

**Pacific Current Group Limited and
controlled entities**

ABN 39 006 708 792

Condensed consolidated financial report
For the half-year ended 31 December 2018

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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 the Group comprising of Pacific Current Group Limited (the Company) and its controlled entities (the Group) for the half-year ended 31 December 2018. 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.

T. Robinson, Chairman (appointed Chairman on 1 October 2018)
P. Greenwood, Managing Director, Chief Executive Officer (CEO) and Chief Investment Officer (CIO)
M. Donnelly, Non-executive Director
M. Fitzpatrick, Non-executive Director (formerly Chairman until 1 October 2018)
G. Guerin, Non-executive Director
P. Kennedy, Non-executive Director

COMPANY SECRETARY

P. Mackey

CORPORATE STRUCTURE

The Company is 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 ended 31 December 2018.

During the period, the Group acquired equity interests in Victory Park Capital Advisors, LLC (Victory Park) and Victory Park Capital GP Holdco, L.P (Victory Park-Holdco). Subsequent to period end, the Group acquired equity interest in Independent Financial Partners, LLC. and entered into an agreement to purchase securities in Carlisle Management Company S.C.A and Carlisle Investment Group S.á r.l., subject to regulatory approval and other closing conditions. The Group disposed its investments in Aperio Group LLC, Celeste Funds Management Limited and RARE Infrastructure Ltd.

The Group invests in global asset managers, private placement and private equity firms. Its key function and the overall business is investment in these managers. It also provides distribution and management services on an as agreed basis to its boutiques. The Group also provides financing of these asset managers in certain circumstances.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

Review of Operations

Operating Results for the Period

The Company generated net profits attributable to members of the Group of \$47,884,000 for the half-year ended 31 December 2018 (31 December 2017: \$107,208,000). The results of the Group for 31 December 2018 are shown in the table below. For 31 December 2017, the restated underlying earnings on a consolidated basis did not change from the previously reported amounts.

	31 December 2018	31 December 2017 (restated)¹
	\$'000	\$'000
Net profit after tax attributable to the members of the Group	47,884	107,208
Add/(deduct):		
<i>Non-cash items</i>		
- Impairment of investments	6,052 ^{1.1}	-
- Amortisation of identifiable intangible assets	1,713 ^{1.2}	610
- Share-based payment expenses	503	649
- Fair value adjustments of financial assets/liabilities	155	442
- Share of non-controlling interests	(242)	(219)
- Income tax (benefit)	-	(19,778) ^{2.1}
	8,181	(18,296)
<i>Extraordinary items</i>		
- Gain on sale of investments	(71,395)	(104,293)
- Income tax expense on the sale of investments	12,938 ^{1.3}	17,923 ^{2.1}
- Provision for estimated liability for Nereus Holdings LP (Nereus)	7,688	-
- Agency and brokerage fees	1,294	-
- Take-up of liability relating to S class shares issued by Aperio Group, LLC (Aperio)	-	2,848 ^{2.2}
- Foreign currency losses	822	1,968
- Loss on redemption and cancellation of X-RPUs	-	844
- Legal and consulting expenses	474 ^{1.4}	714 ^{2.3}
- Other expenses	-	427 ^{2.4}
	(48,179)	(79,569)
Total underlying profit attributable to members of the parent	7,886	9,343
Underlying earnings per share (in cents)	16.55	19.61
Statutory earnings per share (in cents)	100.00	224.57

¹ Refer to Notes 1 and 28 of the condensed consolidated financial statements for the explanation.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Review of Operations (Continued)

¹31 December 2018 reconciliation of items that cannot be traced directly from the condensed consolidated financial statements

Account Names	Consolidated Profit or Loss \$'000	Included/ (Excluded) items \$'000	Included in the Underlying Profits Calculation \$'000	Explanation
^{1.1} Impairment expenses	6,604	(552)	6,052	The impairment relates to impairment of investment in associates and goodwill from subsidiaries.
^{1.2} Amortisation of intangible assets	729	984	1,713	The included item is the amortisation of identifiable intangible assets from the acquisition of associates. The amortisation is recorded as an offset to the share in net profit of the associates.
^{1.3} Income tax expense	13,898	(960)	12,938	Income tax expense on the sale of Aperio was determined by taxable gain of \$40,600,000 at 21% and sale of Celeste and RARE was determined by the taxable gain of \$14,707,000 at 30%.
^{1.4} Legal and compliance fees	1,028	(554)	474	The fees relate to the deal costs from acquisition of Victory Park and Victory Park-Holdco.

²31 December 2017 reconciliation of items that cannot be traced directly from the condensed consolidated financial statements

Account Names	Consolidated Profit or Loss \$'000	Included/ (Excluded) items \$'000	Included in the Underlying Profits Calculation \$'000	Explanation
^{2.1} Income tax				
Current	11,711	6,212	17,923	Income tax expense on the sale of Investors Mutual Limited (IML) was determined by the taxable gain of \$59,743,000 at 30%.
Deferred	(14,203)	(5,575)	(19,778)	This pertained to the restatement on the tax cost basis for the US investments. Refer to Notes 1 and 28 of the condensed consolidated financial statements for the explanation
Total	(2,492)	637	(1,865)	

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Review of Operations (Continued)

Account Names	Consolidated Profit or Loss \$'000	Included/ (Excluded) items \$'000	Included in the Underlying Profits Calculation \$'000	Explanation
^{2.2} Liability relating to S class units issued by Aperio				
Share in net profits from associates	(2,501)	5,349	2,848	The Group's share in the liability relates to S class units.
^{2.3} Legal and compliance fees	1,407	(693)	714	Relate to costs on the sale of IML, simplification and X-RPU restructuring
^{2.4} Other expenses	1,159	(732)	427	These relate to general interest and charges from income tax instalment.

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

On 3 July 2018, the Group acquired a 24.9% stake in each of Victory Park Capital Advisors, LLC (Victory Park) and Victory Park Capital GP Holdco, L.P. (Victory Park-Holdco), a Chicago based investment for \$94,825,000 (US\$70,000,000). Victory Park is an investment firm specialising in managing funds and mandates investing in non-bank lending. Victory Park -Holdco holds direct and indirect interest in Victory Park funds and its general partner entities. The investments in Victory Park and Victory Park-Holdco have been accounted for as investments in associates using the equity method. For the period ended 31 December 2018, contributions of Victory Park and Victory Park-Holdco to the Group amounted to \$366,000 representing the share in net profits of associates.

On 8 August 2018, the Group sold its 23.38% stake in Aperio Group LLC (Aperio). Aperio is an investment firm based in San Francisco operating in customer index-based solutions across active tax management, factor tilts and socially responsible investing. The Group originally acquired the stake for \$44,181,000 (US\$31,786,000) in two tranches in January 2016 and January 2017. On 4 October 2018, the sale was completed and the proceeds amounting to \$97,740,000 (US\$71,906,000) before tax was received. The sale of the Group's investment in Aperio resulted to a gain of \$70,466,000.

On 31 August 2018, the Directors of the Company declared a final dividend on ordinary shares in respect of the 2018 financial year. The total amount of the dividend was \$10,481,000 which represented a fully franked dividend of 22 cents per share. The dividend was paid on 15 October 2018.

On 1 October 2018, the Group announced the retirement of Mr Fitzpatrick as Chairman of the Company. On the same date, Mr Robinson was appointed as the new Chairman of the Company.

On 3 October 2018, the Group sold its 27.48% stake in Celeste Funds Management Limited (Celeste), a Sydney based fund manager specialising in small cap Australian equities. The proceeds amounting to \$1,595,000 was received on the same date. The sale of the Group's investment in Celeste resulted to a gain of \$920,000.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Review of Operations (Continued)

On 30 November 2018 at the Annual General Meeting, the shareholders of the Company approved the issue of no more than 2,500,000 performance rights to Mr Greenwood as part of his new role effective 1 July 2018. One tranche covers the performance period 1 July 2018 to 30 June 2021 and the other tranche covers the performance period 1 July 2018 to 30 June 2022. Tranche 1 and Tranche 2 have vesting dates of 30 June 2021 and 30 June 2022, respectively. Each tranche is subdivided into three lots with different performance conditions, one requiring continuous employment and a share price hurdle and the other two requiring different total shareholder return hurdles to be satisfied. Details of the performance rights and the hurdles are disclosed in the audited 30 June 2018 remuneration report. The average value of each right was \$0.609. The total value at grant date of these outstanding performance rights was \$1,520,506. The performance rights on issue were valued on 30 November 2018 by an independent adviser using a Monte Carlo pricing model.

As at 31 December 2018, the assessed value of the investment in Nereus was determined to be approximately \$22,997,000 (US\$16,203,000) with the redemption of Class H Shares estimated to be \$30,941,000 (US\$21,800,000). The consolidated financial statements reflect a provision for the difference between the assessed value of the underlying assets in Nereus and the Class H shares of \$7,900,000 (US\$5,566,000).

Restatement of Financial Statements

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

Over the past half year, management has been working with an external tax expert to recalculate the US tax basis of the Company's individual assets held through the Trust. The purpose and results of the US tax basis analysis (the US Basis Analysis) are to ensure the Company continues to effectively and appropriately manage its tax compliance in various jurisdictions, including the required reporting of any US tax basis adjustments on the Company's US tax filing for the financial year ended 30 June 2018 expected to be filed in March 2019.

The Group pays taxes in the US based on earnings its US investments generate, as well as on any gains on the disposal of any US investment. The US Basis Analysis resulted in US\$59,473,000 of additional tax basis specific to US based investments which will result in future US tax savings upon a sale of a US investment. For example, a US tax obligation was crystallised during the current period ended 31 December 2018 with the sale of Aperio in October 2018.

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

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

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Restatement of Financial Statements (Continued)

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

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

Collectively, the deemed liquidation and the result of the US Basis Analysis will allow the Company to adjust the individual tax basis in each of its global asset base by over US\$73,304,000, with the tax basis adjustment being allocated to individual investments based on their relative fair market value as of the Trust's deemed liquidation date in October 2017. Of the total tax basis adjustment, approximately US\$13,246,000 will be allocable to Australian assets, US\$59,473,000 will be allocated to the US assets, and US\$585,000 allocated to other jurisdictions.

For the period ended 31 December 2017, the Company is restating its deferred tax balances to record a US deferred tax asset of US\$20,815,000 (gross) as additional tax basis to be used to offset future US tax obligations.

The quantum of the impact of the additional tax basis to be used to offset future US tax obligations prompted the Company to restate its 31 December 2017 consolidated financial statements which consisted of consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated statement of changes in equity.

The Company has also elected to amend its tax effect calculations to determine the accurate US deferred and tax provision balances as at 30 June 2018. This resulted in the restatement of its 30 June 2018 financial statements which consisted of consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity.

The Company determined that the impact of the US Basis Analysis were as follows:

31 December 2017

- (a) increase in net profit after tax attributable to the members of the Company by \$18,598,000 as a result of recognising the deferred tax asset on the additional tax basis for its US-based investments;
- (b) increase in other comprehensive income by \$8,099,000 as a result of the impact of the deferred tax asset on the additional tax basis relating to its US available-for-sale investments that was recorded through investment revaluation reserves;

30 June 2018

- (c) decrease in net deferred tax liability relating to its US-based investments by \$12,213,000 as a result of remeasuring the deferred balances at 21% effective income tax rate; and
- (d) increase in the revaluation reserve by \$4,005,000 as a result of the additional tax basis for available-for-sale investments remeasured at 21% effective income tax rate.

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

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (CONTINUED)

SUBSEQUENT EVENTS

On 24 January 2019, the Group acquired an initial 10% equity interest in Independent Financial Partners, LLC (IFP) for \$1,526,000 (US\$1,075,000) of a \$3,655,000 (US\$2,575,000) total commitment for up to 25% of equity interest. IFP is a privately held, family-owned firm founded in 2000 by CEO William (Bill) Hamm, Jr. IFP is a multi-custodial registered investment adviser focused on delivering personalised, concierge-level service to over 500 advisors in the United States who specialise in wealth management and retirement plan consulting.

On 31 January 2019, the Group signed an agreement to purchase securities in Carlisle Management Company S.C.A. ("Carlisle ManCo"), 5,000,000 units of Contingent Convertible Bonds ("CoCo Bonds") issued by Carlisle ManCo and Carlisle Investment Group S.á r.l. for \$47,038,000 (US\$34,250,000). The Group will be entitled to 16% of the revenues and 40% of the liquidation proceeds in the event of a sale. Carlisle ManCo is a fully regulated alternative investment fund manager which manages alternative investment funds exclusively investing in US life settlements. Carlisle ManCo is organised under the laws of Luxembourg as a partnership limited by shares ("SCA" or Société en commandite par actions). Funds for the acquisition are in escrow pending regulatory approval of the transaction and other closing conditions.

On 28 February 2019, the Directors declared an interim dividend in respect of the half year ended 31 December 2018. The total amount of the dividend is \$4,764,000 which represents a fully franked dividend of 10 cents per share. The dividend has not been provided for in the 31 December 2018 half year financial statements and will be recognised in subsequent financial reports.

Apart from the above, there has been no other matter or circumstance, which has arisen since 31 December 2018 that has significantly affected or may significantly affect:

- (a) the operations, in financial periods subsequent to 31 December 2018, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial periods subsequent to 31 December 2018, of the Group.

ROUNDING OF AMOUNTS

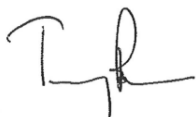
The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in this report have been rounded off in accordance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

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 8.

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



T. Robinson
Chairman

28 February 2019

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

28 February 2019

Dear Directors

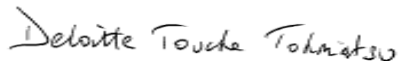
Auditor's Independence Declaration to Pacific Current Group Limited

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

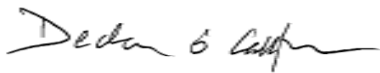
As lead audit partner for the review of the half year financial report of Pacific Current Group Limited for the half year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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 audit review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan
Partner
Chartered Accountants

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 \$'000	31 December 2017 (restated)* \$'000
Revenue	6	19,343	18,227
Other income	7	6,738	1,839
Net gains on investments and financial liabilities	7	<u>71,240</u>	<u>103,449</u>
		<u>97,321</u>	<u>123,515</u>
Expenses			
Salaries and employee benefits	8	(11,692)	(10,525)
Impairment expense	8	(6,604)	-
Other expenses	8	(17,210)	(8,816)
Depreciation and amortisation expense	8	(915)	(711)
Interest expense	8	<u>(371)</u>	<u>(1,248)</u>
		<u>(36,792)</u>	<u>(21,300)</u>
Share of net profits of associates accounted for using the equity method	8	<u>1,253</u>	<u>2,501</u>
Profit before income tax expense		61,782	104,716
Income tax (expense)/benefit	9	<u>(13,898)</u>	<u>2,492</u>
Profit for the period		<u>47,884</u>	<u>107,208</u>
Attributable to:			
The members of the parent		47,642	106,989
Non-controlling interests		<u>242</u>	<u>219</u>
		<u>47,884</u>	<u>107,208</u>
Earnings per share (cents per share):			
- basic earnings for the period attributable to ordinary equity holders of the parent	11	100.00	224.57
- diluted earnings for the period attributable to ordinary equity holders of the parent	11	100.00	224.57
Franked dividends paid per share (cents per share) for the period	10	22.00	18.00

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

*The consolidated statement of profit or loss for the period ended 31 December 2017 has been restated.

Refer to Notes 1 and 28 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 2018

	31 December 2018 \$'000	31 December 2017 (restated)* \$'000
Profit for the period	47,884	107,208
Other comprehensive income:		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Change in fair value of financial assets, net of income tax	<u>5,503</u>	<u>-</u>
<i>Items that were reclassified to profit or loss</i>		
Reversal of the share in net fair value gain on available-for-sale financial assets of an associate derecognised in the prior period	<u>-</u>	<u>(131)</u>
<i>Items that may be reclassified subsequently to profit</i>		
Change in fair value of available-for-sale financial assets, net of income tax		20,660
Share of net fair value (loss)/gain on available-for-sale financial assets of an associate	-	(106)
Exchange differences on translating foreign operations	<u>14,694</u>	<u>(925)</u>
	<u>14,694</u>	<u>19,629</u>
Other comprehensive income for the period	<u>20,197</u>	<u>19,498</u>
Total comprehensive income	<u>68,081</u>	<u>126,706</u>
Attributable to:		
The members of the parent	67,907	126,487
Non-controlling interests	<u>174</u>	<u>219</u>
	<u>68,081</u>	<u>126,706</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 2017 has been restated. Refer to Notes 1 and 28 for the explanation.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 December 2018 \$'000	30 June 2018 (restated)* \$'000
Current assets			
Cash and cash equivalents	13	127,938	110,096
Short-term deposits		-	20,000
Trade and other receivables	14	8,538	9,135
Other financial assets	15	14,153	-
Loans and other receivables	16	-	5,775
Other assets	17	<u>2,184</u>	<u>5,442</u>
Total current assets		<u>152,813</u>	<u>150,448</u>
Non-current assets			
Other financial assets	15	64,720	75,116
Loans and other receivables	16	-	7,325
Investments in associates	18	112,250	46,023
Plant and equipment		1,333	1,399
Intangible assets	19	105,590	104,826
Other assets	17	<u>407</u>	<u>2,306</u>
Total non-current assets		<u>284,300</u>	<u>236,995</u>
Total assets		<u>437,113</u>	<u>387,443</u>
Current liabilities			
Trade and other payables	20	6,008	6,647
Financial liabilities	21	7,445	13,139
Provisions	22	8,694	293
Current tax liabilities	9	<u>10,387</u>	<u>12,868</u>
Total current liabilities		<u>32,534</u>	<u>32,947</u>
Non-current liabilities			
Financial liabilities	21	632	12,429
Provisions	22	204	191
Deferred tax liabilities	9	<u>9,701</u>	<u>5,452</u>
Total non-current liabilities		<u>10,537</u>	<u>18,072</u>
Total liabilities		<u>43,071</u>	<u>51,019</u>
Net assets		<u>394,042</u>	<u>336,424</u>
Equity			
Share capital	23	166,279	166,279
Reserves	24	86,881	66,113
Retained earnings		<u>140,572</u>	<u>103,411</u>
Total equity attributable to owners of the Company		393,732	335,803
Non-controlling interests		<u>310</u>	<u>621</u>
Total equity		<u>394,042</u>	<u>336,424</u>

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

*The consolidated statement of financial position as at 30 June 2018 has been restated.

Refer to Notes 1 and 28 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 2018

	Share Capital \$'000	Reserves \$'000	Retained earnings \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance as at 1 July 2018					
As previously reported	166,279	60,361	96,040	621	323,301
Impact of restatement*	-	<u>5,752</u>	<u>7,371</u>	-	<u>13,123</u>
Restated	166,279	66,113	103,411	621	336,424
Profit for the period	-	-	47,642	242	47,884
Other comprehensive income:					
(i) Net movement in investment revaluation reserve	-	5,503	-	-	5,503
(ii) Net movement in foreign currency translation reserve	-	<u>14,762</u>	-	<u>(68)</u>	<u>14,694</u>
Total comprehensive income for the period	-	<u>20,265</u>	<u>47,642</u>	<u>174</u>	<u>68,081</u>
Transactions with owners in their capacity as owners:					
(i) Issuance of ordinary shares	-		-	-	-
(ii) Dividends paid	-		<u>(10,481)</u>	-	<u>(10,481)</u>
(iii) Distributions paid to non-controlling interests	-		-	<u>(485)</u>	<u>(485)</u>
(iii) Share based payments expensed	-	<u>503</u>	-	-	<u>503</u>
Total transactions with owners in their capacity as owners	-	<u>503</u>	<u>(10,481)</u>	<u>(485)</u>	<u>(10,463)</u>
Balance as at 31 December 2018	<u>166,279</u>	<u>86,881</u>	<u>140,572</u>	<u>310</u>	<u>394,042</u>

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

*The consolidated statement of changes in equity for the year ended 30 June 2018 has been restated.
Refer to Notes 1 and 28 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 2018

	Share Capital \$'000	Reserves (restated)* \$'000	Retained earnings (restated)* \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance as at 1 July 2017	166,278	26,544	14,384	49	207,255
Profit for the period	-	-	106,989	219	107,208
Other comprehensive income:					
(i) Net movement in investment revaluation reserve	-	20,423	-	-	20,423
(ii) Net movement in foreign currency translation reserve	-	(925)	-	-	(925)
Total comprehensive income for the period	<u>-</u>	<u>19,498</u>	<u>106,989</u>	<u>219</u>	<u>126,706</u>
Transactions with owners in their capacity as owners:					
(i) Issuance of ordinary shares	1	-	-	-	1
(ii) Dividends paid	-	-	(8,576)	-	(8,576)
(iii) Share based payments expensed	-	649	-	-	649
Total transactions with owners in their capacity as owners	<u>1</u>	<u>649</u>	<u>(8,576)</u>	<u>-</u>	<u>(7,926)</u>
Balance as at 31 December 2017	<u>166,279</u>	<u>46,691</u>	<u>112,797</u>	<u>268</u>	<u>326,035</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 2017 has been restated.
Refer to Notes 1 and 28 for the explanation.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 \$'000	31 December 2017 \$'000
Cash flow from operating activities			
Receipts from customers		19,929	17,258
Payments to suppliers and employees		(15,146)	(17,569)
Dividends and distributions received		9,557	12,664
Interest received		1,039	485
Interest paid		(424)	(1,413)
Income tax paid		<u>(13,696)</u>	<u>(4,853)</u>
Net cash (used in)/provided by operating activities	13(a)	<u>1,259</u>	<u>6,572</u>
Cash flow from investing activities			
Proceeds from sale of associates		99,335	106,879
Payments for the purchase of associates		(94,825)	-
Additional contributions to associates		(43)	(143)
Proceeds from sale of financial assets		21,510	-
Proceeds from maturity of short-term deposits		20,000	-
Receipts of funds previously held in escrow		-	6,514
Repayments of loans by associates		407	418
Capital contributions to Nereus		(552)	-
Payment for purchases of plant and equipment		<u>(68)</u>	<u>(311)</u>
Net cash provided by investing activities		<u>45,764</u>	<u>113,357</u>
Cash flow from financing activities			
Repayments of financial liabilities		(18,289)	(42,060)
Dividends paid		(10,481)	(8,576)
Distributions to non-controlling interests		(485)	-
Proceeds from issuance of shares		<u>-</u>	<u>1</u>
Net cash (used in) financing activities		<u>(29,255)</u>	<u>(50,635)</u>
Net increase in cash and cash equivalents held		17,768	69,294
Cash at beginning of the financial period		110,096	40,248
Unrealised foreign exchange difference in cash		<u>74</u>	<u>(568)</u>
Cash at end of financial period		<u>127,938</u>	<u>108,974</u>
Non-cash investing and financing activities		<u>-</u>	<u>-</u>

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

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: CORPORATE INFORMATION

The condensed consolidated financial report of the Group comprising of Pacific Current Group Limited (the Company) and its controlled entities (the Group) for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 28 February 2019.

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

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

The deemed liquidation resulted in an adjustment on the Company's individual tax basis in each of its global asset base by approximately US\$73,304,000, with the tax basis adjustment being allocated to individual investments based on their relative fair market value as of the Trust's deemed liquidation date in October 2017. Of the total tax basis adjustment, approximately US\$13,246,000 will be allocable to Australian assets, US\$59,473,000 will be allocated to the US assets, and US\$585,000 allocated to other jurisdictions.

Due to the quantum of the impact of the additional tax basis to be used to offset future US tax obligations prompted the Company to restate its 31 December 2017 consolidated financial statements which consisted of consolidated statement of profit or loss, consolidated statement of other comprehensive income and consolidated statement of changes in equity.

The Company has also elected to amend its tax effect calculations to determine the accurate US deferred and tax provision balances as at 30 June 2018. This resulted to the restatement of its 30 June 2018 financial statements which consisted of consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity. Refer to Note 28 for more details.

The prior period consolidated financial statements of the Group have been restated in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

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.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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 period have been adopted by the Group:

- 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*;
- AASB 15: *Revenue from Contracts with Customers*; AASB 2014-5: *Amendments to Australian Accounting Standards arising from AASB 15*, AASB 2015-8: *Amendments to Australian Accounting Standards – Effective date of AASB 15*, AASB 2016-3: *Amendments to Australian Accounting Standards – Clarifications to AASB 15*;
- AASB 2016-5: *Amendments to Australian Accounting Standards – Classification and Measurement of Share based Payment Transactions*;
- AASB 2017-1: *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014 2016 Cycle and Other Amendments*;
- AASB 2017-5: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*; and
- Interpretation 22: *Foreign Currency Transactions and Advance Consideration*.

The impact of the adoption of AASB 9 and AASB 15 are disclosed in Note 3(c).

Adoption of AASB 2016-5, AASB 2017-1, AASB 2017-5 and Interpretation 22 had no material financial and disclosure impact on the Group.

(a) Standards and interpretations in issue not yet adopted

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

At the date of authorisation of the condensed consolidated financial statements, the Standards and Interpretations that were issued but not yet effective are reflected overleaf.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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
AASB 16: <i>Leases</i>	1 January 2019	30 June 2020
AASB 2017-7: <i>Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures</i>	1 January 2019	30 June 2020
AASB 2018-1: <i>Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle</i>	1 January 2019	30 June 2020

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

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

- AASB 16

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

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

The following tables below show the adjustments recognised for each individual line item on the consolidated financial statements as at and for the period ended 31 December 2018. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	As Currently Presented \$'000	Impact of AASB 16 \$'000	Presented after Impact of AASB 16 \$'000
Profit or Loss Extract:			
Revenue – lease income	3	137	140
Expenses:			
Other expenses	(595)	257	(338)
Depreciation and amortisation expense	(915)	(343)	(1,258)
Interest expense	(371)	(113)	(484)
Total expenses	<u>(36,792)</u>	<u>(199)</u>	<u>(36,991)</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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

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

	As Currently Presented	Impact of AASB 16	Presented after Impact of AASB 16
	\$'000	\$'000	\$'000
Profit or Loss Extract (Continued):			
Share in net profits of associates accounted for using the equity method	<u>1,253</u>	<u>(83)</u>	<u>1,170</u>
Profit for the period	<u>47,884</u>	<u>(145)</u>	<u>47,739</u>
Financial Position Extract:			
Other financial assets	<u>14,153</u>	<u>(288)</u>	<u>13,865</u>
Total current assets	<u>152,813</u>	<u>(288)</u>	<u>152,525</u>
Other financial assets	64,720	(438)	64,282
Investment in associates	112,250	(85)	112,165
Plant and equipment	<u>1,333</u>	<u>3,457</u>	<u>4,790</u>
Total non-current assets	<u>284,300</u>	<u>2,934</u>	<u>287,234</u>
Total assets	<u>437,113</u>	<u>2,646</u>	<u>439,759</u>
Financial liabilities	<u>7,445</u>	<u>457</u>	<u>7,902</u>
Total current liabilities	<u>32,534</u>	<u>457</u>	<u>32,991</u>
Financial liabilities	632	2,409	3,041
Provisions	<u>204</u>	<u>66</u>	<u>270</u>
Total non-current liabilities	<u>10,537</u>	<u>2,475</u>	<u>13,012</u>
Total liabilities	<u>43,071</u>	<u>2,932</u>	<u>46,003</u>
Net assets	<u>394,042</u>	<u>(286)</u>	<u>393,756</u>
Equity			
Reserves	86,881	(3)	86,878
Retained earnings	<u>140,572</u>	<u>(283)</u>	<u>140,289</u>
Total equity	<u>394,042</u>	<u>(286)</u>	<u>393,756</u>
Cash Flows Extract:			
Cash flow from operating activities			
Payments to suppliers and employees	<u>(17,142)</u>	<u>371</u>	<u>(16,771)</u>
Cash flow from financing activities			
Repayments of financial liabilities	<u>(18,289)</u>	<u>(371)</u>	<u>(18,660)</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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

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

- AASB 2017-7 and AASB 2018-1

As at 31 December 2018, the Group assessed the impact of AASB 2017-7 and AASB 2018-1 and determined no material financial impact to the condensed consolidated financial statements of the Group in respect to its accounting for its associates, business combination, income tax and borrowing costs.

(c) Standards and interpretations in issue that has been early adopted

- AASB 2017-4

The Group has elected to early adopt AASB 2017-4, *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*. This will result in the Group recognising the cumulative effect of applying AASB Interpretation 23: *Uncertainty Over Income Tax Treatments* as an adjustment to the opening balance of retained earnings, or other component of equity, as appropriate. Refer to Note 9 for details.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These condensed consolidated financial statements are general purpose financial statements for the half-year ended 31 December 2018 and have been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. 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 shall be read in conjunction with the most recent annual financial report.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation

The condensed 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. 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.

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

The half year condensed consolidated financial report should be read in conjunction with the annual report for the year ended 30 June 2018 except for the application of AASB 9 and AASB 15 as at 1 July 2018 and the restatements. It should be considered together with any public announcements made by the Company during the half year ended 31 December 2018 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 2018 except for the application of AASB 9 and AASB 15 as at 1 July 2018 as disclosed in Note 3.

(c) Changes in accounting policies

The note explains the impact of the adoption of AASB 9 and AASB 15 that have been applied from 1 July 2018, where they are different to those applied in prior periods.

As a result of the changes in the Group's accounting policies, the following are the impact on the condensed consolidated financial statements:

- AASB 9 was adopted without restating the 30 June 2018 comparative information. The adoption of AASB 9 resulted to reclassifications of 1 July 2018 opening balances; and
- AASB 15 was adopted without restating the 30 June 2018 comparative information other than reclassifications of 1 July 2018 opening balances.

The succeeding pages detail the impact to the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income and the accounting policies.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(i) Impact to the condensed consolidated statement of financial position

The following tables in the succeeding pages show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail in the succeeding pages.

	30 June 2018 As originally presented \$'000	AASB 9 \$'000	AASB 15 \$'000	1 July 2018 As revised \$'000
Financial Position Extract				
Current assets				
Trade and other receivables:				
Trade receivables	8,596	-	-	8,596
Contract assets	-	-	227	227
Dividends receivable - associate	73	-	-	73
Sundry receivables	466	-	(227)	239
	<u>9,135</u>	<u>-</u>	<u>-</u>	<u>9,135</u>
Financial assets:				
Other financial assets at amortised cost	-	6,045	-	6,045
Financial assets at fair value through profit or loss	-	2,836	-	2,836
Loans and other receivables	5,775	(5,775)	-	-
Other assets	5,442	(3,106)	-	2,336
Total current assets	<u>150,448</u>	<u>-</u>	<u>-</u>	<u>150,448</u>
Non-current assets				
Financial assets:				
Other financial assets at amortised costs	-	7,858	-	7,858
Financial assets at fair value through profit or loss	21,500	1,494	-	22,994
Financial assets at fair value through other comprehensive income	-	53,616	-	53,616
Available for sale investments	53,616	(53,616)	-	-
	<u>75,116</u>	<u>9,352</u>	<u>-</u>	<u>84,468</u>
Loans and other receivables	7,325	(7,325)	-	-
Other assets (excluding plant and equipment)	2,306	(2,027)	-	279
Total non-current assets	<u>236,994</u>	<u>(9,352)</u>	<u>-</u>	<u>236,994</u>
Total assets	<u>387,442</u>	<u>-</u>	<u>-</u>	<u>387,442</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(ii) AASB 9 – Impact of adoption

AASB 9 replaces the provisions of AASB 139: *Financial Instruments: Recognition and Measurement* that relate to:

- recognition, classification and measurement of financial assets and financial liabilities;
- derecognition of financial instruments
- impairment for financial assets; and
- general hedge accounting.

The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in Note 3(c)(iii) below. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated.

(1) Classification and measurement

On 1 July 2018 (the date of initial application of AASB 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate AASB 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 July 2018	Note	Loans and other receivables \$'000	Fair value through profit or loss \$'000	Available-for-sale \$'000	Other assets \$'000	At amortised cost \$'000	Fair value through other comprehensive income \$'000
Closing balance at 30 June 2018 – AASB 139							
Current		5,775	-	-	5,442	-	-
Non-current		<u>7,325</u>	<u>21,500</u>	<u>53,616</u>	<u>2,306</u>	-	-
Closing balance after impact of AASB 15		13,100	21,500	53,616	7,748	-	-
Reclassification from loans and other receivables to amortised cost	(1.a)	(13,100)	-	-	-	13,100	-
Reclassification from available-for-sale to fair value through other comprehensive income	(1.b)	-	-	(53,616)	-	-	53,616
Reclassification from other assets to fair value through profit or loss	(1.c), (1.d)	-	4,330	-	(4,330)	-	-
Reclassification from other assets to amortised cost to combine similar financial assets	(1.e)	-	-	-	(803)	803	-
Opening balance at 1 July 2018 – AASB 9		<u>-</u>	<u>25,830</u>	<u>-</u>	<u>2,615</u>	<u>13,903</u>	<u>53,616</u>
Split of the opening balance at 1 July 2018							
Current		-	2,836	-	2,336	6,045	-
Non-current		<u>-</u>	<u>22,994</u>	<u>-</u>	<u>279</u>	<u>7,858</u>	<u>53,616</u>
		<u>-</u>	<u>25,830</u>	<u>-</u>	<u>2,615</u>	<u>13,903</u>	<u>53,616</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(ii) AASB 9 – Impact of adoption (Continued)

(1) Classification and measurement (Continued)

(1.a) Reclassification from loans and other receivables to amortised cost

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

(1.b) Reclassification from available-for-sale to fair value through other comprehensive income

The Group elected to present in other comprehensive income changes in the fair value of its equity investments in EAM Global Investors, LLC (EAM Global) and GQG Partners, LLC previously classified as available-for-sale investments, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, the fair value of \$53,616,000 was reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income. In respect to the fair value gains of \$27,320,000 (net of income tax), these remained in the investment revaluation reserve with an explanation on the changes within the reserve (refer to Note 24(a) for details).

(1.c) Reclassification from available-for-sale to fair value through profit or loss

Investment in Nereus Holdings LP previously included as part of available-for-sale investments was reclassified to fair value through profit or loss.

Subsequent to 1 July 2018, investment in Nereus Holdings LP was reclassified as held for sale as discussed in Note 15 (footnote 9). Impairment for the additional contributions made to Nereus Holdings LP for the period ended 31 December 2018 amounting to \$552,000 (US\$400,000) was recognised directly to profit or loss as this contribution was made for the purpose of providing financial support to Nereus Holdings LP.

(1.d) Reclassification from other assets to fair value through profit or loss

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

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

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

(1.e) Reclassification from other assets to at amortised cost to combine similar financial assets

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

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(ii) AASB 9 – Impact of adoption (Continued)

Impact on the classification and measurement to the Group's investments in associates

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

Classification and measurement of financial liabilities

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

(2) Hedging activities

Impact from the adoption of AASB 9

The foreign currency risk component of Notes payable – Seizert in place as at 30 June 2018 qualified as a hedge of a net investment in a foreign operation under AASB 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of AASB 9 and these relationships are therefore treated as continuing hedges.

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

(3) Impairment of financial assets

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

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

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

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

Trade receivables and contract assets

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

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(ii) AASB 9 – Impact of adoption (Continued)

(3) Impairment of financial assets (Continued)

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

1 July 2018	Current	Past due 31- 60 days	Past due 61- 90 days	Past due over 90 days	Total
Expected loss rate	0.005%	0.005%	2.5%	5%	
Gross carrying amount (\$)	8,795,000	8,000	11,000	9,000	8,823,000
Loss allowance (\$)	400	-	300	500	1,200

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

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

Debt instruments carried at amortised cost

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

- Receivable from other party - The amount of \$10,155,000 relates to deferred settlement proceeds from the sale of the Group's equity holdings in Investors Mutual Limited (former associate). The amount is to be paid in two instalments, April 2019 and October 2019. The amount is held in escrow and contingent on meeting customary commercial commitments. The amount is held in a trust account under the control of an appointed registrar. The money is held outside the control of the acquirer and the release. Applying the expected credit loss model resulted in a \$3,000 loss at 1 July 2018. However, the loss was not recognised because the amount was considered immaterial.
- Receivable from EAM Investors - The Group provided financing for EAM Investors to acquire the equity from a part owner WHV. The loan is governed by the Secured Promissory Note deed whereby various protective features are defined such as the maintenance of an escrow account to hold a reserve requirement, quarterly repayments, reporting obligations including on the escrow account, security over the units acquired by EAM Investors. The Group is responsible for the sales and distribution of EAM Investors and EAM Global and has visibility of the growth and operations of EAM Investors and EAM Global. Based on the current pipeline of FUM growth, EAM Investors will see significant increase in revenues. Applying the expected credit loss model resulted to a \$2,000 loss at 1 July 2018. However, the loss was not recognised because the amount was considered immaterial.
- Sublease receivable – The Group subleased its Seattle office premises to a third party over 7 years whereby monthly lease payments from the sublessee are received. Management considered the credit risk to be low since it has a low risk of default based on the historical information available. Applying the expected credit loss model resulted to a \$1,000 loss at 1 July 2018. However, the loss was not recognised because the amount was considered immaterial.

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NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(ii) AASB 9 – Impact of adoption (Continued)

(3) Impairment of financial assets (Continued)

- Loans receivable– The Group provided interest bearing advances to the former principals of AlphaShares, LLC. At 30 June 2018, the outstanding balance amounted to \$42,000. The probability of default is low in reference to the collection pattern and the anticipated collections of the remaining balance. Applying the expected credit loss model resulted to a loss of less than \$1,000 at 1 July 2018. However, the loss was not recognised because the amount was considered immaterial.

- Sundry receivables and dividend receivable – The Group’s sundry receivables mainly consisted of other receivables and interest from short-term deposit. The probability of default is low in reference to the collection pattern normally received in full upon maturity of the short-term deposit. Applying the expected credit loss model resulted to a loss of less than \$1,000 at 1 July 2018. However, the loss was not recognised because the amount was considered immaterial.

Total expected credit losses at 1 July 2018

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

Impact on the carrying values of the Group’s investments in associates

The Group’s carrying values of its investments in associates are impacted by the impairment of the underlying financial assets of the associates through the Group’s share in net profits/losses. Management assessed the impact of the new impairment requirements in determining the expected loss rates and reviewed the collection history as applicable, anticipated collection trend for the period and the credit worthiness of the associates’ counterparties. The associates’ counterparties are mainly institutional clients with high credit ratings with no known history of default. The same process was undertaken by management in determining the expected credit losses of the associates and calculated the share of the Group for 1 July 2018 and 31 December 2018. A nominal amount of allowance for both periods were noted but not recognised as the impact is immaterial to the Group.

(iii) AASB 9 – Accounting policies applied from 1 July 2018

Investments and other financial assets

Classification

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

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

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

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

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NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(iii) AASB 9 – Accounting policies applied from 1 July 2018 (Continued)

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

Measurement

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

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

Debt instruments

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

- At amortised cost
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- Fair value through other comprehensive income
Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- Fair value through profit or loss
Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

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

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NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(iii) AASB 9 – Accounting policies applied from 1 July 2018 (Continued)

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

Impairment

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

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

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

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Hedging

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

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

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

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NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(iv) AASB 15 – Impact of adoption

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

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

Presentation of assets and liabilities

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

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

Impact on the revenue recognition to the Group's investments in associates

The Group assessed the impact of adoption of AASB 15 to its investments in associates and determined that there has been no impact on the timing or amount of revenue recognition except for the recognition of carried interest and incentive fees.

Certain associates recognise carried interest (performance fees) and incentive fees on accruals basis when certain performance metrics are met. However, the right to compensation is not yet realised and can still be reversed in the future. The Group excludes this in the calculation of its share in the net profits/losses of associates in accordance with its accounting policy on carried interest.

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NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(v) AASB 15 – Accounting policies applied from 1 July 2018

Fund management fee revenue

The Group's controlled entities, Aether Investment Partners, LLC (Aether), Seizert Capital Partners, LLC (Seizert) and Strategic Capital Investments, LLP (SCI) provide asset management services. The revenue is recognised in the accounting period in which the asset management services are rendered and the performance obligation is met. The transaction price for management fees for each performance obligation is the defined contractual rate of the average assets under management or committed capital for the relevant accounting period.

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

Carried interest (performance fees)

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

The carried interest is calculated in accordance with the calculation methodology of the underlying funds as defined in the Investment Management Agreement.

Commission revenue

Commission revenue arises when the Group provides sales services to its clients. The Group is entitled to a trail commission over three years in accordance with the Sales and Marketing Services Agreement when the client invested in the funds or mandates of the asset managers and performance obligation is met.

However, as the commission revenue correlates to the gross revenues of the mandates, the revenue cannot be recognised, since it is not highly probable that this revenue will not be significantly reversed. The revenue is only recognised in the period where the gross revenue generated from the mandates are reliably measured multiplied by the contractual rates.

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

Retainer revenue

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

Service fees

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

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NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(v) AASB 15 – Accounting policies applied from 1 July 2018 (Continued)

Consulting fees

Consulting fees arise when the Group provides on-going business and marketing related consulting services. The revenue is recognised in the accounting period in which the consulting service is rendered and the performance obligation is met. The transaction price for each performance obligation is the defined contractual rate of the net cash revenues for the relevant accounting period.

Estimates of consulting fees are revised when the Group and its counterparties finalised and confirmed the fees. Any resulting increases or decreases in estimated consulting fees are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known to management.

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.

Revenue recognition of carried interest (performance fees)

Carried interest (performance fees) is only recognised by the Group when it is highly probable that the revenue will be received. Any unrealised carried interest recognised by the subsidiaries and or equity accounted investments are excluded in the consolidation and take up of the share of the profits/losses. Non-recognition of the unrealised carried interest minimises the time horizon where underlying asset values may fluctuate broadly enough to erode the unrealised component.

Income Tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are a number of transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination may differ from the taxation authorities' view. The Group recognises the impact of the anticipated tax liabilities based on the Group's current understanding of the tax laws. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made. Refer to Note 2(c) for details.

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

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Refer to Note 9 for details.

Valuation of financial assets and liabilities at fair value

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 liabilities and the assessment of carrying values as per Note 15, Note 21 and Note 22 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 in associates

At the end of each reporting period, management is required to assess the carrying values of each of the underlying investments in associates of the Group. Should assets underperform or not meet expected growth targets, a resulting impairment of the investments is recognised if that deterioration in performance is deemed not to be derived from short term factors such as market volatility. Factors that are considered in assessing possible impairment in addition to financial performance include changes to key investment staff, significant investment underperformance and litigation. A significant or prolonged decline in the fair value of an associate below its cost is also an objective evidence of impairment. During the period, the investments in associates were assessed for impairment indicators only. Indicators for impairment exist for Freehold Investment Management Ltd (FIM) and Blackcrane Capital, LLC. These associates were tested for impairment and an impairment of \$2,330,000 (2017: \$nil) was recognised. Refer to Note 8(b) for details.

Impairment of financial assets at amortised cost

The loss allowances for financial assets at amortised costs including trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3(c)(iii).

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 to be derived from short term factors such as market volatility. Factors that are considered in assessing possible impairment in addition to financial performance include changes to key investment staff, significant investment underperformance and litigation. Impairments of goodwill in relation to subsidiaries cannot be reversed if a business recovers or exceeds previous levels of financial performance. During the period, the goodwill and other identifiable intangible assets were assessed for impairment indicators only. Indicators for impairment exist for Aether Investment Partners, LLC and Seizert Capital Partners, LLC. These subsidiaries were tested for impairment and an impairment of \$3,722,000 was recognised. Refer to Note 8(b) and Note 19 for details.

Share-based payment transactions

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

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NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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 of the Group are determined (in particular, the valuation techniques and inputs used):

At fair value through other comprehensive income

Financial assets	Fair values at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable input
	31 December 2018 \$'000	30 June 2018 \$'000				
Investment in EAM Global Investors, LLC (EAM Global)	9,482	10,129	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 18.5% (30 June 2018: 18.5%).	18.5% (30 June 2018: 18.5%) discount rate Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value.
Investment in GQG Partners, LLC (GQG)	51,120	43,487	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 15% (30 June 2018: 15%).	15% (30 June 2018: 15%) discount rate Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value.
Investment in Nereus Holdings LP (Nereus) ¹	-	-	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 12.46% (30 June 2018: 10.7%).	12.46% (30 June 2018: 10.7%) discount rate Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value.

¹ At 31 December 2018, the investment in Nereus was classified as held-for sale (refer to Note 15 for details). The cost to sell and the difference between the assessed value and the value of Class H shares and potential additional contributions were recognised as provisions (refer to Note 22 for details).

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NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

At fair value through profit or loss

	Fair values at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable input
	31 December 2018 \$'000	30 June 2018 \$'000				
Financial assets						
Receivable from Raven Capital Management, LLC (Raven) ¹	4,485	4,330	Level 3	Discounted cash flow. Future cash flows are determined based on the projected earn-out payments in relation to the new FUM inflows discounted at 10.02% (30 June 2018: 9.03%).	10.02% (30 June 2018: 9.03%) discount rate was derived based on the adjusted risk-free rate of a US 10-year government bond plus the size risk factors partially mitigated by the nature of Raven's funds (closed-end funds).	The higher the discount rate, the lower the fair value.
Investment in RARE Infrastructure Ltd (RARE) ²	-	21,500	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 30 June 2018 at 12.5% to 13%.	12.5% to 13% discount rate Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value.
Financial liability Deferred payment – EAM Global	271	169	Level 3	Discounted cash flow. Future cash flows are determined based on projected 2% and 1% of EAM Global gross revenues for the years' ending 31 March 2022 and 2023 discounted at 18.5% (30 June 2018: 18.5%).	18.5% (30 June 2018: 18.5%) discount rate Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value.

¹The receivable from Raven was measured at amortised cost as at 30 June 2018 and was recategorised as at fair value through profit or loss at 1 July 2018 as a result of the adoption of AASB 9. Refer to Note 3(c) for details.

²The investment in RARE was sold on 10 October 2018.

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NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Valuation inputs and relationships to fair value

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

Investment in EAM Global

In determining the fair value of the investment in EAM Global, a revenue growth derived from FUM growth factors ranging from 10% to 20% (30 June 2018: 10% to 42.8%) has been used with appropriate probabilities assigned to each, applying an average fee rate based on the expected, weighted average fees across all funds. In addition, 5% (30 June 2018: 5%) fee compression has been used, discount factor of 15% and growth rate of 3% (30 June 2018: discount factor of 15% and growth rate of 3%) have been applied.

If the growth rate in the revenue inputs to the valuation model were 1% (30 June 2018: 1%) higher or lower while all the other variables were held constant, the fair value would increase by \$347,000 and decrease by \$305,000 (30 June 2018: increase by \$270,000 and decrease by \$405,000).

Investment in GQG

In determining the fair value of the investment in GQG, a revenue growth derived from FUM growth factors ranging from 10% to 30% (30 June 2018: 10% to 50%) has been used with appropriate probabilities assigned to each, applying an average fee rate based on the expected, weighted average fees across all funds. In addition, 5% (30 June 2018: 5%) fee compression has been used, discount factor of 15% and terminal growth rate of 3% (30 June 2018: discount factor of 15% and terminal growth rate of 3%) have been applied.

If the terminal growth was 1% (30 June 2018: 1%) lower or higher, while all the other variables were held constant, the fair value would increase by \$2,643,000 and decrease by \$2,236,000 (30 June 2018: increase by \$2,431,000 and decrease by \$2,026,000).

Investment in Nereus

In determining the fair value of the investment in Nereus, revenues were derived from applying terms of long-term power purchase agreements to the expected output of the solar power projects owned by Nereus based on 12.46% (30 June 2018: 10.7%) cost of capital. Power output was determined using PVSystem, the standard in solar output forecasting. Expenses are based on executed long-term operating and maintenance contracts for the service of the solar projects. With output/revenues and expenses effectively stable, varying the cost of capital demands of a potential acquirer is the primary variable for determining the value of Nereus. At 31 December 2018, management assessment of the fair value of the solar projects in Nereus is approximately \$22,997,000 (US\$16,203,000).

The sensitivity is calculated after deduction of the value of the preferred Class H Shares of \$30,941,000 (US\$21,800,000) (30 June 2018: \$27,990,000 (US\$20,725,000)) and the share of Nereus management of up to \$1,774,000 (US\$1,250,000) (30 June 2018: \$1,688,000 (US\$1,250,000)) of the remaining net proceeds. If net proceeds are less than \$1,774,000 (US\$1,250,000) then Nereus management would receive only the net proceeds. Any net proceeds above \$1,774,000 (US\$1,250,000) will then go to the Company.

Applying 1% (30 June 2018: 1%) lower or higher to the rate of cost of capital, while all the other variables were held constant, the fair value would still be \$nil. For the half-year ended 31 December 2018 the obligation of the Group will decrease by \$1,599,000 for the 1% decrease in the discount rate and increase by \$1,507,000 for a 1% increase in the discount rate. For the year ended 30 June 2018, the Group will be entitled to \$308,000 for the 1% decrease in the discount rate and an obligation of \$1,763,000 for a 1% increase in the discount rate.

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NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Valuation inputs and relationships to fair value

Receivable from Raven

In determining the fair value of receivable from Raven, the earn-out component is derived from 33% of management fees earned by Raven on the new FUM. A discount factor of 10.02% (30 June 2018: 9.03%) has been applied.

If the discount factor was 1% lower or higher while all the other variables were held constant, the fair value would increase by \$44,000 and decrease by \$43,000.

At 30 June 2018, the receivable from Raven was measured at amortised cost and was recategorised as at fair value through profit or loss on 1 July 2018. Refer to Note 3(c) for details.

Investment in RARE

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

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

The investment in RARE was sold on 10 October 2018.

Deferred payment - EAM Global

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

If the growth rate was 1% lower or higher while all the other variables were held constant, the fair value would decrease by \$10,000 and increase by \$9,000 (30 June 2018: decrease by \$4,000 and increase by \$7,000).

(c) 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 2018 \$'000	30 June 2018 \$'000
Investments held at fair value through other comprehensive income		
Beginning balance	-	-
Transfer from available-for-sale investments	53,616	-
Net gains recognised in other comprehensive income	4,791	-
Foreign currency movement	2,195	-
Closing balance	60,602	-
Available-for-sale investments		
Beginning balance	53,616	30,174
Transfer to investments held at fair value through other comprehensive income	(53,616)	-
Contributions	-	1,919
Impairment	-	(780)
Net gains recognised in other comprehensive income	-	21,233
Foreign currency movement	-	1,070
Closing balance	-	53,616

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NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Reconciliation of recurring level 3 fair value movements (continued)

	31 December 2018 \$'000	30 June 2018 \$'000
Financial assets at fair value through profit or loss		
Beginning balance	21,500	22,700
Transfer from other assets	4,330	-
Disposal	(21,500)	-
Revaluation of financial assets at fair value through profit or loss	(64)	(1,200)
Foreign currency movement	219	-
Closing balance	<u>4,485</u>	<u>21,500</u>
Financial liabilities at fair value through profit or loss		
Beginning balance	169	-
Additions	-	169
Revaluation of financial liabilities at fair value through profit or loss	91	-
Foreign currency movement	11	-
Closing balance	<u>271</u>	<u>169</u>

(d) Transfers between levels and changes in valuation techniques

There were no transfers between the levels of fair value hierarchy in the six months to 31 December 2018. There were also no changes made to any of the valuation techniques applied as at 30 June 2018.

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

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

	31 December 2018		30 June 2018	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets at amortised cost				
Receivable due from other party	10,155	10,126	10,092	10,051
Receivable from EAM Investors	2,856	2,790	2,966	2,970
Receivables from Raven	-	-	4,330	4,330
Sublease receivable	726	739	803	800
Financial liabilities at amortised cost				
Notes payable - Seizert	7,204	7,033	13,417	12,939
Sublease liability	601	626	668	680

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	31 December 2018 \$'000	31 December 2017 \$'000
NOTE 6: REVENUE		
The Group derives its revenue from transfer of services over time and at a point in time as below:		
Timing of revenue recognition		
<i>Over time</i>		
- Fund management fee	16,314	15,264
- Commission revenue	2,570	2,821
- Retainer revenue	372	80
- Service fees	32	35
- Sundry revenue		
- Rental income	3	15
	19,291	18,215
 <i>At a point in time</i>		
- Sundry revenue	52	12
Total revenue	19,343	18,227

Adoption of AASB 15 resulted to the disaggregation of revenue from contract with customers into categories that depict how the nature, amount, timing of revenue. The Group disaggregated its revenue based on the type of contracts and per segment as disclosed in Note 12. The prior period presentation of revenue was also revised to align with the current year presentation.

NOTE 7: OTHER INCOME AND NET GAINS ON INVESTMENTS AND FINANCIAL LIABILITIES

Other income

- Interest income		
- Related parties - associates	-	111
- Other persons/corporations	1,017	473
	1,017	584
- Dividend income	5,651	946
- Earn-out income	70	-
- Adjustment in deferred commitments	-	309
Total other income	6,738	1,839

Net gains on investments and financial liabilities

- Gain on sale on disposal of investments	71,395	104,293
- Changes in fair values:		
- financial liability through profit or loss	(91)	-
- financial asset through profit or loss	(64)	-
	(155)	-
- Loss on redemption and cancellation of X-RPUs	-	(844)
Total net gains on investments/financial liabilities	71,240	103,449

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	31 December 2018 \$'000	31 December 2017 \$'000
NOTE 8: EXPENSES AND SHARE IN PROFITS		
Profit before income tax has been determined after:		
(a) Salaries and employee benefits:		
- Salaries and employee benefits	11,189	9,876
- Share-based payment expense arising from equity-settled share-based payment transactions	503	649
Total salaries and employee benefits	11,692	10,525
(b) Impairment expenses:		
- Impairment of capital contributions:		
- Nereus Holdings LP (Nereus)	552	-
- Impairment of investment in associates:		
- Blackcrane Capital, LLC	1,833	-
- Freehold Investment Management Limited	497	-
	2,330	-
- Impairment of goodwill in subsidiaries (refer to Note 19):		
- Aether Investment Partners, LLC	1,548	-
- Seizert Capital Partners, LLC	2,174	-
	3,722	-
Total impairment expenses	6,604	-
(c) Other expenses:		
- Accounting and audit fees	1,217	940
- Broker and consulting fees (refer to Note 22)	1,294	-
- Commission and marketing expenses	772	997
- Directors' fees	296	218
- Insurance expense	677	591
- Legal and compliance fees	1,028	1,407
- Net foreign exchange loss	822	1,968
- Operating lease rental – minimum lease payments	595	837
- Provision for estimated liability for Nereus (refer to Note 22)	7,688	-
- Taxes and license fees	644	123
- Share registry and ASX fees	73	128
- Travel and accommodation costs	534	510
- Other expenses	1,570	1,097
Total other expenses	17,210	8,816

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	31 December 2018 \$'000	31 December 2017 \$'000
NOTE 8: EXPENSES AND SHARE IN PROFITS (CONTINUED)		
(d) Depreciation and amortisation expense:		
- Depreciation expense	186	101
- Amortisation of management rights	<u>729</u>	<u>610</u>
Total depreciation and amortisation expense	<u>915</u>	<u>711</u>
(e) Interest expense:		
- Notes payable - Seizert	315	594
- X-RPUs	-	442
- Loan origination costs	-	129
- Unwinding of discount on the retention payments to RARE	-	80
- Other	<u>56</u>	<u>3</u>
Total interest expenses	<u>371</u>	<u>1,248</u>
Total expenses	<u><u>36,792</u></u>	<u><u>21,300</u></u>
(f) Share of net profits of equity accounted investments:		
- Share in net profits from associates	<u>1,253</u>	<u>2,501</u>
Total share of net profits of equity accounted investments	<u><u>1,253</u></u>	<u><u>2,501</u></u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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	31 December 2018 \$'000	31 December 2017 (restated) \$'000
NOTE 9: 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	10,664	11,711
Deferred tax	3,373	(14,203)
Under provision in prior periods	(139)	-
Total income tax expense/(benefit) recognised in the period	13,898	(2,492)
(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:		
Profit before income tax	61,782	104,716
Prima facie income tax expense on profit before income tax at 30% (2017: 30%)	18,534	31,415
Add tax effect of:		
- Foreign unrecognised deductible temporary differences and non-taxable items	1,731	-
- Share-based payments	151	195
- Impact of reduction in US corporate tax rate ¹	-	2,266
- Redemption and cancellation of X-RPUs	-	247
- Others	108	6
	1,990	2,714
Less tax effect of:		
- Difference in corporate tax rates in foreign countries ¹	5,621	(64)
- Non-assessable non-exempt income	541	222
- Under provision in prior periods	139	-
- Franking credits received net of tax	104	2,546
- Impact of the Trust joining the tax consolidated group	-	14,714
- Impact of increase on tax cost base for US investments (Note 28)	-	18,598
- Others	221	605
	6,626	36,621
Income tax expense/(benefit) attributable to profit	13,898	(2,492)

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%.

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	31 December 2018 \$'000	30 June 2018 (restated) \$'000
NOTE 9: INCOME TAX (CONTINUED)		
(c) Provision for income tax		
Current		
Provision for income tax	<u>10,387</u>	<u>12,868</u>
(d) Deferred tax		
Non-current		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Accruals and provisions	517	1,845
Deductible capital expenditures	603	559
Unrealised foreign exchange loss from bank deposits	-	63
	<u>1,120</u>	<u>2,467</u>
Deferred tax liabilities		
The balance comprises:		
Investments	7,775	4,891
Retention payments on the disposal of IML	3,046	3,028
	<u>10,821</u>	<u>7,919</u>
Net deferred tax liabilities/(assets)	<u>9,701</u>	<u>5,452</u>
	31 December 2018 \$'000	31 December 2017 (restated) \$'000
(e) Deferred income tax (revenue)/expense included in income tax expense comprises		
Investments	1,755	(21,467)
Accruals and provisions	1,245	694
Deductible capital expenditures	254	231
Unrealised gains	100	-
Retention payments on the disposal of IML	19	3,000
Tax losses	-	3,339
	<u>3,373</u>	<u>(14,203)</u>
(f) Deferred income tax related to items charged or credited directly to equity		
Movement of the Group's investment revaluation reserve	<u>894</u>	<u>(4,951)</u>

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NOTE 9: INCOME TAX (CONTINUED)

(g) Tax consolidation

The Company, Aurora Investment Management Pty Limited the Trustee of Aurora Trust (Trustee), the Trust and Treasury Group Investment Services Ltd (TIS), Treasury ROC Pty Limited and Treasury Evergreen Pty Limited are the members of the tax consolidated entity in Australia.

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.

(h) Tax status of the Company in other jurisdictions

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

(i) Uncertainty over income tax treatments

During the period, the Group acquired an equity interest in Victory Park Capital Advisors, LLC and Victory Park Capital GP Holdco, LP (Victory Park Group). The Company is likely to take a tax deduction on the taxable goodwill on a pro-rata basis over 15 years for US tax purposes. The amount of goodwill will be based on the difference of the fair market value of assets acquired and the purchase price. As this calculation is determined at the Victory Capital Group level and has not yet been finalised, The Group did not include an estimate of the amortisation deduction in the 31 December 2018 tax provision.

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

The Group had not lodged its US tax filings for 30 June 2018 as at the date of this report. Once the tax returns are finalised the exact tax position is determined which may differ from the tax provision prepared for the financial statements. The differences in the timing of financial reporting and tax filings may result in differences in the reporting of tax from one period to another.

31 December 2018 \$'000	31 December 2017 \$'000
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NOTE 10: DIVIDENDS PAID AND PROPOSED

Dividends proposed and recognised as a liability:

Fully franked dividend (nil cents per share) (2017: nil cents per share)	-	-
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Dividends paid during the half-year:

Fully franked dividend (22 cents per share) (2017: 18 cents per share)	10,481	8,576
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Dividends declared after the reporting period and not recognised

Fully franked dividend (10 cents per share) (2017: nil)	4,764	-
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	31 December 2018	31 December 2017 (restated)
	\$'000	\$'000

NOTE 11: 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	47,642	106,989
	31 December 2018	31 December 2017
	No of shares	No of shares

Weighted average number of shares

Weighted average number of ordinary shares used in calculating basic earnings per share	47,642,367	47,642,338
Effect of dilutive securities:		
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	47,642,367	47,642,338

Earnings per share (cents per share):

Basic profit for the period attributable to the members of the parent	100.00	224.57
Diluted profit for the period attributable to the members of the parent	100.00	224.57

The performance rights do not have a dilutive effect on the earnings per share calculation because any securities to be allocated on vesting of the performance rights will be purchased on market.

NOTE 12: 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.

Beginning 1 July 2018, the Group has recategorised its segment reporting from Core boutiques, Growth boutiques and Other boutiques to Tier 1 boutiques and Tier 2 boutiques.

The recategorisation was attributed to the streamlining of the Group's investment portfolio and the sale of several of its large holdings (i.e., Aperio Group, LLC, RARE Infrastructure Ltd and Investors Mutual Limited). Accordingly, with the remaining portfolio holdings, a change in the internal reporting to the Board of Directors occurred by moving to two categories based on the following criteria:

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

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NOTE 12: SEGMENT INFORMATION (CONTINUED)

(a) Reportable segments (Continued)

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

As a result of the above recategorisation, the comparative information has been restated to align with the new basis.

As at 31 December 2018, the Group's categorisation of its reportable segments under AASB 8 'Operating Segments' are as follows:

	31 December 2018	30 June 2018
	Segment Category	Segment Category
Aether General Partners	Tier 1	Tier 1
AlphaShares, LLC	Tier 2	Tier 2
Aperio Group, LLC ¹	Tier 1	Tier 1
Blackcrane Capital, LLC	Tier 2	Tier 2
Capital & Asset Management Group, LLC	Tier 2	Tier 2
Celeste Funds Management Limited ²	Tier 2	Tier 2
EAM Global Investors, LLC	Tier 2	Tier 2
Freehold Investment Management Limited	Tier 2	Tier 2
GQG Partners, LLC	Tier 1	Tier 1
Investors Mutual Limited	-	Tier 1
Nereus Holdings, L.P.	Tier 2	Tier 2
Northern Lights Alternative Advisors, L.P.	Tier 2	Tier 2
RARE Infrastructure Ltd ³	Tier 2	Tier 2
ROC Group	Tier 2	Tier 2
Seizert Capital Partners, LLC	Tier 1	Tier 1
Strategic Capital Investments, LLP	Tier 2	Tier 2
Victory Park Capital Advisors, LLC (VPC) ⁴	Tier 1	-
Victory Park Capital GP Holdco, L.P. (VPC-Holdco) ⁴	Tier 1	-

¹ Sold on 8 August 2018.

² Sold on 3 October 2018.

³ Exercised the put option on 2 July 2018.

⁴ Acquired on 3 July 2018.

VPC is a privately held, SEC-registered, global alternative investment firm and is headquartered in Chicago with additional offices in New York, Los Angeles and San Francisco. The Group holds 24.90% ownership in VPC.

VPC-Holdco is an aggregator of various VPC General Partner (GP) entities, whereby the Group is entitled to 24.9% of the carried interest from each underlying GP entities of VPC.

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NOTE 12: 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 ¹		Share of net profits of associates for the period		Segment profit/(loss) after tax for the period	
	31 December 2018	31 December 2017 (restated)	31 December 2018	31 December 2017 (restated)	31 December 2018	31 December 2017 (restated)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Tier 1 boutiques	17,842	17,153	1,047	1,392	8,733	22,962
Tier 2 boutiques	1,372	1,017	206	1,109	(6,602)	9,387
	19,214	18,170	1,253	2,501	2,131	32,349
Central administration ²	129	57	-	-	45,753	74,859
Total per consolidated statement of profit or loss	19,343	18,227	1,253	2,501	47,884	107,208

¹ Details of segment revenue

	Tier1 boutiques \$'000	Tier2 boutiques \$'000	Central administration \$'000	Total \$'000
Timing of revenue recognition 31 December 2018				
<i>Over time</i>				
- Fund management fee	15,344	970	-	16,314
- Commission revenue	2,196	367	7	2,570
- Retainer revenue	302	-	70	372
- Service fees	-	32	-	32
- Rental income	-	3	-	3
	17,842	1,372	77	19,291
<i>At a point in time</i>				
- Sundry revenue	-	-	52	52
Total revenue	17,842	1,372	129	19,343
31 December 2017				
<i>Over time</i>				
- Fund management fee	14,638	626	-	15,264
- Commission revenue	2,473	341	7	2,821
- Retainer revenue	42	-	38	80
- Service fees	-	35	-	35
- Rental income	-	15	-	15
	17,153	1,017	45	18,215
<i>At a point in time</i>				
- Sundry revenue	-	-	12	12
	-	-	12	12
Total revenue	17,153	1,017	57	18,227

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NOTE 12: SEGMENT INFORMATION (CONTINUED)

(b) Segment revenues and results (Continued)

² Segment profit/(loss) after tax for the period for central administration consisted of the following:

	31 December 2018	31 December 2017 (restated)
	\$'000	\$'000
Revenue	129	57
Gain on sale of investments ³	71,395	104,293
Interest income	553	484
Adjustment in deferred commitments	-	4
Other income	70	-
Loss on revaluation of financial assets/liabilities	(155)	(844)
Salaries and employee benefits expenses	(5,042)	(4,453)
Foreign exchange (loss)/gains	193	(836)
Interest expense	(56)	(574)
Depreciation expense	(156)	(82)
Other expenses	(6,543)	(4,715)
Income tax (expense)/benefit	(14,635)	(18,475)
	<u>45,753</u>	<u>74,859</u>

³ The gain on sale of investments and the related income tax expense is classified under central administration.

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 2018 notes to the consolidated 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.

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NOTE 12: SEGMENT INFORMATION (CONTINUED)

(c) Segment assets and liabilities

	Segment assets at the end of the period		Segment liabilities at the end of the period		Segment net assets at the end of the period	
	31 December 2018	30 June 2018 (restated)	31 December 2018	30 June 2018 (restated)	31 December 2018	30 June 2018 (restated)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Tier 1 boutiques	281,941	195,935	15,769	25,236	266,173	170,699
Tier 2 boutiques	25,566	51,233	899	16,651	24,666	34,582
	307,507	247,168	16,668	41,887	290,839	205,281
Central administration	129,606	140,275	26,403	9,132	103,203	131,143
Total per consolidated statement of financial position	437,113	387,443	43,071	51,019	394,042	336,424

Central administration consists of:

Cash and cash equivalents	119,360	101,478	-	-	119,360	101,478
Short-term deposits	-	20,000	-	-	-	20,000
Trade and other receivables	2,041	799	-	-	2,041	799
Current and non-current other financial assets	5,211	-	-	-	5,211	-
Current and non-current loans and other receivables	-	10,092	-	-	-	10,092
Plant and equipment	1,143	1,233	-	-	1,143	1,233
Other current and non-current assets	1,851	6,673	-	-	1,851	6,673
Trade and other payables	-	-	4,344	5,328	(4,344)	(5,328)
Current and non-current financial liabilities	-	-	872	9,937	(872)	(9,937)
Provisions for annual leave and long-service leave	-	-	8,898	484	(8,898)	(484)
Provision for income tax	-	-	10,387	12,868	(10,387)	(12,868)
Net deferred tax liabilities/(assets)	-	-	1,902	(19,485)	(1,902)	19,485
	129,606	140,275	26,403	9,132	103,203	131,143

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	31 December 2018 \$'000	30 June 2018 \$'000
NOTE 13: CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	<u>127,938</u>	<u>110,096</u>
	<u>127,938</u>	<u>110,096</u>
	31 December 2018 \$'000	31 December 2017 (restated) \$'000
(a) Reconciliation of cash flow from operations with profit after income tax		
Profit from ordinary activities after income tax	47,884	107,208
Adjustments and non-cash items:		
Net (gain) on sale of investments	(71,395)	(104,293)
Impairment expenses	6,604	-
Non-operating foreign exchange transactions	4,989	1,731
Dividends received from associates	3,906	11,718
Share of (net profit) from associates	(1,253)	(2,501)
Depreciation and amortisation expense	915	711
Share based payments	503	649
Change in fair values of financial assets/liabilities	155	-
Non-operating interest expense payments	(52)	(293)
Loss on redemption and cancellation of X-RPUs	-	844
Adjustment in the retention payment of RARE		(304)
Other	(269)	(197)
Changes in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	597	(1,031)
Decrease in other assets	27	701
(Decrease) in trade and other payables	(639)	(720)
(Decrease)/increase in current tax liabilities	(2,481)	6,551
Net decrease/(increase) in deferred taxes	3,353	(14,244)
Increase in provisions	<u>8,415</u>	<u>42</u>
Cash flows (used in)/from operating activities	<u>1,259</u>	<u>6,572</u>

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	31 December 2018 \$'000	30 June 2018 \$'000
NOTE 14: TRADE AND OTHER RECEIVABLES		
CURRENT		
Trade receivables	7,918	8,596
Contract assets ¹	497	-
Dividend receivable from an associate	73	73
Sundry receivables	50	466
	8,538	9,135

¹ Adoption of AASB 15 resulted in the reclassification of contract assets which was previously included as part of sundry receivables.

At 31 December 2018, an assessment on the expected credit losses was made on the trade receivables and contract assets and determined a nominal allowance of less than \$1,000 which was not recognised because the amount was considered immaterial. Refer to Note 3(c)(ii)(3) for details on impairment considerations.

Applying the expected credit loss model for dividend receivable from an associate and sundry receivables resulted to a loss of less than \$1,000 at 31 December 2018. However, the loss was not recognised because the amount was considered immaterial. Refer to Note 3(c)(ii)(3) for details on impairment considerations.

NOTE 15: OTHER FINANCIAL ASSETS

CURRENT

Financial assets at amortised cost:

Receivable due from other party ¹	10,155	
Receivable from EAM Investors ²	727	-
Sublease receivable ²	288	-
Loans receivable due from associates	49	-
	11,219	-

Financial assets at fair value through profit or loss:

Receivable from Raven ³	2,934	-
	14,153	-

NON-CURRENT

Financial assets at amortised cost

Receivable from EAM Investors ²	2,129	-
Sublease receivable	438	-
	2,567	-

Financial assets at fair value through profit or loss

Receivable from Raven ³	1,551	-
Investment in RARE	-	21,500
	1,551	21,500

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NOTE 15: OTHER FINANCIAL ASSETS (CONTINUED)

Financial assets at fair value through other comprehensive income

Investment in EAM ²	9,482	-
Investment in GQG	<u>51,120</u>	-
	<u>60,602</u>	-

Available-for sale investments

Investment in EAM ²	-	10,129
Investment in GQG	-	43,487
Investment in Nereus ⁴	<u>-</u>	<u>-</u>
	<u>-</u>	<u>53,616</u>
	<u>64,720</u>	<u>75,116</u>

At 31 December 2018, an assessment on the expected credit losses was made on other financial assets at amortised cost and determined a total allowance of \$5,000 for receivable from other party, receivable from EAM Investors and sublease receivable which was not recognised because the amount was considered immaterial. Refer to Note 3(c)(ii)(3) for details on impairment considerations for financial assets at amortised cost.

¹ This is the retention amount including interest held in escrow relating to the sale of Investors Mutual Limited. Half of the retention amount including interest is expected to be collected in April 2019 and the remaining balance in October 2019. The escrow account is an interest-bearing corporate trust account held with an Australian bank. It bears a commercial rate of interest.

² On 21 February 2018, the Group provided financing of US\$2,250,000 to EAM Investors a six-year term loan with interest of 10% per annum to assist EAM Investors in financing the repurchase of its equity from an outside shareholder. Repayments are received on a quarterly basis and the loan is expected to be fully settled by EAM Investors in June 2024.

³ This is the earn out component as part of the consideration on the sale of the investment in Raven on 14 October 2016. The Group will be paid 33.33% of the management fees earned by Raven on the new FUM. Payments will be calculated quarterly until the US\$3,500,000 earn out cap is met. At 31 December 2018, the earn-out was fair valued using discounted cash flows at 10.02% with the related changes in fair value of \$64,000 (refer to Note 7) taken to profit or loss. At 30 June 2018, the earn out was discounted by using 9.03% rate to determine the net present value of the future payments from Raven.

⁴ On 11 September 2018, the Company entered a Sell-side Advisory Agreement to identify suitable investors for two operating solar PV generation plants of Nereus with Centrum Central Capital. At 31 December 2018, management assessed the investment in Nereus to be assets held-for-sale in accordance with the requirements of AASB 5: *Non-current Assets Held for Sale and Discontinued Operations*. As the carrying value of the Group's investment in Nereus is nil, there were no actual reclassifications made to assets held for sale.

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NOTE 15: OTHER FINANCIAL ASSETS (CONTINUED)

	31 December	30 June
	2018	2018
	\$'000	\$'000
NOTE 16: LOANS AND OTHER RECEIVABLES		
CURRENT		
Receivable due from other party ¹	-	5,046
Receivable from EAM Investors ¹	-	687
Loans receivable due from associates ¹	-	42
	<u>-</u>	<u>5,775</u>
NON-CURRENT		
Receivable due from other party ¹	-	5,046
Receivable from EAM Investors ¹	-	2,279
	<u>-</u>	<u>7,325</u>

¹ Adoption of AASB 9 resulted in these assets being reclassified from loans and other receivables to financial assets at amortised cost effective 1 July 2018. Refer to Note 3(c)(ii)(1.a) and Note 15 for details.

NOTE 17: OTHER ASSETS

CURRENT		
Prepayments	2,182	2,160
Receivable from Raven ²	-	2,836
Sublease receivable ³	-	270
Other current assets	<u>2</u>	<u>176</u>
	<u>2,184</u>	<u>5,442</u>
NON-CURRENT		
Receivable from Raven ²	-	1,494
Sublease receivable ³	-	533
Other security deposits and assets	<u>407</u>	<u>279</u>
	<u>407</u>	<u>2,306</u>

² Adoption of AASB 9 resulted in this asset being reclassified to financial assets at fair value through profit or loss effective 1 July 2018. Refer to Note 3(c)(ii)(1.d) for details.

³ Reclassified to financial assets at amortised cost in order to combine similar financial instruments. Refer to Note 3(ii)(1.d) for details.

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	31 December 2018 \$'000	30 June 2018 \$'000
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NOTE 18: INVESTMENTS IN ASSOCIATES

NON-CURRENT

Investments in associates	112,250	46,023
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Carrying amount of investments in associates

Beginning balance	46,023	79,499
Acquisition of associates ¹	94,825	2,724
Contribution to associates	43	144
Share of net profits/(loss) of associates	1,253	(4,374)
Share of unrealised loss reserve of an associate	-	(106)
Reversal of share of unrealised gains reserve of an associate	-	(131)
Dividends and distributions received/receivable	(3,906)	(13,366)
Sale of investment in associates ²	(27,950)	(15,034)
Impairment	(2,330)	(4,818)
Foreign currency movement	4,292	1,485
Balance at the end of the year	112,250	46,023

¹ **Acquisition of associates**

On 3 July 2018, the Group acquired a 24.9% equity interest in each of Victory Park Capital Advisors, LLC (Victory Park) and Victory Park Capital GP Holdco, L.P. (Victory Park-Holdco), a Chicago based investment firm for \$69,114,000 (US\$51,020,000) and \$25,711,000 (US\$18,980,000), respectively. Victory Park is an investment firm specialising in managing funds and mandates investing in non-bank lending. Victory Park-Holdco holds direct and indirect interest in Victory Capital funds and their general partner entities. The acquisition of Victory Park included management rights and goodwill of \$72,483,000. The acquisition of Victory Park-Holdco included a goodwill of \$25,789,000.

In the prior period, the Group acquired 20% equity interest in Capital & Asset Management Group, LLC on 6 April 2018 for an initial consideration of \$2,724,000 (GBP1,500,000) with a capital commitment of up to \$7,264,000 (GBP4,000,000).

² **Sale of investment in associates**

On 8 August 2018, the Group sold its 23.38% equity interest in Aperio Group LLC (Aperio). Aperio is an investment firm based in San Francisco operating in customer index-based solutions across active tax management, factor tilts and socially responsible investing. The Group originally acquired the stake for \$44,181,000 (US\$31,786,000) in two tranches in January 2016 and January 2017. On 4 October 2018, the sale was completed and the proceeds amounting to \$97,740,000 (US\$71,906,000) before tax were received.

On 3 October 2018, the Group sold its 27.48% equity interest in Celeste Funds Management Limited (Celeste). Celeste is a Sydney based fund manager specialising in small cap Australian Equities. The proceeds amounting to \$1,595,000 was received on the same date.

In the prior period, the group sold its 40% legal interest in Investors Mutual Limited and 18.81% equity interest in Goodhart Partners, LLP (UK).

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NOTE 18: INVESTMENTS IN ASSOCIATES (CONTINUED)

	31 December 2018 \$'000	31 December 2017 \$'000
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The above transactions resulted in the recognition of a gain in profit or loss, calculated as follows:

Considerations received	99,335	116,879
Less: Carrying amount of investment on the date of sale	<u>(27,950)</u>	<u>(12,586)</u>
Gain recognised on the sale	<u>71,385</u>	<u>104,293</u>

(a) Name of associates

	Reportable segments	Principal activity	Ownership interest		Place of incorporation and operation
			31 December 2018 %	30 June 2018 %	
Associates					
Aether General Partners	Tier 1	Funds Management	25.00	25.00	USA
AlphaShares, LLC	Tier 2	Funds Management	36.53	36.53	USA
Aperio Group, LLC	Tier 1	Funds Management	-	23.38	USA
Blackcrane Capital, LLC	Tier 2	Funds Management	25.00	25.00	USA
Capital & Asset Management Group, LLC	Tier 2	Funds Management	20.00	20.00	USA/UK
Celeste Funds Management Limited	Tier 2	Funds Management	-	27.48	Australia
Freehold Investment Management Limited	Tier 2	Funds Management	30.89	30.89	Australia
Northern Lights Alternative Advisors Ltd	Tier 2	Funds Management	29.87	29.87	UK
ROC Group	Tier 2	Funds Management	17.59	17.59	Australia
Victory Park Capital Advisors, LLC	Tier 1	Funds Management	24.90	-	USA
Victory Park Capital GP Holdco, L.P.	Tier 1	Funds Management	24.90	-	USA

(b) Summarised financial information for material associates

	31 December 2018			31 December 2017	
	Aperio ¹ \$'000	Victory Park \$'000	Victory Park- Holdco \$'000	Aperio \$'000	IML ² \$'000
Profit or Loss					
Revenue for the period	<u>19,057</u>	<u>18,512</u>	<u>4,881</u>	<u>29,308</u>	<u>14,136</u>
Profit after tax for the period	<u>9,233</u>	<u>4,107³</u>	<u>835⁴</u>	<u>3,553⁵</u>	<u>6,614</u>
Other comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>9,233</u>	<u>4,107</u>	<u>835</u>	<u>3,553</u>	<u>6,614</u>
Dividends/distributions received during the period	<u>3,655</u>	<u>-</u>	<u>-</u>	<u>3,203</u>	<u>7,805</u>

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NOTE 18: INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) Summarised financial information for material associates

	31 December 2018			30 June 2018	
	Aperio ¹	Victory Park	Victory Park - Holdco	Aperio	IML ²
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Position					
Current assets	-	9,644	5,015	21,706	-
Non-current assets	-	9,264	-	948	-
Current liabilities	-	(25,668)	(21)	(71,484)	-
Non-current liabilities	-	(3,810)	-	-	-
Net (liabilities)/ assets	-	(10,570)	4,995	(48,830)	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the material associates recognised in the consolidated financial statements:

	31 December 2018			30 June 2018	
	Aperio ¹	Victory Park	Victory Park - Holdco	Aperio	IML ²
	\$'000	\$'000	\$'000	\$'000	\$'000
Net (liabilities)/assets of the material associates before determination of fair values	-	(10,570)	4,995	(48,830)	-
Ownership interest in %	-	24.9%	-	20.38%	-
Proportion of the Group's ownership interest in the associates	-	(2,632)	1,244	(9,952)	-
Acquired goodwill and intangibles	-	75,207	25,908	41,186	-
Undistributed profits	-	-	-	-	-
Balance at the end of the period	-	72,575	27,152	31,234	-

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

² IML was sold on 3 October 2017, therefore the profit or loss information only covered the period 1 July 2018 to the date of disposal.

³ Victory Park's net profit for the half-year ended 31 December 2018 excluded \$366,000 carried interest since this does not qualify for the revenue recognition in accordance with AASB 15. In addition, the net profit also excludes the non-allocable expenses of \$1,243,000.

⁴ Victory Park-Holdco's net profit for the half-year ended 31 December 2018 excluded \$4,046,000 carried interest since this does not qualify for the revenue recognition in accordance with AASB 15.

⁵ Aperio's net profit for the half-year ended 31 December 2017 included \$12,132,000 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.

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	31 December 2018 \$'000	30 June 2018 \$'000
NOTE 19: INTANGIBLE ASSETS		
Goodwill, net of impairment	<u>80,225</u>	<u>79,977</u>
Other identifiable assets, at carrying amount		
Brand and trademark	17,998	17,126
Management rights	<u>7,367</u>	<u>7,723</u>
Total other identifiable assets	<u>25,365</u>	<u>24,849</u>
Total intangible assets	<u><u>105,590</u></u>	<u><u>104,826</u></u>

The intangible assets relate to the goodwill and other identifiable intangible assets from the acquisitions of Aether and Seizert.

At 31 December 2018, the carrying values of the Group's intangible assets were assessed for impairment. The recoverable amounts of Aether and Seizert as cash-generating units are determined based on a value in use calculation which uses cash flow projections by Aether and Seizert for the business which includes expected revenues from existing funds which are largely certain and anticipated new fund raising every two years. A ten-year discrete period was applied as it is believed that it is sufficient time for the business to be in steady state in terms of launching new funds based on the existing plan for the business.

For Aether, weighted average discount rate of 15.5% was applied in the cash flow projections during the discrete period, tax rate of 21% and the terminal growth rate of 4% were applied. An impairment of \$1,548,000 was recognised.

For Seizert, a weighted average discount rate of 13.5% was applied in the cash flow projections during the discrete period, tax rate of 21% and the terminal growth rate of 4% were applied. An impairment of \$2,174,000 was recognised.

	31 December 2018 \$'000	30 June 2018 \$'000
NOTE 20: TRADE AND OTHER PAYABLES		
CURRENT		
Trade creditors	462	1,617
Other payables	<u>5,546</u>	<u>5,030</u>
	<u><u>6,008</u></u>	<u><u>6,647</u></u>

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	31 December 2018 \$'000	30 June 2018 \$'000
NOTE 21: FINANCIAL LIABILITIES		
CURRENT		
<i>Financial liabilities at amortised cost</i>		
Bank overdraft	-	9,269
Notes payable – Seizert ¹	7,204	1,600
Share of deferred commitments ²	-	2,045
Sublease liability	<u>241</u>	<u>225</u>
	<u>7,445</u>	<u>13,139</u>
NON-CURRENT		
<i>Financial liabilities at amortised cost</i>		
Notes payable – Seizert ¹	-	11,817
Sublease liability	<u>361</u>	<u>443</u>
	<u>361</u>	<u>12,260</u>
<i>Financial liabilities at fair value through profit or loss</i>		
Deferred payment – EAM Global ³	<u>271</u>	<u>169</u>
	<u>632</u>	<u>12,429</u>

¹ Notes payable – Seizert

In November 2014, the Trustee issued notes for \$20,226,000 (US\$17,500,000) to the former owners of Seizert as part of the consideration for the acquisition by Midco for the equity interest in Seizert. The interest rate associated with the note equals the twelve-month LIBOR rate plus 5%.

The Group made payments to holders of Notes payable – Seizert an amount of \$6,973,000 (US\$5,096,000) on 29 November 2018. The outstanding balance is due on 24 November 2019.

² Share of deferred commitments

This represents the 40% share for the deferred commitments to RARE in accordance with the side agreement amongst the former owners of RARE to lock in the employment of the investment team with RARE for a certain number of years. An 8% discount rate was applied to determine the net present value of this liability as at 21 October 2015. As at 31 December 2018, the share in deferred commitments had been paid in full.

³ Deferred payment – EAM Global

The deferred payment relates to the acquisition of the additional 375 preferred units in EAM Global representing additional 3.75% equity ownership in EAM Global. This is based on the projected 2% and 1% of EAM Global's gross revenues for the year ending 31 March 2022 and 31 March 2023, respectively.

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	31 December 2018 \$'000	30 June 2018 \$'000
NOTE 22: PROVISIONS		
CURRENT		
Provision for estimated liability for Nereus Holdings LP (Nereus) ¹	7,900	-
Provision for costs of selling Nereus assets ²	443	-
Provision for annual leave	<u>351</u>	<u>293</u>
	<u>8,694</u>	<u>293</u>
NON-CURRENT		
Provision for long service leave	<u>204</u>	<u>191</u>

¹ *Provision for estimated liability for Nereus*

Management assessment of the fair value of the solar projects in Nereus is approximately \$22,997,000 (US\$16,203,000) with the redemption of Class H Shares estimated to be \$30,941,000 (US\$21,800,000). At 31 December 2018, this potential obligation was fully recognised. Refer to Note 5 for the details on the basis for the valuation.

	31 December 2018 \$'000
<i>Movement for the period</i>	
Opening balance	-
Provisions for the period (Refer to Note 8 (c))	7,688
Foreign currency movement	<u>212</u>
Ending balance	<u>7,900</u>

² *Provision for costs of selling Nereus assets*

The Group appointed an external party to identify suitable investors for the two operating solar PV generation plants. The Group recognised \$1,294,000 for the cost of services for the period (Refer to Note 8(c) for further details). At 31 December 2018, the committed balance amounted to \$443,000.

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	31 December		30 June	
	2018		2018	
	\$'000		\$'000	
NOTE 23: SHARE CAPITAL				
(a) Issued capital				
Issued and fully paid ordinary shares	<u>166,279</u>		<u>166,279</u>	
	31 December 2018		30 June 2018	
	No of shares	\$'000	No of shares	\$'000
(b) Movements in ordinary shares on issue				
Opening balance	47,642,367	166,279	47,642,330	166,278
Shares issued:				
18 October 2017	<u>-</u>	<u>-</u>	<u>37</u>	<u>1</u>
	<u>-</u>	<u>-</u>	<u>37</u>	<u>1</u>
Balance at end of the period	<u>47,642,367</u>	<u>166,279</u>	<u>47,642,367</u>	<u>166,279</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.

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 2018, the Company paid dividends of \$10,481,000 (31 December 2017: \$8,576,000). The Board anticipates that the medium payout ratio is 50-80% 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.

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	31 December 2018 \$'000	30 June 2018 (restated) \$'000
NOTE 24: RESERVES		
Investment revaluation reserve	32,823	27,320
Foreign currency translation reserve	47,797	33,035
Equity-settled employee benefits reserve	<u>6,261</u>	<u>5,758</u>
	<u>86,881</u>	<u>66,113</u>

(a) Investment revaluation reserve

Effective 1 July 2018, this reserve records the Group's gain on its financial assets (FA) at fair value through other comprehensive income (OCI) following the adoption of AASB 9. The prior period ending balance is now the cumulative balance of net fair value gain on FA at fair value through OCI, net of income tax.

In prior periods, this reserve records the Group's gain on its available-for-sale investments.

Movements in reserve

Opening balance	27,320	3,064
Net fair value gain on FA at fair value through OCI, net of income tax	5,503	-
Reversal of the share of net fair value gain on available-for-sale FA of an associate derecognised during the prior period	-	(131)
Net fair value gain on available-for-sale FA, net of income tax in the prior period	-	24,493
Share in the fair value loss on available-for-sale FA of an associate in the prior period	-	(106)
Closing balance	<u>32,823</u>	<u>27,320</u>

(b) Foreign currency translation reserve

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

Movements in reserve

Opening balance	33,035	19,103
Exchange differences on translating foreign operations of the Group	14,694	13,927
Share of non-controlling interests	<u>68</u>	<u>5</u>
Closing balance	<u>47,797</u>	<u>33,035</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	5,758	4,377
Share based payments expensed	<u>503</u>	<u>1,381</u>
Closing balance	<u>6,261</u>	<u>5,758</u>

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 25: INTERESTS IN SUBSIDIARIES

The following are the Company's subsidiaries:

Name of subsidiaries	Country of incorporation	Ownership interest held by the Company	
		31 December 2018 %	30 June 2018 %
<i>Subsidiaries of Pacific Current Group Limited</i>			
Aurora Investment Management Pty Ltd, the Trustee of the Trust	Australia	100	100
Aurora Trust	Australia	100	100
<i>Subsidiaries of Aurora Trust</i>			
Northern Lights MidCo, LLC	US	100	100
Treasury Evergreen Pty Ltd ¹	Australia	100	100
Treasury Group Investment Services Ltd	Australia	100	100
Treasury ROC Pty Ltd ¹	Australia	100	100
<i>Subsidiaries of Northern Lights MidCo, LLC</i>			
Northern Lights Capital Group, LLC	US	100	100
Northern Lights Capital Partners (UK) Ltd	UK	100	100
Northern Lights MidCo II, LLC	US	100	100
<i>Subsidiary of Northern Lights Capital Group, LLC</i>			
NLCG Distributors, LLC	US	100	100
<i>Subsidiary of Northern Lights Capital Partners (UK) Ltd</i>			
Strategic Capital Investments, LLP (SCI)	UK	60	60
<i>Subsidiaries of Northern Lights MidCo II, LLC</i>			
Aether Investment Partners, LLC (Aether)	US	100	100
Seizert Capital Partners, LLC (Seizert) ²	US	50	50

¹ These subsidiaries are holding companies and non-operating.

² The Trust owns 50% of the common units which are entitled to the 50% voting rights and the 100% of the preferential units which have a preference in the allocation of income and the majority of Board seats which are the basis of control and therefore the treatment of Seizert as a subsidiary.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 26: KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES

Remuneration arrangements of KMP are disclosed in the annual financial report.

On 30 November 2018 at the Annual General Meeting, the shareholders of the Company approved the issue of no more than 2,500,000 performance rights to Mr Greenwood as part of his new role effective 1 July 2018. One tranche covers the performance period 1 July 2018 to 30 June 2021 and the other tranche covers the performance period 1 July 2018 to 30 June 2022. Tranche 1 and Tranche 2 have vesting dates of 30 June 2021 and 30 June 2022, respectively. Each tranche is subdivided into three lots with different performance conditions, one requiring continuous employment and a share price hurdle and the other two requiring different total shareholder return hurdles to be satisfied. Details of the performance rights and the hurdles are disclosed in the audited 30 June 2018 remuneration report. The average value of each right was \$0.609. The total value of these outstanding performance rights was \$1,520,506. The performance rights on issue were valued on 30 November 2018 by an independent adviser using a Monte Carlo pricing model. 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.

NOTE 27: EVENTS SUBSEQUENT TO REPORTING DATE

On 24 January 2019, the Group acquired an initial 10% equity interest in Independent Financial Partners, LLC (IFP) for \$1,526,000 (US\$1,075,000) of a \$3,655,000 (US\$2,575,000) total commitment for up to 25% of equity interest. IFP is a privately held, family-owned firm founded in 2000 by CEO William (Bill) Hamm, Jr. IFP is a multi-custodial registered investment adviser focused on delivering personalised, concierge-level service to over 500 advisors in the United States who specialise in wealth management and retirement plan consulting.

On 31 January 2019, the Group signed an agreement to purchase securities in Carlisle Management Company S.C.A. ("Carlisle ManCo") and 5,000,000 units of Contingent Convertible Bonds ("CoCo Bonds") issued by Carlisle ManCo and Carlisle Investment Group S.á r.l. for \$47,038,000 (US\$34,250,000). The Group will be entitled to 16% of the revenues and 40% of the liquidation proceeds in the event of a sale. Carlisle ManCo is a fully regulated alternative investment fund manager which manages alternative investment funds exclusively investing in US life settlements. Carlisle ManCo is organised under the laws of Luxembourg as a partnership limited by shares ("SCA" or Société en commandite par actions). Funds for the acquisition are in escrow pending regulatory approval of the transaction and other closing conditions.

On 28 February 2019, the Directors declared an interim dividend in respect of the half year ended 31 December 2018. The total amount of the dividend is \$4,764,000 which represents a fully franked dividend of 10 cents per share. The dividend has not been provided for in the 31 December 2018 half year financial statements and will be recognised in subsequent financial reports.

Apart from the above, there has been no other matter or circumstance, which has arisen since 31 December 2018 that has significantly affected or may significantly affect:

- (a) the operations, in financial periods subsequent to 31 December 2018, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial periods subsequent to 31 December 2018, of the Group.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 28: RESTATEMENT OF FINANCIAL STATEMENTS

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

Over the past half year, management has been working with an external tax expert to recalculate the US tax basis of the Company's individual assets held through the Trust. The purpose and results of the US tax basis analysis (the US Basis Analysis) are to ensure the Company continues to effectively and appropriately manage its tax compliance in various jurisdictions, including the required reporting of any US tax basis adjustments on the Company's US tax filing for the financial year ended 30 June 2018 expected to be filed in March 2019.

The Group pays taxes in the US based on earnings its US investments generate, as well as on any gains on the disposal of any US investment. The US Basis Analysis resulted in a US\$59,473,000 of additional tax basis specific to US based investments will result in future US tax savings upon a sale of a US investment. For example, a US tax obligation was crystallised during the current period ended 31 December 2018 with the sale of Aperio in October 2018.

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

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

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

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

Collectively, the deemed liquidation and the result of the US Basis Analysis will allow the Company to adjust the individual tax basis in each of its global asset base by approximately US\$73,304,000, with the tax basis adjustment being allocated to individual investments based on their relative fair market value as of the Trust's deemed liquidation date in October 2017. Of the total tax basis adjustment, approximately US\$13,246,000 was allocable to Australian assets, US\$59,473,000 was allocated to the US assets, and US\$585,000 allocated to other jurisdictions.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 28: RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

Impact on deemed liquidation date (17 October 2017)

Of the US\$59,473,000 increase in tax basis, US\$41,391,000 was allocated to investments other than those that were held as available for sale investments (restatement will impact profit or loss) and US\$18,081,000 was allocated to available-for-sale investments (restatement will impact other comprehensive income).

The tax result of US\$14,487,000 was recognised as an income tax benefit and US\$6,328,000 was recognised through the investment revaluation reserve. These deferred tax assets were based on a US corporate tax rate of 35%, which was in place as of the deemed liquidation being 17 October 2017.

Impact at 30 June 2018

Of the US\$59,473,000 tax base uplift referred above, only US\$44,360,000 was required to be accounted for at 30 June 2018 given that US\$15,113,000 tax base uplift had previously been recognised at 30 June 2018. Of this US\$44,360,000 tax base up lift, US\$26,278,000 related to assets other than the available-for-sale investments (restatement will impact profit or loss) and US\$18,081,000 related to available-for-sale investments (restatement will impact other comprehensive income).

The tax result of US\$7,226,000 (\$26,278,000 at 27.5% effective income tax rate) was recognised as an income tax benefit.

An income tax benefit of US\$4,972,000 (\$18,081,000 at 27.5% effective income tax rate) was recognised through the investment revaluation reserve.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 28: RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

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

The table below discloses the impact of the restatement on the consolidated statement of profit or loss for the half-year ended 31 December 2017 and year ended 30 June 2018.

	31 December 2017				30 June 2018		
	Previously Reported \$'000	Tax Restatement \$'000	Restatement rolled over from 30 June 2018 \$'000	Restated \$'000	Previously Reported \$'000	Tax Restatement \$'000	Restated \$'000
Affected profit or loss accounts							
Profit before income tax (expense)/benefit	104,716	-	-	104,716	95,410	-	95,410
Income tax (expense)/benefit	(15,204)	18,598 ¹	(902) ²	2,492	(4,602)	7,371 ³	2,769
Profit for the period	89,512	18,598	(902)	107,208	90,808	7,371	98,179
Attributable to:							
The members of the parent	89,293	18,598 ¹	(902) ²	106,989	90,232	7,371 ³	97,603
Non-controlling interests	219	-	-	219	576	-	576
	89,512	18,598 ¹	(902)	107,208	90,808	7,371	98,179
Earnings per share (cents per share):							
Basic earnings for the period attributable to ordinary equity holders of the parent	187.42	39.04	(1.89)	224.57	189.39	15.47	204.86
Diluted earnings for the period attributable to ordinary equity holders of the parent	187.42	39.04	(1.89)	224.57	189.39	15.47	204.86

**PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 28: RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

(a) Impact to the consolidated statement of profit or loss (Continued)

¹The \$18,598,000 (US\$14,487,000) relates to the income tax benefit from the uplift in tax cost basis for US investments converted based on the average foreign currency rate as at 31 December 2017.

²This is the deferred tax benefit of the Trust's blackhole deductions and accruals that have been adjusted in June 2018. Refer to the 30 June 2018 financial report for further details.

³This is the income tax benefit from the uplift in tax cost base of \$9,759,000 (US\$7,226,000, being US\$26,278,000 at the 27.5% effective income tax rate converted based on the average foreign currency rate for the full year) reduced by \$2,388,000 (US\$1,768,000) which is the movement of other temporary differences at 30 June 2018.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 28: RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

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

The table below discloses the impact of the restatement on the consolidated statement of comprehensive income for the half-year ended 31 December 2017 and year ended 30 June 2018.

	31 December 2017				30 June 2018		
	Previously Reported \$'000	Tax Restatement \$'000	Restatement rolled over from 30 June 2018 \$'000	Restated \$'000	Previously Reported \$'000	Tax Restatement \$'000	Restated \$'000
Affected other comprehensive income accounts							
Profit for the period	89,512	18,598	(902)	107,208	90,808	7,371	98,179
<i>Items that were reclassified to profit or loss</i>							
Reversal of the share in net fair value gain on available-for-sale financial asset of an associate derecognised during the period	-	-	(131)	(131)	(131)	-	(131)
<i>Items that may be reclassified subsequently to profit or loss</i>							
Change in fair value on available-for-sale financial assets, net of income tax	17,220	8,099 ⁴	(4,659) ⁵	20,660	20,488	4,005 ⁶	24,493
Share of net fair value (loss) on available-for-sale financial asset of an associate	-	-	(106)	(106)	(106)	-	(106)
Exchange differences on translating foreign operation	(3,153)	2,228	-	(925)	12,180	1,747	13,927
	14,067	10,327	(4,765)	19,629	32,562	5,752	38,314

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 28: RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

	31 December 2017				30 June 2018		
	Previously Reported \$'000	Tax Restatement \$'000	Restatement rolled over from 30 June 2018 \$'000	Restated \$'000	Previously Reported \$'000	Tax Restatement \$'000	Restated \$'000
Affected other comprehensive income accounts							
Other comprehensive income for the period	14,067	10,327	(4,896)	19,498	32,431	5,752	38,183
Total comprehensive income	103,579	28,925	(5,798)	126,706	123,239	13,123	136,362
Attributable to:							
The members of the parent	103,360	28,925	(5,798)	126,487	122,668	13,123	135,791
Non-controlling interests	219	-	-	219	571	-	571
	103,579	28,925	(5,798)	126,706	123,239	13,123	136,362

⁴ The \$8,099,000 (US\$6,328,000) relates to the deferred tax asset on the additional tax basis for available-for-sale investments recognised through investment revaluation reserve converted at average rate at 31 December 2017).

⁵ This relates to recognition of the deferred tax liability on the net fair value movements in 31 December 2017. Refer to the 30 June 2018 financial report for further details.

⁶ This is the \$6,415,000 (US\$18,081,000 at 27.5% effective income tax rate converted at average rate) reduced by \$2,509,000 (US\$1,945,000) arising from the decrease in the tax basis for the available-for-sale investments recognised through investment revaluation reserve at 30 June 2018.

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 28: RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

(c) Impact to the consolidated statement of financial position

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

	30 June 2018		
	Beginning Balance Previously Reported \$'000	Tax Restatement \$'000	Beginning Balance Restated \$'000
Affected financial position accounts			
Current tax liabilities	13,778	(910) ⁷	12,868
Total current liabilities	33,857	(910)	32,947
Non-current liabilities			
Deferred tax liabilities	17,665	(12,213) ⁸	5,452
Total current liabilities	30,285	(12,213)	18,072
Total liabilities	64,142	(13,123)	51,019
Net assets	323,301	13,123	336,424
Equity			
Share capital	166,279	-	166,279
Reserves	60,361	5,752 ⁹	66,113
Retained earnings	96,040	7,371 ¹⁰	103,411
Non-controlling interests	621	-	621
Total equity	323,301	13,123	336,424

⁷ This is the impact of the Trust's blackhole deductions and accruals taken out as deductible items. Refer to the 30 June 2018 financial report for further details.

⁸ This relates to the deferred tax asset on the uplift in tax cost base of \$12,213,000 (US\$9,315,000 being the 21% effective income tax rate on US\$44,360,000 reduced by US\$272,000 converted at spot rate).

⁹ This relates to the total movement in the statement of other comprehensive income arising from the change in value of available-for-sale investment and exchange differences in translating foreign operations (refer to page 67).

¹⁰ This is the profit or loss impact (refer to page 67).

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 28: RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

(d) Impact to the consolidated statement of changes in equity

The table below discloses the impact of the restatements on the consolidated statement of changes in equity for year ended 30 June 2018.

Affected equity accounts	1 July 2018		
	Beginning Balance Previously Reported \$'000	Tax Restatement \$'000	Beginning Balance Restated \$'000
Share capital	166,279	-	166,279
Reserves	60,361	5,752 ¹¹	66,113
Retained earnings	96,040	7,371 ¹²	103,411
	<u>322,680</u>	<u>13,123</u>	<u>335,803</u>
Non-controlling interests	621	-	621
Total comprehensive income	<u>323,301</u>	<u>13,123</u>	<u>336,424</u>

¹¹This relates to the total movement in the statement of other comprehensive income arising from the change in value of available-for-sale investment and exchange differences in translating foreign operations (refer to page 67).

¹²This is the profit or loss impact (refer to page 67).

PACIFIC CURRENT GROUP LIMITED AND CONTROLLED ENTITIES
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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 2018 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



T Robinson
Chairman

28 February 2019

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

Report on the Half-Year Financial Report

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 2018, and the condensed consolidated statement of profit or loss, the condensed consolidated statement of other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 71.

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 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 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.

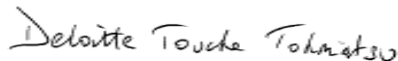
Auditor's Independence Declaration

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.

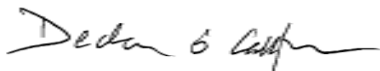
Conclusion

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 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



Declan O'Callaghan
Partner
Chartered Accountants
Sydney, 28 February 2019