on 11 October 2017. A loss of \$844,242 was recognised on the redemption and cancellation of X-RPUs. Refer to Note 6.

⁴ This represents the 40% share of the committed retention amounts payable to certain RARE investment team. This agreement was a 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. This is due in September 2018.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December		30 June	
	2017		2017	
	\$		\$	
NOTE 21: SHARE CAPITAL				
(a) Issued capital				
Issued and fully paid ordinary shares	<u>166,278,560</u>		<u>166,278,319</u>	
	31 December 2017		30 June 2017	
	No of shares	\$	No of shares	\$
(b) Movements in ordinary shares on issue				
Opening balance	47,642,330	166,278,319	28,125,955	74,556,705
Shares issued:				
13 April 2017 ¹	-	-	13,675,667	60,446,448
21 June 2017	-	-	5,840,708	31,275,166
18 October 2017	<u>37</u>	<u>241</u>	-	-
	<u>37</u>	<u>241</u>	<u>19,516,375</u>	<u>91,721,614</u>
Balance at end of the period	<u>47,642,367</u>	<u>166,278,560</u>	<u>47,642,330</u>	<u>166,278,319</u>

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital nor par value in respect of its issued shares.

¹ On 13 April 2017, the Company acquired the remaining units in the Trust by issuing 13,675,677 ordinary shares to the non-controlling interests. The excess of the carrying value of the non-controlling interests acquired (\$141.9 million) over the market value of the shares issued (\$60.4 million) was credited to retained earnings for \$81.4 million.

Rights of each type of share

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

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 half-year ended 31 December 2017, the Company paid dividends of \$8,575,619 (31 December 2016: \$1,406,298). The Board anticipates that on the medium term the payout ratio is 60-80% of the underlying earnings 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.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December 2017	30 June 2017 (restated)
	\$	\$
NOTE 22: RESERVES		
Investment revaluation reserve	28,523,567	11,303,471
Foreign currency translation reserve	16,326,873	19,480,149
Equity-settled employee benefits reserve	5,025,693	4,377,006
	<u>49,876,133</u>	<u>35,160,626</u>

(a) Investment revaluation reserve

This reserve records the Group's gain on its AFS investments.

Movements in reserve

Opening balance	11,303,471	1,650,442
Net fair value gain on AFS financial assets	17,220,096	12,717,805
Share of non-controlling interests	<u>-</u>	<u>(3,064,776)</u>
Closing balance	<u>28,523,567</u>	<u>11,303,471</u>

(b) Foreign currency translation reserve

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

Movements in reserve

Opening balance	19,480,149	23,598,436
Exchange differences on translating foreign operations of the Group	(3,153,276)	(7,131,609)
Share of non-controlling interests	<u>-</u>	<u>3,013,322</u>
Closing balance	<u>16,326,873</u>	<u>19,480,149</u>

(c) 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.

Movements in reserve

Opening balance	4,377,006	3,255,351
Share based payments expensed	648,687	1,121,655
Closing balance	<u>5,025,693</u>	<u>4,377,006</u>

NOTE 23: KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES

Remuneration arrangements of KMP are disclosed in the annual financial report. In addition, during the half-year, Mr Greenwood, Executive Director, Global CIO and President, North America was paid a total of US\$67,500 representing the deferred component of his short-term incentive (STI) for 2017. In addition, the Company issued 250,000 performance rights on 5 October 2017 to Paul Greenwood. The vesting date of the rights issued on 5 October 2017 is 1 July 2020. Any securities to be allocated on vesting of the performance rights will be purchased on the market under the Long-Term Incentive Plan and therefore shareholder approval is not required.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 24: INTERESTS IN SUBSIDIARIES

The following are the Company's subsidiaries:

	Country of incorporation	Ownership interest held by the Company	
		31 December 2017	30 June 2017
		%	%
Aurora Investment Management Pty Ltd, the Trustee of the Trust	Australia	100	100
Aurora Trust	Australia	100	100
Treasury Group Investment Services Ltd	Australia	100	100
Northern Lights MidCo, LLC	US	100	100
Northern Lights Capital Group, LLC	US	100	100
NLCG Distributors, LLC	US	100	100
Northern Lights Capital Partners (UK) Ltd	US	100	100
Aether Investment Partners, LLC	US	100	100
Seizert Capital Partners, LLC ¹	US	50	50
Strategic Capital Investments, LLP	UK	54	54

¹ The Group 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.

NOTE 25: EVENTS SUBSEQUENT TO REPORTING DATE

On 21 February 2018, the Group entered into a transaction to help finance the repurchase of EAM Global equity from an outside shareholder, while also increasing its stake in EAM Global from 15% to 18.75%. The EAM Global management team will acquire 11.25% of equity in EAM Global from an outside party using financing provided by the Group, while the Group will acquire an additional 3.75%. The financing provided by the Group to the EAM Global management team is a six-year term loan at standard commercial terms. The total investment includes US\$3 million of upfront consideration and potentially two deferred payments in years four and five following the sale date, based on EAM Global's revenues at the time.

On 15 February 2018, ROC Partners repaid \$1,500,000 of the loan outstanding to the Group. The balance remaining is \$1,717,420.

On 26 January 2018, the Group completed the sale of its interest in Goodhart for GBP 1,680,000 (approximately \$3,000,000) following the approval by FCA, the financial regulatory body in the UK. The Group is also entitled to certain performance fees earned by Goodhart through 31 March 2019.

The directors of the Company did not declare an interim dividend on ordinary shares in respect of the half-year ended 31 December 2017.

There has been no other matter or circumstance, which has arisen since 31 December 2017 that has significantly affected or may significantly affect:

- (a) the operations, in financial periods subsequent to 31 December 2017, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial periods subsequent to 31 December 2017, of the Group.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 26: RESTATEMENT OF FINANCIAL STATEMENTS

The Company previously accounted for the merger (the merger) with Northern Lights Capital Partners, LLC (NLCP) on 25 November 2014 as a divestment of its investments into a joint venture, the Trust. The Company previously accounted for its investment in the Trust as an equity method investment from 25 November 2014 to 12 April 2017 when the Company acquired the remaining interest in the Trust that it did not currently hold as at 12 April 2017. The Company previously accounted for the transaction on 13 April 2017 as a business combination applying the acquisition method under AASB 3 *Business Combinations* to its investment in the Trust at that date. Under the acquisition method of accounting, acquired assets and liabilities are measured at fair value and the excess of consideration paid over the fair value of the acquired net assets is accounted for as goodwill.

As discussed in Notes 1 and 3 the Company has now restated its prior period consolidated financial statements to account for its investment in the Trust as a subsidiary with effect from the merger date on 25 November 2014. The principal impact of this restated accounting, which is discussed further below, is that the Company's investments in certain subsidiaries and associates that were divested into the Trust continue to be recognised on a historic cost basis and the acquisition method of accounting is applied as at 25 November 2014 only to those investments that the Trust acquired from NLCP. Furthermore, as the Company is considered to have controlled the Trust from its acquisition on 25 November 2014, the transaction on 13 April 2017 whereby the Company acquired the 34.85% in the Trust that it did not previously own is now accounted for as a transaction between shareholders through shareholders' equity in the restated consolidated financial statements.

As a result of consolidating the Trust from 25 November 2014, the following investments which were previously indirectly recognised through the equity method investment in the Trust have been directly recognised in the consolidated financial statements as follows:

- As subsidiaries on a historic cost basis: GVI and TIS being those subsidiaries held by the Company at 25 November 2014 and divested into the Trust on merger;
- As subsidiaries acquired from NLCP and fair valued using the acquisition method of accounting at 25 November 2014: Aether and Seizert;
- As associates on a historic cost basis: Celeste, FIM, IML, RARE (until the majority interest was sold and the residual interest was treated as FTVPL) and ROC Group;
- As associates acquired from NLCP: AlphaShares, Blackcrane, Goodhart, NLAA, Aether GPs;
- As AFS: EAM and Nereus; and
- Certain deferred tax assets and liabilities were recognised associated with these investments reflecting the tax status of certain US investments.

In addition to the adjustments arising from the accounting for the investments referred to above, the restatement also resulted in the Company directly recognising operational income and expenses that are recognised in the Trust and which were previously indirectly recognised in the equity accounting for the Trust.

Furthermore, as the Company owned 65.15% of the Trust, non-controlling interests had been recognised in respect of the ownership interests held by NLCP and BNP as at 31 December 2016.

The following tables disclose the impact of the restatement on the consolidated statement of profit and loss and the consolidated statement of other comprehensive income for the half-year ended 31 December 2016 and the year ended 30 June 2017.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 26: RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

	31 December 2016			30 June 2017 (One Year)		
	Previously Reported \$	Consolidation Adjustments \$	Restated \$	Previously Reported \$	Consolidation Adjustments \$	Restated \$
Consolidated Statement of Profit or Loss						
Revenue	1,754,466	18,342,435	20,096,901	16,040,058	26,036,684	42,076,742
Net gains on investments	<u>20,110</u>	<u>8,117,376</u>	<u>8,137,486</u>	<u>4,517,149</u>	<u>(984,491)</u>	<u>3,532,658</u>
	<u>1,774,576</u>	<u>26,459,811</u>	<u>28,234,387</u>	<u>20,557,207</u>	<u>25,052,193</u>	<u>45,609,400</u>
Salaries and employee benefits	(1,106,030)	(7,728,071)	(8,834,101)	(7,356,851)	(14,859,825)	(22,216,676)
Other expenses	(461,672)	(17,894,448)	(18,356,120)	(5,279,481)	(88,148,106)	(93,427,587)
Depreciation and amortisation expense	-	(1,227,505)	(1,227,505)	(858,737)	(1,488,270)	(2,347,007)
Interest expense	-	<u>(1,937,928)</u>	<u>(1,937,928)</u>	<u>(2,169,719)</u>	<u>(2,900,242)</u>	<u>(5,069,961)</u>
	<u>(1,567,702)</u>	<u>(28,787,952)</u>	<u>(30,355,654)</u>	<u>(15,664,788)</u>	<u>(107,396,443)</u>	<u>(123,061,231)</u>
Share of net profits of associates	<u>3,574,397</u>	<u>4,130,309</u>	<u>7,704,706</u>	<u>11,393,895</u>	<u>5,592,534</u>	<u>16,986,429</u>
Profit/(loss) before income tax expense	3,781,271	1,802,168	5,583,439	16,286,314	(76,751,716)	(60,465,402)
Income tax (expense)/benefit	<u>(1,613,985)</u>	<u>2,139,998</u>	<u>526,013</u>	<u>(5,701,317)</u>	<u>19,196,838</u>	<u>13,495,521</u>
Profit/(loss) for the period	<u>2,167,286</u>	<u>3,942,166</u>	<u>6,109,452</u>	<u>10,584,997</u>	<u>(57,554,878)</u>	<u>(46,969,881)</u>

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 26: RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

	31 December 2016			30 June 2017 (One Year)		
	Previously Reported \$	Consolidation Adjustments \$	Restated \$	Previously Reported \$	Consolidation Adjustments \$	Restated \$
Consolidated Statement of Profit or Loss (Continued)						
Attributable to:						
The members of the parent	2,167,286	1,713,202	3,880,488	10,628,889	(43,212,355)	(32,583,466)
Non-controlling interests	-	2,228,964	2,228,964	(43,892)	(14,342,523)	(14,386,415)
	<u>2,167,286</u>	<u>3,942,166</u>	<u>6,109,452</u>	<u>10,584,997</u>	<u>(57,554,878)</u>	<u>(46,969,881)</u>
Basic earnings/(loss) for the period attributable to ordinary equity holders of the parent	<u>7.71</u>	<u>6.09</u>	<u>13.80</u>	<u>34.08</u>	<u>(138.53)</u>	<u>(104.46)</u>
Diluted earnings/(loss) for the period attributable to ordinary equity holders of the parent	<u>7.71</u>	<u>6.09</u>	<u>13.80</u>	<u>34.08</u>	<u>(138.53)</u>	<u>(104.46)</u>

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 26: RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

	<u>31 December 2016</u>			<u>30 June 2017 (One year)</u>		
	Previously Reported \$	Consolidation Adjustments \$	Restated \$	Previously Reported \$	Consolidation Adjustments \$	Restated \$
Consolidated Statement of Other Comprehensive Income						
Profit/(loss) for the period	<u>2,167,286</u>	<u>3,942,166</u>	<u>6,109,452</u>	<u>10,584,997</u>	<u>(57,554,878)</u>	<u>(46,969,881)</u>
Items that were reclassified to profit or loss						
Reversal of the share on translating foreign operations derecognised during the period	-	-	-	(12,745,725)	12,745,725 ¹	-
Reversal of the share on net fair value gain on AFS financial assets derecognised during the period	-	617,660	617,660	(5,467,897)	6,085,557 ¹	617,660
	<u>-</u>	<u>617,660</u>	<u>617,660</u>	<u>(18,213,622)</u>	<u>18,831,282</u>	<u>617,660</u>
Items that may be reclassified subsequently to profit or loss						
Change in fair value of available for sale (AFS) financial assets	4,375,008	5,218,258	9,593,266	7,358,414	4,741,731	12,100,145
Exchange differences on translating foreign operations	3,969,493	4,734,581	8,704,074	(3,709,882)	(3,319,480)	(7,029,362)
	<u>8,344,501</u>	<u>9,952,839</u>	<u>18,297,340</u>	<u>3,648,532</u>	<u>1,422,251</u>	<u>5,070,783</u>
Other comprehensive income/(loss) for the period	<u>8,344,501</u>	<u>10,570,499</u>	<u>18,915,000</u>	<u>(14,565,090)</u>	<u>20,253,533</u>	<u>5,688,443</u>
Total comprehensive income/(loss)	<u><u>10,511,787</u></u>	<u><u>14,512,665</u></u>	<u><u>25,024,452</u></u>	<u><u>(3,980,093)</u></u>	<u><u>(37,301,345)</u></u>	<u><u>(41,281,438)</u></u>
Attributable to:						
The members of the parent	10,511,787	5,907,078	16,418,865	(3,936,201)	(23,010,276)	(26,946,477)
Non-controlling interests	-	8,605,587	8,605,587	(43,892)	(14,291,069)	(14,334,961)
	<u>10,511,787</u>	<u>14,512,665</u>	<u>25,024,452</u>	<u>(3,980,093)</u>	<u>(37,301,345)</u>	<u>(41,281,438)</u>

¹ The previously recognised share in the joint venture foreign currency translation reserve and investment revaluation reserve were derecognised at point of obtaining control.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 26: RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

The following tables disclose the net impact of the restatement on the consolidated statement of financial position as at 1 July 2016 and 30 June 2017.

Previously under the equity method of accounting the Company accounted for the simplification on 13 April 2017 as a business combination and fair valued the acquired assets and liabilities of the Trust and recognised goodwill of \$40.1 million for the excess of the fair value of its equity issued over the fair value of the assets and liabilities acquired. In its restated financial statements, the simplification transaction has been treated as an acquisition of non-controlling interests directly through equity rather than a business combination with the result that acquisition accounting was not applied at 13 April 2017 and consequently no fair value uplifts in the investment portfolio are recognised as at 13 April 2017. Notwithstanding that no acquisition accounting has been applied at 13 April 2017 various investment valuation reductions were taken at 13 April 2017 and such impairments continue to be reflected in the restated consolidated financial statements.

The principal impacts of not applying acquisition accounting at 13 April 2017 as discussed in the previous paragraph in the restated consolidated financial statements as at and for the period ended 30 June 2017 are as follows:

- The statement of financial position for 2017 reflects the reversal of the increment in value of IML and Aperio that arose on the application of acquisition accounting in addition to the resetting of the carrying value of IML, Celeste, ROC to historic carrying values.
- The retained earnings are affected by the loss recorded on the revaluation decrements in Aether and Seizert.
- Deferred tax liabilities were adjusted in reflection of the restated carrying value of Australian investments and deferred tax assets and liabilities associated with the goodwill and other identifiable intangible assets relating to Aether and Seizert.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 26: RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

	1 July 2016			30 June 2017		
	Previously Reported \$	Consolidation Adjustments \$	Restated \$	Previously Reported \$	Consolidation Adjustments \$	Restated \$
Consolidated Statement of Financial Position						
Current assets						
Cash and cash equivalents	2,997,744	20,784,134	23,781,878	40,248,286	-	40,248,286
Trade and other receivables	11,906,851	(3,713,822)	8,193,029	6,846,038	(119,365)	6,726,673
Loans and other receivables	-	-	-	303,682	-	303,682
Other assets	-	<u>2,017,151</u>	<u>2,017,151</u>	<u>2,374,603</u>	-	<u>2,374,603</u>
Total current assets	<u>14,904,595</u>	<u>19,087,463</u>	<u>33,992,058</u>	<u>49,772,609</u>	<u>(119,365)</u>	<u>49,653,244</u>
Non-current assets						
Loans and other receivables	-	5,295,915	5,295,915	3,292,247	-	3,292,247
Other financial assets	-	60,812,382	60,812,382	52,874,277	61	52,874,338
Investments in a joint venture	210,056,666	(210,056,666) ¹	-	-	-	-
Investments in associates	-	92,044,454 ²	92,044,454	188,974,745	(109,476,152) ²	79,498,593
Intangible assets	-	175,790,348 ³	175,790,348	64,846,258	37,563,732 ³	102,409,990
Deferred tax assets	-	-	-	-	1,886,625 ⁴	1,886,625
Other assets, property and equipment	-	<u>8,360,008</u>	<u>8,360,008</u>	<u>12,325,491</u>	-	<u>12,325,491</u>
Total non-current assets	<u>210,056,666</u>	<u>132,246,441</u>	<u>342,303,107</u>	<u>322,313,018</u>	<u>(70,145,099)</u>	<u>252,287,284</u>
Total assets	<u>224,961,261</u>	<u>151,333,904</u>	<u>376,295,165</u>	<u>372,085,627</u>	<u>(70,145,099)</u>	<u>301,940,528</u>

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 26: RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

¹ The Company previously accounted for its investment in the Trust as a joint venture upon acquisition of the initial interest of 61.22% (65.15% as at 31 December 2016 and 30 June 2017) originally measured at fair value on the date of acquisition and subsequently adjusted for the Company's share of the Trust's profit or loss, reserves and distributions received from the Trust. Under consolidation accounting, the investment in the joint venture is removed and the Trust is fully consolidated in the Company's financial statements. Investments in subsidiaries, associates and other financial assets held directly by the Trust were previously indirectly recognised through the investment in joint venture.

² The Trust's equity accounted investments represented the Trust's investments in associates at their fair values at acquisition date of \$232.8 million on 25 November 2014 and subsequently adjusted under the equity accounted method for the Trust's share of profits/losses and reserves and for distributions received from the associates. The fair values of all of the Trust's investments in associates were originally determined at 25 November 2014 under the acquisition method of accounting which resulted in the carrying value of the investments in associates including goodwill and other identifiable intangible assets. The other identifiable intangible assets with finite lives were being amortised according to their expected lives with the amortisation taken up as a reduction in the share of profits or increase in the share of losses of the associates. In the restated consolidated financial statements, the investments in associates held by the Trust are recognised directly.

As discussed above, in the restated consolidated financial statements investments originally held by the Company and divested into the Trust on 25 November 2014 continue to be accounted for on a historic cost basis and only the associates acquired from NLCP are accounted for using the acquisition method at 25 November 2014. As result of certain investments in associates being accounted for on a historic cost basis in the restated consolidated financial statements as at 1 July 2016 and 30 June 2017 fair value uplifts within the Trust's associates of \$69.3 million and \$68.3 million (of which \$66.0 million for both periods relate to IML), respectively, and the related amortisation charges have been eliminated upon consolidation.

³ The intangible assets of the Group consisted of goodwill of \$187.3 million and other identifiable intangible assets of \$38.7 million upon acquisition of its subsidiaries being Aether and Seizert on 25 November 2014. As at 1 July 2016, the intangible assets consisted of goodwill of \$134.2 million and other identifiable intangible assets of \$41.6 million, net of \$85.2 million impairment and \$35.0 million of foreign currency movement.

As at 30 June 2017, the intangible assets of the Group consisted of goodwill of \$77.2 million and other identifiable intangible assets of \$25.2 million, net of \$81.6 million impairment and \$8.2 million of foreign currency movement.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 26: RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

	1 July 2016			30 June 2017		
	Previously Reported \$	Consolidation Adjustments \$	Restated \$	Previously Reported \$	Consolidation Adjustments \$	Restated \$
Consolidated Statement of Financial Position (Continued)						
Current liabilities						
Trade and other payables	2,000,884	11,290,492	13,291,376	4,821,961	-	4,821,961
Financial liabilities	-	21,874,929	21,874,929	27,981,577	-	27,981,577
Provisions	236,468	-	236,468	345,102	-	345,102
Current tax liabilities	<u>14,157,614</u>	<u>1,013,634</u>	<u>15,171,248</u>	<u>5,069,098</u>	-	<u>5,069,098</u>
Total current liabilities	<u>16,394,966</u>	<u>34,179,055</u>	<u>50,574,021</u>	<u>38,217,738</u>	-	<u>38,217,738</u>
Non-current liabilities						
Financial liabilities	-	73,939,097 ⁵	73,939,097	28,710,254	-	28,710,254
Provisions	175,268	-	175,268	150,614	-	150,614
Deferred tax liabilities	<u>20,961,430</u>	<u>(8,807,756)</u> ⁴	<u>12,153,674</u>	<u>29,822,845</u>	<u>(29,822,845)</u> ⁴	-
Total non-current liabilities	<u>21,136,698</u>	<u>65,131,341</u>	<u>86,268,039</u>	<u>58,683,713</u>	<u>(29,822,845)</u>	<u>28,860,868</u>
Total liabilities	<u>37,531,664</u>	<u>99,310,396</u>	<u>136,842,060</u>	<u>96,901,451</u>	<u>(29,822,845)</u>	<u>67,078,606</u>
Net assets	<u>187,429,597</u>	<u>52,023,508</u>	<u>239,453,105</u>	<u>275,184,176</u>	<u>(40,322,254)</u>	<u>234,861,922</u>

⁴ The Company initially recognised a deferred tax liability based on the disposal of assets from the Company to the Trust at acquisition date. The fair value of the Company's investment in the Trust was measured based on the fair value of the Trust's underlying assets and liabilities which were significantly higher than historic cost. This created a large deferred tax liability at original acquisition date. Under consolidation accounting, given the investments are required to be recognised at historic cost, the deferred tax liabilities are required to be remeasured on the same basis. The changes in the deferred tax liabilities relate to (a) the restating of the deferred tax position relating to assets (principally IML) being restated at historical cost and (b) the recognition of the deferred tax impact relating to the US goodwill and other identifiable intangible assets.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 26: RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

Consolidated Statement of Financial Position (Continued)

	1 July 2016			30 June 2017		
	Previously Reported	Consolidation Adjustments	Restated	Previously Reported	Consolidation Adjustments	Restated
	\$	\$	\$	\$	\$	\$
Equity						
Share capital	74,556,705	-	74,556,705	166,278,319	-	166,278,319
Reserves	21,401,642	7,102,586	28,504,228	7,958,207	27,202,419	35,160,626
Retained earnings/(accumulated losses)	<u>91,471,250</u>	<u>(105,589,992)</u>	<u>(14,118,742)</u>	<u>100,693,841</u>	<u>(67,319,878)</u>	<u>33,373,963</u>
Total equity attributable to owners of the Company	187,429,597	(98,487,406)	88,942,191	274,930,367	(40,117,459)	234,812,908
Non-controlling interests	<u>-</u>	<u>150,510,914</u> ⁶	<u>150,510,914</u>	<u>253,809</u>	<u>(204,795)</u>	<u>49,014</u>
Total equity	<u>187,429,597</u>	<u>52,023,508</u>	<u>239,453,105</u>	<u>275,184,176</u>	<u>(40,322,254)</u>	<u>234,861,922</u>

⁵ This includes the financial liabilities of the Trust made up of \$25.5 million for Seizert Notes, \$43.7 million for the X-RPU and \$4.9 million for the share of retention payments to RARE.

⁶ This is the non-controlling interests of the Group determined upon formation of the Trust. In the restated consolidated financial statements, the initial equity contribution of the non-controlling interests at 25 November 2014 was \$161.9 million, which was subsequently adjusted as at and for the periods ended 31 December 2016 and 30 June 2017 by the attribution of profit or loss and each component of other comprehensive income. As at 1 July 2016, the non-controlling interest was \$150.5 million. On 13 April 2017, the Company acquired the remaining units in the Trust by issuing 13,675,677 ordinary shares to the non-controlling interests. In the restated consolidated financial statements this had been accounted for as a transaction between shareholders in their capacity as shareholders and the excess of the carrying value of the non-controlling interests acquired (\$141.9 million) over the market value of the shares issued (\$60.4 million) has been credited to retained earnings in the amount of \$81.4 million.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 26: RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

	31 December 2016			30 June 2017		
	Previously Reported \$	Consolidation Adjustments \$	Restated \$	Previously Reported \$	Consolidation Adjustments \$	Restated \$
Consolidated Statement of Cash Flows						
Net cash (used in)/provided by operating activities	(692,113)	4,744,311	4,052,198	(7,180,391)	7,757,523	577,132
Net cash provided by/(used in) investing activities	133,679	(18,398,710)	(18,265,031)	1,400,649	(15,227,636)	(13,826,987)
Net cash (used in)/provided by financing activities	<u>(1,406,298)</u>	<u>12,778,052</u>	<u>11,371,754</u>	<u>16,446,868</u>	<u>13,085,354</u>	<u>29,532,222</u>
Net increase/(decrease) in cash and cash equivalents held	(1,964,732)	(876,347)	(2,841,079)	10,667,126	5,615,241	16,282,367
Cash at beginning of the financial period	2,997,744	20,784,134	23,781,878	2,997,744	20,784,134	23,781,878
Unrealised foreign exchange difference in cash	-	525,682	525,682	184,041	-	184,041
Add: Cash and cash equivalents from the acquired subsidiary through business combination	-	-	-	26,399,375	(26,399,375)	-
Less: restricted cash	<u>-</u>	<u>(7,988,353)</u>	<u>(7,988,353)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash at end of financial period	<u>1,033,012</u>	<u>12,445,116</u>	<u>13,478,128¹</u>	<u>40,248,286</u>	<u>-</u>	<u>40,248,286</u>

¹ Ending cash balance of the Group as at 31 December 2016.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
ABN 39 006 708 792

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of the Company made pursuant to s.303(5) of the *Corporations Act 2001*, I state that:

In the opinion of the directors:

- (a) the condensed consolidated financial statements and notes to the financial statements of the Group are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the condensed financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
 - (ii) complying with Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Regulations 2001*;
 - (iii) complying with International Financial Reporting Standards, as stated in Note 3 to the condensed consolidated financial statements;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



M Fitzpatrick
Chairman

28 February 2018

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

We have reviewed the accompanying half-year financial report of Pacific Current Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, and the condensed consolidated statement of profit and loss, the condensed consolidated statement of other comprehensive income or loss, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 49.

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 31 December 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 Pacific Current Group 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.

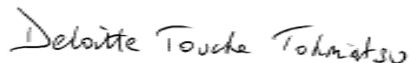
Auditor's Independence Declaration

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

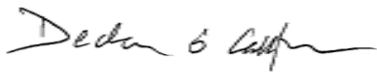
Conclusion

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 Pacific Current Group 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 31 December 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



Declan O'Callaghan
Partner
Chartered Accountants
Sydney, 28 February 2018