# Navigator Global Investments Limited (ASX:NGI)

## ASX Appendix 4D

For the six months ended 31 December 2019

## Results for announcement to the market

(all comparisons to the six months ended 31 December 2018) *Amounts in USD'000*

| | | | | 31 December 2019 |
|---|---|---|---|---|
| Revenue from ordinary activities | Down | 8% | To | **53,811** |
| Earnings before interest, tax, depreciation and amortisation[1] | Down | 4% | to | **19,235** |
| Profit from ordinary activities after tax attributable to members | Down | 8% | to | **13,487** |
| Net profit for the period attributable to members | Down | 8% | To | **13,487** |

| Dividends | Amount per ordinary share | Franked % | Conduit foreign income % |
|---|---|---|---|
| Interim 2019 dividend per share (paid 8 March 2019) | USD 8.0 cents | 0% | 100% |
| Final 2019 dividend per share (paid 27 August 2019) | USD 9.0 cents | 0% | 100% |

The directors have determined an unfranked interim dividend of United States (US) 8.5 cents per share (with 100% conduit foreign income credits). The dividend dates are:

| | |
|---|---|
| Ex-dividend date: | 19 February 2020 |
| Record date: | 20 February 2020 |
| Payment date: | 6 March 2020 |

NGI dividends are determined in US dollars. However, shareholders will receive their dividend in Australian dollars. Currency conversion will be based on the closing foreign exchange rate on the record date of 20 February 2020.

**Dividend Policy**

The Company has set a policy of paying a dividend of 70% to 80% of the earnings before interest, depreciation, amortisation, impairment expense and tax (EBITDA)[1]. Dividends will by unfranked, however will have conduit foreign income credits attached.

The payment of dividends will be subject to corporate, legal and regulatory considerations.

The above policy allows the NGI Group to retain a portion of cash generated from operating activities, and to therefore have funds available to make additional investments into the Lighthouse Funds where such investments further the overall operating interests of the Group, or to act on external investment and/or acquisition opportunities as and when they may arise.

A dividend reinvestment plan does not operate in respect to dividends of the Company.

| Net tangible assets | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Per ordinary share | USD 34.26 cents | USD 38.21 cents |

Additional Appendix 4D requirements can be found in the Directors' Report and the 31 December 2019 interim financial report and accompanying notes.

This report is based on the 31 December 2019 interim financial report (which includes consolidated financial statements reviewed by Ernst & Young).

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[1] Includes Lease depreciation expense of $857,000 which arises on the application of AASB 16 *Leases* from 1 July 2019. Whilst there are some differences in calculation, 'Lease Depreciation Expense' is broadly the equivalent of the rent payable on office premises that was included in occupancy expense in prior periods. We consider that the above re-allocation of lease depreciation to be included in the determination of EBITDA provides the most reliable comparison of EBITDA to prior period results.

NAVIGATOR
GLOBAL INVESTMENTS

# 2020 Interim Financial Report

**Navigator Global Investments Limited**
**and its controlled entities**
ACN 101 585 737

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Unless otherwise indicated, the numbers in this annual report have been presented in

**US Dollars (USD)**

# 2020 Interim Snapshot

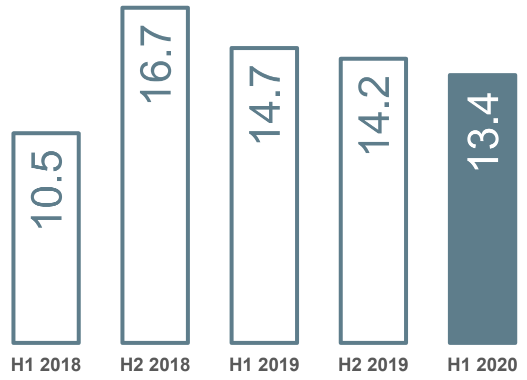
USD 13.4bn

USD 46.6m

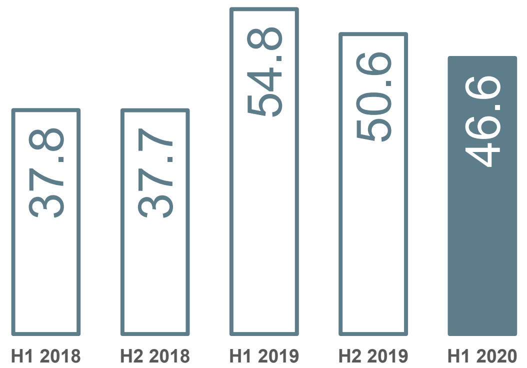
USD 19.2m

US 8.5cents

Closing AUM
(USD billions)

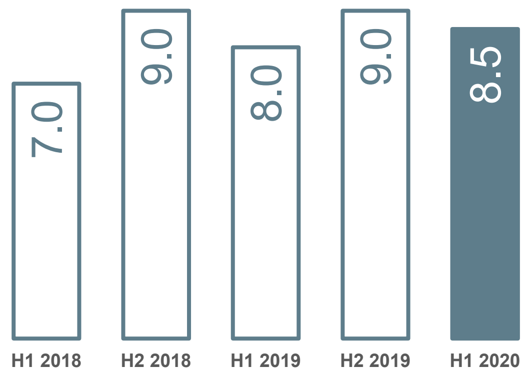



Management fees
(USD millions)




EBITDA
(USD millions)


Dividends per share
(USD)



# Directors' report

The Directors present their report together with the financial statements of the Group comprising Navigator Global Investments Limited ('Navigator' or 'the Company') and its subsidiaries for the six months ended 31 December 2019.

## We deliver innovative investment solutions centred around alternative investments to a range of clients around the world

Navigator Global Investments Limited ('NGI') is the ultimate parent entity of Lighthouse Investment Partners, LLC ('Lighthouse').

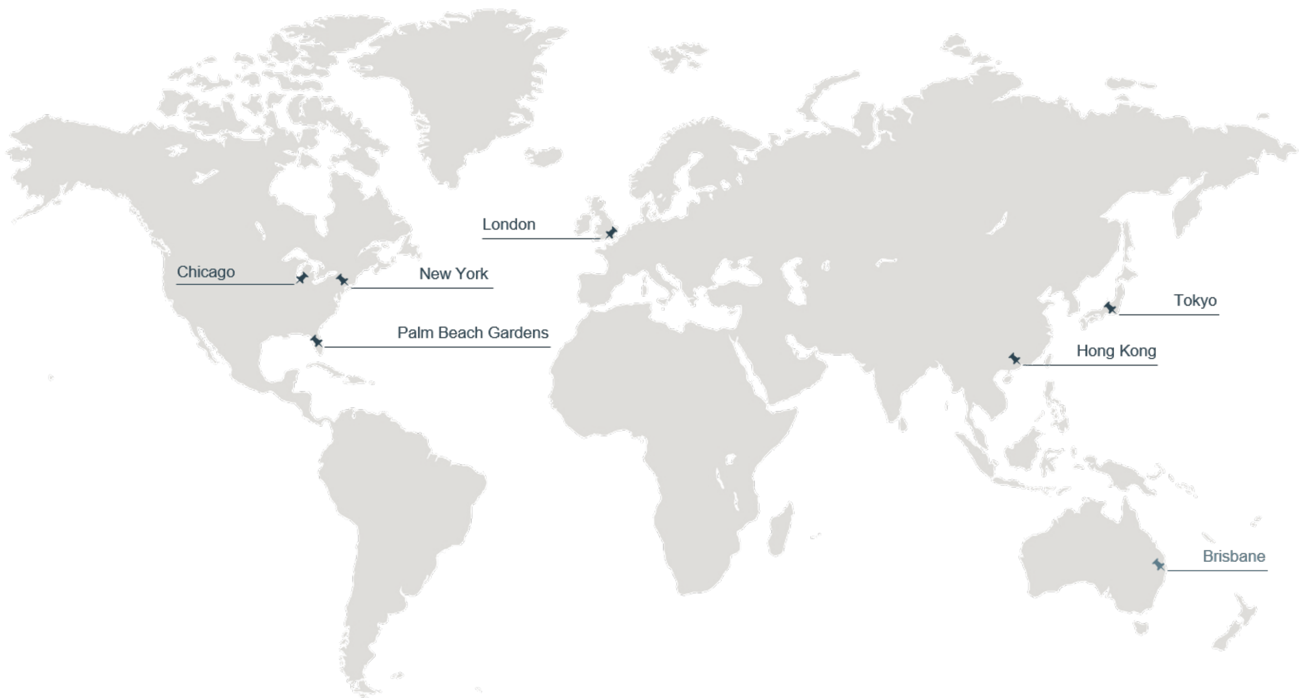
Lighthouse is a global investment management firm which offers hedge fund solutions to investors who are looking to diversify their asset mix and realise growth with a lower correlation to traditional equity and fixed income allocations.

Lighthouse believes the most effective way to achieve diversification from traditional markets is through exposure to intelligently designed and actively managed portfolios of hedge fund strategies. Lighthouse's overall objective is to create and deliver innovative investment solutions that compound investor capital.

As at 31 December 2019, Lighthouse is managing $13.4 billion of assets.

Lighthouse has an investor base that spans North America, Europe, the Asia-Pacific and the Middle East. It includes high net worth individuals, family offices, endowments, foundations, trusts, investment banks, benefit plans, pension funds, healthcare and insurance companies.

As a global business with a global client base, Lighthouse has offices in New York, Chicago, Palm Beach Gardens, London, Hong Kong and Tokyo.




| | | | | |
|---|---|---|---|---|
| USD13.4 bn | 23+ | 116 | 37 | 1000+ |
| Total AUM | Year track record | Total employees | Investment professionals | Investors worldwide |

The global asset management industry is a highly competitive space.  Our focus is on the alternatives sector, and more specifically multi-manager hedge funds solutions.

Our purpose is to protect and grow our investors' assets, and we seek to achieve this through diversification from traditional markets with exposure to intelligently and actively managed portfolios of hedge fund strategies.

## Our success depends on three key factors

### AUM

We earn revenue from managing assets on behalf of our clients (which we refer to as "Assets Under Management" or "AUM").

We seek to attract and retain AUM by offering quality investment products and services, and delivering competitive performance and features.

Our ability to do this can also be impacted by external factors such as global markets and investor sentiment.

### Fee rates

The revenue we earn on our AUM depends on the management and performance fees we are entitled to charge for our services.

Our commingled investment products pay us management and performance fees based on established rates, whilst our institutional clients can negotiate fees with us.

We operate in a highly competitive market, and there is pressure from investors to negotiate lower fee rates across the global investment management industry.

### People

Our success relies on attracting and retaining talented employees.

It is our employees who use their skills and knowledge to enable us to provide quality investment products and services, to innovate and to meet changing investor needs and to respond to compliance requirements in what is a highly regulated industry.

To attract, motivate and retain quality employees NGI needs to offer competitive compensation and incentive packages.

## Our services

### Lighthouse managed accounts program

The foundation for all of our services is our proprietary managed accounts program.  Entrepreneurial and innovative, Lighthouse has since its inception employed proprietary managed accounts. We believe this has allowed us to build truly differentiated alternative asset portfolios with idiosyncratic exposures, and it spurs our continuing evolution.

Lighthouse invests in portfolios of actively managed hedge funds that seek to diversify traditional market exposures. Our objective is to create and deliver innovative investment solutions that safely compound investor capital.

Each managed account is typically owned by at least one Lighthouse fund and is managed by a Lighthouse entity. Hedge fund managers are authorised by Lighthouse to trade the assets within each managed account in accordance with defined investment guidelines and parameters.

Lighthouse investors can place their assets in commingled funds or in customised solutions. We typically structure all our hedge fund allocations within our proprietary managed account framework.

### Commingled funds

Lighthouse manages a number of multi-strategy and strategy-focused funds.  The funds utilise Lighthouse's proprietary managed accounts which own and control the assets and liabilities, and authorise external fund managers to trade the assets within certain guidelines.

The two largest strategies for the commingled funds are:

- Diversified – which is a multi-strategy, absolute return strategy with low correlation and beta to traditional markets.
- Global Long/Short – which is a global long/short equity fund seeking equity-like returns with lower volatility than traditional global equity investments.

### Customised solutions

Customised solutions offers investors who are able to commit to a significant investment size the ability to access the benefits of the managed account structure in their own customised portfolio.

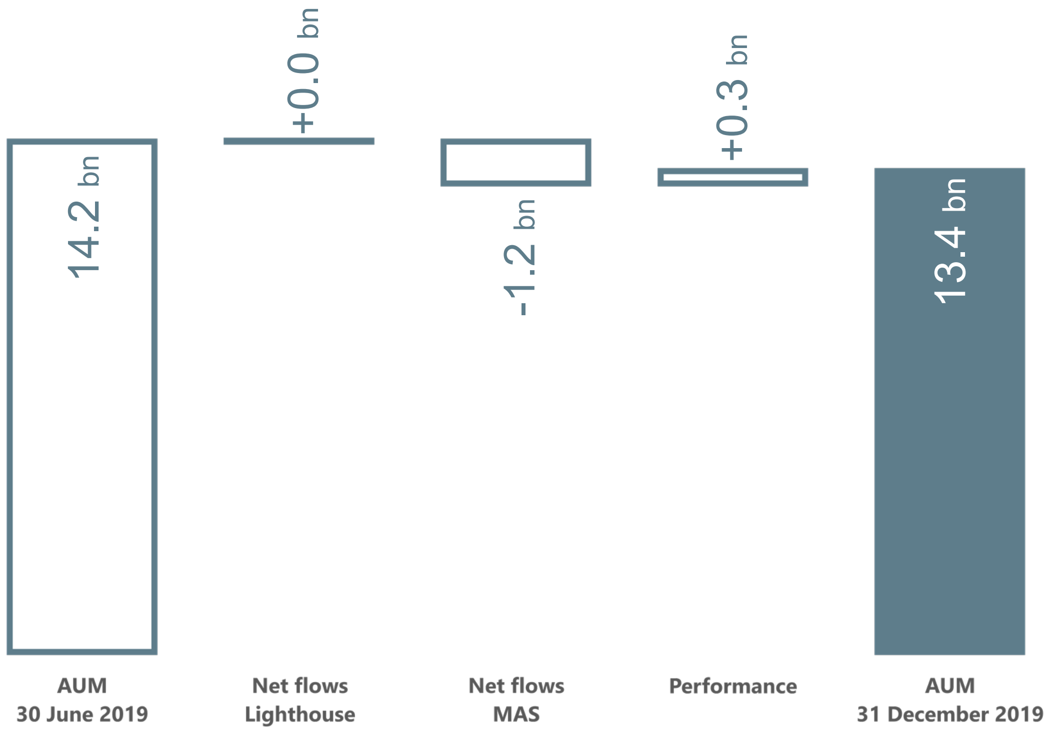
Lighthouse is able to work closely with large strategic investors to customise their alternative investment exposure and meet specific needs across middle office, risk monitoring and investment advisory services.  Investors can choose some or all of the available services depending on their own requirements, and fees are structured accordingly.

Lighthouse has a number of sizeable strategic clients, and believes that customised client solutions will represent a significant area of growth in the future.

# Assets under management

As at 31 December 2019 the Group had AUM of $13.4 billion (30 June 2019: $14.2 billion).

Over the six months to 31 December 2019, the key driver of lower AUM was redemptions from MAS client assets, which were acquired for nil consideration on 1 July 2018:




## Changes to AUM over the period

Net fund flows for Lighthouse (ex-MAS assets) were flat for the half, with net outflows of $271 million from Lighthouse Commingled funds off-set by $281 million of net inflows from Lighthouse Customised clients:

- The second quarter showed improvement over the first, with $385 million of additional inflows received over the December 2019 quarter from one of our largest customised solutions clients. The relationship with this client continues to evolve, and we are committed to continuing to assist them in getting the full benefits out of the functionality provided by our managed account platform.
- We have continued to see some modest outflows across the Lighthouse commingled funds, although based on our past experience, we anticipate the positive performance for the December 2019 quarter should contribute to a slowing of outflows for these products.

MAS assets continued a disappointing trend of redemptions over the half, with net outflows totaling $1.2 billion in the period, of which $942 million were from MAS customised clients. The level of redemptions experienced on the MAS assets was higher than what we anticipated when the transaction closed on 1 July 2018. With recent cost rationalisation, we expect that the remaining MAS assets will continue to be accretive to the Group's operating result.

Investment performance contributed $336 million to AUM over the half. After a relatively flat first quarter, our global equity and relative value strategies generated strong returns in the December 2019 quarter. Despite upwardly trending markets, both the long and short portions of our portfolios contributed positive alpha which has continued into the start of the 2020 calendar year.

# Fee rates

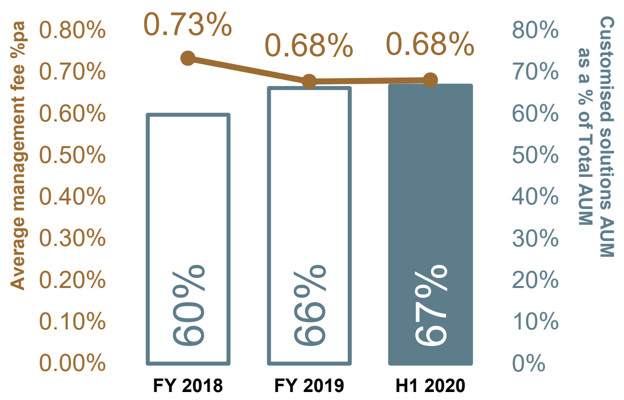
Our revenue from clients is largely generated by management fees, although we have a number of portfolios across both our Commingled funds and our Customised solutions clients which also may generate a performance fee:

- Some of our Commingled funds have share classes which have a management fee and include a performance fee. Generally, where a performance fee arrangement fee is in place, the management fee rate for that share class is lower. The varying fee options for a particular Commingled fund allow investors to select a fee structure which best suits their requirements.
- Fee arrangements for Customised solutions clients are negotiated individually. Whilst most arrangements involve only a management fee, some clients also have a performance fee component as part of their fee structure.

## Management fees

The average management fee for the for the six months to 31 December 2019 was 0.68% per annum (2019: 0.68% per annum).

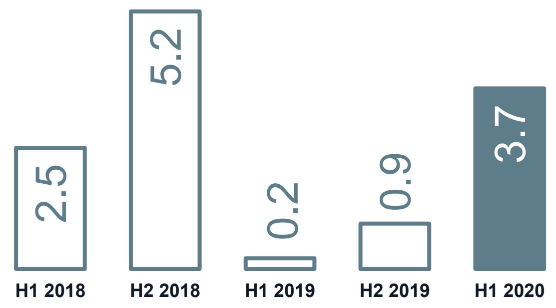
This management fee rate represents the blended net management fee rate across all AUM. While there are a number of factors which impact the average management fee rate across periods, a key driver is the relative proportion of AUM invested in Customised solutions versus Commingled funds. Customised solutions generally have a lower management fee, so as the proportion of total AUM which is invested by Customised solutions clients increases, there is a reduction in the average fee rate.




Both the average management fee rate and the proportion of Customised solutions AUM to total AUM for this half year remained consistent with the 2019 financial year.

## Performance fees

Positive performance in the December 2019 quarter has resulted in the Group earning performance fee revenue for the six months ended 31 December 2019 of $3.7 million, up $3.4 million on the prior period.

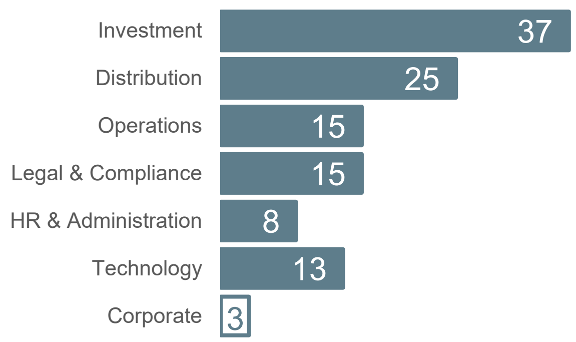



Performance fees are variable in nature, and it is difficult to forecast how much, if any, performance fee revenue will be earned by the Group in future periods.

# People

## Employees by department

The Group has 116 employees across the following functional divisions as at 31 December 2019 (30 June 2019: 139):




The decrease in employee headcount is primarily a result of redundancies made in November 2019, which were implemented as part of the business rationalising its cost structure by identifying the level of overall resources needed for current and anticipated future business requirements.

# Summary of the Navigator Group HY20 result

## EBITDA down 4%

| | Consolidated USD'000 | | |
|---|---|---|---|
| | **31 December 2019** | **31 December 2018** | % change |
| Management fee revenue | 46,568 | 54,798 | (15%) |
| Performance fee revenue | 3,662 | 216 | 1,595% |
| Revenue from reimbursement of fund operating expenses | 2,702 | 2,738 | (1%) |
| Revenue from provision of office space and services | 879 | 753 | 17% |
| Other income | - | 115 | (100%) |
| **Total revenue** | **53,811** | **58,620** | (8%) |
| | | | |
| Employee expense | (22,328) | (24,508) | 9% |
| Professional and consulting expenses | (3,276) | (2,646) | (24%) |
| Reimbursable fund operating expenses | (2,702) | (2,738) | 1% |
| Occupancy and lease depreciation expenses[1] | (1,680) | (1,953) | 14% |
| Information and technology expense | (1,511) | (1,961) | 23% |
| Distribution expense | (1,393) | (1,853) | 25% |
| Other operating expenses[2] | (2,207) | (2,418) | 9% |
| **Total expenses**[2] | **(35,097)** | **(38,077)** | 8% |
| | | | |
| **Result from operating activities**[2] | **18,714** | **20,543** | (9%) |
| Net finance income / (costs), excluding interest | 521 | (418) | 225% |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** | **19,235** | **20,125** | (4%) |
| Net interest (expense) / income | (276) | 69 | (500%) |
| Depreciation and amortisation | (971) | (639) | (52%) |
| **Profit before income tax** | **17,988** | **19,555** | (8%) |
| Income tax expense | (4,501) | (4,893) | 8% |
| **Net profit / (loss) after income tax** | **13,487** | **14,662** | (8%) |
| Basic EPS (cents per share) | **8.32** | 9.04 | (8%) |

1 Lease depreciation expense arises on the application of AASB 16 *Leases* from 1 July 2019. Whilst there are some differences in calculation, 'Lease Depreciation Expense' is broadly the equivalent of the rent payable on office premises that was included in occupancy expense in prior periods. We consider that the above re-allocation of $857,000 of lease depreciation expense from "Depreciation and amortisation" to "Occupancy and lease depreciation expenses" provides the most reliable comparison of EBITDA to prior period results.

2 Excludes net finance income / (costs) including interest, depreciation of fixed assets and amortisation. These items have been excluded so as to present the expenses and result arising from the Group's core operating activities.

The above presentation of the Group's results is a non-IFRS measure and is intended to show the Group's performance before the impact of expense items such as depreciation and amortisation, and non-operating items such as net interest income. Net profit before and after income tax reconciles to the income statement on page 17.

## Revenue

### Management fee revenue

Management fee revenue was $46.6 million for the six months ended 31 December 2019, a decrease of 15% on the prior period.

The key driver of the decrease in management fees for the six months to 31 December 2019 was an equivalent 15% decrease in average total AUM to $13.7 billion as at 31 December 2019 (31 December 2018: $16.2 billion). This is primarily due to $1.2 billion of net outflows from MAS assets for the six months 31 December 2019, offset by $336 million of AUM from investment performance for the period.

The average management fee rate has remained steady at 0.68% per annum for this half year (FY2019: 0.68% per annum), as has the proportion of total AUM from Customised solutions at 67% (FY2019: 66%).

### Performance fee revenue

The Group earns performance fees on selected Commingled funds and Customised solutions portfolios. The fees represent an agreed share of investment outperformance of a fund or portfolio over a defined benchmark and/or high watermark and may be subject to hurdles.

Performance fee revenue for the six months was $3.7 million, an increase of $3.4 million on the previous financial period. The increase in performance fees is consistent with the positive investment performance achieved this period across the portfolios relative to the same period in the prior year.

Approximately 67% of the performance fees have been earned from Commingled funds, with the remaining fees earned from Customised Client portfolios.

### Revenue from reimbursement of fund operating expenses

The Group is entitled to reimbursement for fund expenses that it has paid on behalf of the funds. While the funds generally pay their own operating expenses directly, there are some expenses, such as financial data services, software and technology expenses, where it is more practical for the Group to incur and pay the expense and then be reimbursed by the relevant fund(s).

The reimbursement is recognised as revenue, and there is a corresponding off-setting expense. As the revenue and expense directly off-set, there is no net impact on EBITDA or net profit after tax.

Revenue from reimbursement of fund operating expenses and reimbursable fund operating expenses incurred for the six months ending 31 December 2019 were both $2.7 million (31 December 2018: $2.7 million).

### Revenue from provision of office space and services

The Group provides office space and services to a number of external parties at its New York and London offices. This revenue is a direct recharge of occupancy and professional fees incurred by the Group. Revenue from provision of office space and services was $879 thousand for the six months to 31 December 2019, a $126 thousand or 17% increase on the prior period.

## Operating expenses

Operating expenses decreased by $3.0 million compared to the prior period. This reduction is due primarily to the completion of MAS transition expenses, as well as cost rationalisation implemented in November 2019.

### Employee expense

There was a $2.2 million (9%) decrease in employee expense for the Group as compared to the prior period.

The key driver for the decrease is the significant decrease to Group headcount for the six months ended 31 December 2019, particularly the staff redundancies implemented in November 2019. The average headcount for the six months ended 31 December 2019 was 132 (31 December 2018: 147).

Total bonus expense decreased by 15% compared to the corresponding prior year period.

Employee expense also includes $692 thousand of severances related to the November 2019 redundancies.

### Professional & consulting fees

The Group utilises a number of expert consultants across its business, in particular to provide specialist assistance and support in technology, legal, platform operations and investment processes. Professional and consulting fees vary depending on the specific projects and operating needs in each period.

Professional fees for the six months are $3.3 million, a $630 thousand increase compared to the prior period. As highlighted in our 2019 Annual Report, the Group is developing a new proprietary trading platform, and an additional $1.1 million of costs was incurred in relation to this project as compared to the prior half.

Other savings in professional and consulting fees were made through reduced consulting spend on risk management systems / risk analysis and operational and business efficiency, as well as lower legal costs.

### Occupancy and lease depreciation expenses

#### Occupancy expense

Under AASB 16 *Leases*, occupancy expense in the current period relates to short-term leases and common area maintenance costs. Office premises rent expense previously included as occupancy expense is now represented as right-of-use asset depreciation and lease liability interest expense.

Occupancy expense for the six months is $823 thousand, a $273 thousand decrease (excluding the impact of adopting AASB 16 *Leases*). This reduction relates to transition services expenses in relation to MAS incurred in the prior financial period which ceased December 2018.

#### Lease depreciation

Lease depreciation expense of $857 thousand has been recognised for the six months to 31 December 2019. Lease depreciation represents depreciation of the right-of-use asset recognised on the balance sheet on 1 July 2019.

Lease depreciation expense has been presented on page 8 as part of occupancy expenses (and hence included in the determination of EBITDA) to provide better comparability of results to the prior period.

## Information and technology expenses

There has been a $450 thousand or 23% decrease in information and technology expenses as a result of decreased costs for the MAS business. The prior period included additional technology expenses for the transition of MAS data, systems and staff, of which only $94 thousand are on-going and incurred in the current period.

## Distribution expense

Distribution expense relates to third party distribution arrangements, whereby ongoing payments are made to third parties in relation to clients they have introduced and who continue to be invested in Group portfolios. Distribution expense does not include rebates on management fees paid to clients, as these are off-set directly against management fee revenue.

The distribution expense for this financial period was $1.4 million (31 December 2018: $1.9 million). This reduction is largely due to the reduction in Commingled fund AUM over the period, and at present represents 2.6% of revenue (31 December 2018: 3.2%).

## Income tax expense

The Group recognises an accounting tax expense in its income statement at an effective tax rate of 25.0% (31 December 2018: 25.0%). The effective tax rate reflects a combination of the United States federal tax rate of 21%, individual United States state-based taxes, as well as the effect of other permanent and temporary tax adjustments.

The Group has significant tax losses available to off-set its tax liabilities, and hence there is no tax payable in relation to this accounting tax expense other than in relation to some relatively nominal United States state-based taxes.

# Solid financial position

## Major balance sheet items include:

| | Consolidated USD'000 | |
|---|---|---|
| | **31 December 2019** | **30 June 2019** |
| **Assets** | | |
| Cash | 35,094 | 29,029 |
| Receivables | 23,136 | 19,423 |
| Investments | 18,368 | 17,953 |
| Intangible assets | 95,407 | 95,656 |
| Right-of-use assets | 13,244 | - |
| Recognised deferred tax assets | 48,282 | 52,584 |
| **Liabilities** | | |
| Lease liabilities | 17,378 | - |
| Deferred rent liability | - | 2,745 |
| **Net tangible assets per share** | **42.42** | **40.63** |

### Sources and uses of cash

The Group primarily used cash generated from operating activities during the six months to 31 December 2019 to pay dividends to shareholders:

- + $22.9 million generated from operating activities
- - $14.5 million paid to shareholders as dividends
- - $1.9 million paid for acquisition of equipment

### Receivables

Receivables relates mainly to management and performance fees for which payment has not yet been received as at 31 December 2019. The increase in this balance compared to the prior period is largely due to performance fees earned for the current six month period which are outstanding as at 31 December 2019.

### Investments

The Group holds two key types of investments: investment in Lighthouse funds and investment in external entities.

- The Group may hold investments in Lighthouse funds for a number of reasons, such as to meet regulatory commitments, to meet the contractual requirement of a customised client mandate, or to seed a new product which will be offered to external investors in the future. During the period, the Group's holdings in Lighthouse funds increased by $415 thousand to $13.1 million.
- The Group also invests in a number of external entities. The investments are each relatively small and strategic in nature. The combined fair value of these investments as at 31 December 2019 is $5.3 million (30 June 2019: $5.3 million).

### Intangible assets

When the Company acquired Lighthouse in January 2008, it recognised $499.5 million of goodwill in relation to the transaction. An impairment loss of $405.7 million was recognised against the goodwill balance in the 2009 financial year. The Company has continued to carry a written-down goodwill balance of $93.8 million since that time.

### Right-of-use assets

The Group adopted AASB 16 on 1 July 2019, at which time it recognised a right-of-use asset of $14.1 million in relation to certain office leases. The right-of-use asset has been depreciated on a straight-line basis for the six month period ($857 thousand of lease depreciation), resulting in a balance of $13.2 million as at 31 December 2019.

### Deferred tax assets

The Group's balance sheet includes a deferred tax asset of $48.3 million which is comprised of carried forward tax losses and deductible temporary differences relating to the US tax consolidated group.

It is not expected that the Group will be in a tax payable position for a number of years other than in relation to some relatively nominal US state-based taxes.

### Lease liabilities & deferred rent liability

With the adoption of AASB 16 *Leases* on 1 July 2019, the Group recognised lease liabilities of $18.0 million in relation to certain office leases. This lease liability represents discounted future lease payments for the life of these leases. Lease payments are allocated between principal and finance cost, with $384 thousand of lease interest expense recorded for the six months to 31 December 2019. Lease liabilities total $17.4 million as at 31 December 2019.

The Group's previous existing deferred rent liability was off-set against its newly recognised Right-of-use asset on 1 July 2019.

## Outlook

The Group finished the first half of the 2020 financial year well, and in particular strong investment performance in the December 2019 quarter provides a good base to build on for the remainder of the financial year.

The trend in redemptions of the MAS assets has continued in the current half. It has been disappointing that we have not retained a greater proportion of these assets. However, as nil consideration was paid for the client relationships, the transaction has regardless been a good contributor to Group earnings over the past 18 months. With staff and cost rationalisation initiatives in November 2019, we are satisfied that these MAS assets will continue to be accretive to Group results.

In November 2019, the Group provided guidance to the market that it expected EBITDA for the 2020 financial year to be approximately $33.5 million. This estimate was prior to higher than expected performance fees being recognised in the month of December 2019. With the additional performance fees, the Group estimates that it will achieve a full year EBITDA between $34.0 million and $36.0 million. It is difficult to accurately estimate the Group's full year EBITDA, as the estimate is sensitive to a number of assumptions regarding future investment performance and net fund flows which can vary significantly due to internal and external factors.

From a strategic perspective, the Group continues to execute its strategy to retain and grow our AUM through:

- a focus on consistently delivering investment performance in accordance with the investment strategies of the relevant funds and portfolios;
- broadening our global distribution reach through building new relationships and leveraging our existing relationships around the world;
- providing a high level of service to our clients from all parts of our business, with quality and timely reporting on their investments and a proactive approach to ensuring we are meeting all their investment needs; and
- continuing to innovate on how we can deliver solutions to existing and prospective clients.

Much of the Group's focus over the past 18 months has been on ensuring the smooth integration of the MAS clients into the existing Lighthouse operations. However, we continue to look at opportunities for expanding our business if and when they arise. Due to our strong balance sheet and position in the market, we are often presented with opportunities. The NGI Board will be diligent in evaluating any such opportunities to satisfy itself that a transaction will create and maintain value for the Group.

## Dividends

At the date of this report, the directors have determined an unfranked dividend of USD 8.5 cents per share (with 100% conduit foreign income credits) payable on 6 March 2020. The record date for entitlement to the interim dividend is 20 February 2020.

## Significant changes in state of affairs

In the opinion of the directors there were no other significant changes in the state of affairs of the Group that occurred during the financial period not otherwise disclosed in this financial report.

## Likely developments and expected results

Further information on likely developments in the operations of the Group and the expected results of operations have been included in this interim financial report on pages 4 to 12.

## Events subsequent to end of financial period

There has not arisen in the interval between the end of the reporting period and the date of this report, any other item, transaction or event of a material nature, likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## Indemnification and insurance

The Company has a Deed of Indemnity, Insurance and Access in place with each of the Directors ('the Deeds'). Pursuant to the Deeds, the Company indemnifies each Director to the extent permitted by law for losses and liabilities incurred by the Director as an officer of the Company or of a subsidiary. This indemnity remains in force for a period of 7 years from the date the Director ceases to hold office as a director of the Company.

In addition, the Company will advance reasonable costs incurred or expected to be incurred by the Director in defending relevant proceedings on terms determined by the Board. No such advances were made during the financial period.

During the period, the Group paid insurance premiums to insure the Directors and Officers of the Company. The terms of the contract prohibit the disclosure of the premiums paid.

## Auditor

Ernst & Young is the auditor of the Group in accordance with section 327 of the Corporations Act 2001.

### Indemnification

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount).

No payment has been made to indemnify Ernst & Young Australia during or since the end of the period.

### Auditor's independence declaration

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14 and forms part of the directors' report for the six months ended 31 December 2019.

## Environmental regulation

The Group is not subject to any particular or significant environmental regulation under any Australian Commonwealth, State or Territory legislation.

## Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of directors:

**Michael Shepherd, AO**
Chairman and Non-Executive Director

**F P (Andy) Esteban**
Non-Executive Director

Sydney, 13 February 2020

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# Auditor's Independence Declaration to the Directors of Navigator Global Investments Limited

As lead auditor for the review of Navigator Global Investments Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Navigator Global Investments Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

RBurrows

Rebecca Burrows
Partner
13 February 2020

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# Income statement

For the six months ended 31 December 2019

| | Note | Consolidated USD'000 | |
|---|---|---|---|
| | | **31 December 2019** | **31 December 2018** |
| Management fee revenue | 2 | 46,568 | 54,798 |
| Performance fee revenue | 2 | 3,662 | 216 |
| Revenue from reimbursement of fund operating expenses | 2 | 2,702 | 2,738 |
| Revenue from provision of office space and services | 2 | 879 | 753 |
| Other income | 2 | - | 115 |
| **Total revenue** | | **53,811** | **58,620** |
| Operating expenses | 3 | (36,068) | (38,716) |
| **Results from operating activities** | | **17,743** | **19,904** |
| Finance income | 4 | 736 | 137 |
| Finance costs | 4 | (491) | (486) |
| **Profit before income tax** | | **17,988** | **19,555** |
| Income tax expense | 5 | (4,501) | (4,893) |
| **Profit for the period** | | **13,487** | **14,662** |
| **Attributable to equity holders of the parent** | | **13,487** | **14,662** |

| **Earnings per share** | | Consolidated US cents | |
|---|---|---|---|
| | | **31 December 2019** | **31 December 2018** |
| Basic earnings per share | 7 | 8.32 | 9.04 |
| Diluted earnings per share | 7 | 8.32 | 9.04 |

**The accompanying notes form part of these consolidated financial statements**

# Statement of comprehensive income

For the six months ended 31 December 2019

| | Consolidated USD'000 | |
|---|---|---|
| | 31 December 2019 | 31 December 2018 |
| **Profit attributable to equity holders of the parent** | 13,487 | 14,662 |
| | | |
| **Total comprehensive income for the year, net of tax** | 13,487 | 14,662 |
| | | |
| **Attributable to equity holders of the parent** | 13,487 | 14,662 |

**The accompanying notes form part of these consolidated financial statements**

# Statement of financial position

As at 31 December 2019

| | | Consolidated USD'000 | |
|---|---|---|---|
| | Note | 31 December 2019 | 30 June 2019 |
| **Assets** | | | |
| Cash | | 35,094 | 29,029 |
| Trade and other receivables | | 23,136 | 19,423 |
| Current tax assets | 5 | 9 | - |
| **Total current assets** | | **58,239** | **48,452** |
| | | | |
| Investments recognised at fair value | 8 | 18,368 | 17,953 |
| Plant and equipment | | 5,961 | 4,791 |
| Right-of-use assets | 9 | 13,244 | - |
| Deferred tax assets | 5 | 48,282 | 52,584 |
| Intangible assets | | 95,407 | 95,656 |
| Other non-current assets | | 2,483 | 1,422 |
| **Total non-current assets** | | **183,745** | **172,406** |
| **Total assets** | | **241,984** | **220,858** |
| | | | |
| **Liabilities** | | | |
| Trade and other payables | | 2,436 | 3,343 |
| Lease liabilities | 9 | 1,862 | - |
| Employee benefits | | 9,549 | 600 |
| Current tax liabilities | 5 | - | 6 |
| **Total current liabilities** | | **13,847** | **3,949** |
| | | | |
| Trade and other payables | | 50 | 2,687 |
| Lease liabilities | 9 | 15,516 | - |
| Employee benefits | | 93 | 102 |
| **Total non-current liabilities** | | **15,659** | **2,789** |
| **Total liabilities** | | **29,506** | **6,738** |
| **Net assets** | | **212,478** | **214,120** |
| | | | |
| **Equity** | | | |
| Share capital | | 257,355 | 257,355 |
| Reserves | | 30,223 | 33,119 |
| Accumulated losses | | (75,100) | (76,354) |
| **Total equity attributable to equity holders of the Company** | | **212,478** | **214,120** |

**The accompanying notes form part of these consolidated financial statements**

# Statement of changes in equity

For the six months ended 31 December 2019

| | | Consolidated USD'000 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Amounts attributable to equity holders of the parent | | | | | | |
| | Note | Share Capital | Share Based Payments Reserve | Fair Value Reserve (financial assets at FVOCI) | Translation Reserve | Parent Entity Profits Reserve | Accum-ulated Losses | Total Equity |
| **Balance at 1 July 2018** | | **257,355** | **13,326** | **2,281** | **850** | **14,911** | **(73,739)** | **214,984** |
| Net profit for the period | | - | - | - | - | - | 14,662 | 14,662 |
| Transfer to parent entity profits reserve[1] | | - | - | - | - | 13,361 | (13,361) | - |
| **Total comprehensive income for the period, net of tax** | | **-** | **-** | **-** | **-** | **13,361** | **1,301** | **14,662** |
| Dividends to equity holders | 6 | - | - | - | - | (14,710) | - | (14,710) |
| Total transactions with owners | | - | - | - | - | (14,710) | - | (14,710) |
| **Balance at 31 December 2018** | | **257,355** | **13,326** | **2,281** | **850** | **13,562** | **(72,438)** | **214,936** |
| **Balance at 30 June 2019** | | **257,355** | **13,326** | **2,025** | **850** | **16,918** | **(76,354)** | **214,120** |
| Adoption of new accounting standard | | - | - | - | - | - | (589) | (589) |
| **Balance at 1 July 2019** | | **257,355** | **13,326** | **2,025** | **850** | **16,918** | **(76,943)** | **213,531** |
| Net profit for the period | | - | - | - | - | - | 13,487 | 13,487 |
| Transfer to parent entity profits reserve[1] | | - | - | - | - | 11,644 | (11,644) | - |
| **Total comprehensive income for the period, net of tax** | | **-** | **-** | **-** | **-** | **11,644** | **1,843** | **13,487** |
| Dividends to equity holders | 6 | - | - | - | - | (14,540) | - | (14,540) |
| Total transactions with owners | | - | - | - | - | (14,540) | - | (14,540) |
| **Balance at 31 December 2019** | | **257,355** | **13,326** | **2,025** | **850** | **14,022** | **(75,100)** | **212,478** |

[1] Relates to the net profit of the parent entity (Navigator Global Investments Limited).

**The accompanying notes form part of these consolidated financial statements**

# Statement of cash flows

For the six months ended 31 December 2019

| | Note | Consolidated USD'000 31 December 2019 | Consolidated USD'000 31 December 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from operating activities | | 51,847 | 51,867 |
| Cash paid to suppliers and employees | | (28,612) | (44,836) |
| Cash generated from operations | | 23,235 | 7,031 |
| Interest received | | 115 | 69 |
| Lease interest paid | 4 | (384) | - |
| Income taxes paid | | (22) | (30) |
| **Net cash from operating activities** | | **22,944** | **7,070** |
| **Cash flows from investing activities** | | | |
| Acquisition of plant and equipment | | (1,892) | (352) |
| Proceeds from disposal of investments | | 496 | 277 |
| Acquisition of investments | | (290) | (120) |
| Transaction costs associated with MAS transaction | | - | (1,088) |
| Acquisition of other non-current assets | | (17) | (100) |
| **Net cash used in investing activities** | | **(1,703)** | **(1,383)** |
| **Cash flows from financing activities** | | | |
| Lease payments received from finance leases | | 54 | - |
| Payment of lease liabilities | | (634) | - |
| Dividends paid to equity holders | 6 | (14,540) | (14,710) |
| **Net cash used in financing activities** | | **(15,120)** | **(14,710)** |
| **Net increase / (decrease) in cash** | | **6,121** | **(9,023)** |
| Cash balance at 1 July | | 29,029 | 38,212 |
| Effect of exchange rate fluctuations on cash balances held in foreign currencies | | (56) | 99 |
| **Cash balance as at 31 December** | | **35,094** | **29,288** |

**The accompanying notes form part of these consolidated financial statements**

# Notes to the financial statements

For the six months ended 31 December 2019

## 1. Operating segments

As at 31 December 2019, the Group had one reportable segment, being the US based Lighthouse Group, which operates as a global absolute return funds manager for investment vehicles.

Corporate includes assets and liabilities and corporate expenses relating to the corporate parent entity, Navigator Global Investments Limited, and balances that are eliminated on consolidation of the Group and are not considered to be operating segments.

No operating segments have been aggregated to form the above reportable operating segments.

The CEO is responsible for day-to-day operations and the implementation of business strategy. Internal management reports are provided to the CEO on a monthly basis to monitor the operating results of its business for the purpose of making decisions about resource allocation and performance assessment. Business unit performance is evaluated based on the financial information as set out below, as well as other key metrics such as Assets under Management and the average management fee rate.

| | Lighthouse USD'000 | | Corporate USD'000 | | Consolidated USD'000 | |
|---|---|---|---|---|---|---|
| | 31 Dec 2019 | 31 Dec 2018 | 31 Dec 2019 | 31 Dec 2018 | 31 Dec 2019 | 31 Dec 2018 |
| **Total revenue from contracts with customers** | 53,743 | 58,549 | 68 | 71 | 53,811 | 58,620 |
| **Earnings before interest, tax, depreciation and amortisation** | **19,653** | **20,394** | **(418)** | **(269)** | **19,235** | **20,125** |
| **Reportable segment profit / (loss) before income tax** | **18,334** | **19,820** | **(346)** | **(265)** | **17,988** | **19,555** |

### Segment assets and liabilities

There has been no material change in the allocation of segment assets and liabilities compared to the Group's consolidated financial statements as at and for the year ended 30 June 2019.

## 2. Revenue

| | Consolidated USD'000 | |
|---|---|---|
| | 31 December 2019 | 31 December 2018 |
| Management fees from commingled funds | 26,069 | 32,012 |
| Management fees from customised solutions clients | 20,499 | 22,786 |
| Performance fees | 3,662 | 216 |
| **Operating revenue** | **50,230** | **55,014** |
| | | |
| Revenue from reimbursement of fund operating expenses | 2,702 | 2,738 |
| Revenue from provision of office space and services | 879 | 753 |
| Other income | - | 115 |
| **Other revenue** | **3,581** | **3,606** |
| **Total revenue from contracts with customers** | **53,811** | **58,620** |

# Notes to the financial statements

For the six months ended 31 December 2019

## 3. Expenses

| | Consolidated USD'000 | |
|---|---|---|
| | **31 December 2019** | **31 December 2018** |
| Employee expense | (22,328) | (24,508) |
| Professional and consulting expenses | (3,276) | (2,646) |
| Information and technology expense | (1,511) | (1,961) |
| Reimbursable fund operating expenses | (2,702) | (2,738) |
| Occupancy expense | (823) | (1,953) |
| Distribution expense | (1,393) | (1,853) |
| Travel expense | (592) | (863) |
| Depreciation of plant and equipment | (722) | (389) |
| Lease depreciation | (857) | - |
| Amortisation of intangible assets | (249) | (250) |
| Other expenses | (1,615) | (1,555) |
| **Total expenses** | **(36,068)** | **(38,716)** |

## 4. Finance income and costs

### Recognised directly in profit or loss

| | Consolidated USD'000 | |
|---|---|---|
| | **31 December 2019** | **31 December 2018** |
| **Finance income** | | |
| Interest income on bank deposits | 108 | 69 |
| Finance income on net investment in finance lease | 7 | - |
| Net foreign exchange gain | - | 68 |
| Net change in fair value of financial assets at fair value through profit or loss | 621 | - |
| **Total finance income** | **736** | **137** |
| **Finance costs** | | |
| Bank charges | (68) | (59) |
| Net foreign exchange loss | (39) | - |
| Net change in fair value of financial assets at fair value through profit or loss | - | (427) |
| Lease interest expense | (384) | - |
| **Total finance costs** | **(491)** | **(486)** |
| **Net finance income / (costs) recognised in profit or loss** | **245** | **(349)** |

# Notes to the financial statements

For the six months ended 31 December 2019

## 4. Finance income and costs (continued)

Interest income is recognised in profit or loss as it accrues.

Finance income on net investment in finance lease is recognised over the term of the lease based on a pattern reflecting a constant rate of return on the lessor's net investment in the lease. Refer to Note 9 for additional detail.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements result in a net gain or net loss position for the reporting period.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value, with changes in fair value reported in the profit or loss on a net basis as either finance income or finance costs depending on whether the fair value movements result in a net gain or net loss position for the reporting period.

Lease interest expense relates to the Group's lease liabilities and is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Refer to Note 9 for additional detail.

## 5. Income tax

The Company is the only Australian resident tax-paying entity within the Group. Non-Australian entities within the Group are part of a US consolidated tax group.

Income tax expense comprises current and deferred tax and is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

### a) Reconciliation of effective tax rate

| | Consolidated USD'000 | |
|---|---|---|
| | **31 December 2019** | **31 December 2018** |
| Profit before income tax | 17,988 | 19,555 |
| Income tax using the Company's domestic tax rate of 30% (31 December 2018: 30%) | (5,396) | (5,867) |
| Effect of tax rates in foreign jurisdictions | 1,015 | 1,063 |
| Non-deductible / non-assessable amounts included in accounting profit | (117) | (195) |
| Amounts not included in accounting profit | (133) | 35 |
| Current year tax losses for which no deferred tax asset is initially recognised | 130 | 71 |
| **Total income tax expense reported in profit or loss** | **(4,501)** | **(4,893)** |

### b) Current tax assets and liabilities

| | Consolidated USD'000 | |
|---|---|---|
| | **31 December 2019** | **30 June 2019** |
| Current tax assets | **9** | **-** |
| Current tax liabilities | **-** | **(6)** |

Current tax assets and liabilities represent the amount of income taxes receivable or payable to the relevant tax authority, using rates current at reporting date.

# Notes to the financial statements

For the six months ended 31 December 2019

## 5. Income tax (continued)

### c) Deferred tax assets

#### Deferred tax assets – US Group

Deferred tax assets have been recognised in respect of the following items:

| | Consolidated USD'000 | |
|---|---|---|
| | 31 December 2019 | 30 June 2019 |
| Carried forward tax losses | 28,075 | 30,647 |
| Goodwill and intangible assets | 16,142 | 20,635 |
| Employee benefits | 2,320 | 20 |
| Financial assets at fair value through profit or loss | (421) | (269) |
| Financial assets at fair value through other comprehensive income | (658) | (658) |
| Other items | 2,824 | 2,209 |
| | **48,282** | **52,584** |

As at 31 December 2019 it is considered more likely than not that the US Group's carried forward tax losses and deductible temporary differences will be fully recovered. This position is supported by the current profitability of the US Group which is expected to continue into the future.

Carried forward tax losses relating to the US Group which existed prior to 1 January 2018 have a life of 20 years, and will expire during the period from 2030 to 2038. Tax losses incurred after 1 January 2018 have an indefinite life.

#### Deferred tax assets – Australian Group

Deferred tax assets have not been recognised in respect of the following items:

| | Consolidated USD'000 | |
|---|---|---|
| | 31 December 2019 | 30 June 2019 |
| Deductible temporary differences | 59,203 | 59,262 |
| Tax losses | 3,242 | 3,370 |
| | **62,445** | **62,632** |

Unrecognised deferred tax assets relating to the Australian Group consist of deductible temporary differences (including impairment losses recognised in previous financial years), and carried forward operating tax losses.

As at 31 December 2019, it is not probable that the Australian Group will produce sufficient taxable profits against which these deferred tax assets can be utilised and therefore the deferred tax assets remain unrecognised.

$59,203 thousand (30 June 2019: $59,262 thousand) of the deductible temporary differences not recognised relate to an impairment write-down taken during the year ended 30 June 2009 on the carrying value of the Lighthouse Group. The movement in this balance relates to foreign currency movements only. The realisation of this tax asset is subject to the application of relevant tax legislation and the structure of any future business transactions in relation to the Lighthouse Group, if and when any such transaction was to occur.

Tax losses relating to the Australian Group and deductible temporary differences do not expire under current tax legislation.

# Notes to the financial statements

For the six months ended 31 December 2019

## 6. Dividends

The following dividends were paid by the Company during the period:

| | Consolidated USD'000 | |
|---|---|---|
| | 31 December 2019 | 31 December 2018 |
| Final ordinary dividend for the year ended 30 June 2019 of USD 9.0 cents | 14,540 | - |
| Final ordinary dividend for the year ended 30 June 2018 of USD 9.0 cents | - | 14,710 |
| | **14,540** | **14,710** |

The Directors have determined an interim unfranked dividend of 8.5 cents per share (with 100% conduit foreign income credits). The dividend will be paid on 6 March 2020.

The dividends were not determined or provided for as at 31 December 2019, and there are no income tax consequences.

## 7. Earnings per share

| | Consolidated USD | |
|---|---|---|
| | 31 December 2019 | 31 December 2018 |
| Basic earnings per share | 8.32 | 9.04 |
| Diluted earnings per share | 8.32 | 9.04 |

### Reconciliation of earnings used in calculating earnings per share

#### Basic and diluted earnings per share

| | Consolidated USD'000 | |
|---|---|---|
| | 31 December 2019 | 31 December 2018 |
| **Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share** | **13,487** | **14,662** |

#### Weighted average number of shares used in calculating basic and diluted earnings per share

| | | '000 shares | |
|---|---|---|---|
| | Note | 31 December 2019 | 31 December 2018 |
| Issued ordinary shares | 10 | 162,148 | 162,148 |
| **Weighted average number of ordinary shares used in calculating basic, diluted and underlying earnings per share** | | **162,148** | **162,148** |

The Company did not have any potential ordinary shares outstanding at balance date. The weighted average number of shares used in calculating basic and diluted earnings per share are therefore the same.

# Notes to the financial statements

For the six months ended 31 December 2019

## 8. Investments recognised at fair value

| | Consolidated USD'000 | |
|---|---|---|
| | **31 December 2019** | **30 June 2019** |
| Financial assets at fair value through other comprehensive income | 5,288 | 5,288 |
| Financial assets at fair value through profit or loss | 13,080 | 12,665 |
| | **18,368** | **17,953** |

### Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise non-controlling equity holdings in unquoted securities of US based companies over which the Group does not have significant influence.

The Group has elected to account for these investments at fair value with changes to fair value recognised through other comprehensive income in the fair value reserve. Upon sale or derecognition of these investments, any gain or loss will be transferred to retained earnings.

Note 11 provides details on the methods used to determine fair value for measurement and disclosure purposes.

### Financial assets at fair value through profit or loss

These assets have been classified as fair value through profit or loss upon initial recognition with changes in fair value recognised in profit or loss. Note 11 provides details on the methods used to determine fair value for measurement and disclosure purposes.

## 9. Leases

The Group has a number of leases for office premises and equipment with remaining lease terms varying from 2 months to 9 years. The Group adopted AASB 16 on 1 July 2019 under the modified retrospective approach and therefore the comparative information continues to be reported under AASB 117. Refer to Note 18 for the impact of change in accounting policy.

### Amounts recognised in the balance sheet

Right-of-use assets

| | Consolidated USD'000 | |
|---|---|---|
| | **Office premises** | **Total** |
| Balance at 1 July 2019 | 14,101 | 14,101 |
| Additions | - | - |
| Depreciation for the period | (857) | (857) |
| Balance at 31 December 2019 | **13,244** | **13,244** |

# Notes to the financial statements

For the six months ended 31 December 2019

## 9. Leases (continued)

### Lease liabilities

| | Consolidated USD'000 | | | | | |
|---|---|---|---|---|---|---|
| | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
| **31 December 2019** | | | | | | |
| Lease liabilities | (20,724) | (1,362) | (1,215) | (2,623) | (7,558) | (7,966) |
| Total undiscounted lease liabilities | **(20,724)** | **(1,362)** | **(1,215)** | **(2,623)** | **(7,558)** | **(7,966)** |
| Future finance charges | (3,346) | | | | | |
| Lease liabilities in the statement of financial position | **17,378** | | | | | |
| Current | 1,862 | | | | | |
| Non-current | 15,516 | | | | | |

Total cash outflow for leases for the six months ended 31 December 2019 was $1.4 million.

Lease payments have been discounted using the following incremental borrowing rates:

| | |
|---|---|
| Office premises: | 4.15% to 4.36% |

The Group discounted lease payments using its incremental borrowing rate as of 1 July 2019. Incremental borrowing rates were determined for each lease based on its maturity profile. The rates were determined in reference to the 1 month USD Swap Monthly Money rate to effectively swap the Group's current Line of Credit borrowing rate (1 month USD LIBOR) to a fixed longer term borrowing. The rates were supplemented by a margin to reflect a leasing risk premium.

### Lease accounting policies

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office premises that have a lease term of 12 months or less, and leases of low-value assets comprising certain equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease liabilities include the net present value of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments (linked to an index or a rate), and any expected residual value guarantee payments.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Possible future cash outflows amounting to $12.0 million were not included in the lease liability because it is not reasonably certain that the leases will be extended.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred or restoration obligations, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method over the term of the lease. An impairment review is undertaken for any right-of-use lease asset that shows indicators of impairment, and an impairment loss is recognised against any right-of-use lease asset that is impaired.

# Notes to the financial statements

For the six months ended 31 December 2019

## 10. Capital

### Ordinary shares on issue

| | Shares '000 | |
|---|---|---|
| | 31 December 2019 | 30 June 2019 |
| Ordinary shares on issue as at 31 December and 30 June | 162,148 | 162,148 |

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. The Company does not have authorised capital or par value in respect of issued shares. All ordinary shares rank equally with regard to the Company's residual assets. Ordinary shares have the right to receive dividends as declared and are entitled to one vote per share at general meetings of the Company.

## 11. Financial instruments

### Fair value of financial instruments

#### Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The different levels of fair value hierarchy are:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data.

#### Fair value measurements

The following table shows the fair values of financial assets and their levels in the fair value hierarchy.

| | | Consolidated USD'000 | | | |
|---|---|---|---|---|---|
| | Note | Level 1 | Level 2 | Level 3 | Total |
| | | 30 June 2019 | | | |
| **Financial assets at fair value through other comprehensive income** | | | | | |
| Investment in unquoted securities of externally managed entities | 8 | - | - | 5,288 | 5,288 |
| **Financial assets at fair value through profit or loss** | | - | - | - | - |
| Investments in unquoted securities of Group managed entities | 8 | - | 12,665 | - | 12,665 |
| | | 31 December 2019 | | | |
| **Financial assets at fair value through other comprehensive income** | | | | | |
| Investment in unquoted securities of externally managed entities | 8 | - | - | 5,288 | 5,288 |
| **Financial assets at fair value through profit or loss** | | - | - | - | - |
| Investments in unquoted securities of Group managed entities | 8 | - | 13,080 | - | 13,080 |

There were no transfers between levels during the six months ended 31 December 2019 or the financial year ended 30 June 2019.

# Notes to the financial statements

For the six months ended 31 December 2019

## 11. Financial instruments (continued)

### Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial instruments that are not in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If the significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3, as is the case for unlisted equity securities.

Specific valuation techniques used to value level 2 and level 3 financial instruments include:

#### Share in unquoted securities of Group managed entities

The Group holds investments in Group managed entities. Each investment entity has an external administrator who is responsible for determining the fair value of the underlying investments of each entity and using this to calculate the net asset value per share at which any investor in the entity can redeem their investment holding ('the exit price'). The fair value of these investments as at 31 December 2019 and 30 June 2019 is the exit price as calculated and provided by the external administrator of the investment entities. All significant inputs required to fair value the investments are therefore observable.

#### Unquoted securities of externally managed entities

The shares held in other externally managed entities are unquoted and are considered level 3 as the inputs to the fair value are not based on observable market prices.

*Boutique asset manager*

The fair value of this investment has been determined with reference to publicly available current industry valuation data.

The carrying amount has been based on an enterprise value calculated as 3.4% of AUM, with a 20% liquidity/marketability discount to take into account the unlisted nature of this investment.

A 10% increase/(decrease) in the AUM multiple would result in an increase/(decrease) in fair value of $380 thousand.

A 5% change in the liquidity/marketability discount would result in an increase/(decrease) in fair value of $237 thousand.

*Text analytics platform provider*

The fair value of this investment is based on the transaction price per share of additional capital issued by the entity as part of a Series B capital raising which was completed in April 2019.

A 10% increase/(decrease) in the transaction price would result in an increase/(decrease) in fair value of $148 thousand.

*Operator of an online marketplace for alternative investments*

Due to significant uncertainty as to the on-going viability of this investment, the board impaired the carrying value of this investment to nil as at 30 June 2019. The carrying amount of this investment continues to be nil as at 31 December 2019.

### Movement in Level 3 assets

The following table presents the change in Level 3 assets for the financial year ended 30 June 2019 and for the six months ended 31 December 2019:

| | Note | Investment in unquoted securities |
|---|---|---|
| | | **Consolidated USD'000** |
| **Opening balance 30 June 2018** | | **5,638** |
| Decrease in fair value through other comprehensive income | | (350) |
| **Closing balance 30 June 2019** | 8 | **5,288** |
| **Closing balance 31 December 2019** | 8 | **5,288** |

There were no transfers in or out of Level 3 during the six months ended 31 December 2019 or the financial year ended 30 June 2019.

# Notes to the financial statements

For the six months ended 31 December 2019

## 12. Commitments

### Group as lessee

The Group has a number of leases for office premises and equipment with remaining lease terms varying from 2 months to 9 years. The Group adopted AASB 16 on 1 July 2019. Refer to Note 18 for a reconciliation of operating lease commitments as at 30 June 2019 to lease liabilities recognised as at 1 July 2019.

### Group as lessor

The Group is party to an operating sub-lease for one of its office premises. The lease has a remaining life of 3 years. This sublease is now captured on the Statement of Financial Position under AASB 16.

## 13. Subsequent events

### Events occurring after reporting period

There has not arisen in the interval between the end of the reporting period and the date of this report, any other item, transaction or event of a material nature, likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## 14. Corporate information

The financial report of Navigator Global Investments Limited (the 'Company') for the six months ended 31 December 2019 was approved by the board of directors on the 13th day of February 2020.

The consolidated financial statements of the Company as at and for the six ended 31 December 2019 comprise the Company and its subsidiaries (the 'Group').

The Company is a for profit company limited by shares incorporated in Australia and is listed on the Australian Securities Exchange. The registered office of the Company is Level 21, 10 Eagle Street, Brisbane QLD 4000.

## 15. Statement of compliance

These interim financial statements have been prepared in accordance with AASB 134 Interim Financial Reporting; the Corporations Act 2001; and IAS 34 Interim Financial Reporting. They do not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2019 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated financial statements of the Group as at and for the year ended 30 June 2019 are available on the Company's website at www.navigatorglobal.com.au, or a copy can be requested by contacting the Company.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out in note 18.

## 16. Basis of measurement

The consolidated financial statements have been prepared on a going concern basis. The consolidated financial statements have been prepared on a historical cost basis except for the following items:

| Items | Measurement basis |
|---|---|
| Financial instruments at fair value through profit or loss | Fair value |
| Financial instruments at fair value through other comprehensive income | Fair value |

The methods used to measure fair value are discussed further in note 11.

## 17. Functional and presentation currency

The consolidated financial statements are presented in US dollars ('USD'), which is the Company's functional currency.

The amounts contained in this financial report have been rounded to the nearest thousand dollars in accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, unless otherwise stated.

### Translation of foreign currency

Transactions in foreign currencies are translated to the respective functional currency of Group entities at rates of exchange ruling on the date of those transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the period end exchange rate of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss.

# Notes to the financial statements

For the six months ended 31 December 2019

## 18. Other accounting policies

### Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- note 5 - recognition of deferred tax assets: availability of future taxable profit against which carried forward tax losses can be used; and
- notes 8 and 11 - fair value measurement of investments.

#### Measurement of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value. The methods used to determine fair values for measurement and / or disclosure purposes are included in the following notes:

- notes 8 and 11 - investments in financial assets at fair value through profit or loss; and
- notes 8 and 11 - investment in financial assets at fair value through other comprehensive income.

### Changes in accounting policies

#### New and amended standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period:

**AASB 16 *Leases***

As indicated in Note 9, the Group adopted AASB 16 *Leases* from 1 July 2019 under the modified retrospective approach and therefore the comparative information continues to be reported under AASB 117.

On adoption of AASB 16, the Group recognised an additional $14.1 million of right-of-use assets, $18.0 million of lease liabilities, and $0.4 million of finance lease receivables; derecognised $2.7 million of deferred rent liabilities; increased deferred tax assets by $0.2m to recognise the tax effect; and recognised the difference of $0.6 million in accumulated losses.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate as of 1 July 2019. An incremental borrowing rate was determined for each lease based on its maturity profile, ranging from 4.15% to 4.36%. The rates were determined in reference to the 1 month USD Swap Monthly Money rate to effectively swap the Group's current Line of Credit borrowing rate (1 month USD LIBOR) to a fixed longer term borrowing. The rates were supplemented by a margin to reflect a leasing risk premium.

A reconciliation of operating lease commitments as at 30 June 2019 to lease liabilities recognised as at 1 July 2019 is as follows:

| | Consolidated USD'000 |
|---|---|
| Operating lease commitments disclosed as at 30 June 2019 | 20,771 |
| Discounted using the Group's incremental borrowing rate | (3,730) |
| Exemption applied for short term leases | (311) |
| Exemption applied for low-value leases | (19) |
| Adjustment for fixed leases payments assessed as being non-lease components | (2,450) |
| Adjustment for variable lease payments assessed as being in-substance fixed | 3,751 |
| Lease liabilities recognised as at 1 July 2019 | 18,012 |

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, but using the transition discount rate rather than the discount rate at inception.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases, and
- the option to adjust the right-of-use asset by the amount of any provision for onerous leases recognised in the balance sheet immediately before the date of initial application.

#### Accounting standards and interpretations issued but not yet effective

The following Australian accounting standards and interpretations that are relevant to the Group's operations have been issued but are not yet effective and have not been adopted by the Group for the period ended 31 December 2019. These standards are not expected to have a significant impact on the Group's consolidated financial statements:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 17 Insurance Contracts
- AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

# Directors' declaration

In the opinion of the directors of Navigator Global Investments Limited (the 'Company'):

(a) the consolidated financial statements and notes that are set out on pages 17 to 32 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

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

(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.

Signed in accordance with a resolution of the directors.

**Michael Shepherd, AO**
Chairman and Non-Executive Director

**F P (Andy) Esteban**
Non-Executive Director

Sydney, 13 February 2020

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# Independent Auditor's Review Report to the members of Navigator Global Investments Limited

## Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Navigator Global Investments Limited, the Company and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2019 the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the interim financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial 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*.

### Directors' Responsibility for the Interim Financial Report

The directors of the Company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the interim 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, anything has come to our attention that causes us to believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial 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 the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.

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## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Rebecca Burrows
Partner
Brisbane
13 February 2020

# Navigator Global Investments Limited

## and its controlled entities

ACN 101 585 737

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### Registered Office

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### Shareholder information and inquiries

All inquiries and correspondence regarding shareholdings should be directed to the share registry provider:

**Link Market Services Limited**

Level 12
680 George Street
Sydney NSW 2000
Locked Bag A14
Sydney South NSW 1235

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www.linkmarketservices.com.au

Corporate information