Half Year Report

FOR THE HALF YEAR ENDED 30 JUNE 2018

APPENDIX 4D

Half year report

Moelis Australia Limited ABN 68 142 008 428

Reporting period: six months ended 30 June 2018

Previous corrresponding period: six months ended 30 June 2017

Preliminary financial statements for the half-year ended 30 June 2018 as required by ASX listing rule 4.2A

RESULTS FOR ANNOUNCEMENT TO THE MARKET (ALL COMPARISONS TO HALF-YEAR ENDED 30 JUNE 2017)	$M	UP/DOWN	MOVEMENT %
Revenues from ordinary activities	62.4	up	57.1%
Profit after tax from ordinary activities attributable to members	10.7	up	32.4%
Net profit after tax attributable to members	10.7	up	32.4%
Total comprehensive income	15.0	up	82.9%

DIVIDEND INFORMATION	AMOUNT PER SHARE (CENTS)	FRANKED AMOUNT PER SHARE (CENTS)	TAX RATE FOR FRANKING CREDIT
2017 final dividend per share (paid 6 March 2018)	7.0	7.0	30.0%

	30 JUNE 2018	30 JUNE 2017
Net tangible assets per security	$1.36	$0.43

This information should be read in conjunction with the 2017 Annual Report.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the interim consolidated financial statements for the half-year ended 30 June 2018.

This report is based on the interim consolidated financial statements for the half-year ended 30 June 2018 which have been reviewed by Deloitte Touche Tohmatsu.

Consolidated Half Year Financial Report 30 June 2018

MOELIS AUSTRALIA LIMITED

ABN 68 142 008 428

www.moelisaustralia.com

MOELIS AUSTRALIA

Directors Report

The Directors of Moelis Australia Limited (the "Company") present the financial report of Moelis Australia Limited and its subsidiaries (the "Group") for the half year ended 30 June 2018. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

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

Mr K Moelis

Mr A Pridham

Mr J Browne

Mr J Simon

Mr J Biggins

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

REVIEW OF OPERATIONS

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

The Group recorded total comprehensive income for the half year of $15.0 million (2017: $8.2 million) and profit after tax for the half year of $11.3 million (2017: $8.1 million). Total comprehensive income and profit after tax have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, which comply with International Financial Reporting Standards.

Underlying net profit after tax "NPAT" and other measures of underlying performance are not prepared in accordance with International Financial Reporting Standards and are not audited. Underlying NPAT excludes certain items which are disregarded by management when assessing the Group's performance. The table below reconciles the Group's total comprehensive income prepared in accordance with International Financial Reporting Standards to underlying NPAT.

HALF YEAR ENDED 30 JUNE 2018	NOTE	2018 $'000	2017 $'000
Total comprehensive income for the half year (as disclosed in the Financial Report)		**15,040**	**8,221**
Management adjustments:			
Listing costs	(a)	–	989
Business acquisition adjustments	(b)	3,288	622
Share Rights issued to staff	(c)	(841)	(1,864)
Adjustments relating to associates	(d)	(6,059)	–
Unrealised gains/losses on investments	(e)	3,322	–
Other		468	189
Non controlling interests		(597)	–
Tax on above		532	17
Underlying NPAT		**15,153**	**8,174**

(a) The costs relating to the Company's Initial Public Offering.

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

(c) The value of Share Rights granted to employees is amortised over the vesting period (which is up to five years), with only a portion of the value being expensed in 2018. The underlying result includes the full value of the Share Rights as an expense in the year granted.

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

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

Directors Report (cont.)

The table below shows the contributions to underlying NPAT of the Group's key business segments:

HALF YEAR ENDED 30 JUNE 2018	2018 $'000	2017 $'000
Corporate advisory and equities	5,693	5,715
Asset management	20,255	8,540
Unallocated	(3,781)	(2,095)
Underlying EBITDA*	**22,167**	**12,160**
Depreciation and amortisation	(243)	(156)
Net interest (expense)/income	(276)	205
Tax	(6,495)	(4,035)
Underlying NPAT	**15,153**	**8,174**

* Earnings before interest, tax, depreciation and amortisation.

SEGMENT EBITDA – UNDERLYING

Corporate advisory & equities

EBITDA is in line with the prior period as there was a similar volume of advisory deals and a stable headcount. Historically earnings are weighted to the second half of the year.

Asset management

The increase in asset management EBITDA was primarily due to higher average assets under management (AuM) driven by investor inflows to existing funds, the establishment of new funds and the combined impact of the acquisition of Armada Funds Management in June 2017 and the Redcape Hotel Group in July 2017.

Unallocated

Reflects the unallocated cost of the executive and support functions. The cost increase results from an investment in the corporate function and incremental costs associated with being a public company.

EXPENSES

Personnel costs are higher primarily due to increased average headcount (2018 147 staff, 2017 80 staff), with the majority of the headcount increase resulting from the Redcape and Armada acquisitions and the continued investment in the executive and support functions. Also contributing to the increase is a higher bonus accrual reflective of the higher net profit and increased staff numbers.

The interest expense in 2018 is primarily associated with the consolidation of entities associated with new credit funds.

The depreciation and amortisation expense increase is due to the amortisation of the intangible resulting from the purchase of Armada Funds Management in June 2017.

EARNINGS PER SHARE

Statutory earnings per share was 7.4 cents per share (2017 7.3 cents per share).

Underlying earnings per share was 9.9 cents per share (2017 7.3 cents per share).

DIVIDENDS

A dividend of $10.8 million (7.0 cents per share) was paid on 6 March 2018. This dividend was fully franked.

SIGNIFICANT EVENTS

(i) Credit Investments

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

Directors Report *(cont.)*

(ii) Credit Licence

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

(iii) Establishment of Shanghai Office

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

BALANCE SHEET

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

Cash and cash equivalents – $16.1m down

Cash was utilised during the half year to pay the annual bonuses and dividends as well as investing in opportunities.

Restricted cash – $13.8m up

The increase in restricted cash resulted from the setting aside of $10m to support the liquid assets requirement of a retail AFSL application.

Loans receivable – (current & non current) – $41.1m up

Reflects the investment in debt instruments and incorporates the consolidation of credit fund loan investments of $67.1m (Dec-17: $42.5m)

Investments in associates and joint ventures – $16.5m up

The increase results from movements in the carrying value of Redcape and new co-investments made during the period in credit funds managed by the Group.

Trade and other payables – $6m up

The increase was attributable principally to funds held in trust by the asset management business.

Provisions – $4.7m down

The reduction in provisions reflects the net movement resulting from the payment of the 2017 annual bonus and the 2018 bonus accrual.

Income tax provision – $4m down

The reduction is due to the payment of the final tax for 2017 and the payment of 2018 monthly tax instalments.

Redeemable preference shares

Redeemable preference shares were issued by subsidiaries of the Company and reflect the third party interests in the consolidated credit funds loan investments of $67.1m.

SUBSEQUENT EVENTS

Subsequent to the half year end the Company has made further principal credit investments totalling $24.1m.

On 10 August 2018 the Company co-invested $3m in the new Moelis Australia Growth Capital Fund II.

ROUNDING OF AMOUNTS

The Group is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accorance with that Corporations Instruments amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Directors Report (cont.)

AUDITOR'S INDEPENDENCE DECLARATION

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

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

On behalf of the Directors

A. Pridham
Director
Sydney,
Date 22-Aug-18

J. Biggins
Director
Sydney,

Auditors Declaration

for the half year ended 30 June 2018

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

22 August 2018

Dear Board Members

Moelis Australia Limited

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

As lead audit partner for the review of the financial statements of Moelis Australia Limited for the half year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants

Independent Auditors Report

Deloitte.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Moelis Australia Limited, which comprises the condensed statement of financial position as at 30 June 2018, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Moelis Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Independent Auditors Report (cont.)

Deloitte.

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants
Sydney, 22 August 2018

Directors Declaration

The Directors declare that:

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

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

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

On behalf of the Directors

Andrew Pridham	**Julian Biggins**
Director	Director
Date 22-Aug-18	

Financial Report

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

for the half year ended 30 June 2018

	NOTE	HALF YEAR ENDED 30 JUNE 2018 CONSOLIDATED $'000	HALF YEAR ENDED 30 JUNE 2017 CONSOLIDATED $'000
Fee and commission income	3	53,531	37,807
Fee and commission expense		(5,118)	(3,335)
Net fee and commission income		**48,413**	**34,472**
Share of profits of associates	6	2,201	1,257
Investment income		6,385	298
Other income	4	284	348
Net income		**57,283**	**36,375**
Personnel expenses		28,820	17,925
Marketing and business development expenses		1,518	1,515
Occupancy expenses		1,454	1,001
Communications, data and information technology expenses		1,563	1,322
Interest expense		3,711	–
Depreciation and amortisation		1,436	319
Other expenses		2,043	2,204
Total expenses		**40,545**	**24,286**
Profit before tax	2	**16,738**	**12,089**
Income tax expense		(5,428)	(3,996)
Profit for the period		**11,310**	**8,093**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		5,240	–
Net unrealised gain on investments		–	128
Items that will not be reclassified subsequently to profit or loss:			
Net unrealised loss on investments		(1,510)	–
Total comprehensive income for the period		**15,040**	**8,221**
Profit attributable to:			
Owners of the company		**10,713**	**8,093**
Non controlling interests		**597**	**–**
Total comprehensive income attributable to:			
Owners of the company		**14,443**	**8,221**
Non controlling interests		**597**	**–**
Earnings per share			
From continuing operations			
Basic (cents per share)		7.4	7.3
Diluted (cents per share)		7.1	7.2

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

Condensed Consolidated Statement of Financial Position

as at 30 June 2018

	NOTE	AS AT 30 JUNE 2018 CONSOLIDATED $'000	AS AT 31 DECEMBER 2017 CONSOLIDATED $'000
Assets			
Current assets			
Cash and cash equivalents		71,656	87,786
Receivables		20,736	17,034
Loans receivable		50,369	–
Other financial assets	9	–	30,459
Other assets		1,574	1,559
Total current assets		**144,335**	**136,838**
Non-current assets			
Restricted cash		28,074	14,239
Loans receivable		33,316	42,500
Other financial assets	9	33,711	4,763
Property, plant and equipment		1,860	1,205
Investments in associates and joint ventures	6	76,461	59,966
Intangible assets	10	14,367	15,560
Goodwill	11	9,827	9,827
Total non-current assets		**197,616**	**148,060**
Total assets	2	**341,951**	**284,898**
Liabilities			
Current liabilities			
Trade and other payables		16,110	10,105
Preference dividends payable		2,437	–
Income tax payable		1,802	5,957
Provisions		9,451	14,406
Total current liabilities		**29,800**	**30,468**
Non-current liabilities			
Trade and other payables		529	493
Borrowings	13	32,150	32,150
Provisions		1,598	1,389
Redeemable preference shares	13	39,619	–
Deferred tax liability		6,467	4,767
Total non-current liabilities		**80,363**	**38,799**
Total liabilities	2	**110,163**	**69,267**
Net assets		**231,788**	**215,631**
Equity			
Contributed equity	7	190,413	191,507
Reserves		17,207	8,493
Retained earnings		15,405	15,631
Minority interest		8,763	–
Total shareholders equity		**231,788**	**215,631**

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

Condensed Consolidated Statement of Changes in Equity

for the half year ended 30 June 2018

CONSOLIDATED	CONTRIBUTED EQUITY $'000	RESERVES* $'000	SHARE BASED PAYMENT RESERVE $'000	RETAINED EARNINGS $'000	INVESTMENTS REVALUATION RESERVE $'000	FVTOCI RESERVE $'000	ATTRIBUTABLE TO OWNERS OF THE PARENT $'000	NON CONTROLLING INTERESTS $'000	TOTAL EQUITY $'000
Balance at 1 January 2017	14,796	–	–	17,065	893	–	32,754	–	32,754
Profit for the period	–	–	–	8,093	–	–	8,093	–	8,093
Other comprehensive income for the period	–	–	–	–	128	–	128	–	128
Payment of dividends	–	–	–	(31,000)	–	–	(31,000)	–	(31,000)
Issue of ordinary shares	58,750	–	–	–	–	–	58,750	–	58,750
Shares to be issued post balance date	–	10,085	–	–	–	–	10,085	–	10,085
Capitalised IPO costs	(436)	–	–	–	–	–	(436)	–	(436)
Share based payments	–	–	1,060	–	–	–	1,060	–	1,060
Balance at 30 June 2017	**73,110**	**10,085**	**1,060**	**(5,842)**	**1,021**	**–**	**79,434**	**–**	**79,434**
Balance at 1 January 2018	191,507	–	5,308	15,631	3,185		215,631	–	215,631
Adjustments from adoption of AASB 9 & 15	–		–	(172)	440	259	527	–	527
Restated balance at 1 January 2018	191,507	–	5,308	15,459	3,625	259	216,158	–	216,158
Profit for the period	–	–	–	10,713	–		10,713	597	11,310
Other comprehensive income for the period	–	–	–	–	5,240	(1,510)	3,730	–	3,730
Payment of dividends	–	–	–	(10,767)	–	–	(10,767)	–	(10,767)
Treasury shares	(1,181)	–	–	–	–	–	(1,181)	–	(1,181)
Capitalised IPO costs	87	–	–	–	–	–	87	–	87
Share based payments	–	–	4,285	–	–	–	4,285	–	4,285
Non controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	–	8,166	8,166
Balance at 30 June 2018	**190,413**	**–**	**9,593**	**15,405**	**8,865**	**(1,251)**	**223,025**	**8,763**	**231,788**

* relates to the Armada acquisition.

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

Condensed Consolidated Statement of Cash Flows

for the half year ended 30 June 2018

	HALF YEAR ENDED 30 JUNE 2018 $'000 CONSOLIDATED	HALF YEAR ENDED 30 JUNE 2017 $'000 CONSOLIDATED
Cash flows from operating activities		
Receipts from customers	46,279	37,684
Interest and dividends received	4,265	713
Amounts received/(repaid) to affiliates	84	(99)
Payments to suppliers and employees	(35,253)	(45,530)
Cash generated from operations	**15,375**	**(7,232)**
Interest paid	(603)	–
Income taxes paid	(7,461)	(6,676)
Net cash generated by/(used in) operating activities	**7,311**	**(13,908)**
Cash flows from investing activities		
Payments to acquire financial assets	(300)	(2,002)
Proceeds on sale of financial assets	652	2,707
Payments to acquire shares in associates	(11,302)	–
Capital return from associates	693	–
(Payments)/receipts for employee loans	(243)	1,351
Proceeds from disposal of subsidiary companies[1]	33,666	–
Payments to acquire shares in subsidiary companies	–	(9,645)
Amounts advanced to third parties	(41,186)	–
Payments to acquire property, plant and equipment	(898)	(298)
Net cash used in investing activities	**(18,918)**	**(7,887)**
Cash flows from financing activites		
Amounts received from related parties	–	64
Proceeds from issue of shares	–	58,750
Share issue transaction costs	–	(1,566)
Payments related to the issue of equity shares/units	(1,181)	–
Increase in restricted cash	(7,019)	–
Proceeds from issue of redeemable preference shares in subsidiary[2]	14,119	–
Proceeds from share based payments	–	126
Dividends paid to shareholders	(10,767)	(31,000)
Net cash (used in)/generated by financing activities	**(4,848)**	**26,374**
Net (decrease)/increase in cash and cash equivalents	(16,455)	4,579
Cash and cash equivalents at the beginning of the period	87,786	37,229
Effects of exchange rate changes on the balance of cash held in foreign currencies	325	(362)
Cash and cash equivalents at the end of the period	**71,656**	**41,446**

1 Loss of control resulted from paydown of loans. Please refer to note 14.

2 The loss of control resulted in the recognition of redeemable preference shares that are no longer part of the Group. Please refer to note 14.

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

Notes to the Condensed Consolidated Financial Statements

for the half year ended 30 June 2018

1 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation and changes in accounting policies

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2017 annual financial report for the financial year ended 31 December 2017, except for the impact of the Standards and Interpretations described below. The changes in accounting policies will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/91, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

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

> AASB 9 Financial Instruments;

> AASB 15 Revenue from Contracts with Customers;

> AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

> AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions;

> AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128.

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

Impact of the application of AASB 9 Financial Instruments

AASB 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

Classification & measurement of financial assets and financial liabilities

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

> amortised cost;

> fair value through other comprehensive income (FVTOCI) – debt instrument;

> fair value through other comprehensive income (FVTOCI) – equity instrument; or

> fair value through profit or loss (FVTPL).

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

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

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

The following accounting policies apply to the recognition and subsequent measurement of financial assets:

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets the following conditions:

> it is held within a business model whose objective is to hold assets to collect contractual cash flows;

> its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding; and

> it is not designated at FVTPL.

The amortised cost of a financial asset is:

> the amount at which the financial asset is measured at initial recognition;

> minus the principal repayments;

> plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; and

> adjusted for any loss allowance.

Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss. Any gains or losses on derecognition are also recognised in profit and loss.

Equity investments at FVTOCI

A financial asset is measured at FVTOCI if the Group has made an irrevocable election to classify and measure financial assets as FVTOCI at initial recognition on the basis that they are held for strategic purposes.

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

Financial assets at FVTPL

All financial assets that are not measured at amortised cost or FVTOCI will be measured at FVTPL. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Initial Recognition and Impact

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

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

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

AT 1 JANUARY 2018				CARRYING AMOUNT $'000	
FINANCIAL ASSETS	NOTE	ORIGINAL CLASSIFICATION UNDER AASB 139	NEW CLASSIFICATION UNDER AASB 9	ORIGINAL CARRYING AMOUNT UNDER AASB 139	NEW CARRYING AMOUNT UNDER AASB 9*
Cash and cash equivalents		Loan and receivables	Amortised cost	87,786	87,786
Restricted cash		Loan and receivables	Amortised cost	14,239	14,239
Trade receivables	(a)	Loan and receivables	Amortised cost	17,034	17,034
Employee loans	(b)	Loan and receivables	Amortised cost	354	354
Loan receivables	(c)	Held to maturity	Amortised cost	42,500	42,500
Listed securities	(d)	Available for sale	FVTOCI	30,459	30,459
Listed securities	(d)	FVTPL	FVTOCI	277	277
Unlisted securities – non-equity instruments	(e)	Cost	FVTPL	280	280
Unlisted securities – non-equity instruments	(e)	Cost	Amortised cost	288	288
Unlisted securities – equity instruments	(f)	Cost	FVTOCI	3,918	4,917
Total financial assets				**197,135**	**198,134**

* The new carrying amounts under AASB 9 are impacts before the application of new credit impairment model.

(a) Trade receivables that were classfied as loans and receivables under AASB 139 are now classfied at amortised cost. These trade receivables do not include additional trade receivables that were recognised at 1 January 2018 on adoption of AASB 15. For further details relating to the impact of AASB 15 on the trade receivables balance, please refer to page 20.

(b) Employee loans were provided to staff of Moelis Australia for investment purposes and are interest free. In accordance with AASB 9, the Group has discounted to present value the employee loans at the relevant discount rate. The difference between the discounted loan and face value has been recognised as an employee expense.

(c) The loan receivables represent loans held by the Moelis Australia Senior Secured Credit Fund II (formerly Moelis Australia Opportunities Fund II) when the entity was part of the Group's consolidation. They were previously classified as held to maturity and are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows. When these cash flows consist solely of payments of principal and interest on the principal amount outstanding, the Group has classfied and measured them at amortised cost.

(d) These equity securities represent shares held in various entities. The Group intends to hold these investments for strategic purposes. As permitted by AASB 9, the Group has designated these investments at the date of initial application as measured at FVTOCI. The accumulated fair value reserve related to these investments will never be reclassified to profit or loss. Dividends received are recognised as income in profit or loss.

(e) Unlisted non-equity instruments were historically held at cost under AASB 139. The Group has classified those that meet the solely payments of principal and interest (SPPI) criterion as amortised cost, and those that fail to meet the criterion as mandatorily at FVTPL under AASB 9.

(f) Unlisted equity intruments were historically held at cost under AASB 139 and the Group intends to hold them for long term strategic purposes. Equity instruments where the Group has made an irrevocable election at initial recognition to present subsequent changes in fair value through other comprehensive income. Dividends from such investments are recognised as income in profit or loss.

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

Impairment

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

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

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

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

The Group has applied the following accounting policies in recognising loss allowances in accordance with AASB 9:

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

Stage 1: 12 month ECL

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

Stage 2: Lifetime ECL

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

Stage 3: Lifetime ECL – credit impaired

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

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

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

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

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

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

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

On that basis, the loss allowance as at 1 January 2018 was determined as follows for trade receivables:

	$'000
Gross trade receivables balance as at 31 December 2017	8,869
Historical loss rate adjusted for any forward looking factors	0.74%
Loss allowance for trade receivables	66

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

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

FINANCIAL ASSETS THAT ARE SUBJECT TO IMPAIRMENT PROVISIONS OF AASB 9	CREDIT RISK ATTRIBUTES	$'000
Loss allowance at 31 December 2017 under AASB 139		808
Cash and cash equivalents	(a)	–
Restricted cash	(a)	–
Trade receivables	(b)	66
Employee loans	(c)	10
Loan receivables measured at amortised cost	(d)	91
Unlisted securities – non equity instruments measured at amortised cost	(e)	4
Loan commitments	(f)	76
Loss allowance at 1 January 2018 under AASB 9		**1,055**

(a) All bank balances are assessed to have low credit risk as at reporting date as they are held with reputable international banking institutions.

(b) The Group applies the simplified approach and recognises lifetime ECL for these assets.

(c) The Group has assessed the employee loans to be of normal credit risk as at reporting date as there has been no history of default. The Group recognises a 12 month ECL for these assets.

(d) The Group has assessed the loan receivables as normal credit risk as at reporting date based on on-going monitoring of the financial assets' performance internally. Accordingly, the Group recognises a 12 month ECL for these assets.

(e) If an investment in a debt security had normal credit risk at the date of initial application of AASB 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.The Group has assessed the loan receivables as normal credit risk based on the fact that these assets were acquired during the year. Therefore the Group recognises a 12 month ECL for these assets.

(f) The Group has included a loss allowance on the entire commitments based on the probability of the event occurring and the risk of default if the event did occur.

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

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

	EFFECT ON INVESTMENT REVALUATION RESERVES $'000	EFFECT ON FVTOCI RESERVES $'000	EFFECT ON RETAINED EARNINGS $'000
Opening balance – AASB 139	**3,184**	**–**	**15,631**
Increase in other comprehensive income from reclassifying unrealised loss from available for sale assets to FVTOCI before tax	440	(440)	–
Increase in other comprehensive income from revaluing financial assets from cost to FVTOCI before tax	–	999	–
Decrease in P&L from increase in provision for trade receivables before tax	–	–	(66)
Decrease in P&L from increase in provision for financial assets held at amortised cost before tax	–	–	(105)
Decrease in P&L from increase in provision for loan commitments before tax	–	–	(76)
Impact before tax effect	**440**	**559**	**(247)**
Tax effect of the above	–	(300)	74
Total impact	**440**	**259**	**(173)**
Opening balance – AASB 9	**3,624**	**259**	**15,458**

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

Transition

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

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

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

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

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

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

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

CLASSIFICATION AND MEASUREMENT OF REVENUE

	TYPE OF SERVICE	NATURE, TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS, SIGNIFICANT PAYMENT TERMS	REVENUE RECOGNITION POLICY UNDER AASB 118	REVENUE RECOGNITION POLICY UNDER AASB 15	SIGNIFICANT JUDGEMENTS USED TO IDENTIFY PERFORMANCE OBLIGATIONS	NATURE OF CHANGE IN ACCOUNTING POLICY
At a point in time	Advisory success fees	Fees from corporate advisory contracts arise from providing services relating to mergers and acquisitions, restructurings, capital fund raising and other advisory services. Each service has identifiable performance obligations - being completion of the merger and acquisition, restructuring, or capital fund raising. Amounts are based on either a fixed amount or percentage specified in each contract and are net of third party costs.	Fees are only recognised when the related services are performed. When there are performance hurdles that are required to be met, fees are recognised when they can be reliably measured.	Revenue is only recognised on completion of the performance obligations specified in the contracts including any necessary regulatory and shareholder approvals. No amounts are recognised if the performance obligations are not met in full. For contracts that have key milestones defined, each key milestone represents a separate performance obligation. Revenue is recognised once performance obligations have been met.	The type of fees have high correlation with how fees are charged. The Group has looked at its revenue history to look at the following (1) the determination of the type of fees; (2) the timing of when revenue was recognised and when invoices were raised; and (3) the key milestones that were met and not met The Group considers that control of the services are only passed to the customer when the transaction has completed.	AASB 15 did not have a significant impact on the Group's accounting policies.
	Performance fees relating to asset management services	Fees relating to fund performance payable on the occurrence of a specified event	Performance fees are recognised when services to meet the requirements have been performed and the fee can be reliably measured.	The Group takes into account the impact of contracts arising from variable consideration by only recognising revenue up to the amount where it is considered to be highly probable that it will not be significantly reversed.	The Group has considered the past performance across its portfolio of assets, and notes that historically, the Group only accrued and recognised performance fees up to the amount that will not be reversed for each reporting period. Forecast on asset returns are closely monitored and any potential signs of adverse impact on the fees are taken into account.	AASB 15 did not have a significant impact on the Group's accounting policies.

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

CLASSIFICATION AND MEASUREMENT OF REVENUE

	TYPE OF SERVICE	NATURE, TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS, SIGNIFICANT PAYMENT TERMS	REVENUE RECOGNITION POLICY UNDER AASB 118	REVENUE RECOGNITION POLICY UNDER AASB 15	SIGNIFICANT JUDGEMENTS USED TO IDENTIFY PERFORMANCE OBLIGATIONS	NATURE OF CHANGE IN ACCOUNTING POLICY
At a point in time	Facilitation and transaction fees from asset management services	Fees for successful transactions relating to assets and funds managed by the Group such as the acquistion and disposal of assets. Invoiced when the transaction has occurred. Amount is based on a percentage of the sale proceeds and payable immediately.	Fees are recognised when the services are performed.	Revenue recognised at the time the transaction is completed.	The probability of transactions occurring is dependent on factors outside of the Group's control. The Group has always recognised income when the transaction occurs as the Group could not make reliable estimates of the success or timing of the transaction. It is only when the transction has completed that the services are provided.	AASB 15 did not have a significant impact on the Group's accounting policies.
	Other upfront fees	Fees from services to source and market funds managed to new investors. Invoiced when new investors make investments in managed funds. Amount is based on a percentage of money invested and is payable immediately.	Fees are recognised when the services are performed.	Revenue is recognised at the time investors commit to invest in the unlisted funds and no further after sales services remain.	The Group has no control on the timing and amount investors invest in funds. Therefore, irrevocably recognising revenue at the point when investors commit to invest represents the transfer of goods and services.	AASB 15 did not have a significant impact on the Group's accounting policies.
	Commission and brokerage income	Provision of security trading services. Customers are invoiced monthly.	Commission and brokerage revenue is recognised when the related services are performed.	Revenue is recognised at a point in time as stockbroking services are provided.	As the amount of work required to fulfil these services do not vary significantly month to month, the method used in the contracts most accurately depicts the transfer of services.	AASB 15 did not have a significant impact on the Group's accounting policies.

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

CLASSIFICATION AND MEASUREMENT OF REVENUE

	TYPE OF SERVICE	NATURE, TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS, SIGNIFICANT PAYMENT TERMS	REVENUE RECOGNITION POLICY UNDER AASB 118	REVENUE RECOGNITION POLICY UNDER AASB 15	SIGNIFICANT JUDGEMENTS USED TO IDENTIFY PERFORMANCE OBLIGATIONS	NATURE OF CHANGE IN ACCOUNTING POLICY
Over time	Advisory retainer fees	Fees for on-going work performed. Invoices are issued on a monthly basis for ongoing work and payable within 30 days.	Fees are recognised when the services are performed.	Revenue is recognised over time as the Group provides services.	The amount of revenue recognised over time on a straightline basis in accordance with the contract entered into is the most appropriate depiction of the transfer of services.	AASB 15 did not have a significant impact on the Group's accounting policies.
	Management, administrative and trustee fees from asset management services	The provision of asset management services per investment contracts. The amounts charged for the separate performance obligations are determined based on the relevant clauses of the investment management contracts. Customers are invoiced monthly.	Fees are recognised as the management services are performed.	The performance obligations represent a series of distinct services, and are recognised by progress of completion (i.e. over time.) Revenue is recognised as performance obligations are met based on the calculations in accordance with the investment management agreement.	As the amount of work required to fulfil these services do not vary significantly month to month, the method used in the contracts would be a faithful depiction of the transfer of services. The calculation of the different services are separately documented in the service investment contract, and reflect the amount of effort required to fulfil the performance obligations.	AASB 15 did not have a significant impact on the Group's accounting policies.

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

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

Standards and Interpretations in issue not yet adopted

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 16 Leases	1 January 2019	31 December 2019

The changes to AASB 16 Leases will result in the inclusion of a lease liability and a right of use asset on the balance sheet. There will also be changes to the profile of the expense. Rather than being a straight line rental expense, there will be more expensed in early years and less in later years. In addition, the nature of expenses related to those leases will now change because the new standard replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. As a result, there will be an increase in cash inflow from operations arising from the depreciation charge, and an increase in cash outflow from financing activities from the interest expense. This will also increase metrics such as EBITDA as rather than an operating rental expense there will be a movement of expenses below the EBITDA line.

The Group has lease commitments of $8,535,366. The amounts are not discounted as the Group is still in the process of determining the incremental borrowing rate to use and do not include any lease extension options.

As a lessee, the Group can either apply the standard using the retrospective approach or modified retrospecive approach with optional practical expedients. The lessee applies the election consistently to all of its leases. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group plans to apply the accounting standard initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

2 SEGMENT INFORMATION

2.1 Services from which reportable segments derive their revenues

AASB 8 Operating Segments requires the 'management approach' to disclose information about the Group's reportable segments. The financial information is reported on the same basis as used by senior management for evaluating operating segment performance and for deciding how to allocate resources to operating segments.

The Group is organised into the following business segments:

- Corporate advisory and equities
- Asset management

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

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

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

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

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

2.2 Segment revenues and results

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

2018	CA&E $'000	ASSET MAN. $'000	UNALLOCATED $'000	TOTAL OPERATING SEGMENTS $'000	DIFFERENCES IN MEASURE MENTS $'000	DIFFERENCES IN CLASSI FICATION $'000	STATEMENT OF COMPRE HENSIVE INCOME $'000
Fee and commission income	23,567	29,964	–	53,531	–	–	53,531
Recognised as follows:							
At a point in time	22,495	11,287	–	33,782	–	–	33,782
Over time	1,072	18,677	–	19,749	–	–	19,749
Net income[1]	23,245	32,985	–	56,230	(1,817)	(3,125)	51,288
Expenses[2]	(17,552)	(12,730)	(3,781)	(34,063)	(1,331)	(3)	(35,397)
Earnings before interest, tax and depreciation & amortisation	**5,693**	**20,255**	**(3,781)**	**22,167**	**(3,148)**	**(3,128)**	**15,891**
Interest income	35	528	–	563	–	5,431	5,994
Interest expense	–	(840)	–	(840)	–	(2,871)	(3,711)
Depreciation and amortisation	(156)	(87)	–	(243)	(1,193)	–	(1,436)
Profit before tax	**5,572**	**19,856**	**(3,781)**	**21,647**	**(4,341)**	**(568)**	**16,738**
Tax	(1,672)	(5,957)	1,134	(6,495)	(532)	1,599	(5,428)
Profit after tax	**3,900**	**13,899**	**(2,647)**	**15,152**	**(4,873)**	**1,031**	**11,310**
Other comprehensive income	–	–	–	–	4,165	(435)	3,730
Total comprehensive income	**3,900**	**13,899**	**(2,647)**	**15,152**	**(708)**	**596**	**15,040**
Non controlling interests	–	–	–	–	–	(597)	(597)
Owners of the company	**3,900**	**13,899**	**(2,647)**	**15,152**	**(708)**	**(1)**	**14,443**

1. Excludes interest income which is shown on a separate line.
2. Excludes interest expense, depreciation and amortisation which are shown on separate lines.

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

2017	CA&E $'000	ASSET MAN. $'000	UNALLOCATED $'000	TOTAL OPERATING SEGMENTS $'000	DIFFERENCES IN MEASUREMENTS $'000	DIFFERENCES IN CLASSIFICATION $'000	STATEMENT OF COMPREHENSIVE INCOME $'000
Fee and commission income	23,292	14,515	–	37,807	–	–	37,807
Recognised as follows:							
At a point in time	18,687	6,040	–	24,727	–	–	24,727
Over time	4,605	8,475	–	13,080	–	–	13,080
Net income[1]	22,857	13,497	–	36,354	(1)	(182)	36,171
Expenses[2]	(17,142)	(4,957)	(2,095)	(24,194)	227	–	(23,967)
Earnings before interest, tax and depreciation & amortisation	**5,715**	**8,540**	**(2,095)**	**12,160**	**226**	**(182)**	**12,204**
Interest income	96	108	–	204	–	–	204
Interest expense	–	–	–	–	–	–	–
Depreciation and amortisation	(109)	(47)	–	(156)	(163)	–	(319)
Profit before tax	**5,702**	**8,601**	**(2,095)**	**12,208**	**63**	**(182)**	**12,089**
Tax	(1,582)	(2,924)	471	(4,035)	(15)	54	(3,996)
Profit after tax	**4,120**	**5,677**	**(1,624)**	**8,173**	**48**	**(128)**	**8,093**
Other comprehensive income	–	–	–	–	–	128	128
Total comprehensive income	**4,120**	**5,677**	**(1,624)**	**8,173**	**48**	**–**	**8,221**

1. Excludes interest income which is shown on a separate line.
2. Excludes interest expense, depreciation and amortisation which are shown on separate lines.

Expense allocations between the segments have been changed to better reflect the changing structure of the business. The corresponding items of segment information for comparative periods have been presented under the updated allocation methodology.

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

	AS AT 30 JUNE 2018 CONSOLIDATED $'000	AS AT 31 DECEMBER 2017 CONSOLIDATED $'000
Segment assets		
Corporate advisory and equities	60,860	75,022
Asset management	281,091	209,876
Total segment assets	341,951	284,898
Unallocated	–	–
Total assets	**341,951**	**284,898**
Segment liabilities		
Corporate advisory and equities	16,096	20,928
Asset management	85,878	37,616
Total segment liabilities	101,974	58,544
Unallocated	8,189	10,723
Total liabilities	**110,163**	**69,267**

3 FEE & COMMISSION INCOME

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

	AS AT 30 JUNE 2018 CONSOLIDATED $'000	AS AT 30 JUNE 2017 CONSOLIDATED $'000
Timing of revenue recognition		
At a point in time		
Advisory success fees	17,637	13,943
Commission and brokerage income	4,921	4,744
Distribution fees relating to asset management services	3,139	2,397
Facilitation and transaction fees	2,571	3,643
Other upfront fees	5,514	–
Total revenue earned at a point in time	**33,782**	**24,727**
Over time		
Advisory retainer fees	1,072	4,605
Management fees	18,677	8,475
Total revenue earned over time	**19,749**	**13,080**
Total fee and commission income	**53,531**	**37,807**

Notes to the Condensed Consolidated Financial Statements *(cont.)*

for the half year ended 30 June 2018

4 OTHER INCOME

	30 JUNE 2018	30 JUNE 2017
	CONSOLIDATED $'000	CONSOLIDATED $'000
Unrealised FX gains/(losses)	393	(350)
Realised FX losses	(67)	(8)
Other income	(42)	–
Realised gains from AFS investments	–	706
Other income	**284**	**348**

As comparatives have not been restated when AASB 9 Financial Instruments was initially applied, the Group notes that there are $0.7m of realised gains from AFS investments recognised in 2017.

5 DIVIDENDS

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

Fully Paid Ordinary shares		
Pre IPO dividend	–	31,000
2017 dividend	10,767	–
	10,767	**31,000**

6 INVESTMENTS IN ASSOCIATES

Acure Asset Management Ltd	2,520	2,501
GWP Credit Opportunity Fund No 1	–	1,012
Moelis Australia Redcape Hotel Group	56,073	48,147
Encore Care Trust	1,440	1,440
Encore Care Group Pty Ltd	–	–
Moelis Australia Aged Care Fund	6,925	6,866
Moelis Australia Senior Secured Credit Fund II	4,556	–
Moelis Australia Kincare Fund	4,947	–
	76,461	**59,966**

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

DETAILS OF OWNERSHIP INTEREST ACTIVITIES		
	PROPORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD BY THE GROUP	
ASSOCIATE	30 JUNE 2018	31 DECEMBER 2017
Acure Asset Management Ltd	50.0%	50.0%
Encore Care Group Pty Ltd	50.0%	50.0%
Encore Care Trust	50.0%	50.0%
GWP Credit Opportunity Fund No 1	21.5%	21.5%
Moelis Australia Redcape Hotel Group	9.9%	10.1%
Moelis Australia Aged Care Fund	10.0%	10.0%
Moelis Australia Senior Secured Credit Fund II	10.0%	0.0%
Moelis Australia Kincare Fund	17.9%	0.0%

7 ISSUED EQUITY SECURITIES

The Company had authorised share capital amounting to 153,809,776 ordinary shares at 30 June 2018 (31 December 2017: 153,809,776).

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

8 KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report. Bonuses accrued in December 2017 have been partially paid in cash in March 2018. The remaining stock components of the bonus were granted in December 2017. Key management personnel are included in the new share based payment arrangements, refer note 12.

Notes to the Condensed Consolidated Financial Statements *(cont.)*

for the half year ended 30 June 2018

9 OTHER FINANCIAL ASSETS

	AS AT 30 JUNE 2018	AS AT 31 DECEMBER 2017
	CONSOLIDATED $'000	CONSOLIDATED $'000
Financial assets – current		
Financial assets classified as available-for-sale	–	30,459
	–	**30,459**
Financial assets – non current		
Financial assets held at FVTOCI	32,843	–
Financial assets held at FVTPL	580	277
Financial assets held at amortised cost	288	–
Financial assets held at cost	–	4,486
	33,711	**4,763**

9.1 Financial instruments – Fair values and risk management

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

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

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

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

AS AT 30 JUNE 2018 $'000	MANDATORILY AT FVTPL	FVTOCI-EQUITY INSTRUMENTS	FINANCIAL ASSETS AT AMORTISED COSTS	OTHER LIABILITIES	TOTAL	LEVEL 1 (1)	LEVEL 1 (2)	TOTAL
Non equity securities	580	–	–	–	**580**		580	**580**
Equity securities	–	32,843	–	–	**32,843**	28,414	4,429	**32,843**
Financial assets measured at fair value	**580**	**32,843**	**–**	**–**	**33,423**	**28,414**	**5,009**	**33,423**
Trade receivables	–	–	20,736	–	**20,736**			
Loan receivables (including employee loans)	–	–	84,277	–	**84,277**			
Non equity securities	–	–	288	–	**288**			
Restricted cash	–	–	28,073	–	**28,073**			
Cash and cash equivalents	–	–	71,656	–	**71,656**			
Financial assets not measured at fair value	**–**	**–**	**205,030**	**–**	**205,030**			
Redeemable preference shares	–	–	–	39,619	39,619			
Unsecured loans	–	–	–	32,150	32,150			
Trade payables	–	–	–	16,111	16,111			
Financial liabilities not measured at fair value	**–**	**–**	**–**	**87,880**	**87,880**			

Valuation techniques and key inputs

(1) Quoted bid prices in an active market

(2) Based on recent transactions

Valuation processes

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation function that has overall responsibility for overseeing all significant fair value measurements, and reports directly to the Chief Financial Officer. The valuation function regularly reviews significant unobservable inputs and valuation adjustments. Significant valuation issues are reported to the Group Audit Committee.

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

10 INTANGIBLE ASSETS

	AS AT 30 JUNE 2018	AS AT 31 DECEMBER 2017
	CONSOLIDATED $'000	CONSOLIDATED $'000
Carrying amounts of:		
Identifiable intangible assets	14,367	15,560
Cost		
Balance at beginning of financial period	16,263	–
Acquisitions through business combinations	–	16,263
Balance at end of financial period	16,263	16,263
Accumulated amortisation and impairment		
Balance at beginning of financial period	(702)	–
Amortisation expense	(1,193)	(702)
Balance at end of financial period	(1,895)	(702)

The aggregate value of intangible assets acquired as part of the acquisition in 2017 was determined as the net present value of the forecast management fees less operating expenses, based on their expected lives which ranged from 2 years and 7 months to 7 years and nine months at the time of acquisition.

The amortisation of the aggregate value of the intangible assets over their useful lives is based on the forecast profile of the profit generated by the management rights, and is reassessed at the end of each reporting period.

The aggregate recoverable amount of the intangible assets is determined based on a value in use calculation which uses post-tax cash flow projections based on financial budgets over 8 years and a post-tax discount rate of 8.5% per annum.

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

1. expectations as to the likely lives of the management rights (ranging from 2 years to 7 years and 9 months at acquisition)
2. expectations about variations to management fee rates, and amount and timing of transaction fees
3. the reduction in operating costs as individual management rights terminate; and
4. a discount rate that reflects the relative security of the cashflows and the market pricing for similar management rights.

SENSITIVITY	IMPACT ON IMPAIRMENT ASSESSMENT
An increase in the discount rate to 10.5%	no impact
A decrease in the expected life of each fund by one year	$1.3m

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

11 GOODWILL

	AS AT 30 JUNE 2018	AS AT 31 DECEMBER 2017
	CONSOLIDATED $'000	CONSOLIDATED $'000
Cost	9,827	9,827
Accumulated impairment losses	–	–
Total goodwill	**9,827**	**9,827**
Goodwill is allocated to the following CGU's:		
CA&E	1,326	1,326
Asset management	8,501	8,501
Total goodwill	**9,827**	**9,827**

The recoverable amounts of the two items of goodwill are determined based on a value in use calculation which uses post-tax cash flow projections based on financial budgets, using the following assumptions:

	CA&E	ASSET MANAGEMENT
Timeframe	5 years followed by terminal value beyond 5 years	5 years followed by terminal value beyond 5 years
Post tax discount rate	7.0%	8.5%

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

1. an estimate of future cash flows the entity expects to derive from the asset;
2. the time value of money, represented by the current market risk-free rate of interest;
3. the price for bearing the uncertainty inherent in the asset

SENSITIVITY	IMPACT ON IMPAIRMENT ASSESSMENT
A 5% reduction in cashflows	No impact
An increase in the post tax discount rate to 15%	No impact
A decrease in terminal value growth rate from 3.5% to 2.5%	No impact

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

12 SHARE BASED PAYMENTS

(i) Employee share options

Details of the employee share option plan

During the previous financial year the Company established a share option scheme for certain employees and the Chairman. The options were issued on 4 April 2017. Each share option entitles the option holder to acquire one share in the Company upon exercise and payment of the applicable exercise price. The key terms of the share options scheme are listed below.

EMPLOYEE OPTION PLAN	NUMBER OF OPTIONS (MILLION)	EQUIVALENT NUMBER OF SHARES (MILLION)	FIRST EXERCISE DATE	OFFER PRICE ($)	EXERCISE PRICE ($)
Tranche 1	1.82	1.82	4th anniversary	0.03	3.00
Tranche 2	1.82	1.82	5th anniversary	0.03	3.15
Tranche 3	1.82	1.82	6th anniversary	0.01	3.36
Total	**5.46**	**5.46**			

CHAIRMAN OPTION PLAN	NUMBER OF OPTIONS (MILLION)	EQUIVALENT NUMBER OF SHARES (MILLION)	FIRST EXERCISE DATE	OFFER PRICE ($)	EXERCISE PRICE ($)
Tranche 1	0.39	0.39	2nd anniversary	0.02	2.80
Tranche 2	0.39	0.39	3rd anniversary	0.02	3.00
Total	**0.78**	**0.78**			

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

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

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

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

Inputs into the model

EMPLOYEES	TRANCHE 1	TRANCHE 2	TRANCHE 3
Grant date share price	2.35	2.35	2.35
Exercise price	3.00	3.15	3.36
Expected volatility	13.80%	13.80%	13.80%
Option life	5 years	6 years	7 years
Dividend yield	4.00%	4.00%	4.00%
Risk-free interest rate	2.50%	2.50%	2.50%

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

CHAIRMAN	TRANCHE 1	TRANCHE 2
Grant date share price	2.35	2.35
Exercise price	2.80	3.00
Expected volatility	13.80%	13.80%
Option life	3 years	4 years
Dividend yield	4.00%	4.00%
Risk-free interest rate	2.50%	2.50%

Movements in share options during the period

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

Movements in share options during the period

	NUMBER OF OPTIONS EMPLOYEES	NUMBER OF OPTIONS CHAIRMAN	NUMBER OF OPTIONS TOTAL	WEIGHTED AVERAGE EXERCISE PRICE ($) EMPLOYEES	WEIGHTED AVERAGE EXERCISE PRICE ($) CHAIRMAN
Balance at beginning of period	5,025,900	781,250	5,807,150	3.17	2.90
Forfeited during the period	(256,500)	–	(256,500)	3.17	–
Balance at end of period	4,769,400	781,250	5,550,650	3.17	2.90

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

Share options outstanding at the end of the period

The share options outstanding at the end of the period for the employees had a weighted average exercise price of $3.17 and a weighted average remaining contractual life of 1,648 days. The Chairman options had a weighted average exercise price of $2.90 and a weighted average remaining contractual life of 825 days.

(ii) Share rights

2017 year-end unallocated equity compensation

The Moelis Australia Employee Share Plan Trust (Employee Share Plan) contains unallocated equity compensation relating to 2017. The Company has an obligation to deliver these shares to the employees as determined by the Trustee of the Employee Share Plan. The expense was accounted for as a share based payment with the amortisation period commencing on the same date as the allocated Share Rights grant.

Share Rights granted as sign-on incentive

In addition to the Share Rights granted as part of the year-end bonus incentive scheme, the Company periodically grants Share Rights to senior executives commencing employment with the Group. The Share Rights are priced with reference to the trading price of the Company's shares at the time the offer of employment is made. Vesting is subject to continous employment, with terms varying on a case by case basis. Amortisation of the expense commences on the day the senior executive starts their employment.

	NUMBER OF SHARE RIGHTS	VALUE OF SHARE RIGHTS
Opening balance	1,545,823	7,576,916
Issued during the period	20,333	132,950
Forfeited during the period	(7,196)	(43,752)
Closing balance	**1,558,960**	**7,666,114**

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

2018 year-end unallocated Share Rights

As at 30 June 2018, the Group has estimated the expected outcome of the determination of the 2018 annual bonuses, including an estimate of the amount of bonuses to be paid in cash and the amount to be paid in shares.

The profit and loss impact (after tax) of the estimated cash component for services received as at 30 June 2018 was $4,949,000 (30 June 2017 $4,256,000).

The component expected to be paid in shares has been accounted for as a share based payment, with the amounts accruing over the expected vesting period of between 1 to 5 years. The profit and loss impact (after tax) of the estimated share component for services received as at 30 June 2018 was $1,284,163 which is inclusive of the amortisation of the 2017 allocated ($635,258)and the 2018 and 2017 unallocated share rights ($648,905) (30 June 2017 $406,000). The accounting standards require the value of the share based component to be determined when there is a shared understanding of the terms and conditions of the scheme and so the estimate of the accrual to date could change until this grant date is achieved.

As a result of the discretionary nature of the scheme, no incentive shares have been issued under the scheme during the interim period ended 30 June 2018.

13 BORROWINGS AND REDEEMABLE PREFERENCE SHARES

	AS AT 30 JUNE 2018	AS AT 31 DECEMBER 2017
	CONSOLIDATED $'000	CONSOLIDATED $'000
Unsecured notes	32,150	32,150

Unsecured notes were issued on 18 September 2017 with an interest rate of 5.25% per annum at $32.15 million principal value. The maturity date is 18 September 2020. Issue costs of $24,187 were incurred.

Redeemable preference shares	39,619	–

Redeemable preference shares ("RPS") were issued by subsidiaries of the Company and represent the third party interests in the consolidated loan investments of $67.1m. A summary of the terms and conditions is as follows:

	RPS1	RPS2
Issue price	$1	$1
Dividend rate	15%	13%
Maturity date	5 years	5 years

No voting rights unless dividends are in arrears and when the proposal is to reduce capital or approve terms of buy-back agreeement and the proposal affects the rights of RPS holders.

14 DISPOSAL OF INTERESTS IN SUBSIDIARIES

(a) Senior Secured Credit Fund II

On 28 February 2018, the Group lost the power to exercise control in Moelis Australia Senior Secured Credit Fund II (formerly Moelis Australia Opportunities Fund II) (the "Fund") as a result of the paydown of loans issued to the Fund from the Group. No gains or losses were incurred from the loss of control as it was transacted at the fair value of the underlying asset disposed of. The Group then acquired 10% of the Fund's issued units and from that date onwards, the Group has accounted for the entity as an investment in associates. Please refer to note 6.

(b) Kincare Fund

On 28 February 2018, the Group lost the power to exercise control in Moelis Australia Kincare Fund (formerly Moelis Australia Opportunities Fund I) ("Kincare") as a result of the paydown of loans, reducing the interest in Kincare to 17.9%. No gains or losses were incurred from the loss of control as it was transacted at the fair value of the underlying asset disposed of. From that date onwards, the Group has accounted for Kincare as an investment in associates. Please refer to note 6.

Notes to the Condensed Consolidated Financial Statements (cont.)

for the half year ended 30 June 2018

(c) Moelis Australia Opportunity Fund 3

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

15 COMMITMENTS

The Group had commitments in undrawn credit facilities of $65.4m at 30 June 2018 (31 December 2017: $85m). These commitments are in the process of being refinanced.

At 30 June 2018, the Group had capital commitments of $10 million (31 December 2017: $nil) relating to the initial capital requirements of the Moelis Australia Growth Capital Fund II. $3 million was subsequently invested on 10 August 2018

16 SUBSEQUENT EVENTS

Subsequent to the end of the half year, the Group has advanced secured loans totalling $24.1m with further commitments under these facilities of $19m.

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