28 February 2020

Company Announcements
For Immediate Release
ASX Code: PAC

APPENDIX 4D AND CONDENSED FINANCIAL REPORT FOR PACIFIC CURRENT GROUP LIMITED

In accordance with the Listing Rules of the Australian Securities Exchange ("ASX"), Pacific Current Group Limited encloses for immediate release the following information:

1. Appendix 4D, the Half Year Report for the half year ended 31 December 2019; and
2. The Condensed Financial Report for the half year ended 31 December 2019.

AUTHORISED FOR LODGEMENT BY:
Paul Greenwood
Managing Director, Chief Executive Officer and Chief Investment Officer

ENDS.

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ABOUT PACIFIC CURRENT GROUP

Pacific Current Group Limited is a multi-boutique asset management firm dedicated to providing exceptional value to shareholders, investors and partners. We apply our strategic resources, including capital, institutional distribution capabilities and operational expertise to help our partners excel. As of 28 February 2020, Pacific Current Group has investments in 16 boutique asset managers globally.

The following information is presented in accordance with ASX Listing Rule 4.2.A.3.

1. Details of the reporting period and the previous corresponding period

Current reporting period	- the half year ended 31 December 2019
Previous corresponding periods	- the half year ended 31 December 2018
	- the financial year ended 30 June 2019

2. Results for announcement to the market

Six-month period ended 31 December

		2019	2018	Increase /(Decrease)	
		$'000	$'000	$'000	%
2.1	Revenue from ordinary activities	29,900	26,081	3,819	15
	Net (loss)/profit before tax	(13,342)	61,782	(75,124)	(122)
	Underlying net profit before tax	15,922	9,088	6,834	75
2.2	Net (loss)/profit from ordinary activities after tax attributable to members	(8,868)	47,642	(55,510)	(118)
	Underlying net profit (loss) from ordinary activities after tax attributable to members	13,365	7,886	5,479	69
2.3	Net (loss)/profit for the period attributable to members	(8,868)	47,642	(55,510)	(118)
	Underlying net profit (loss) for the period attributable to members	13,365	7,886	5,479	69

Underlying results are unaudited Non-IFRS measures. Refer to the attached Condensed Financial Report for the half year ended 31 December 2019 for details of these calculations.

		Amount per security (cents)	Franking %	Conduit foreign income per security
2.4	Dividends (distributions)			
	2020 Interim	10.0	100.0	Nil

2.5 Record date for determining entitlements to the dividend
6 March 2020

2.6 Commentary on "Results for Announcement to the Market"

A brief explanation of any figures in 2.1 to 2.4 above, necessary to enable the figures to be understood, is contained in the attached Condensed Financial Report for the half year ended 31 December 2019.

3. Net tangible assets per security	**31 December 2019**	**30 June 2019**
Net tangible assets per security	$6.20	$6.07

4. Details of entities over which control has been gained or lost during the period

During the period, control was gained over the following entities:

Name of entity	**Date control gained**
Proterra Investment Partners, LP	21 September 2019
Copper Funding, LLC	13 December 2019
Pennybacker Capital Management, LLC	13 December 2019

During the period, control was lost over the following entities:

Name of entity	**Date control lost**
Freehold Investment Management Limited	14 October 2019

5. Details of individual and total dividends or distributions and dividend or distribution payments.

Type	**Payment date**	**Amount per Security (cents)**	**Franked amount per security (%)**	**Conduit foreign income per security**
2019 Final	11 October 2019	15.0	100.0	Nil

6. Details of any dividend or distribution reinvestment plans

Not applicable

7. Details of associates and joint venture entities

	Ownership % 31 December 2019	Ownership % 30 June 2019
Aether General Partners	25.00	25.00
AlphaShares, LLC	36.53	36.53
Blackcrane Capital, LLC	25.00	25.00
Capital & Asset Management Group, LLP[1]	25.00	20.00
Freehold Investment Management Limited[2]	-	30.89
Northern Lights Alternative Advisors LLP	23.00	23.00
Roc Group[3]	30.00	17.59
Victory Park Capital Advisors, LLC	24.90	24.90
Victory Park Capital GP Holdco, LP	24.90	24.90
Independent Financial Planners Group, LLC[4]	16.00	10.00
Copper Funding, LLC[5]	50.00	-
Pennybacker Capital Management, LLC[5]	16.50	-

	31 December 2019 $'000	31 December 2018 $'000
PAC share of profits/(loss) of associates/joint venture	3,488	1,253

Notes:

1 - Capital & Asset Management Group, LLP made capital drawdowns during the period resulting to an increased interest from 20% to 25%.

2 - On 14 October 2019, the Group disposed of its interest in Freehold Investment Management Limited.

3 - On 2 July 2019, the Group increased its ownership of the Roc Group from 17.59% to 30.0%

4 - On 31 December 2019, the Group made an additional contribution to Independent Financial Planners Group, LLC resulting to an increased equity from 10% to 16%. IFP was subsequently accounted for as an associate.

5 - On 14 December 2019, the Group effectively acquired 16.5% equity interest in Pennybacker Capital Management, LLC alongside an equal co-investor. The Group's interest is held through a 50.00% interest in Copper Funding, LLC.

8. For foreign entities, which set of accounting standards is used in compiling the report

Not applicable

9. Audit / Review of Accounts upon which this report is based and qualification of audit / review

This Half Year Report is based on the attached Condensed Financial Report for the half year ended 31 December 2019, which includes the Independent Auditor's Review Report. The Condensed Financial Report for the half year ended 31 December 2019 is not subject to a modified opinion, emphasis of matter or other matter paragraph.

Pacific Current Group Limited

(ABN 39 006 708 792)

Condensed Financial Report
For the half-year ended 31 December 2019

Your Directors submit their Report for the half-year ended 31 December 2019.

DIRECTORS AND OFFICERS

The Directors and officers of Pacific Current Group Limited (the "Company" or "PAC") at the date of this report or at any time during the half-year ended 31 December 2019 were:

Name	Role	Date
Mr. Antony Robinson	Non-Executive Chairman	Appointed - 28 August 2015
Mr. Paul Greenwood	Executive Managing Director	Appointed - 10 December 2014
Mr. Peter Kennedy	Non-Executive Director	Appointed - 4 June 2003
Ms. Melda Donnelly	Non-Executive Director	Appointed - 28 March 2012
Mr. Gilles Guérin	Non-Executive Director	Appointed - 10 December 2014
Mr. Jeremiah Chafkin	Non-Executive Director	Appointed - 10 April 2019
Ms. Clare Craven	Company Secretary	Appointed - 26 December 2019
Mr. Philip Mackey	Company Secretary	Appointed - 26 May 2017 Resigned - 26 December 2019

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The Company is a company limited by shares and is incorporated and domiciled in Australia. Its shares are listed for trading on the Australian Securities Exchange ("ASX") with the ticker code PAC. The Company and its controlled entities (the "Group") invest in global asset managers, private advisory, placement and private equity firms. The Group also provides, on an as agreed basis, distribution and management services and, in certain circumstances, financing to these firms.

The primary criteria the Company looks for in these potential investments are high quality people, a robust investment process, competitive performance and strong growth potential. The strategy of the Company is to continue to enhance the resilience of the Group's earnings by diversifying into investments that are less susceptible to capital markets volatility and have low correlation to other assets in the Group's portfolio.

The Company is agnostic in respect to geography so long as the investments meet the Group's investment criteria. The Group invests across the life cycle continuum, from start-up opportunities to established but growing businesses. The portfolio is targeted to have a mix of businesses from those with solid earnings to those with dramatic earnings acceleration, albeit from a smaller investment base.

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS

Investment activities during the period

New acquisitions

On 21 September 2019, the Group acquired an 8% equity interest, on a fully diluted basis, in Proterra Investment Partners, LP ("Proterra") for $30,283,000 (USD20,500,000) and a potential earn-out obligation with a maximum additional consideration of $14,034,000 (USD9,500,000). Proterra is an alternative investment manager based in Minneapolis, Minnesota, the United States of America ("USA") offering private equity investment strategies focused on agriculture, food, and metals and mining. The Group is entitled to 8% of the gross management revenues and 16% of the liquidation proceeds in the event of a sale. The investment has been accounted for as a financial asset at fair value through profit or loss. For the half-year ended 31 December 2019, contributions from Proterra to the Group amounted to $971,000 which have been accounted for as dividend income. An increase in the fair value of the investment, net of the fair value of the earn-out liability, amounting to $5,850,000 was also recognised during the period.

On 14 December 2019, the Group effectively acquired a 16.5% equity interest in Pennybacker Capital Management, LLC ("Pennybacker") for $29,002,000 (USD20,000,000) alongside an equal co-investor, Kudu Investment Management, LLC ("Kudu"). The Group has also a potential earn-out obligation to Pennybacker with a maximum additional consideration for $10,876,000 (USD7,500,000), which would be paid between the closing of the transaction and 31 December 2024 if certain revenue thresholds for Pennybacker's emerging growth and income platforms are met. At the date of acquisition, the share of the fair value of the potential obligation of the Group was $4,466,000 (USD3,139,000). This liability has not been recognised by the Group since this will be recorded by Copper Funding, LLC ("CFL") as the holding entity and as the direct investor in Pennybacker.

The Group and Kudu's combined 33% interest in Pennybacker is held through CFL. At the date of the acquisition, CFL recognised the entire $8,932,000 (USD6,278,000) fair value of the potential obligation and increased the investment at Pennybacker by the same amount. The Group owns a 50% interest in CFL. The Group accounts for the interest in CFL as an investment in joint venture. The investment in Pennybacker held by CFL has been accounted for as an investment in associate. The Group is effectively entitled to 16.5% of the net income of Pennybacker and 2.5% of all carried interest from new funds and accounts.

Pennybacker is an alternative investment manager based in Austin, Texas, USA offering private equity investment strategies focused on both commercial, retail, office, and industrial assets, as well as affordable multifamily residential real estate in certain markets in the USA.

For the half-year ended 31 December 2019, the share in profits from Pennybacker to the Group amounted to $81,000.

Additional contributions to existing asset managers

On 2 July 2019, the Group acquired an additional 12.41% equity interest in Roc Group for $6,826,000 increasing the Group's equity interest to 30%. Roc Partners is a leading alternative investment manager specialising in private equity in the Asia Pacific region. The existing accounting treatment of the investment as an associate did not change. For the half-year ended 31 December 2019, the share in profits from Roc Group amounted to $139,000.

The Group made an additional total contribution of $918,000 (GBP500,000) to Capital & Asset Management Group, LLP ("CAMG") through capital drawdowns of GBP250,000 each made on 26 August 2019 and 5 November 2019, respectively. The Group was issued an additional interest of 2.5% for each drawdown resulting to an increased interest from 20% to 25%. The existing accounting treatment of the investment as an associate did not change. For the half-year ended 31 December 2019, the share in net losses from CAMG amounted to $213,000.

On 31 December 2019, the Group made an additional contribution to Independent Financial Planners Group, LLC ("IFP") of $854,000 (USD600,000) to fund the capital requirements of IFP, resulting in an increased equity from 10% to 16%. Following the increase in equity ownership and increase in the Group's actual and potential voting rights from 10% to 24.9%, the accounting treatment of this investment in IFP was changed from fair value through other comprehensive income to an associate. In addition, the Group have also provided a $2,200,000 (USD1,500,000) credit facility to IFP for the purpose of providing loans to new advisors to use as transition assistance to the new IFP platform. IFP made drawdowns of $955,000 (USD654,000) and $345,000 (USD235,000) on 19 October 2019 and 19 November 2019, respectively.

Disposal of investments

On 14 October 2019, the Group sold its 30.89% stake in Freehold Investment Management Limited ("FIM"), an Australian based fund manager specialising in Australian and global real estate and infrastructure sectors. The pre-tax proceeds amounted to $459,000 which approximated the book value of the investment.

Funds under management ("FUM")

As at 31 December 2019, the FUM of the Group's boutiques was $73,021,682,000 (30 June 2019: $57,465,887,000).

The net increase in FUM was due to the acquisitions of Proterra and Pennybacker and positive net inflows and market performance from the asset managers particularly Carlisle Management Company S.C.A ("Carlisle"), GQG Partners, LLC ("GQG") and Victory Park Capital Advisors, LLC ("VPC") offset by the net outflow from Seizert Capital Partners, LLC ("Seizert").

Boutique	Total FUM as at 30 June 2019[1] $'000	Inflows from Boutique Acquisitions $'000	Net Flows $'000	Other[2] $'000	Foreign Exchange Movement[3] $'000	Total FUM as at 31 December 2019 $'000
Tier 1	44,403,692	4,732,772	6,264,798	2,769,717	(400,075)	57,770,904
Tier 2	13,062,195	2,763,170	(205,774)	(296,441)	(72,523)	15,250,627
Total Boutiques	**57,465,887**	**7,495,942**	**6,059,024**	**2,473,276**	**(472,598)**	**73,021,531**
Open-end	44,597,882	2,763,170	5,529,857	2,890,434	(342,478)	55,438,865
Closed-end	12,868,005	4,732,772	529,167	(417,158)	(130,120)	17,582,666
Total	**57,465,887**	**7,495,942**	**6,059,024**	**2,473,276**	**(472,598)**	**73,021,531**

Notes:

1 The beginning balance has been adjusted to reflect the recategorisation of Seizert from Tier 1 to Tier 2 boutique.

2 Other includes investment performance, market movement, distributions and sale of the Group's holdings.

3 The Australian dollar ("AUD") slightly weakened against the USA dollar ("USD") during the year. The AUD/USD was 0.7030 as at 31 December 2019 compared to 0.7023 as at 30 June 2019. The Net Flows and Other items are calculated using the average rates.

The relationship between the boutiques' FUM and the economic benefits received by the Group can vary dramatically based on factors such as:

- the fee structures of each boutique;
- the Group's ownership interest in the boutique; and
- the specific economic features of each relationship between the Group and the boutique.

Accordingly, the Company cautions against simple extrapolation based on FUM trends.

Tier 1 Boutique is a term used to describe an investment that the Group expects to produce at least $4,000,000 of annual earnings for the Group while a Tier 2 Boutique is one that the Group expects will contribute less than this. Although there is no guarantee any boutique will meet this threshold, this categorisation is intended to provide insight into which boutiques are expected to be the most economically impactful to the Group.

Open-end is a term used by the Group to indicate FUM that are not committed for an agreed period and therefore can be redeemed by an investor on relatively short notice. Closed-end is a term used by the Group to denote FUM where the investor has committed capital for a fixed period and redemption of these funds can only eventuate after an agreed time and in some cases at the end of the life of the fund.

FINANCIAL REVIEW

Operating results for the year

Underlying NPAT attributable to members of the Company

The Group generated a net loss before tax ("NLBT") of $13,342,000 for the half-year ended 31 December 2019 (31 December 2018: net profit before tax ("NPBT") of $61,782,000); a decrease of 122%. This result, however, has been significantly impacted by non-cash, non-recurring and/or unusual items. Normalising this result for the impact of these abnormal items results in underlying net profit after tax ("NPAT") to members of the Company of $13,365,000 (31 December 2018: $7,886,000), an increase of 69%.

	31 December 2019 $'000	31 December 2018 $'000
Reported (NLBT)/NPBT	(13,342)	61,782
Non-cash items		
- Impairment of investments[1]	31,835	6,052
- Amortisation of identifiable intangible assets[2]	2,865	1,713
- Fair value adjustments of financial assets at FVTPL	(12,395)	91
- Fair value adjustments of financial liabilities at FVTPL	667	64
- Share-based payment expenses	476	503
	23,448	8,423
Non-recurring/unusual items		
- Provision for estimated liability for Nereus	2,317	7,688
- Legal, consulting expenses, deal costs and break fee costs[3]	2,307	474
- Net foreign exchange loss	1,192	822
- Gain on sale of investments	–	(71,395)
- Broker and consulting fees[4]	–	1,294
	5,816	(61,117)
Underlying NPBT	15,922	9,088
Income tax expense[5]	(2,316)	(960)
Underlying NPAT	13,606	8,128
Less: share of non-controlling interests	(241)	(242)
Underlying NPAT attributable to members of the Company	13,365	7,886

Notes:

[1] The impairment relates to impairment of investment in associates and goodwill from subsidiaries excluding the impairment of capital contributions to Nereus amounting to $256,000 (31 December 2018: $552,000).

[2] The 2019 amortisation of identifiable intangible assets included the amortisation of intangible assets of the associates amounting to $1,075,000 (31 December 2018: $984,000). The amortisation is recorded as an offset to the share in net profit of the associates.

[3] These were costs incurred in relation to the derivative action against several of the Group's current and former directors, deal costs on the acquisitions of investments and expenses incurred for unsuccessful divestments.

[4] The broker and consulting fees pertained to the cost of services of an external party to identify suitable investors for the two operating solar PV generation plants of Nereus.

[5] The net income tax (expense)/benefit is the reported income tax (expense)/benefit adjusted for the tax effect of the normalisation adjustments (including prior half-year tax adjustments).

The criteria for calculating the underlying NPAT attributable to members of the Company are based on the following:

- Non-cash items relate to income and expenses that are essentially accounting entries rather than actual movements in cash; and
- Non-recurring /unusual items relate to income and expenses from events that are infrequent in nature.

Cash flows

Set out below is a summary of the cash flows for the half-year ended 31 December 2019.

	31 December 2019 $'000	31 December 2018 $'000
Cash provided by operating activities	9,371	1,259
Cash (used in)/provided by investing activities	(62,888)	45,764
Cash (used in) financing activities	(13,724)	(29,255)
Net (decrease)/increase in cash and cash equivalents	(67,241)	17,768

Operating activities

Cash flows from operations have increased from a net inflow of $1,259,000 for the half-year ended 31 December 2018 to net inflow of $9,371,000 for the half-year ended 31 December 2019. This was mainly attributable to the decrease in income tax paid from $13,696,000 in the prior period to $2,858,000 in the current period. The tax paid in the prior period was the result of tax liabilities accruing on gains on disposal in previous periods.

Investing activities

Cash flows from investing activities have decreased from a net inflow of $45,764,000 in the half-year ended 31 December 2018 to net outflow of $62,888,000 in the half-year ended 31 December 2019. This was primarily attributable to the acquisitions of Proterra ($30,283,000); Pennybacker ($29,002,000); additional contributions to CAMG, IFP and Roc Group ($8,598,000) and collections of other financial assets ($5,527,000). In the prior period, this was primarily associated by the disposals of Aperio Group, LLC ($99,335,000) and RARE Infrastructure Ltd ($21,510,000); maturity of the short-term deposits ($20,000,000); net of the acquisitions of VPC and VPC-Holdco ($94,825,000).

Financing activities

Cash flows used in financing activities decreased from $29,255,000 for the half-year ended 31 December 2018 to $13,724,000 for the half-year ended 31 December 2019. This was primarily due to repayment of the of the earn-out liability ($9,800,000) (31 December 2018: $nil); and payment of dividends ($7,146,000) (31 December 2018: $10,481,000). This was offset by the net proceeds from the issue of the Company's ordinary shares which amounted to $11,993,000 (31 December 2018: nil).

The issuance of the ordinary shares was completed on 9 December 2019 by a fully-underwritten institutional placement with 2,066,116 new fully paid ordinary shares being issued at an issue price of $6.05 per share totalling to $12,500,000 before issue costs. The new shares rank equally with existing shares and are entitled to the interim dividend for 2020. The proceeds of the placement were used to settle deferred consideration from existing investments and replenish the Group's operating capital.

(Loss)/earnings per share

Set out below is a summary of the (loss)/earnings per share for the half-year to 31 December 2019.

	31 December 2019	31 December 2018
Reported net loss after tax ("NLAT")/NPAT attributable to the members of the Company ($'000)	(8,868)	47,642
Unaudited underlying NPAT attributable to the members of the Company ($'000)	13,365	7,886
Weighted average number of ordinary shares on issue (Number)	47,766,900	47,642,367
Basic (loss)/earnings per share (cents)	(18.57)	100.00
Unaudited underlying earnings per share (cents)	27.97	16.55

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year:

	Cents per Share	Total Amount $'000	Franked at 30%	Date of Payment
Declared and paid during the period:				
- Final for 2019 on ordinary shares	15.00	7,146	100%	11 October 2019
Declared after the end of the period:				
- Interim for 2020 on ordinary shares	10.00	4,971	100%	2 April 2020

On 30 August 2019, the Directors of the Company declared a final dividend on ordinary shares in respect of the 2019 financial year. The total amount of the dividend was $7,146,000 which represented a fully franked dividend of 15 cents per share. The dividend was paid on 11 October 2019. Total dividends relating to financial year 2019 amounted to 25.0 cents per share an increase over 22.00 cents over the financial year 2018.

On 28 February 2020, the Directors of the Company declared an interim fully franked dividend of 10 cents per share (28 February 2019: 10 cents per share). This dividend has not been provided for in the 31 December 2019 half-year consolidated financial statements.

Financial position

Set out below is a summary of the financial position as at 31 December 2019:

	31 December 2019 $'000	30 June 2019 $'000
Cash and cash equivalents	12,991	80,232
Other current assets	18,447	25,184
Non-current assets	380,363	325,765
Current liabilities	(19,174)	(36,211)
Non-current liabilities	(9,350)	(11,443)
Net Assets	383,277	383,527

The level of gearing of the Group was reduced with the repayment of the current portion of the ARA Fund V earn out liability of $9,800,000 (USD6,647,000) and the full repayment of the Seizert Notes Payable of $7,335,000 (USD5,039,000). The remainder of the cash and cash equivalents at 30 June 2019 provided the Group liquidity and flexibility to fund the current period's acquisitions of Proterra and Pennybacker.

OTHER MATTERS

On 17 September 2019, the Company received an originating application in the Federal Court of Australia in Melbourne by a shareholder seeking leave of the court to commence a derivative action on behalf of the Company against several of its current and former Directors for damages arising out of the 2014 merger between the Company and the Northern Lights Capital Group, LLC. On 23 September 2019, the Company received a draft statement claim in relation to the derivative action.

On 20 February 2020, two shareholders received leave of the Federal Court of Australia under section 237 of the *Corporations Act 2001 (Cth)* to bring proceedings on behalf of PAC, against individuals who, in 2014, were Directors of PAC (previously known as Treasury Group Limited) prior to its business combination with Northern Lights Capital Partners, LLC ("Defendants"). The effect is that PAC is the named plaintiff in proceedings brought in the Federal Court of Australia against the Defendants. IMF Bentham (Fund 5)("Litigation Funder") has given an undertaking to cover PAC's costs and any liabilities or adverse cost orders made against PAC in favour of the Defendants. As a result, the claims are not expected to have a material adverse effect on PAC. If the proceedings are successful or are settled on terms that the Defendants pay an agreed amount, PAC will be entitled to the net proceeds after deducting specified legal costs and the Litigation Funder's share. PAC has made claims against its relevant insurance policies in relation to these matters.

AUDITOR INDEPENDENCE

The Directors received an independence declaration from the auditors of the Group. A copy of the declaration is set out on page 9.

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.

SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

On 2 January 2020, Seizert redeemed its 500 Class A Common Units held by the Group for USD1 per unit as the first part of its equity restructuring. This restructuring was designed so that the Group will only own the preferred units. The Group's new equity ownership is 25% on a fully diluted basis. However, the Group will retain its existing economic interests and the majority of the board seats until such time that the second part of the restructuring is completed.

As outlined in Other Matters section of this report, on 20 February 2020, the court granted the leave to commence a derivative action on behalf of the Company against several of its current and former Directors.

On 28 February 2020, the Directors of the Company declared an interim dividend on ordinary shares in respect of the 2020 financial year. The total amount of the dividend is $4,971,000 which represents a fully franked dividend of 10 cents per share. The dividend has not been provided for in the 31 December 2019 half-year consolidated financial statements.

Other than the matters detailed above, there has been no matter or circumstance, which has arisen since 31 December 2019 that has significantly affected or may significantly affect either the operations or the state of affairs of the Group.

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

Antony Robinson
Chairman

28 February 2020

Deloitte.

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The Board of Directors
Pacific Current Group Limited
Level 29, 259 George St
SYDNEY NSW 2000

28 February 2020

Dear Board Members

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 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jonathon Corbett
Partner
Chartered Accountants

	Note	31 December 2019 $'000	31 December 2018 $'000
Revenue	1	**18,483**	**19,343**
Other income and net gains on investments and financial instruments			
Other income	2	11,417	6,738
Gain on sale of investment	2	–	71,395
Change in fair values of financial assets and liabilities	2	11,728	(155)
		23,145	**77,978**
Expenses			
Salaries and employee benefits	3	(11,298)	(11,692)
Impairment expense	3	(32,091)	(6,604)
Administration and general expenses	3	(12,415)	(17,210)
Depreciation and amortisation expense	3	(2,318)	(915)
Interest expense	3	(336)	(371)
		(58,458)	**(36,792)**
Share of net profits of associates and joint venture accounted for using the equity method	20	3,488	1,253
(Loss)/profit before income tax benefit/(expense)		**(13,342)**	**61,782**
Income tax benefit/(expense)	4	4,715	(13,898)
(Loss)/profit for the period		**(8,627)**	**47,884**
Attributable to:			
The members of the Company		(8,868)	47,642
Non-controlling interests		241	242
		(8,627)	**47,884**
(Loss)/earnings per share attributable to ordinary equity holders of the Company (cents per share):			
- Basic	6	(18.57)	100.00
- Diluted	6	(18.57)	99.60
Franked dividends paid per share (cents per share) for the period	15	15.00	22.00

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

	Note	31 December 2019 $'000	31 December 2018 $'000
(Loss)/profit for the period		**(8,627)**	**47,884**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Change in fair value of financial assets, net of income tax	14	3,304	3,897
Reversal of the net fair value gain on financial assets at FVTOCI derecognised during the period	14	(789)	–
Foreign currency movement of investment revaluation reserve	14	(133)	1,606
		2,382	**5,503**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	14	**1,032**	**14,694**
Other comprehensive income for the period		**3,414**	**20,197**
Total comprehensive (loss)/income		**(5,213)**	**68,081**
Attributable to:			
The members of the Company		(5,536)	67,907
Non-controlling interests		323	174
		(5,213)	**68,081**

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

	Note	31 December 2019 $'000	30 June 2019 $'000
Current assets			
Cash and cash equivalents		12,991	80,232
Trade and other receivables	8	12,898	12,809
Other financial assets	9	2,016	7,518
Current tax assets	4	1,997	2,789
Other assets		1,536	2,068
Total current assets		**31,438**	**105,416**
Non-current assets			
Other financial assets	9	163,891	120,066
Plant and equipment		1,044	1,208
Right-of-use assets	10	2,446	–
Intangible assets	19	75,022	94,094
Investments in associates and a joint venture	20	137,702	110,143
Other assets		258	254
Total non-current assets		**380,363**	**325,765**
Total assets		**411,801**	**431,181**
Current liabilities			
Trade and other payables		6,991	7,506
Provisions	11	10,396	8,407
Financial liabilities	12	–	16,969
Lease liabilities	23	816	–
Current tax liabilities	4	971	3,329
Total current liabilities		**19,174**	**36,211**
Non-current liabilities			
Provisions	11	180	219
Financial liabilities	12	4,019	3,853
Lease liabilities	23	2,083	–
Deferred tax liabilities	4	3,068	7,371
Total non-current liabilities		**9,350**	**11,443**
Total liabilities		**28,524**	**47,654**
Net assets		**383,277**	**383,527**
Equity			
Share capital	13	178,424	166,279
Reserves	14	93,852	90,934
Retained earnings		110,556	125,777
Total equity attributable to owners of the Company		382,832	382,990
Non-controlling interests		445	537
Total equity		**383,277**	**383,527**

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

	Share capital $'000	Reserves $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 1 July 2019					
As previously reported	166,279	90,934	125,777	537	383,527
Impact of adoption of AASB 16 (Note 23)	–	–	4	–	4
As restated	**166,279**	**90,934**	**125,781**	**537**	**383,531**
(Loss)/profit for the period	–	–	**(8,868)**	**241**	**(8,627)**
Other comprehensive income:					
(i) Net movement in investment revaluation reserve (net of income tax)	–	2,382	789	–	3,171
(ii) Net movement in foreign currency translation reserve	–	950	–	82	1,032
Total comprehensive income/(loss) for the period	**–**	**3,332**	**(8,079)**	**323**	**(4,424)**
Transactions with owners in their capacity as owners:					
(i) Issuance of shares, net of share issue cost (Note 13)	12,145	–	–	–	12,145
(ii) Dividends paid (Note 15)	–	–	(7,146)	(415)	(7,561)
(iii) Share-based payments	–	476	–	–	476
(iv) Vested share-based payments		(890)			(890)
Total transactions with owners in their capacity as owners	**12,145**	**(414)**	**(7,146)**	**(415)**	**4,170**
Balance as at 31 December 2019	**178,424**	**93,852**	**110,556**	**445**	**383,277**
Balance as at 1 July 2018	**166,279**	**66,113**	**103,411**	**621**	**336,424**
Profit for the period	**–**	**–**	**47,642**	**240**	**47,882**
Other comprehensive income:					
(i) Net movement in investment revaluation reserve (net of income tax)	–	5,503	–	–	5,503
(ii) Net movement in foreign currency translation reserve	–	14,762	–	(68)	14,694
Total comprehensive income for the period	**–**	**20,265**	**47,642**	**172**	**68,079**
Transactions with owners in their capacity as owners:					
(i) Dividends paid	–	–	(10,481)	(483)	(10,964)
(ii) Share-based payments	–	503	–	–	503
Total transactions with owners in their capacity as owners	**–**	**503**	**(10,481)**	**(483)**	**(10,461)**
Balance as at 31 December 2018	**166,279**	**86,881**	**140,572**	**310**	**394,042**

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

	Note	31 December 2019 $'000	31 December 2018 $'000
Cash flow from operating activities			
Receipts from customers		18,588	19,929
Payments to suppliers and employees		(18,697)	(15,146)
Dividends and distributions received		12,483	9,557
Interest received		522	1,039
Interest paid		(667)	(424)
Income tax paid		(2,858)	(13,696)
Net cash provided by operating activities	7	**9,371**	**1,259**
Cash flow from investing activities			
Proceeds from sale of associates		459	99,335
Payments for the purchase of a joint venture		(29,017)	–
Payments for the purchase of an associate		–	(94,825)
Additional contributions to associates		(7,819)	(43)
Collections from financial assets at amortised cost		5,527	407
Payments for the purchase of financial assets at fair value through profit or loss		(30,283)	–
Collections of financial assets at fair value through profit or loss		673	–
Additional contributions to financial assets at fair value through other comprehensive income		(854)	–
Proceeds from sale of financial assets at fair value through profit or loss		–	21,510
Proceeds from maturity of short-term deposits		–	20,000
Loans provided to associates		(1,300)	–
Capital contributions to Nereus Holdings, LP		(256)	(552)
Payment for the purchase of plant and equipment		(18)	(68)
Net cash (used in)/provided by investing activities		**(62,888)**	**45,764**
Cash flow from financing activities			
Proceeds from issuance of shares, net of transaction costs		11,993	–
(Repayment) of borrowing		–	(9,269)
Repayments of financial liabilities		(17,135)	(9,020)
Repayments of lease liabilities		(387)	–
Dividends paid		(7,146)	(10,481)
Dividends paid to non-controlling interest in a subsidiary		(415)	(485)
Payments for the purchase of shares relating to shared-based payments		(634)	–
Net cash (used in) financing activities		**(13,724)**	**(29,255)**
Net (decrease)/increase in cash and cash equivalents held		**(67,241)**	**17,768**
Cash at beginning of the period		80,232	110,096
Unrealised foreign exchange difference in cash		–	74
Cash at end of the period		**12,991**	**127,938**
Non-cash investing and financing activities			
Investing activities	7	(2,849)	–
Financing activities	7	2,844	–

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

Index to the Notes to the Condensed Financial Statements

A. BASIS OF PREPARATION

This condensed financial report for the Company and the Group for the half-year ended 31 December 2019, was authorised for issue in accordance with a resolution of the Directors on 28 February 2020.

It has been prepared in accordance with AASB 134 'Interim Financial Reporting' ("AASB 134") and the *Corporations Act 2001*. Compliance with AASB 134 ensures that the financial statements and notes of the Group comply with International Financial Reporting Standard ("IFRS") IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ("IASB"). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

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 annual report for the year ended 30 June 2019 except for the application of AASB 16 'Leases' ("AASB 16") as at 1 July 2019. It should be considered together with any public announcements made by the Company also in accordance with the continuous disclosure obligations of the ASX Listing Rules.

All amounts are presented in Australian dollars, unless otherwise stated.

The Company is a company limited by shares incorporated and domiciled in Australia. Its shares are listed for trading on the ASX with a ticker code PAC. It is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

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

a. Historical cost convention

The condensed financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the relevant accounting policies in most recent annual financial report.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

b. Going concern

This condensed financial report has been prepared on a going concern basis, which assumes that the Group will be able to meet its debts as and when they become due and payable.

c. Comparatives

The accounting policies adopted by the Group in the preparation and presentation of the condensed financial statements are consistent with the annual financial report for the year ended 30 June 2019, except for the impact of the implementation of AASB 16 (Refer to Note 23). Where necessary, comparative information has been reclassified, repositioned and restated for consistency with current period disclosures.

d. Critical accounting estimates, judgments and assumptions

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

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

- Revenue recognition of performance fees (carried interest) - refer to Note 1b;
- Income tax, tax basis for USA investments and recovery of deferred tax assets - refer to Note 4b;
- Valuation of financial assets at fair value and impairment of financial assets at amortised cost - refer to Note 9b and Note 16;
- Valuation of financial liabilities at fair value - refer to Note 12b;
- Impairment of goodwill and other identifiable intangible assets - refer to Note 19b;
- Impairment of investments in associates - refer to Note 20d;
- Share-based payment transactions - refer to Note 21; and
- Lease terms - refer to Note 23.

e. 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 condensed financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

B. GROUP RESULTS FOR THE PERIOD

This section provides information regarding the results and performance of the Group during the year, including further details on revenue, other income and net gains on investments and financial liabilities, expenses, income tax, segment information, earnings per share and reconciliation of cashflows.

1. Revenue

a. Analysis of balance

The Group derives its revenue from transfer of services over time and at a point in time as below:

	31 December 2019 $'000	31 December 2018 $'000
Timing of revenue recognition		
Over time		
- Fund management fees	15,981	16,314
- Performance fees	318	–
- Commission revenue	1,974	2,570
- Retainer revenue	160	372
- Service fees	15	32
- Sundry revenue	–	3
	18,448	19,291
At a point in time		
- Sundry revenue	35	52
Total revenue	**18,483**	**19,343**

b. Key estimates, judgments and assumptions

Revenue recognition of performance fees

Performance fees are only recognised by the Group when it is highly probable that the revenue will not be reversed. Any performance related fees that were recognised by the subsidiaries and/or equity accounted investments that do not qualify for the recognition requirements are excluded in the consolidation and take up of the share of the profits/losses.

2. Other income and net gains on investments and financial instruments

Analysis of balances

	31 December 2019 $'000	31 December 2018 $'000
Other income:		
Interest income:		
- Other persons/corporations	349	1,017
- Related party	29	–
	378	1,017
Distributions and dividend income:		
- Financial assets at fair value through profit or loss	6,688	1,662
- Financial assets at fair value through other comprehensive income	3,565	3,989
	10,253	5,651
Earn-out income	–	70
Sundry income	786	–
Total other income	**11,417**	**6,738**
Gain on sale of investments:		
Gain on sale of associates	–	71,385
Gain on sale of investments	–	10
Total gain on sale of investments	**–**	**71,395**
Changes in fair values of financial assets and liabilities:		
Financial assets through profit or loss	12,395	(91)
Financial liabilities through profit or loss	(667)	(64)
Total changes in fair values of financial assets and liabilities	**11,728**	**(155)**

3. Expenses

Analysis of balances

	31 December 2019 $'000	31 December 2018 $'000
Salaries and employee benefits:		
- Salaries and employee benefits	10,822	11,189
- Share-based payment expense	476	503
Total salaries and employee benefits	**11,298**	**11,692**
Impairment expenses:		
- Impairment of capital contributions:		
- Nereus Holdings LP ("Nereus")	256	552
- Impairment of investment in associates (Note 20):		
- Blackcrane Capital, LLC ("Blackcrane")	–	1,883
- Freehold Investment Management Limited ("FIM")	115	497
- Victory Park Capital Advisors, LLC ("VPC")	14,007	–
	14,122	2,330
- Impairment of goodwill in subsidiaries (Note 19):		
- Aether Investment Partners, LLC ("Aether")	–	1,548
- Seizert Capital Partners, LLC ("Seizert")	17,713	2,174
	17,713	3,722
Total impairment expenses	**32,091**	**6,604**
Administration and general expenses:		
- Accounting and audit fees	1,017	1,217
- Broker and consulting fees[1]	–	1,294
- Commission and marketing expenses	999	772
- Computer and software maintenance expenses	474	103
- Deal costs	764	474
- Directors' fees	322	296
- Insurance expense	716	677
- Lease expenses	130	595
- Legal, compliance and professional fees	2,311	1,028
- Net foreign exchange loss	1,192	822
- Provision for estimated liability for Nereus (Note 11)	2,317	7,688
- Share registry and regulatory fees	130	73
- Taxes and license fees	494	644
- Travel and accommodation costs	607	534
- Other general expenses	942	993
Total administration and general expenses	**12,415**	**17,210**

Notes:
[1] The broker and consulting fees pertained to the cost of services of an external party to identify suitable investors for the two operating solar PV generation plants of Nereus.

	31 December 2019 $'000	31 December 2018 $'000
Depreciation and amortisation expense:		
- Depreciation of plant and equipment	181	186
- Depreciation of right of-use-asset	347	–
- Amortisation of management rights	1,790	729
Total depreciation and amortisation expense	**2,318**	**915**
Interest expense:		
- Notes payable - Seizert	244	315
- Other	92	56
Total interest expenses	**336**	**371**
Total expenses	**58,458**	**36,792**

4. Income tax

a. Analysis of balances

Income tax (benefit)/expense

	31 December 2019 $'000	31 December 2018 $'000
Total income tax (benefit)/expense recognised in profit or loss	**(4,715)**	**13,898**

	31 December 2019 $'000	30 June 2019 $'000
Current tax assets		
Income tax receivable[1]	**1,997**	**2,789**
Current tax liabilities		
Provision for income tax[2]	**971**	**3,329**
Non-current liabilities – net deferred tax liabilities		
Components of net deferred tax liabilities:		
- Liabilities	4,505	8,568
- Assets	(1,437)	(1,197)
Net deferred tax liabilities	**3,068**	**7,371**

Notes:
[1] The income tax receivable is provisional income tax paid in the USA (net of the current period provision).
[2] The provision for income tax consisted of the estimated income tax liability of $464,000 in Australia and $507,000 in the UK (30 June 2019: $2,372,000 in Australia and $957,000 in the UK).

b. Key estimates, judgments and assumptions

(i) 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.

(ii) Tax basis for USA investments

The Group determines its tax obligation in the event of liquidation and/or disposal of its USA investments. This is calculated by determining the tax basis and tax basis adjustments as permitted under the USA Internal Revenue Code. The tax basis adjustments involved an estimation of the additional tax basis specific to the USA investments.

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

(iii) 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.

c. Uncertainty over income tax treatments

During the period, the Group acquired an equity interest in Pennybacker. 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 taxable 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 investee level and has not yet been finalised, the Group did not include an estimate of the amortisation deduction in the 31 December 2019 tax provision.

The tax calculated at the Group level is dependent on the notification of allocated taxable income by investments in the USA 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.

5. Segment information

a. Reportable segments

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

The Group's segment reporting is categorised on the following criteria:

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

For subsequent segment reporting purposes, transfer from/to Tier 1 boutiques to/from Tier 2 boutiques will be based on either of the following:

- their annual earnings contribution for two consecutive reporting periods. For example, 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; or
- assessment of the Board that the category of a particular investment be amended as a result of a substantial losses of FUM and significant decline in the contribution to the Group.

The Group's categorisation of its reportable segments under AASB 8: *Operating Segments* are as follows:

	31 December 2019 Segment Category	30 June 2019 Segment Category
Aether Investment Partners, LLC and Aether General Partners	Tier 1	Tier 1
AlphaShares, LLC	Tier 2	Tier 2
Blackcrane Capital, LLC	Tier 2	Tier 2
Capital & Asset Management Group, LLP	Tier 2	Tier 2
Carlisle Management Company S.C.A.	Tier 1	Tier 1
EAM Global Investors, LLC ("EAM Global")	Tier 2	Tier 2
GQG Partners, LLC	Tier 1	Tier 1
Independent Financial Partners, LLC	Tier 2	Tier 2
Nereus Holdings, L.P.	Tier 2	Tier 2
Northern Lights Alternative Advisors, LLP	Tier 2	Tier 2
Roc Group	Tier 2	Tier 2
Seizert Capital Partners, LLC	Tier 2	Tier 1
Strategic Capital Investments, LLP	Tier 2	Tier 2
Victory Park Capital Advisors, LLC	Tier 1	Tier 1
Victory Park Capital GP Holdco, LP ("VPC-Holdco")	Tier 1	Tier 1
Acquired during the period		
Pennybacker Capital Management, LLC	Tier 2	–
Proterra Investment Partners, LP	Tier 1	–

	31 December 2019 Segment Category	30 June 2019 Segment Category
Disposed during the period/prior period		
Aperio Group, LLC (“Aperio”)	–	Tier 1
Celeste Funds Management Limited (“Celeste”)	–	Tier 2
Freehold Investment Management Limited	Tier 2	Tier 2
RARE Infrastructure Ltd	–	Tier 2

b. Analysis of balances

(i) Segment revenues and results

The following is an analysis of the Group’s revenues and results by reportable segments. The results reflect the elimination of intragroup transactions including those between the Group and its boutiques.

	Segment revenue		Share of net profits of associates		Segment profit/(loss) for the period	
	31 December 2019 $’000	31 December 2018 $’000	31 December 2019 $’000	31 December 2018 $’000	31 December 2019 $’000	31 December 2018 $’000
Tier 1 boutiques	10,231	17,842	3,407	1,047	13,229	8,733
Tier 2 boutiques	8,243	1,372	81	206	(18,513)	(6,602)
	18,474	19,214	3,488	1,253	(5,284)	2,131
Central administration	9	129	–	–	(3,343)	45,753
Total per consolidated statement of profit or loss	**18,483**	**19,343**	**3,488**	**1,253**	**(8,627)**	**47,884**

The following details segment revenue:

	Tier 1 boutiques $’000	Tier 2 boutiques $’000	Central administra-tion $’000	Total $’000
31 December 2019				
Over time				
- Fund management fees	8,589	7,392	–	15,981
- Performance fees	–	318	–	318
- Commission revenue	1,555	410	9	1,974
- Retainer revenue	87	73	–	160
- Service fees	–	15	–	15
- Sundry revenue	–	–	–	–
	10,231	8,208	9	18,448
At a point in time				
- Sundry revenue	–	35	–	35
	10,231	**8,243**	**9**	**18,483**

	Tier 1 boutiques $'000	Tier 2 boutiques $'000	Central administra-tion $'000	Total $'000
31 December 2018				
Over time				
- Fund management fees	15,344	970	–	16,314
- Performance fees	–	–	–	–
- Commission revenue	2,196	367	7	2,570
- Retainer revenue	302	–	70	372
- Service fees	–	32	–	32
- Sundry revenue	–	3	–	3
	17,842	1,372	77	19,291
At a point in time				
- Sundry revenue	–	–	52	52
	17,842	**1,372**	**129**	**19,343**

The following details segment profit after tax for the year for central administration:

	31 December 2019 $'000	31 December 2018 $'000
Revenue	9	129
Other income	389	623
Gain on sale of investments [1]	–	71,395
Changes in fair values of financial assets and liabilities	(66)	(155)
	332	71,992
Salaries and employee benefits	(2,377)	(5,042)
Administration and general expenses	(5,639)	(6,350)
Depreciation and amortisation expense	(336)	(156)
Interest expense	(38)	(56)
	(8,390)	(11,604)
Income tax benefit/(expense)	4,715	(14,635)
	(3,343)	45,753

Notes:
[1] The gain on sale of investments and the related income tax expense are classified under central administration.

(ii) Segment assets and liabilities

	Segment assets		Segment liabilities		Segment net assets	
	31 December 2019 $'000	30 June 2019 $'000	31 December 2019 $'000	30 June 2019 $'000	31 December 2019 $'000	30 June 2019 $'000
Tier 1 boutiques	317,426	322,672	15,935	28,808	301,491	293,864
Tier 2 boutiques	79,025	24,759	6,647	9,283	72,378	15,476
	396,451	347,431	22,582	38,091	373,869	309,340
Central administration[1]	15,350	83,750	5,942	9,563	9,408	74,187
Total per consolidated statement of financial position	**411,801**	**431,181**	**28,524**	**47,654**	**383,277**	**383,527**

Notes:

[1] The total assets under central administration consisted of $4,786,000 cash and cash equivalents; $4,000 trade and other receivables, $5,858,000 other financial assets, $1,997,000 income tax receivable, $866,000 plant and equipment, $814,000 right-of-use assets and $1,025,000 other assets (30 June 2019: $66,566,000 cash and cash equivalents; $30,000 trade and other receivables, $12,218,000 other financial assets, $2,789,000 income tax receivable, $1,006,000 plant and equipment and $1,141,000 other assets).

Total liabilities under central administration consisted of $4,773,000 trade and other payables, $402,000 provisions for annual and long service leave, $1,233,000 current and non-current lease liabilities, $971,000 provision for income tax and $1,437,000 net deferred tax assets (30 June 2019: $4,731,000 trade and other payables, $700,000 provisions for annual and long service leave, $500,000 current and non-current financial liabilities, $3,329,000 provision for income tax and $303,000 net deferred tax liabilities).

6. (Loss)/earnings per share

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

	31 December 2019	31 December 2018
Basic (loss)/earnings per share:		
Net (loss)/profit attributable to the members of the Company ($'000)	(8,868)	47,642
Weighted average number of ordinary shares for basic earnings per share	47,766,900	47,642,367
Basic (loss)/earnings per share (cents)	**(18.57)**	**100.00**
Diluted (loss)/earnings per share:		
Net (loss)/profit attributable to the members of the Company ($'000)	(8,868)	47,451
Weighted average number of ordinary shares for diluted earnings per share	47,766,900	47,642,367
Diluted (loss)/earnings per share (cents)	**(18.57)**	**99.60**
Reconciliation of (loss)/earnings used in calculating (loss)/earnings per share:		
Net (loss)/profit attributable to the members of the Company used in the calculation of basic (loss)/earnings per share ($'000)	(8,868)	47,642
Add: Adjustment on the impact on the dilution effect of the performance rights	–	(191)
Net (loss)/profit attributable to the members of the Company used in the calculation of diluted (loss)/earnings per share ($'000)	(8,868)	47,451
Reconciliation of weighted average number of ordinary shares in calculating (loss)/ earnings per share:		
Weighted average number of ordinary shares for basic and diluted earnings per share	47,766,900	47,642,367

7. Notes to consolidated statement of cash flows

Analysis of balances

a. Reconciliation of cash flow from operations with profit after income tax

	31 December 2019 $'000	31 December 2018 $'000
(Loss)/profit from ordinary activities after income tax	(8,627)	47,884
Adjustments and non-cash items:		
- Impairment of assets	32,091	6,604
- Non-operating foreign exchange transactions	2,853	4,989
- Depreciation and amortisation expense	2,318	915
- Dividends received/receivable from associates	1,694	3,906
- Share based payments	476	503
- Changes in fair values of financial assets and liabilities	(11,728)	155
- Share of net (profit)/loss from associates	(3,488)	(1,253)
- Non-operating interest income	170	(93)
- Non-operating interest expense	(331)	(52)
- Gain on sale of investments	–	(71,395)
- Other	(81)	(176)
Changes in operating assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(90)	597
- Decrease in other assets	535	27
- (Decrease) in trade and other payables	(773)	(522)
- (Decrease) in current tax liabilities	(1,567)	(2,481)
- (Decrease)/increase in net deferred taxes	(5,964)	3,353
- Increase in provisions	1,883	8,298
Cash flows provided by operating activities	**9,371**	**1,259**

b. Non-cash investing and financing activities

Investing activities:		
- Recognition of right-of-use assets	(2,787)	–
- Impact of AASB 16 sublease receivables	(62)	–
	(2,849)	**–**
Financing activities:		
- Recognition of lease liabilities	2,777	–
- Impact of AASB 16 on provisions	67	–
	2,844	**–**

c. Bank debt facility

The Group has no bank debt facility as at 31 December 2019 (30 June 2019: nil).

C. OPERATING ASSETS AND LIABILITIES

8. Trade and other receivables

a. Analysis of balances

	31 December 2019 $'000	30 June 2019 $'000
Current		
Trade receivables	6,105	5,742
Contract assets	1,135	899
Dividend receivable	5,629	6,165
Sundry receivables	29	3
	12,898	**12,809**

Impairment

At 31 December 2019, an assessment on the expected credit losses was made on trade receivables and contract assets and indicated a total allowance of $28,000 (30 June 2019: $29,000).

Applying the expected credit loss model for dividend receivable and sundry receivables resulted to a loss of $3,000 at 31 December 2019 (30 June 2019: $3,000).

As the expected credit losses for trade and other receivables was considered immaterial, no impairment provision was recognised.

b. Key estimates, judgments and assumptions

Impairment of trade and other receivables

The Group applied the AASB 9 'Financial Instruments' simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. The loss allowance was determined on the days past due and the credit risk characteristics of the balances.

The expected loss rates are based on the payment profiles over a period of 36 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on various factors affecting the ability of the counterparties to settle the receivables including the review of their financial statements.

9. Other financial assets

a. Analysis of balances

	Type of Instrument	31 December 2019 $'000	30 June 2019 $'000
Current			
Financial assets at amortised cost:			
- Receivable from other party[1]	Debt	–	5,108
- Receivable from EAM Investors, LLC ("EAM Investors")[2]	Debt	533	731
- Sublease receivable (Note 23)	Debt	272	293
- Loans receivable from third parties	Debt	45	48
		850	6,180
Financial assets at fair value through profit or loss ("FVTPL"):			
- Receivable from Raven Capital Management, LLC ("Raven")[3]	Debt	1,166	1,338
		2,016	**7,518**
Non-current			
Financial assets at amortised cost:			
- Receivable from EAM Investors[2]	Debt	1,600	1,869
- Loans receivable from IFP[4]	Debt	1,265	–
- Sublease receivable (Note 23)	Debt	272	314
		3,137	2,183
Financial assets at FVTPL:			
- Receivable from Raven[3]	Debt	1,969	2,517
- Investment in Carlisle[5]	Debt/Equity	55,161	48,766
- Investment in Proterra[6]	Equity	34,858	–
		91,988	51,283
Financial assets at fair value through other comprehensive income ("FVTOCI"):			
- Investment in EAM Global[7]	Equity	9,018	8,543
- Investment in GQG[8]	Equity	59,748	56,526
- Investment in IFP[9]	Equity	–	1,531
		68,766	66,600
		163,891	**120,066**

Notes:

[1] The receivable from other party pertained to the remaining retention amount including interest held in escrow from the sale of the Group's investment in Investors Mutual Ltd. The escrow account was an interest-bearing corporate trust account held with an Australian bank. This was collected in October 2019.

[2] The receivable from EAM Investors pertains to the financing of USD2,250,000 provided by the Group on 21 February 2018. The loan has a term of six-years 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 in June 2024.

[3] The receivable from Raven pertains to the earn out component on the sale of the investment on 14 October 2016. The Group is paid 33.33% of the management fees earned by Raven on new FUM. Payments are calculated quarterly until the USD3,500,000 earn out cap is met. During the half-year ended 31 December 2019, the amount of USD 458,653 was received and the balance of the earn-out was fair valued using discounted cash flows method at 7.08% (30 June 2019: 7.78%) with the related changes in fair value taken to profit or loss.

[4] The loans receivable from IFP pertains to the amount drawn down of $1,299,652 (USD889,000) by IFP from the credit facility provided by the Group on 14 October 2019. The initial amount of credit facility of $2,220,000 (USD1,500,000) and the credit facility bears interest of 13% per annum and will have to be fully repaid no later than 31 December 2022.

[5] The investment in Carlisle pertains to the purchase of 12,500 Preferred Shares of Carlisle and 5,000,000 units of Contingent Convertible Bonds ("CoCo Bonds") issued by Carlisle. The Group is entitled to 16% of the revenues and 40% of the liquidation proceeds in the event of a sale.
[6] The investment in Proterra pertains to the Group's 16% equity interest in Proterra acquired on 21 September 2019. The Group is entitled to 8% of the gross management revenues and 16% of the liquidation proceeds in the event of a sale. The fair value of the investment at 31 December 2019 was net of the fair value of the earn-out obligation of $6,863,000.
[7] The investment in EAM Global pertains to the Group's 18.75% interest in EAM Global and is entitled to percentage of revenues of EAM Global based on certain threshold.
[8] The investment in GQG pertains to the Group's 5% interest in GQG entitling the Group to a percentage of the revenues of GQG.
[9] The investment in IFP pertains to the Group's equity interest in IFP at 31 December 2019. The investment was initially acquired on 24 January 2019 for $3,666,000 (USD2,575,000) for a total commitment of up to 25% of equity interest. Additional contributions of $854,000 (USD600,000) during the period were made resulting in an increase of the Group's interest from 10% to 16%. The increase in equity resulted in the investment to be subsequently reclassified from a financial asset at fair value through other comprehensive income to an investment in associate. Refer to Note 20 (a)(iii).

Impairment of other financial assets at amortised cost

At 31 December 2019, an assessment on the expected credit losses was made on other financial assets at amortised cost and determined a total allowance of $11,000 (30 June 2019: $12,000) which was not recognised because the amount was considered immaterial.

b. Key estimates, judgments and assumptions

(i) Valuation of financial assets at fair value

The Group exercises significant judgement in areas that are highly subjective (refer to Note 16). The valuation of assets and the assessment of carrying values 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.

(ii) Impairment of financial assets at amortised cost

The loss allowances for financial assets at amortised cost 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 and forward-looking estimates at the end of each reporting period.

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 it 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 it debt obligations.

10. Right-of-use assets

Analysis of balances

	31 December 2019 $'000	30 June 2019 $'000
The recognised right-of-use assets relate to the following types of assets		
Properties, net of depreciation	2,382	–
Equipment, net of depreciation	64	–
	2,446	–

Adoption of AASB 16 resulted to the recognition of certain operating leases to be capitalised as part of right-of-use assets. Refer to Note 23 for the assessment of the impact on the adoption of AASB 16.

11. Provisions

Analysis of balances

	31 December 2019 $'000	30 June 2019 $'000
Current		
Provision for estimated liability for Nereus[1]	10,174	7,926
Provision for annual leave	222	481
	10,396	**8,407**
Non-current		
Provision for long service leave	113	219
Other	67	–
	180	**219**

Notes:

[1] Hareon Solar Singapore Private Limited ("Hareon") holds Class H shares in Nereus Capital Investments (Singapore) Pte Ltd ("NCI), a joint venture between Aurora Trust and Hareon. NCI owns and operates two solar PV generation projects in India. Hareon may put its Class H shares back to NCI at the maximum "Put Option Price" which is equivalent to a return of their invested capital plus a certain range of return of their invested capital. The Class H shares have priority to other shareholders.

Management assessment of the redemption of Class H Shares is estimated to be $33,427,000 (USD23,498,000) (30 June 2019: $30,996,000 (USD21,770,000)). The fair value of the solar projects in Nereus is approximately $23,253,000 (USD16,346,000) (30 June 2019: $23,070,000 (USD16,203,000)). The difference between the redemption value of the Class H shares of $33,427,000 (30 June 2019: $30,996,000) and the fair value of the solar projects of $23,253,000 (30 June 2019: $23,070,000) is provided in full as potential obligation of the Group in the amount of $10,174,000 (30 June 2019: $7,926,000). At 31 December 2019, this provision was $10,174,000 (USD7,152,000). As such, the Group increased its potential obligation by $2,248,000 (USD1,585,000).

D. CAPITAL, FINANCING AND FINANCIAL RISK MANAGEMENT

12. Financial liabilities

a. Analysis of balances

	31 December 2019 $'000	30 June 2019 $'000
Current		
Financial liabilities at amortised cost:		
- Notes payable - Seizert[1]	–	7,499
- Sublease liability[2]	–	246
	–	7,745
Financial liabilities at FVTPL		
- Earn-out liability[3]	–	9,224
	–	**16,969**
Non-current		
Financial liabilities at amortised cost:		
- Sublease liability[2]	–	255
Financial liabilities at FVTPL:		
- Earn out liability[3]	3,542	3,433
- Deferred payment – former owners of EAM Global[4]	194	165
	3,736	3,598
Embedded Derivatives:		
- CAMG put option	283	–
	4,019	**3,853**

Notes:

[1] The notes payable – Seizert pertains to the notes issued by the Trust in November 2014 to the former owners of Seizert as part of the consideration for the acquisition by Midco for the equity interest in Seizert. The Group made full payment to the holders of the notes payable in the amount of $7,852,220 (USD5,394,231) including accrued interest on 13 December 2019.

[2] The Group implemented AASB 16 from 1 July 2019 resulting to the reversal of the sublease liability. Refer to Note 23 for the assessment of the impact on the adoption of AASB 16.

[3] The earn-out liability represents the amount owed by the Group to the former owners of Aether, for marketing and offering interests in the Aether Real Assets V, L.P. ("ARA Fund V").

ARA Fund V was formally closed on 20 July 2019 and two-thirds of the earn-out liability was recognised as current liability as at 30 June 2019 and was paid on 15 October 2019. The remainder is due at the earlier of the final close of ARA Fund VII or three years after the close of ARA Fund VI.

[4] The deferred payment pertains to the acquisition of the additional 375 preferred units in EAM Global from its former owners representing additional 3.75% equity ownership in EAM Global. The deferred payment will be settled 60 days after 31 March 2022 and 31 March 2023.

b. Key estimates, judgements and assumptions

Valuation of financial liabilities at fair value

The Group exercises significant judgement in areas that are highly subjective (refer to Note 16). The valuation of liabilities and the assessment of carrying values require that a detailed assessment be undertaken which reflects assumptions on markets, manager performance and expected growth to project future cash outflows that are discounted at a rate that imputes relative risk and cost of capital considerations.

13. Share capital

a. Analysis of balances

	31 December 2019 $'000	30 June 2019 $'000
Issued and fully paid ordinary shares	**178,424**	**166,279**

Movements in ordinary shares on issue

	31 December 2019		30 June 2019	
	No. of shares	$'000	No. of shares	$'000
Opening balance	47,642,367	166,279	47,642,367	166,279
Shares issued				
- 9 December 2019, net of share issue costs and income tax	2,066,116	12,145	–	–
Closing balance	**49,708,483**	**178,424**	**47,642,367**	**166,279**

On 9 December 2019, the Company completed a fully-underwritten institutional placement of 2,066,116 new fully paid ordinary shares at an issue price of $6.05 per share totalling to $12,500,000 before issue costs. The new shares rank equally with existing shares and entitled to the interim dividend for 2020. The proceeds of the placement were used to settle deferred consideration from existing investments and replenish the Company's operating capital.

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

b. 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 2019, the Company paid dividends of $7,146,000 (31 December 2018: $10,481,000). The Board anticipates that the median payout ratio to be in the range of 50% to 80% of the underlying net profit after tax 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.

14. Reserves

Analysis of balances

	31 December 2019 $'000	30 June 2019 $'000
Investment revaluation reserve	38,698	36,316
Foreign currency translation reserve	48,794	47,844
Equity-settled employee benefits reserve	6,360	6,774
	93,852	**90,934**

(i) Investment revaluation reserve

This reserve records the Group's gain on its financial assets at FVTOCI.

Movements in reserve:

Opening balance	36,316	27,320
Net fair value gain on financial assets at FVTOCI, net of income tax	3,304	6,627
Reversal of the net fair value gain, net of income tax, on financial assets at FVTOCI derecognised during the period	(789)	–
Foreign currency movement	(133)	2,369
Closing balance	**38,698**	**36,316**

(ii) Foreign currency translation reserve

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

Movements in reserve:

Opening balance	47,844	33,035
Exchange differences on translating foreign operations of the Group	1,032	14,758
Share of non-controlling interests	(82)	51
Closing balance	**48,794**	**47,844**

(iii) Equity settled employee benefits reserve

This reserve is used to record the value of equity benefits provided to Directors and employees as part of their remuneration. Refer to Note 21 for further details of these plans.

Movements in reserve:

Opening balance	6,774	5,758
Share-based payments	476	1,016
Vesting of performance rights	(890)	–
Closing balance	**6,360**	**6,774**

15. Dividends paid and proposed

Analysis of balances

	31 December 2019 $'000	31 December 2018 $'000
Current year interim paid during the half-year:		
Fully franked dividend at 15 cents per share (31 December 2018: 22 cents per share)	7,146	10,481
Declared after the reporting period and not recognised[1]:		
Fully franked dividend at 10 cents per share (31 December 2018: 10 cents per share)	4,971	4,764

Notes:
[1] Calculation was based on the ordinary shares on issue as at 31 January 2020 (2018: 31 July 2019).

16. Fair value of financial instruments

a. Fair value estimation

(i) Fair value hierarchy

Some of the Group's financial assets and financial liabilities are measured on a recurring basis at fair value at the end of each reporting period.

The Group classifies fair value measurements using the fair value hierarchy categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The following table gives information about how the fair values of those financial assets / liabilities categorised as Level 3 items are determined (in particular, the valuation techniques and inputs used):

Financial instruments	31 December 2019 $'000	30 June 2019 $'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable input
Held-for-sale					
Investment in Nereus	–	–	Discounted cash flow. Future cash flows are determined from expected cash available for distribution. Net cash flows are based on revenues and expenses generated by the two solar projects discounted at 11% (30 June 2019: 12.46%)	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.
Financial assets at FVTPL					
Receivable from Raven	3,135	3,855	Discounted cash flow. Future cash flows are determined based on the projected earn-out payments in relation to the new FUM of the business discounted at 7.08% (30 June 2019: 7.78%).	Discount rate was derived based on the adjusted risk-free rate of a USA 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 Carlisle	55,161	48,766	31 December 2019 Discounted cash flow. Future cash flows are determined based on current and projected FUM of the business using various growth rates discounted at 16% 30 June 2019 It was determined that the acquisition cost approximated its fair value.	Discount rate. Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries. Discount rate from the acquisition model.	The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value. The higher the discount rate, the lower the fair value.
Investment in Proterra (acquired on 21 September 2019)	34,858	–	Discounted cash flow. Future cash flows are determined based on current and projected FUM of the business using various growth rates discounted at 15.1%	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.
Financial assets at FVTOCI					
Investment in EAM Global	9,018	8,543	Discounted cash flow. Future cash flows are determined based on current and projected FUM of the business using various growth rates discounted at 17% (30 June 2019: 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.

Financial instruments	31 December 2019 $'000	30 June 2019 $'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable input
Investment in GQG	59,748	56,526	Discounted cash flow. Future cash flows are determined based on current and projected FUM of the business using various growth rates discounted at 14% (30 June 2019: 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 IFP	–	1,531	31 December 2019 The investment was classified as an investment in associate. 30 June 2019 it was determined that the acquisition cost approximated its fair value.	Not applicable Discount rate from the acquisition model. Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	Not applicable The higher the discount rate, the lower the fair value.
Financial liabilities at FVTPL					
Earn out liability	3,542	12,657	Discounted cash flow. Future cash flows are determined based on the projected revenues through-out the life of the fund discounted at 8% (30 June 2019: 8%).	Discount rate	The higher the discount rate, the lower the fair value.
Deferred payment - former owners of EAM Global	194	165	Discounted cash flow. Future cash flows are determined based on the current and projected FUM of the business for the years' ending 31 March 2022 and 2023 discounted at 17% (30 June 2019: 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.
Embedded derivatives					
CAMG Put Option	283	–	The fair value is determined on the amount of the potential capital contributions multiplied by 5% probability (30 June 2019: nil) that the put option will be exercised.	The probability rate was based on the likelihood of various available alternatives.	The higher the probability rate, the higher the fair value.

(ii) 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:

(ii.a) Held-for-sale

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 11% (30 June 2019: 12.46%) cost of capital. Power output was determined using PVSyst, 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. Management's assessment of the fair value of the solar projects in Nereus is approximately $23,253,000 (USD16,346,000) (30 June 2019 $23,070,000 (USD16,203,000)).

Applying 1% (30 June 2019: 1%) lower or higher to the rate of the indicative offer (30 June 2019: cost of capital), while all the other variables were held constant, the fair value would still be nil (30 June 2019: nil). For the half-year ended 31 December 2019, for a 1% decrease in the rate the obligation of the Group would decrease by $1,661,000 (30 June 2019: decrease by $1,648,000) and for a 1% increase in the rate the obligation of the Group would increase by $1,480,000 (30 June 2019: increase by $1,468,000).

(ii.b) Financial assets at FVTPL

(ii.b.1) Receivable from Raven

In determining the fair value of the receivable from Raven, the cash flows from the new FUM is discounted by applying a discount factor of 7.08% (30 June 2019: 7.78%).

If the discount factor was 1% (30 June 2019: 1%) lower or higher while all the other variables were held constant, the fair value would increase by $47,000 and decrease by $45,000 (30 June 2019: increase by $59,000 and decrease by $57,000).

(ii.b.2) Investment in Carlisle

In determining the fair value of the investment in Carlisle, a revenue growth derived from FUM growth factor of 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, a discount factor of 16% and growth rate of 3% have been applied (30 June 2019: discount rate of 14.08% from the acquisition model was used).

If the growth rate in the revenue inputs to the valuation model (30 June 2019: discount factor) were 1% (30 June 2019: 1%) lower or higher while all the other variables were held constant, the fair value would decrease by $279,000 and increase by $279,000 (30 June 2019: increase by $5,235,000 and decrease by $4,556,000).

(ii.b.3) Investment in Proterra

In determining the fair value of the investment in Proterra, a revenue growth derived from FUM growth factor of 14% 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, a discount factor of 15.1% and growth rate of 3% have been applied (30 June 2019: nil).

If the growth rate in the revenue inputs to the valuation model were 1% lower or higher while all the other variables were held constant, the fair value would decrease by $2,665,000 and increase by $3,268,000 (30 June 2019: nil).

(ii.c) Financial assets at FVTOCI

(ii.c.1) Investment in EAM Global

In determining the fair value of the investment in EAM Global, a revenue growth derived from FUM growth factor of 7.8% to 10.1% (30 June 2019: 5% to 10.5%) 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, a discount factor of 17% and growth rate of 3% (30 June 2019: discount factor of 18.5% and growth rate of 3%) have been applied.

If the growth rate in the revenue inputs to the valuation model were 1% (30 June 2019: 1%) lower or higher while all the other variables were held constant, the fair value would decrease by $333,000 and increase by $384,000 (30 June 2019: decrease by $285,000 and increase by $285,000).

(ii.c.2) Investment in GQG

In determining the fair value of the investment in GQG, a revenue growth derived from FUM growth factors ranging from 11.4% to 15.3% (30 June 2019: 10% to 22.3%) 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 2019: 5%) fee compression has been used, discount factor of 14% and terminal growth rate of 3% (30 June 2019: discount factor of 15% and terminal growth rate of 3%) have been applied.

If the terminal growth was 1% (30 June 2019: 1%) lower or higher, while all the other variables were held constant, the fair value would decrease by $3,051,000 and increase by $3,662,000 (30 June 2019: decrease by $2,563,000 and increase by $3,132,000).

(ii.c.3) Investment in IFP

At 31 December 2019, the investment was classified as an investment in associate.

In calculating the sensitivity of the investment in IFP at 30 June 2019, the discount rate of 7.7% from the acquisition model was used.

If the discount factor was at 30 June 2019 was 1% lower or higher, while all the other variables were held constant, the fair value at 30 June 2019 would increase by $70,000 and decrease by $65,000.

(ii.d) Financial liabilities at FVTPL

(ii.d.1) Earn-out liability

In determining the fair value of the earn-out liability, a discount rate of 8% (30 June 2019: 8%) was used.

If the discount rate was 1% (30 June 2019: 1%) lower or higher while all the other variables were held constant, the fair value would increase by $126,000 and decrease by $120,000 (30 June 2019: increase by $164,000 and decrease by $158,000).

(ii.d.2) Deferred payment – former owners of EAM Global

In determining the fair value of deferred payment - former owners of EAM Global, a projected 2% and 1% (30 June 2019: 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 17% (30 June 2019: 18.5%) has been applied and no compression was assumed.

If the discount rate was 1% lower or higher while all the other variables were held constant, the fair value would decrease by $7,000 and increase by $8,000 (30 June 2019: increase by $5,000 and decrease by $5,000).

(ii.e) Embedded derivatives

CAMG put option

In determining the fair value of CAMG put option, the potential capital contributions of the Group was determined and multiplied by 5% probability factor that the put option will be exercised based on the likelihood of various available alternatives (30 June 2019: nil).

If the probability factor was 1% (30 June 2019: nil) lower or higher while all the other variables were held constant, the fair value would decrease by $57,000 and increase by $57,000 (30 June 2019: nil).

(iii) Transfers between levels and changes in valuation techniques

There were no transfers between the levels of fair value hierarchy during the period. There were also no changes made to any of the valuation techniques applied as at 31 December 2019.

(iv) 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 table below, the carrying amounts of financial assets (cash and cash equivalents, trade and other receivables, receivable from other party and security deposits) and financial liabilities (trade and other payables) recognised in the condensed financial statements approximate their fair values.

	31 December 2019		30 June 2019	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets at amortised cost				
- Receivable from EAM Investors	2,133	2,261	2,260	2,587
- Loans from third party	45	40	48	48
- Loans receivable from IFP	1,265	1,113	–	–
Financial liabilities at amortised cost				
- Notes payable - Seizert	–	–	7,499	7,396

17. Capital commitments and contingencies

	31 December 2019 $'000	30 June 2019 $'000
a. Capital commitments		
The Group has outstanding capital commitments as follows:		
- IFP subsequent capital calls (USD900,000) (30 June 2019: USD1,500,000)	1,280	2,136
- CAMG further drawdowns until April 2021 (GBP2,000,000) (30 June 2019: GBP2,500,000)	3,775	4,520
- Nereus escrow facility (USD5,000,000)[1]	–	7,119
- CFL deferred consideration (USD7,500,000)[2]	10,669	–
Total capital commitments	**15,724**	**13,775**

Notes:

[1] The capital commitment to Nereus is the Group's obligation to cover the shortfall payments, which are basically the amounts that are drawn upon by Nereus if and when certain prescribed thresholds in respect to annual revenues of Nereus are not met. These shortfall payments are drawn from the escrow account. The Group shall contribute additional amounts to the escrow account equal to any amounts drawn down by Nereus so that the balance of the of the escrow account will be kept at USD5,000,000. At 31 December 2019, the Group has not maintained a USD5,000,000 in escrow.

[2] The maximum amount of the capital commitment to CFL will be called in line with the obligation to pay Pennybacker for the potential earn-out on the set-up and successful launching of its future funds. CFL has recognised the fair value of the obligation as the direct investor in Pennybacker.

b. Contingent liabilities

- Earn-out payments for the future funds of Aether

  This represents the potential earn out liability to be owed by the Group to the former owners of Aether, for marketing and offering interests for the set-up and successful launching of future Aether funds (ARA Fund VI and interim funds related to ARA Fund V and ARA Fund VI). Refer to Note 12 footnote 3 for details.

- Capital contributions to Nereus

  The Group has a contingent obligation to provide capital contributions to Nereus to cover shortfall payments when certain prescribed thresholds in respect to annual revenues of Nereus are not met.

c. Contingent assets

On 17 September 2019, the Company received an originating application in the Federal Court of Australia in Melbourne by a shareholder seeking leave of the court to commence a derivative action on behalf of the Company against several of its current and former Directors for damages arising out of the 2014 merger between the Company and the Northern Lights Capital Group, LLC. On 23 September 2019, the Company received a draft statement claim in relation to the derivative action.

On 20 February 2020, two shareholders received leave of the Federal Court of Australia under section 237 of the Corporations Act 2001 (Cth) to bring proceedings on behalf of PAC, against individuals who, in 2014, were Directors of PAC (previously known as Treasury Group Limited) prior to its business combination with Northern Lights Capital Partners, LLC ("Defendants"). The effect is that PAC is the named plaintiff in proceedings brought in the Federal Court of Australia against the Defendants. IMF Bentham (Fund 5)("Litigation Funder") has given an undertaking to cover PAC's costs and any liabilities or adverse cost orders made against PAC in favour of the Defendants. As a result, the claims are not expected to have a material adverse effect on PAC. If the proceedings are successful or are settled on terms that the Defendants pay an agreed amount, PAC will be entitled to the net proceeds after deducting specified legal costs and the Litigation Funder's share. PAC has made claims against its relevant insurance policies in relation to these matters.

GROUP STRUCTURE

18. Interests in subsidiaries

The following are the Company's subsidiaries:

Name of subsidiaries	Country of incorporation	Ownership interest held by the Company 31 December 2019 %	30 June 2019 %
Aurora Investment Management Pty Ltd	Australia	100	100
The Aurora Trust	Australia	100	100
Treasury Evergreen Pty Ltd[1]	Australia	100	100
Treasury Group Investment Services Pty Ltd	Australia	100	100
Treasury ROC Pty Ltd[1]	Australia	100	100
Northern Lights MidCo, LLC ("Midco")	USA	100	100
Northern Lights Capital Group, LLC	USA	100	100
Carlisle Acquisition Vehicle, LLC ("CAV")[2]	USA	100	100
NLCG Distributors, LLC	USA	100	100
Northern Lights Capital Partners (UK) Ltd ("NLCPUK")	UK	100	100
Strategic Capital Investments, LLP	UK	60	60
Northern Lights MidCo II, LLC	USA	100	100
Aether Investment Partners, LLC	USA	100	100
Seizert Capital Partners, LLC[3]	USA	50	50

Notes:
[1] These subsidiaries are holding companies and non-operating. Treasury Evergreen is in the process of being deregistered at 31 December 2019.
[2] CAV is a limited liability company established on 12 January 2019 to hold the Group's investment in Carlisle. Midco owns 1% and NLCPUK owns 99% of CAV (30 June 2019: Midco owned 95% and NLCPUK owned 5%).
[3] Aurora 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. See Note 22 for additional details subsequent to reporting date.

19. Intangible assets

a. Analysis of balances

	31 December 2019 $'000	30 June 2019 $'000
Goodwill, net of impairment	44,375	58,133
Other identifiable intangible assets, at carrying amount		
- Brand and trademark	14,500	18,055
- Management rights	16,147	17,906
	30,647	35,961
Total intangible assets	**75,022**	**94,094**

b. Key estimates, judgments and assumptions

Impairment of goodwill and other identifiable intangible assets

At the end of each reporting period, management assesses 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 and other identifiable intangible assets 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.

Aether

The recoverable amount of Aether, a cash-generating unit, is determined based on a value in use calculation which uses cash flow projections. These cash flow projections include expected revenues from existing funds, which are largely certain, as well as anticipated new fund raising every two years. A five-year discrete period was applied as it is believed that it is sufficient time for the business to be in a steady state in terms of launching new funds based on the existing plan for the business. During the period, the goodwill, other identifiable intangibles and other assets were assessed for triggers of impairment. At 31 December 2019, management determined that no impairment is to be recognised (31 December 2018: assessed and tested for impairment, $1,548,000 impairment was recognised).

Seizert

The recoverable amount of Seizert a cash-generating unit is determined based on a value in use calculation which uses cash flow projections. These cash flow projections include expected revenues from existing funds under management, as well as expected FUM movement in future years. A five-year discrete period was applied as it is believed that it is sufficient time for the business to be in a steady state. During the period, the goodwill, other identifiable intangibles and other assets were assessed for triggers of impairment. At 31 December 2019, management recognised an impairment of the goodwill of $14,078,000 and brand and trademark of $3,635,000 (31 December 2018: assessed and tested for impairment, $2,174,000 impairment on the goodwill was recognised).

A weighted average discount rate of 18% was applied in the cash flow projections during the discrete period, tax rate of 21% and a terminal growth rate of 3%.

20. Investment in associates and joint venture

a. Analysis of balances

Investment in associates	31 December 2019 $'000	30 June 2019 $'000
Opening balance	110,143	46,023
Additional contributions to associates	7,819	127
Acquisition of associates	–	94,825
Subsequent reclassification from investment at FVTOCI	3,609	–
Share of net profits of associates	3,407	1,118
Dividends and distributions received/receivable	(1,694)	(5,716)
Sale of investment in associates	(459)	(30,185)
Impairment (Note 3)	(14,122)	(2,914)
Transferred to profit or loss	81	178
Foreign currency movement	373	6,687
Closing balance	109,157	110,143
Investment in joint venture		
Opening balance	–	–
Acquisition of a joint venture	29,017	–
Share of net profits of a joint venture	81	–
Foreign currency movement	(553)	–
Closing balance	28,545	–
Total	**137,702**	**110,143**

(i) Details of associates and joint venture

	Principal activity	Ownership interest 31 December 2019 %	Ownership interest 30 June 2019 %	Place of incorporation and operation
Associates				
Aether General Partners[1]	Funds Management	25.00	25.00	USA
AlphaShares, LLC[2]	Funds Management	36.53	36.53	USA
Blackcrane Capital, LLC[3]	Funds Management	25.00	25.00	USA
Capital & Asset Management Group, LLP[4]	Funds Management	25.00	20.00	USA/UK
Freehold Investment Management Limited[5]	Funds Management	–	30.89	Australia
Independent Financial Planners Group, LLC[6]	Investment Adviser	16.00	–	USA
Northern Lights Alternative Advisors LLP[7]	Placement Agent	23.00	23.00	UK
Roc Group[8]	Funds Management	30.00	17.59	Australia
Victory Park Capital Advisors, LLC[9]	Funds Management	24.90	24.90	USA
Victory Park Capital GP Holdco, LP[10]	Funds Management	24.90	24.90	USA
Joint venture				
Copper Funding, LLC[11]	Investment Entity	50.00	–	USA

Notes:
[1] Aether Real Assets GP I, LLC, Aether Real Assets GP II, LLC, Aether Real Assets GP III, LLC and Aether Real Assets III Surplus GP, LLC (collectively the "Aether General Partners") are the General Partners of Aether Real Assets I, L.P., Aether Real Assets II, L.P., Aether Real Assets III, L.P. and Aether Real Assets III Surplus, L.P. (collectively the "Funds"). The General Partners are responsible for the operation of the Funds and the conduct and management of its business.
[2] AlphaShares, LLC provides investors with direct exposure to Chinese markets primarily through a series of China related equity indexes.
[3] Blackcrane is a boutique asset management firm focusing on global and international equities.
[4] CAMG is a private infrastructure investment firm based in London and Washington DC.
[5] FIM is a specialist investment manager focusing on Australian and global real estate and infrastructure sectors. The investment was sold on 14 October 2019.
[6] IFP is multi-custodial registered investment adviser focused on delivering personalised, concierge-level service to over 500 advisors in the US specialising in wealth management and retirement plan consulting. The Group's actual and potential voting rights was 24.9% at 31 December 2019.
[7] NLAA is a strategic partner and placement agent for hedge funds, private equity, private credit and longer duration specialist funds based in London.
[8] Roc Group includes Roc Partners Pty Ltd, Roc Management Services Trust and Roc Partners (Cayman) Limited and is a leading alternative investment manager specialising in private equity in the Asia Pacific Region.
[9] VPC is an investment firm specialising in managing funds and mandates investing in non-bank lending.
[10] VPC-Holdco holds direct and indirect interest in VPC funds and their general partner entities.
[11] CFL is a limited liability company established on 23 November 2019 as a 50:50 joint venture of the Group with Kudu to hold the investment in Pennybacker.

(ii) Additional contributions and acquisitions of associates

On 2 July 2019, the Group acquired an additional 12.41% equity interest in Roc Group for $6,826,000 increasing the Group's equity interest to 30%.

On 26 August 2019 and 5 November 2019, drawdowns to CAMG of $451,000 (GBP250,000) and $467,000 (GBP250,000), respectively, were made. This resulted to the increase in the Group's equity interest in CAMG to 25%.

In the prior period, the Group acquired 24.9% equity interest in each of VPC and VPC-Holdco for $69,114,000 (USD51,020,000) and $25,711,000 (USD18,980,000), respectively, on 3 July 2018. The acquisition of VPC included management rights and goodwill of $72,483,000. The acquisition of VPC-Holdco included goodwill of $25,789,000.

(iii) Reclassification from investment at FVTOCI

On 31 December 2019, the Group made an additional contribution of $854,000 (USD600,000) to IFP increasing the Group ownership to 16%. An initial 10% interest in IFP was acquired by the Group on 24 January 2019 for $1,515,000 (USD1,075,000) and was classified as a financial asset at FVTOCI.

At 31 December 2019 following the additional contribution and increase in the Group's actual and potential voting and other rights from 10% to 24.9%, the investment qualified as an associate and was reclassified from investment at FVTOCI with a fair value of $3,609,000.

(iv) Sale of investment in associates

On 14 October 2019, the Group sold its 30.89% equity interest in FIM for $459,000.

In the prior period, the Group sold its 23.38% equity interest in Aperio for $101,593,000 (USD71,906,000) and 27.48% equity interest in Celeste for $1,595,000.

The above sale transactions resulted in the recognition of a gain in profit or loss, calculated as follows:

	31 December 2019 $'000	31 December 2018 $'000
Considerations received	459	99,335
Less: Carrying amount of investments on the date of sale	(459)	(27,950)
Gains recognised on the sale	–	71,385

(v) Contributions to a joint venture

On 14 December 2019, the Group contributed $29,017,000 (USD20,010,000) for a 50% equity interest in CFL, alongside an equal co-investor Kudu.

The Group and Kudu made combined contributions of $58,004,000 (USD40,000,000) to acquire a 33% equity interest in Pennybacker and the potential earn-out obligation with a maximum value of $21,752,000 (USD15,000,000). The potential earn-out obligation will be paid by CFL between the closing of the transaction and 31 December 2024 if certain revenue thresholds for Pennybacker's growth and income platforms are met. At the date of acquisition, the fair value of the conditional earn-out payments was $8,932,000 (USD6,278,000). This has been added to the acquisition cost of Pennybacker recorded by CFL. The corresponding liability has been recognised as a financial liability at fair value through profit or loss within CFL's records.

CFL's investment in Pennybacker is accounted as investment in an associate.

Pennybacker is an alternative investment manager based in Austin, Texas offering private equity investment strategies focused on both commercial, retail, office, and industrial assets, as well as affordable multifamily residential real estate in certain USA markets.

b. Summarised financial information for material associates and joint venture

	31 December 2019			31 December 2018		
	Pennybacker[1] $'000	VPC $'000	VPC-Holdco $'000	Aperio[2] $'000	VPC $'000	VPC-Holdco $'000
Comprehensive income						
Revenue for the period	1,226	30,661	9,213	19,057	18,512	4,881
Profit after tax for the period	493	8,230	9,126	9,233	4,107	835
Other comprehensive income for the period	–	–	–	–	–	–
Total comprehensive income for the period	493	8,230	9,126	9,233	4,107	835
Dividends/distributions received during the period	–	91	989	3,655	–	–

	31 December 2019			30 June 2019		
	Pennybacker[1] $'000	VPC $'000	VPC-Holdco $'000	Aperio[2] $'000	VPC $'000	VPC-Holdco $'000
Financial position						
Current assets	141	44,921	27,983	–	39,229	8,981
Non-current assets	17,109	24,456	–	–	12,074	–
Current liabilities	–	(59,646)	(349)	–	(52,483)	(257)
Non-current liabilities	–	(13,738)	–	–	(3,795)	–
Net assets/(liabilities)	17,250	(4,007)	27,634	–	(4,975)	8,724

	31 December 2019			30 June 2019		
	Pennybacker[1] $'000	VPC $'000	VPC-Holdco $'000	Aperio[2] $'000	VPC $'000	VPC-Holdco $'000
Reconciliation of the summarised financial position to the carrying amount recognised by the Group:						
- Net assets before determination of fair values	17,250	(4,007)	27,634	–	(4,975)	8,724
- Ownership interest in %	16.5%[3]	24.90%	24.90%	–	24.90%	24.90%
- Proportion of the Group's ownership interest	2,846	(998)	6,881	–	(1,239)	2,172
- Acquired goodwill and intangibles	25,605	71,065	20,120	–	68,603	23,538
- Impairment	–	(14,007)	–	–	–	–
- Undistributed profits	81	2,547	1,489	–	588	216
- Foreign currency movement	(2)	168	(24)	–	3,508	1,313
Closing balance	28,530	58,775	28,466	–	71,460	27,239

Notes:
[1] Pennybacker was acquired on 14 December 2019, therefore the profit or loss information only covers the period from acquisition to 31 December 2019.
[2] 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.
[3] The effective ownership interest of the Group of 16.5% was used calculating the proportion of the Group's ownership at Pennybacker through the joint venture in CFL.

c. Accounting policies

Joint ventures

Investments in joint ventures are accounted for using the equity method (similar to accounting for investments in associates), after initially being recognised at cost.

Impairment

The requirements of AASB 136 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment.

d. Key estimates, judgments and assumptions

Impairment of investments in associates and joint venture

At the end of each reporting period, management is required to assess the carrying values of each of the underlying investments in associates and joint venture of the Group. Should assets underperform or not meet expected growth targets from prior expectations, 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 or joint venture below its cost is also evidence of impairment. During the period, the investments in associates and joint venture were tested for impairment. The investment in FIM was impaired by $115,000 and investment in VPC was impaired by $14,007,000 (31 December 2018: $1,883,000 for Blackcrane and $497,000 for FIM).

For the impairment of VPC, a weighted average discount rate of 12% was applied in the cash flow projections during the discrete period, tax rate of 26.5% and inflation rate of 3%.

E. OTHER INFORMATION

21. Share-based payments

Share based payments of Key Management Personnel and other officers of the Group are disclosed in the annual financial report.

a. The Group Long-Term Incentive ("LTI") Plan

(i) Performance rights of Mr. Greenwood and Mr Ferragina

On 30 August 2019, the Directors of the Company approved the issue of 102,500 ordinary shares for Mr. Greenwood and 41,000 ordinary shares for Mr. Ferragina, respectively, as a result of the vesting of their performance rights issued in October 2016. On 28 November 2019, the Company bought on market 41,000 ordinary shares for Mr Ferragina and 61,500 ordinary shares for Mr Greenwood, respectively. The remaining 41,000 ordinary shares due to Mr Greenwood will be cash-settled.

(ii) Performance rights of officers and employees

On 1 August 2019, the Company granted no more than 200,000 performance rights to certain officers in accordance with the existing Employee Share Ownership Plan 2018. Tranche 1 covers the performance period 1 July 2019 to 30 June 2021 and Tranche 2 covers the performance period 1 July 2019 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 two 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. The average value of each right was $1.299. The total value at grant date of these outstanding performance rights was $259,750 for an equivalent number of shares of 200,000. The performance rights on issue were valued on 1 August 2019 by an independent adviser using a Monte Carlo pricing model.

(iii) Performance rights recognised in the profit or loss

The amount of performance rights amortisation expense for the period was $476,000 (31 December 2018: $503,000).

b. Key estimates, judgments and assumptions

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.

22. Significant events subsequent to reporting date

On 2 January 2020, Seizert redeemed its 500 Class A Common Units held by the Group for USD1 per unit as the first part of its equity restructuring. This restructuring was designed so that the Group will only own the preferred units. The Group's new equity ownership is 25% on a fully diluted basis. However, the Group will retain its existing economic interests and the majority of the board seats until such time that the second part of the restructuring is completed.

As outlined in Note 17(c), on 20 February 2020, the court granted the leave to commence a derivative action on behalf of the Company against several of its current and former Directors.

On 28 February 2020, the Directors of the Company declared an interim dividend on ordinary shares in respect of the 2020 financial year. The total amount of the dividend is $4,971,000 which represents a fully franked dividend of 10 cents per share. The dividend has not been provided for in the 31 December 2019 half-year consolidated financial statements.

Other than the matters detailed above, there has been no matter or circumstance, which has arisen since 31 December 2019 that has significantly affected or may significantly affect in the financial years subsequent to 30 June 2019 either the operations or the state of affairs, of the Group.

23. Adoption of new and revised Standards

a. New and amended AASB standards that are effective from 1 July 2019

(i) AASB 16

The Group adopted the modified retrospective approach on transition to AASB 16 from 1 July 2019. The reclassifications and the adjustments arising from the new leasing rules using a modified retrospective approach are recognised in the opening retained earnings on 1 July 2019.

(i.a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB117 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 were 2.46% to 6.76%.

The table below shows the operating lease commitments disclosed at 30 June 2019 and the movement of the lease liability recognised as at 1 July 2019:

	$'000
Operating lease commitments disclosed as at 30 June 2019	3,207
Discounted using the lessee's incremental borrowing rate of at the date of initial application	2,846
Add: sub lease liability recognised as at 30 June 2019:	
- current	246
- non-current	255
- impact of the adoption of AASB 16 to the existing sub-lease liability	61
Less: leases with less than 12 months term recognised on a straight-line basis as expense	(40)
Less: short-term leases recognised on a straight-line basis as expense	(84)
Less: low-value leases recognised on a straight-line basis as expense	(6)
Lease liability recognised as at 1 July 2019	3,278
Of which are:	
Current lease liabilities	778
Non-current lease liabilities	2,500
	3,278

The associated right-of-use assets for property and equipment leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. The existing onerous lease recognised as sub-lease liability and sub-lease receivable were remeasured using the incremental borrowing rates at the date of initial application of AASB 16. The resulting difference has been recognised as an adjustment to the opening retained earnings.

The recognised right-of-use assets relate to the following types of assets:

	1 July 2019 $'000
Properties	2,711
Equipment	76
	2,787

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

	$'000
Other financial assets: sub-lease receivable – increase by	62
Right-of-use assets – increase by	2,787
Other financial liabilities: sublease payable – decrease by	501
Lease liabilities – (increase) by	(3,278)
Provisions: other – (increase) by	(67)
Gross impact on retained earnings on 1 July 2019	5
Income tax	(1)
Net impact on retained earnings on 1 July 2019 was an increase	4

(i.a.1) Impact on segment disclosures and earnings per share

Segment assets and segment liabilities for June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

	Segment Assets $'000	Segment liabilities $'000
Tier 1 boutiques	1,790	1,790
Tier 2 boutiques	–	–
Central administration	1,059	1,054
	2,849	2,844

Loss per share increased by 0.15 cents per share for the half-year ended 31 December 2019 as a result of the adoption of AASB 16.

(i.a.2) Practical expedients applied

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

- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is/or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 'Determining whether an Arrangement contains a Lease'.

(i.b) The Group's leasing activities and how these are accounted for

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of 5 to 12 years but may have extension options as described in (i.b.2) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until financial year ended 30 June 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, 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. Each lease payment is allocated between the liability 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 depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The Group does not have low-value assets.

(i.b.1) Variable lease payments

The Group does not have variable lease payments.

(i.b.2) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Approximately 0% of the total lease payments made during the half-year ended 31 December 2019 were optional.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). No potential future cash outflows included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the period, no such circumstances occurred.

(i.b.3) Residual value guarantees

The Group does not provide any residual value guarantees in relation to equipment leases.

(i.b.4) Impact of AASB 16 to the Group's associates and a joint venture

The impact of adopting AASB 16 on the Group's associates have been recognised in the share of profits/(losses) of associates and a joint venture with the statement of profit or loss and the investment in associates/joint venture within the statement of financial position.

There was no material impact on the equity accounted associates on adoption of AASB 16 due to the modified retrospective approach resulting in the right-of-use assets being equal to the lease liabilities.

(ii) Other accounting standards mandatorily effective from 1 July 2019

The following other new and revised accounting standards that are mandatorily effective from 1 July 2019 that have been adopted by the Group:

- AASB 2017-7 'Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures'; and
- AASB 2018-1 'Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle'.

Adoption of the above accounting standards had no material financial and disclosure impact to the Group.

b. New and amended AASB Standards that are not yet effective for the current but 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. Early adoption of this standard did not result in a material financial impact to the consolidated financial statements other than the additional disclosures made in Note 4 under key estimates, judgments and assumptions.

c. 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.

As at 31 December 2019, there are no Standards and interpretations in issue not yet adopted which are material to the Group.

The Directors declare that:

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

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

Signed in accordance with a resolution of the Directors made pursuant to s.305(5) of the *Corporations Act 2001*.

On behalf of the Directors

Antony Robinson
Chairman

28 February 2020

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Australia

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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 consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 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 10 to 57.

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 2019 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.

Deloitte.

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 2019 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jonathon Corbett
Partner
Chartered Accountants
Sydney, 28 February 2020

Directors
Mr. Antony Robinson, Chairman
Mr. Paul Greenwood, Executive Managing Director
Mr. Peter Kennedy, Non-Executive Director
Ms. Melda Donnelly, Non-Executive Director
Mr. Gilles Guérin, Non-Executive Director
Mr. Jeremiah Chafkin, Non-Executive Director

Executive Management
Mr. Paul Greenwood, Chief Executive Officer and Chief Investment Officer
Mr. Ashley Killick, Chief Financial Officer

Company Secretaries
Ms Clare Craven, appointed 26 December 2019
Mr. Philip Mackey, appointed 26 May 2017, resigned 26 December 2019

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Bankers
Westpac Banking Corporation Limited

Auditors
Deloitte Touche Tohmatsu
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Stock Exchange Listing
Pacific Current Group Limited shares are listed on the Australian Securities Exchange, code: PAC.