# Half-Year Report
# for the half-year ended 30 June 2021

## APPENDIX 4D

### Half-Year Report

Under ASX listing rule 4.2A.3

MA Financial Group Limited (formerly Moelis Australia Limited)
ABN 68 142 008 428

Reporting period: 1 January 2021 to 30 June 2021

Previous corresponding period: 1 January 2020 to 30 June 2020

| Results for announcement to the market | Half-year ended 30 Jun 2021 $m | Half-year ended 30 Jun 2020 $m | Up/Down | Movement % |
|---|---|---|---|---|
| Revenues from ordinary activities | 88.5 | 64.7 | Up | 36.8% |
| Total income | 100.8 | 74.2 | Up | 35.8% |
| Profit from ordinary activities after tax attributable to ordinary equity holders | 14.3 | 8.9 | Up | 60.3% |
| Net profit after tax attributable to ordinary equity holders | 14.3 | 8.9 | Up | 60.3% |
| Total comprehensive income | 24.6 | 1.8 | Up | 1250.2% |

| Dividend per ordinary share | Amount per share (cents) | Franked amount per share (cents) | Tax rate for franking credit |
|---|---|---|---|
| 2020 final dividend per share (paid 3 March 2021) | 10.0 | 10.0 | 30.0% |
| 2021 interim dividend per share (recommended) | 5.0 | 5.0 | 30.0% |

| Other Disclosure Requirements | 30 June 2021 | 30 June 2020 |
|---|---|---|
| Net tangible assets per ordinary share | $1.51 | $1.24 |

Additional Appendix 4D disclosure requirements and commentary on significant events relating to operating performance and results are included in the Half-Year Financial Report for the half-year ended 30 June 2021 and the Directors' Report for the half-year ended 30 June 2021.

This information should be read in conjunction with the 2020 Annual Report, the Half-Year Financial Report for the half-year ended 30 June 2021 and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

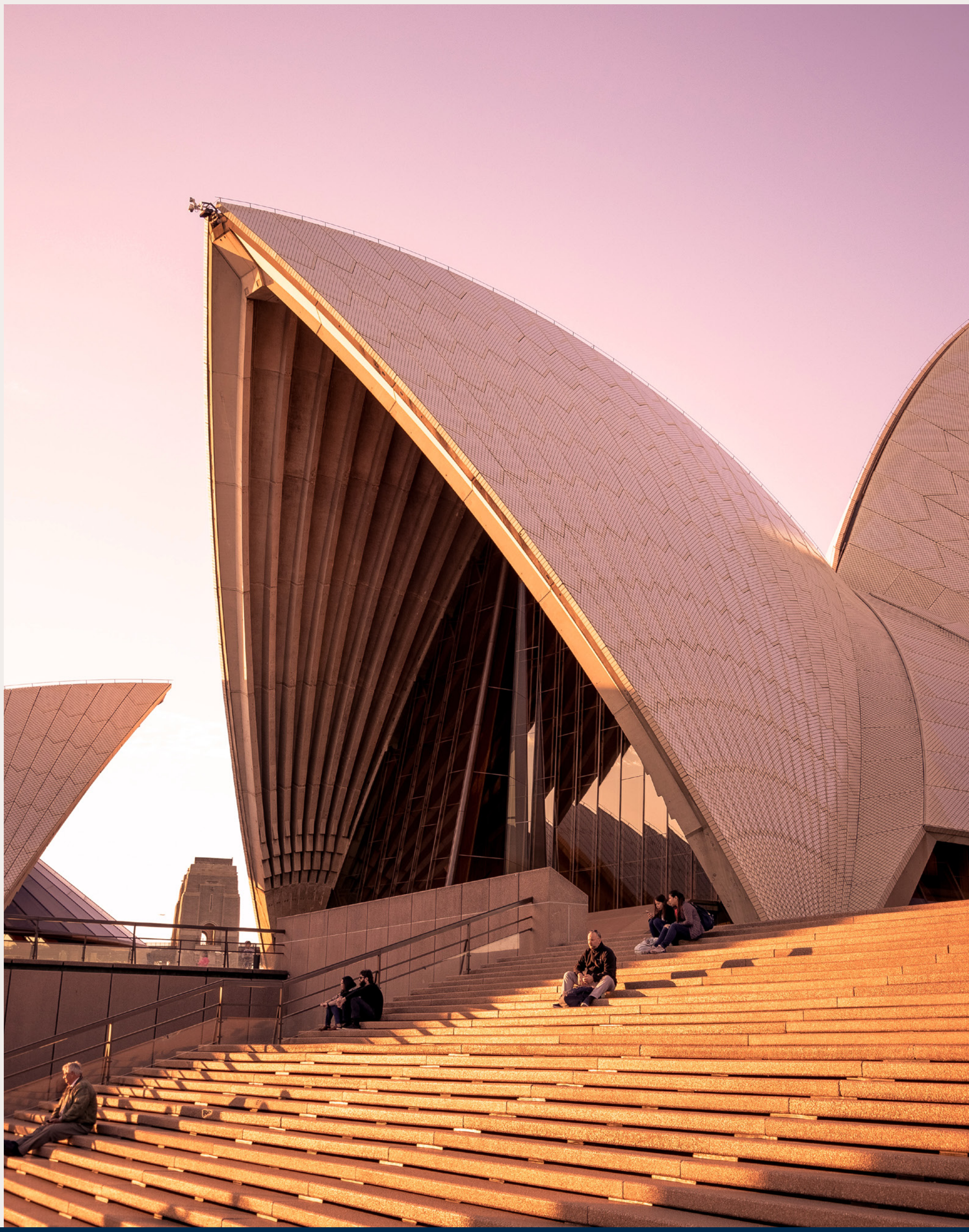
This report is based on the interim consolidated financial statements for the half-year ended 30 June 2021 which have been reviewed by Deloitte Touche Tohmatsu.

MA Financial Group

# Consolidated Half-Year Financial Report

30 June 2021

MA Financial Group Limited
(formerly Moelis Australia Limited)
A.B.N. 68 142 008 428



MA Financial Group is the new name of Moelis Australia.

# Directors' Report
## for the half-year ended 30 June 2021

## Directors' Report

The Directors of MA Financial Group Limited (formerly Moelis Australia Limited) (Company) submit their report together with the consolidated financial report of the Company and its subsidiaries (Group) for the half-year ended 30 June 2021.

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

| | |
|---|---|
| Jeffrey Browne | Independent Chairman and non-executive Director |
| Andrew Pridham | Group Vice Chairman |
| Alexandra Goodfellow | Non-executive Director |
| Kenneth Moelis | Non-executive Director |
| Kate Pilcher Ciafone | Non-executive Director |
| Simon Kelly | Non-executive Director (appointed 21 April 2021) |
| Julian Biggins | Joint Chief Executive Officer |
| Christopher Wyke | Joint Chief Executive Officer |

The Directors have been in office since the start of the period to the date of this report unless otherwise noted.

## Review of operations and results

### Principal activities

The Group is a financial services provider with offices in Sydney, Melbourne and Shanghai. The Group's principal activities are providing asset management, lending, corporate advisory and equities services.

### Results

The financial report for the half-year ended 30 June 2021 and the results herein are prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth).

In accordance with Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS), the total comprehensive income attributable to ordinary equity holders of the Group for the half-year ended 30 June 2021 was $24.6 million (half-year ended 30 June 2020: $1.8 million) and the profit after tax for the half-year ended 30 June 2021 was $14.3 million (half-year ended 30 June 2020: $8.9 million).

| | Half-year ended 30 Jun 2021 $'000 | Half-year ended 30 Jun 2020 $'000 | Movement % |
|---|---|---|---|
| **Statutory results** | | | |
| Total income | 100,750 | 74,174 | 36% |
| Profit before tax | 20,694 | 14,004 | 48% |
| Profit after income tax | 14,300 | 8,923 | 60% |
| Total comprehensive income | 24,600 | 1,822 | 1250% |
| **Underlying results** | | | |
| Revenue | 102,711 | 67,424 | 52% |
| EBITDA | 38,189 | 21,508 | 78% |
| Net profit after income tax | 23,362 | 12,107 | 93% |

## Review of operations and results (continued)

### Non-IFRS Underlying Results

The Group also utilises non-IFRS "Underlying" financial information in its assessment and presentation of Group performance. In particular, the Group references Underlying Revenue, Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), Underlying Earnings Per Share (EPS) and Underlying Net Profit After Tax (NPAT).

The Directors place great importance and value on the IFRS measures. As such, the Directors believe that, when read in conjunction with the IFRS measures, the Underlying measures are useful to the reader as:

- The Underlying measures reveal the underlying run rate business economics of the Company;
- The Underlying measures are used by management to allocate resources and make financial, strategic and operating decisions. Further, all budgeting and forecasting is based on Underlying measures. This provides insight into management decision making; and
- The Underlying adjustments have been consistently applied in all reporting periods, regardless of their impact on the Underlying result.

The Underlying financial information is not prepared in accordance with Australian Accounting Standards and IFRS and is not audited. Adjustments to the IFRS information align with the principles by which the Company views and manages itself internally and consist of both differences in classification and differences in measurement.

Differences in classification arise because the Company chooses to classify some IFRS measures in a different manner to that prescribed by IFRS.

Differences in measurement principally arise where the Company prefers to use non-IFRS measures to better:

- Align with when management has greater certainty of timing of cash flows;
- Regulate the variability in the value of key strategic assets, specifically the investment in Japara Healthcare Limited (Japara);
- Normalise for the impacts of one-off transaction costs; and
- Recognise staff share-based bonus expense when granted as opposed to over the vesting period.

Please refer to note 2 of the Half-Year Financial Report for a detailed reconciliation between the IFRS and Underlying measures.

### Group Overview

Underlying EBITDA achieved for the half-year ended 30 June 2021 was $38.2 million, up 78% from $21.5 million in the prior corresponding period.[1] Underlying NPAT for the half-year ended 30 June 2021 was $23.4 million, up 93% from $12.1 million in the prior corresponding period. These results were underpinned by strong performance in the Group's three operating segments: Asset Management, Lending and Corporate Advisory and Equities (CA&E). Unallocated costs associated with the central executives and corporate support functions are shown separately as Corporate Services.

Key highlights were the Assets Under Management (AUM) growth and fund performance in Asset Management, a record first half revenue performance by CA&E and the continued scaling of the new Lending division. The financial impacts and business disruption from COVID-19 in the prior corresponding period further enhanced the movement in results between periods.

### Coronavirus (COVID-19) impact

Following the initial declaration of COVID-19 as a world-wide pandemic in March 2020 the Group's business model has proven to be resilient and robust and the Group remains well positioned to execute on its long-term growth strategy. The Group will continue to monitor and respond to the evolving impact of COVID-19 on the operational and financial performance of the Group.

During the period the Group recognised no other income (half-year ended 30 June 2020: $1.8 million) related to COVID-19 government wage subsidies. In addition, no deferrals of payments to the Australian Tax Office (ATO) (half-year ended 30 June 2020: $18.5 million) were granted to the Group. All ATO tax deferrals granted during 2020 have now been paid.

### Segment overview

The Group's Underlying measures directly align with the segment measures required by AASB 8 *Operating Segments*. Further information and reconciliations are provided in note 2 of the Half-Year Financial Report.

[1] Prior corresponding period (pcp) refers to the six months ended 30 June 2020.

## Review of operations and results (continued)

### Segment Overview (continued)

| | Half-year ended 30 Jun 2021 $'000 | Half-year ended 30 Jun 2020 $'000 |
|---|---|---|
| Asset Management | 31,569 | 14,454 |
| Lending | 6,419 | 6,218 |
| Corporate Advisory and Equities | 6,524 | 5,431 |
| Corporate Services | (6,323) | (4,595) |
| **Underlying EBITDA** | **38,189** | **21,508** |
| Depreciation and amortisation | 2,202 | 1,791 |
| Interest expense | 2,613 | 2,420 |
| Income tax expense | 10,012 | 5,190 |
| **Underlying NPAT** | **23,362** | **12,107** |

### Asset Management

Following the separation out of the new Lending segment, Asset Management contributed approximately 71% of Group Underlying EBITDA before Corporate Services in the half-year ended 30 June 2021. This result was derived from Underlying Revenue of $64.6 million, up 94% from $33.4 million on the prior corresponding period. AUM grew by $0.7 billion over the period to $6.1 billion at 30 June 2021. Net client inflows were $506 million in the half-year ended 30 June 2021, up $348 million on the prior corresponding period.

Base management fee revenue was up 28% on the prior corresponding period with total divisional revenue further augmented by strong growth in performance and transaction fee revenue up 157% and 211% respectively on the prior corresponding period. A key driver of the performance fee growth was the hospitality management platform with transaction fees benefitting from a rebound in activity following COVID-19 disruption in the half-year ended 30 June 2020.

Expense growth was largely due to the continued investment in platform growth and the impact of the RetPro acquisition in April 2021.

### Lending

Following continued growth and investment in Lending, the Group has separated out Lending as a new operating segment. Lending is an operator of differentiated lending platforms and a funder of high-quality loan portfolios earning a net interest margin (NIM) on its invested capital.

Underlying Revenue, which represents Lending's NIM grew to $10.2 million for the half-year ending 30 June 2021, up $3.5 million or 32% on the prior corresponding period from $7.7 million. This was a result of strong loan portfolio growth driven by continued market traction in loan portfolio funding initiatives, the continued investment in MKM Capital and organic growth in the specialty finance platform focused on legal disbursement funding. The continued investment in the Lending platform and resources drove expense growth in the half-year ended 30 June 2021.

### Corporate Advisory and Equities

Corporate Advisory recorded a record first half Underlying Revenue contribution of $24.8 million for the half-year ended 30 June 2021 (half-year ended 30 June 2020: $21.3 million) benefitting from a recovery in M&A activity and the completion of large restructuring mandates that rolled over from the prior year. Equities saw commission revenue reduce to $3.1 million for the half-year ended 30 June 2021 (half-year ended 30 June 2020: $5.1 million) due to the significant volatility and resultant elevated trading volumes in the prior corresponding period.

The Group continues to invest in Corporate Advisory and Equities with a net increase of seven Advisory executives during the half-year ended 30 June 2021. These new hires contributed to the increase in expenses compared to the prior corresponding period.

### Financial position

Statutory total assets amounted to $621 million (31 Dec 2020: $569 million) with net assets of $249 million (31 Dec 2020: $237 million).

The statutory consolidated statement of financial position includes the consolidation of the MA Master Credit Trust (MCT), a Group managed credit fund. Management also uses an operating balance sheet when reviewing the Group's financial position, which deconsolidates the MCT and recognises the units held by the Group in the MCT as an investment. Management believes the operating balance sheet presents a simplified view of the total economic exposure of the Group and the capital available for management to allocate.

# Directors' Report (continued)
## for the half-year ended 30 June 2021

## Review of operations and results (continued)

### Financial position (continued)

| | Statutory | | Operating | |
|---|---|---|---|---|
| | 30 Jun 2021 $'000 | 31 Dec 2020 $'000 | 30 Jun 2021 $'000 | 31 Dec 2020 $'000 |
| Cash and cash equivalents | 106,948 | 138,004 | 68,258 | 112,192 |
| Loans receivable | 265,303 | 224,271 | 88,703 | 63,215 |
| Investments | 156,656 | 119,497 | 154,523 | 136,752 |
| Goodwill and other intangibles | 34,854 | 30,864 | 34,854 | 30,864 |
| Receivables and other assets | 57,203 | 56,707 | 56,303 | 48,685 |
| **Total assets** | **620,964** | **569,343** | **402,641** | **391,708** |
| Borrowings | 310,458 | 267,570 | 95,030 | 95,030 |
| Other liabilities | 61,304 | 64,916 | 58,409 | 59,821 |
| **Total liabilities** | **371,762** | **332,486** | **153,439** | **154,851** |
| **Net assets** | **249,202** | **236,857** | **249,202** | **236,857** |
| **Net tangible assets** | **217,106** | **205,993** | **217,106** | **205,993** |

The Group manages its capital with the aim of maximising the return to shareholders through the optimisation of debt and equity capital balances. Fundamental to this is maintaining a strong balance sheet, which not only stands the business in good stead through economic shock but can also facilitate attractive investment opportunities.

Notable movements in the Group's operating balance sheet were centred on the deployment of cash. Group cash reduced in the period as capital allocations remained on growth investing, with a particular focus on the Lending division coupled with the acquisition of RetPro in the Asset Management division.

Cash reduced further due to the annual working capital cycle low point in the first half due to the payment of annual bonuses to employees and Group dividend in March 2021.

Group operating borrowings remained unchanged at $95 million at 30 June 2021 with the next Bond maturity of $25 million due in September 2022.

### Dividends

A dividend of $14.9 million (10.0 cents per share) was paid on 3 March 2021. This dividend was fully franked.

Subsequent to the half-year ended 30 June 2021, the Directors have resolved to pay a fully franked dividend of 5.0 cents per share for the half-year ended 30 June 2021. The dividend is payable on 22 September 2021.

## Review of operations and results (continued)

### Earnings per share

| | Half-year ended 30 Jun 2021 | | Half-year ended 30 Jun 2020 | |
|---|---|---|---|---|
| | **Underlying** | **Statutory** | **Underlying** | **Statutory** |
| Basic earnings per share (cents/share) | 16.3 | 10.0 | 8.5 | 6.2 |
| Diluted earnings per share (cents/share) | 15.6 | 9.6 | 8.2 | 6.1 |

### Subsequent events

On 18 August 2021, Redcape Hotel Group Management Ltd, as responsible entity for the Redcape Hotel Group (ASX:RDC) announced a delisting proposal subject to RDC securityholder approval. The proposal includes a buy-back to be funded through $115 million of additional debt and a $132.3 million rights issue at $1.15 per RDC security. Under the proposal RDC securityholders have the option to either retain their existing holding, increase their holding through participation in the rights issue or have their securities bought back. The Group has agreed to underwrite the rights issue should the proposal be approved by RDC securityholders. The Group has entered into further sub-underwriting agreements such that the Group's maximum underwriting commitment would be $66.2 million.

### Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* amounts in the Directors' Report and the Half-Year Financial Report have been rounded off to the nearest thousand dollars unless otherwise indicated.

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

**Jeffrey Browne**
Independent Director and Chairman
Sydney
18 August 2021

**Julian Biggins**
Director and Joint Chief Executive Officer
Sydney
18 August 2021

# Auditor's independence declaration
## for the half-year ended 30 June 2021

Deloitte.

Deloitte Touche Tohmatsu
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Australia

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The Board of Directors
MA Financial Group Limited
Governor Phillip Tower
L27/1 Farrer Place
SYDNEY NSW 2000

18 August 2021

Dear Board Members

**MA Financial 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 MA Financial Group Limited.

As lead audit partner for the review of the financial statements of MA Financial Group Limited for the half year ended 30 June 2021, 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

Nicholas Rozario
Partner
Chartered Accountants

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# Independent Auditor's Review Report to the Members of MA Financial Group Limited

*Conclusion*

We have reviewed the half-year financial report of MA Financial Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 30 June 2021, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on page 11.

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 the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of 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.*

*Basis for Conclusion*

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

*Directors' Responsibilities 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 Responsibilities for the Review of the Half-year Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 30 June 2021 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*.

Deloitte.

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 Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Nicholas Rozario
Partner
Chartered Accountants

Sydney, 18 August 2021

# Directors' declaration
## for the half-year ended 30 June 2021

In the Directors' opinion:

(a) 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) the financial statements and notes thereto set out on pages 14 to 38 are in accordance with the *Corporations Act 2001* (Cth) including:

(i) complying with the Australian Accounting Standards; and

(ii) giving a true and fair view of the consolidated Group's financial position as at 30 June 2021 and performance for the half-year ended on that date.

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

**Jeffrey Browne**
Independent Director and Chairman
Sydney
18 August 2021

**Julian Biggins**
Director and Joint Chief Executive Officer
Sydney
18 August 2021

MA Financial Group

# Half-Year Financial Report

# Contents

# Condensed consolidated statement of profit or loss and other comprehensive income

## for the half-year ended 30 June 2021

| | Note | Half-year ended 30 Jun 2021 Consolidated $'000 | Half-year ended 30 Jun 2020 Consolidated $'000 |
|---|---|---|---|
| Fee and commission income | 3 | 88,508 | 64,676 |
| Fee and commission expense | | (9,000) | (5,623) |
| **Net fee and commission income** | | **79,508** | **59,053** |
| Share of profit/(loss) of associates | | 2,799 | (1,930) |
| Investment income | 4 | 15,230 | 15,357 |
| Other income | 5 | 3,213 | 1,694 |
| **Total income** | | **100,750** | **74,174** |
| Personnel expenses | | 57,567 | 38,078 |
| Marketing and business development expenses | | 2,040 | 1,834 |
| Communications, data and information technology expenses | | 2,581 | 2,444 |
| Occupancy expenses | | 550 | 610 |
| Interest expense | | 6,696 | 7,844 |
| Depreciation and amortisation | | 4,426 | 2,710 |
| Credit loss allowance | 10 | 1,219 | 2,588 |
| Other expenses | | 4,977 | 4,062 |
| **Total expenses** | | **80,056** | **60,170** |
| **Profit before tax** | 2 | 20,694 | 14,004 |
| Income tax expense | | (6,394) | (5,081) |
| **Profit after income tax for the period** | | **14,300** | **8,923** |
| **Other comprehensive income, net of income tax** | | | |
| **Items that will not be classified subsequently to profit or loss:** | | | |
| Fair value gain/(loss) on investments in equity instruments designated at FVTOCI | | 7,233 | (5,280) |
| Share of other comprehensive income/(loss) of associates | | 3,067 | (1,821) |
| **Total other comprehensive income/(loss)** | | **10,300** | **(7,101)** |
| **Total comprehensive income for the period** | | **24,600** | **1,822** |
| **Earnings per share** | | | |
| From continuing operations | | | |
| Basic (cents per share) | | 10.0 | 6.2 |
| Diluted (cents per share) | | 9.6 | 6.1 |

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

# Condensed consolidated statement of financial position
## as at 30 June 2021

| | Note | 30 Jun 2021 Consolidated $'000 | 31 Dec 2020 Consolidated $'000 |
|---|---|---|---|
| **Assets** | | | |
| ***Current assets*** | | | |
| Cash and cash equivalents | | 106,948 | 138,004 |
| Receivables | **8** | 39,522 | 46,122 |
| Loans receivable | **9** | 140,783 | 132,943 |
| Other assets | | 9,434 | 6,635 |
| Other financial assets | **11** | 7,118 | 18,429 |
| **Total current assets** | | **303,805** | **342,133** |
| ***Non-current assets*** | | | |
| Restricted cash | | 6,700 | 2,500 |
| Loans receivable | **9** | 124,520 | 91,328 |
| Other financial assets | **11** | 61,791 | 25,779 |
| Property, plant and equipment | | 1,547 | 1,450 |
| Right-of-use asset | | 4,038 | 5,338 |
| Investments in associates and joint ventures | **7** | 87,747 | 75,289 |
| Intangible assets | **12** | 15,948 | 11,794 |
| Goodwill | **13** | 14,868 | 9,827 |
| Deferred tax asset | | – | 3,905 |
| **Total non-current assets** | | **317,159** | **227,210** |
| **Total assets** | | **620,964** | **569,343** |
| **Liabilities** | | | |
| ***Current liabilities*** | | | |
| Trade and other payables | | 29,105 | 23,076 |
| Borrowings | **14** | 30,030 | 30,030 |
| Lease liabilities | | 1,666 | 2,930 |
| Income tax payable | | 1,568 | 6,345 |
| Provisions | | 22,395 | 28,779 |
| **Total current liabilities** | | **84,764** | **91,160** |
| ***Non-current liabilities*** | | | |
| Borrowings | **14** | 280,428 | 237,540 |
| Lease liabilities | | 2,740 | 2,944 |
| Provisions | | 1,072 | 842 |
| Deferred tax liabilities | | 2,758 | – |
| **Total non-current liabilities** | | **286,998** | **241,326** |
| **Total liabilities** | | **371,762** | **332,486** |
| **Net assets** | | **249,202** | **236,857** |
| **Equity** | | | |
| Contributed equity | **16** | 158,094 | 154,579 |
| Reserves | | 34,577 | 25,141 |
| Retained earnings | | 56,531 | 57,137 |
| **Total shareholders equity** | | **249,202** | **236,857** |

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

# Condensed consolidated statement of changes in equity
## as at 30 June 2021

| Consolidated | Contributed equity $'000 | Retained earnings $'000 | Share-based payment reserve $'000 | Associates OCI reserve $'000 | FVTOCI[1] reserve $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| Balance as at 1 January 2020 | 156,972 | 45,189 | 22,888 | 11,598 | (9,521) | 227,126 |
| Profit for the period | – | 8,923 | – | – | – | 8,923 |
| Other comprehensive loss for the period | – | – | – | (1,821) | (5,280) | (7,101) |
| Payment of dividends | – | (14,532) | – | – | – | (14,532) |
| Issue of ordinary shares | 14,126 | – | – | – | – | 14,126 |
| Treasury shares | (16,044) | – | (4,547) | – | – | (20,591) |
| Capitalised buy-back costs | (25) | – | – | – | – | (25) |
| Share-based payments | – | – | 5,339 | – | – | 5,339 |
| **Balance as at 30 June 2020** | **155,029** | **39,580** | **23,680** | **9,777** | **(14,801)** | **213,265** |
| | | | | | | |
| Balance as at 1 January 2021 | 154,579 | 57,137 | 27,027 | 11,253 | (13,139) | 236,857 |
| Profit for the period | – | 14,300 | – | – | – | 14,300 |
| Other comprehensive income for the period | – | – | – | 3,067 | 7,233 | 10,300 |
| Payment of dividends | – | (14,906) | – | – | – | (14,906) |
| Issue of ordinary shares | 19,151 | – | – | – | – | 19,151 |
| Treasury shares | (15,636) | – | – | – | – | (15,636) |
| Share-based payments | – | – | (864) | – | – | (864) |
| **Balance as at 30 June 2021** | **158,094** | **56,531** | **26,163** | **14,320** | **(5,906)** | **249,202** |

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

1. FVTOCI: Fair value through other comprehensive income.

# Condensed consolidated statement of cash flows
## for the half-year ended 30 June 2021

| | Half-year ended 30 Jun 2021 Consolidated $'000 | Half-year ended 30 Jun 2020 Consolidated $'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | 90,678 | 70,237 |
| Interest received | 11,129 | 3,310 |
| Payments to suppliers and employees | (82,141) | (46,486) |
| **Cash generated from operations** | 19,666 | 27,061 |
| Interest paid | (6,509) | (4,797) |
| Income taxes paid | (13,504) | (2,915) |
| **Net cash (used in)/generated by operating activities** | **(347)** | **19,349** |
| **Cash flows from investing activities** | | |
| Net (payments to)/receipts from financial investments | (4,847) | 3,133 |
| Receipts for employee loans | 9 | 7 |
| Amounts advanced to third parties | (47,301) | (25,175) |
| Amounts received from related parties | 3 | – |
| Payments to acquire subsidiary, net of cash acquired | (6,687) | – |
| Payments to acquire property, plant and equipment | (381) | (113) |
| Distributions received from investments | 3,965 | 1,292 |
| **Net cash used in investing activities** | **(55,239)** | **(20,856)** |
| **Cash flows from financing activities** | | |
| Purchase of treasury shares | (4,915) | (7,560) |
| Proceeds from exercise of share options | 1,483 | 1,094 |
| Cash transferred (to)/from restricted cash accounts | (4,239) | 331 |
| Payments of lease liabilities | (2,250) | (1,342) |
| Proceeds from borrowings | 49,154 | 60,113 |
| Dividends paid to shareholders | (14,906) | (14,764) |
| **Net cash generated by financing activities** | **24,327** | **37,872** |
| **Net (decrease)/increase in cash and cash equivalents** | **(31,259)** | **36,365** |
| Cash and cash equivalents at the beginning of the period | 138,004 | 128,800 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | 203 | 14 |
| **Cash and cash equivalents at the end of the period** | **106,948** | **165,179** |

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

# Notes to the condensed consolidated financial statements
for the half-year ended 30 June 2021

## 1. Significant accounting policies

### Statement of compliance

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

### Basis of preparation

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

The principal accounting policies adopted in the preparation of this Half-Year Financial Report are consistent with those adopted and disclosed in the Group's 2020 Annual Financial Report for the financial year ended 31 December 2020, except for the impact of amendments to Accounting Standards described below. The accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.

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

All amounts are presented in Australian dollars.

### Critical accounting estimates and significant judgements

The preparation of the Half-Year Financial Report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Group are the same as those disclosed in the Group's 2020 Annual Financial Report for the financial year ended 31 December 2020.

During the period the Group made significant accounting judgements and estimates with respect to the recognition, valuation of residual goodwill and measurement of intangible assets as part of the acquisition of a subsidiary (refer to further information in note 18). The process of identification, recognition, measurement of intangibles is consistent with the Group accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

### Coronavirus (COVID 19) impact

COVID-19 was declared a world-wide pandemic by the World Health Organisation in March 2020 and has had a significant impact on global economies. While the specific areas of judgement did not change, the impact of COVID-19 resulted in the application of further judgement by management, within those identified areas, in preparing the Half-Year Financial Report. Any significant changes during the period to management's accounting estimates or judgements, as a result of COVID-19, have been disclosed in the notes to the Half-Year Financial Report.

Management believes that the estimates used in preparing this Half-Year Financial Report are reasonable. Given the dynamic and evolving nature of COVID-19 and limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Group's assets and liabilities may arise in the future that could require an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

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

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to the Group's operations and mandatorily effective on or after 1 January 2021, including:

AASB 2020–8 *Amendments to Australian Accounting Standards — Interest Rate Benchmark Reform — Phase 2*

The new and revised Standards and Interpretations adopted during the period do not materially affect the Group's accounting policies or any of the amounts recognised in the condensed consolidated financial statements.

In March 2021, the IFRS Interpretations Committee (IFRIC) released an agenda decision relating to the application of IAS 38 Intangible Assets to Configuration or Customisation Costs in a Cloud Computing Arrangement. Based on the observations made in IFRIC's agenda decision certain costs an organisation incurs in relation to the configuration and customisation of SaaS platforms do not meet the criteria for recognition as an intangible asset, where the supplier of the software and not the organisation, controls the software. As a result, those types of costs should be immediately expensed as incurred. The Group's SaaS assessment is progressing and a conclusion has not been reached at 30 June 2021.

## 1. Significant accounting policies (continued)

### Standards and interpretations not yet adopted

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 2020–1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* | 1 January 2022 | 31 December 2022 |
| AASB 2020–3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments* | 1 January 2022 | 31 December 2022 |
| AASB 2014–10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015–10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017–5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* | 1 January 2022 | 31 December 2022 |
| AASB 2021–2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* | 1 January 2023 | 31 December 2023 |

## 2. Segment information

AASB 8 *Operating Segments* requires the 'management approach' to disclose information about the Group's reportable segments. The financial information is reported on the same basis as used by senior management and the Board of Directors for evaluating operating segment performance and for deciding how to allocate resources to operating segments. The segment note is prepared on the same basis as the Group's non-IFRS (Underlying) financial measures. Please refer to the Directors' Report for an explanation of why the Directors believe these measures are useful.

The Board of Directors is considered to be the Chief Operating Decision Maker (CODM).

The Group is organised into the following business segments:

- Asset Management
- Lending
- Corporate Advisory and Equities (CA&E)

Corporate Services represents the unallocated costs associated with the central executives and corporate support functions.

### 2.1 Services from which reportable segments derive their revenues

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

The Lending segment provides loan funding and invests in asset-backed credit securities.

The Corporate Advisory and Equities segment provides corporate advice, underwriting and institutional stockbroking services.

Corporate Services segment represents the unallocated costs of the executive and central support functions.

The main items of profit or loss and other comprehensive income used by management to assess each business are Underlying Revenue, Underlying net income, Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and Underlying profit after tax.

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

## 2. Segment information (continued)

### 2.2 Segment results

Assets, liabilities, depreciation and amortisation and net interest expense are not disclosed by segment as they are not provided to the CODM and are only reported on a Group basis. The following is an analysis of segment performance:

| | Asset Management $'000 | Lending[3] $'000 | CA&E $'000 | Corporate Services $'000 | Total Underlying segment $'000 | Adjustments $'000 | Statement of comprehensive income $'000 |
|---|---|---|---|---|---|---|---|
| **30 Jun 2021** | | | | | | | |
| **Revenue**[1] | **64,593** | **10,212** | **27,906** | **–** | **102,711** | **(1,961)** | **100,750** |
| Expenses | (33,024) | (3,793) | (21,382) | (6,323) | (64,522) | (4,412) | (68,934) |
| **EBITDA**[2] | **31,569** | **6,419** | **6,524** | **(6,323)** | **38,189** | **(6,373)** | **31,816** |
| Depreciation and amortisation | | | | | (2,202) | (2,224) | (4,426) |
| Interest expense | | | | | (2,613) | (4,083) | (6,696) |
| **Profit before tax** | | | | | **33,374** | **(12,680)** | **20,694** |
| Income tax expense | | | | | (10,012) | 3,618 | (6,394) |
| **Net profit after income tax** | | | | | **23,362** | **(9,062)** | **14,300** |
| Other comprehensive income | | | | | – | 10,300 | 10,300 |
| **Total comprehensive income** | | | | | **23,362** | **1,238** | **24,600** |
| **30 Jun 2020** | | | | | | | |
| **Revenue**[1] | **33,372** | **7,701** | **26,351** | **–** | **67,424** | **6,750** | **74,174** |
| Expenses | (18,918) | (1,483) | (20,920) | (4,595) | (45,916) | (3,700) | (49,616) |
| **EBITDA**[2] | **14,454** | **6,218** | **5,431** | **(4,595)** | **21,508** | **3,050** | **24,558** |
| Depreciation and amortisation | | | | | (1,791) | (919) | (2,710) |
| Interest expense | | | | | (2,420) | (5,424) | (7,844) |
| **Profit before tax** | | | | | **17,297** | **(3,293)** | **14,004** |
| Income tax expense | | | | | (5,190) | 109 | (5,081) |
| **Net profit after income tax** | | | | | **12,107** | **(3,184)** | **8,923** |
| Other comprehensive income | | | | | – | (7,101) | (7,101) |
| **Total comprehensive income** | | | | | **12,107** | **(10,285)** | **1,822** |

1. Revenue refers to total income on the condensed consolidated statement of profit or loss and other comprehensive income.
2. EBITDA is not an IFRS measure but has been presented to provide a comparable measure to the Underlying result.
3. The comparatives throughout the Half-Year Financial Report are restated to present the new lending segment.

## 2. Segment information (continued)

### 2.2 Segment results (continued)

A reconciliation of the Underlying segment measures to the statutory measures is as follows:

| | Note | Revenue[1] $'000 | EBITDA[2] $'000 | NPAT $'000 | Comprehensive income $'000 |
|---|---|---|---|---|---|
| **Statutory result for the period ended 30 Jun 2021** | | **100,750** | **31,816** | **14,300** | **24,600** |
| *Differences in measurement* | | | | | |
| Business acquisition adjustments | (a) | – | 2,100 | 4,325 | 4,325 |
| Equity issued to staff | (b) | – | (644) | (644) | (644) |
| Net unrealised gains on investments | (c) | – | – | – | (9,889) |
| Adjustments relating to associates | (d) | 7,532 | 7,532 | 7,532 | 2,939 |
| Credit investments | (e) | 209 | 1,152 | 1,152 | 1,152 |
| *Differences in classification* | | | | | |
| Adjustments relating to Master Credit Trust | (f) | (4,028) | (4,041) | – | – |
| Interest income | (g) | (41) | (41) | – | – |
| Net unrealised losses on investments | (h) | 315 | 315 | 315 | – |
| Outgoings recovery | (i) | (1,751) | – | – | – |
| Credit investments | (j) | (275) | | | |
| *Tax on adjustments* | | – | – | (3,618) | 879 |
| **Total adjustments** | | **1,961** | **6,373** | **9,062** | **(1,238)** |
| **Underlying results for the period ended 30 Jun 2021** | | **102,711** | **38,189** | **23,362** | **23,362** |
| **Statutory result for the period ended 30 Jun 2020** | | **74,174** | **24,558** | **8,923** | **1,822** |
| *Differences in measurement* | | | | | |
| Business acquisition adjustments | (a) | – | 695 | 1,613 | 1,613 |
| Equity issued to staff | (b) | – | 460 | 460 | 460 |
| Net unrealised losses on investments | (c) | – | – | – | 7,415 |
| Adjustments relating to associates | (d) | (1,003) | (1,003) | (1,003) | 1,601 |
| Credit investments | (e) | (119) | 2,348 | 2,348 | 2,348 |
| *Differences in classification* | | | | | |
| Adjustments relating to Master Credit Trust | (f) | (2,424) | (2,346) | – | – |
| Interest income | (g) | (3,079) | (3,079) | – | – |
| Net unrealised gains on investments | (h) | (125) | (125) | (125) | – |
| *Tax on adjustments* | | – | – | (109) | (3,152) |
| **Total adjustments** | | **(6,750)** | **(3,050)** | **3,184** | **10,285** |
| **Underlying results for the period ended 30 Jun 2020** | | **67,424** | **21,508** | **12,107** | **12,107** |

1. Revenue refers to total income on the condensed consolidated statement of profit or loss and other comprehensive income.
2. EBITDA is not an IFRS measure but has been presented to provide a comparable measure to the Underlying result.

# 2. Segment information (continued)

## 2.2 Segment results (continued)

**Differences in measurement**

(a) The acquisition of Armada Funds Management in 2017 and RetPro on 1 April 2021 for cash and shares gives rise to non-cash IFRS expenditure relating to the amortisation of intangible assets of $1.7 million (30 June 2020: $0.9 million) and $0.5m (30 June 2020: $nil) respectively and share-based payment expenses to vendors of Armada Funds Management and RetPro, who are now employees of the Group, of $nil (30 June 2020: $0.7 million) and $2.0 million respectively (30 June 2020: $nil).

(b) The Underlying measure expenses the full value of the share-based payment equity awards issued to staff as part of the annual bonus awards in the year of grant as opposed to over the vesting period (up to 5 years) per IFRS.

(c) Adjustment to remove unrealised (gains)/losses on the Group's strategic investment in Japara Healthcare Ltd.

(d) The Underlying treatment records dividends and distributions received from associates in Underlying Revenue as opposed to the IFRS treatment of recording the Group's share of accounting profit or loss of an associate. Underlying Revenue recognises gains/losses in management's assessment of the movement in the underlying value of the associate.

(e) The Underlying treatment excludes the movement in AASB 9 *Financial Instruments* Expected Credit Loss (ECL) provisions relating to loans receivable. However the Underlying approach does recognise the ECL provision for all MCT assets and specific provisions individually assessed against loans receivable. See note (j) for the classification treatment of the Underlying provision.

**Differences in classification**

(f) The Underlying treatment records the distributions received from the MA Master Credit Trust (MCT) in Underlying Revenue as opposed to the IFRS treatment of consolidating MCT into the Group's results.

(g) The Group previously consolidated the assets and liabilities of a fund related credit initiative which was restructured in December 2020 and is therefore not an adjustment in 2021. Interest expense in the prior corresponding period of $2.7 million was reclassified to Underlying Revenue to offset against the interest income derived from the credit initiative to reflect the total net return to the Group. Further, interest income on cash and bank balances of ($0.04) million (30 June 2020: $0.4 million) is reclassified to Underlying net interest expense.

(h) Unrealised (gains)/losses on investment, other than those identified in (c) above, are reclassified from Other Comprehensive Income to Underlying Revenue.

(i) The RetPro business fully recovers direct site management expenses from it's clients. The Underlying adjustment reclassifies these expenses against the outgoings recovery revenue to show the overall net $nil impact.

(j) The Underlying ECL loans receivable provisioning movements are reclassified from statutory expense to Underlying Revenue to be consistent with how management view the movement in the value of investments.

| | Half-year ended 30 Jun 2021 Consolidated $'000 | Half-year ended 30 Jun 2020 Consolidated $'000 |
|---|---|---|

## 3. Fee and commission income

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

| | Half-year ended 30 Jun 2021 Consolidated $'000 | Half-year ended 30 Jun 2020 Consolidated $'000 |
|---|---|---|
| **Timing of revenue recognition** | | |
| ***At a point in time*** | | |
| Advisory success fees | 23,181 | 20,327 |
| Commission and brokerage income | 3,560 | 5,333 |
| Facilitation and transaction fees | 11,234 | 5,408 |
| **Total revenue earned at a point in time** | **37,975** | **31,068** |
| ***Over time*** | | |
| Advisory retainer fees | 1,703 | 1,124 |
| Performance fees | 12,565 | 2,933 |
| Distribution fees | 2,885 | 4,812 |
| Management fees | 33,380 | 24,739 |
| **Total revenue earned over time** | **50,533** | **33,608** |
| **Total fee and commission income** | **88,508** | **64,676** |
| **Fee and commission income by segment** | | |
| ***At a point in time*** | | |
| Asset Management | 11,234 | 5,566 |
| Corporate Advisory and Equities | 26,741 | 25,502 |
| **Total revenue earned at a point in time** | **37,975** | **31,068** |
| ***Over time*** | | |
| Asset Management | 48,830 | 32,484 |
| Corporate Advisory and Equities | 1,703 | 1,124 |
| **Total revenue earned over time** | **50,533** | **33,608** |
| **Total fee and commission income** | **88,508** | **64,676** |

| | Half-year ended 30 Jun 2021 Consolidated $'000 | Half-year ended 30 Jun 2020 Consolidated $'000 |
|---|---|---|
| **4. Investment income** | | |
| Interest income on cash and bank balances | 46 | 425 |
| Interest income on loans receivable | 14,626 | 14,318 |
| Dividends and distributions from investments | 558 | 614 |
| **Total investment income** | **15,230** | **15,357** |
| **5. Other income** | | |
| Other income | 19 | 1,706 |
| Outgoings recovery | 1,751 | – |
| Net foreign exchange gains | 173 | 7 |
| Net gains/(losses) on financial instruments | 1,270 | (19) |
| **Total other income** | **3,213** | **1,694** |

## 6. Dividends

During the period, MA Financial Group Limited (formerly Moelis Australia Limited) made the following fully franked dividend payments:

| | Half-year ended 30 Jun 2021 Consolidated $'000 | Half-year ended 30 Jun 2020 Consolidated $'000 |
|---|---|---|
| **Fully Paid Ordinary shares** | | |
| 2019 dividend (paid on 4 March 2020) | – | 14,532 |
| 2020 dividend (paid on 3 March 2021) | 14,906 | – |
| **Total dividends** | **14,906** | **14,532** |

### Dividends not recognised at the end of the financial year

Since the end of the half year, the Directors have resolved to pay a fully franked dividend of 5 cents per share, payable on 22 September 2021. The aggregate amount of the proposed dividend expected to be paid from retained profits, but not recognised as a liability at the end of the half-year is $7.8 million. This amount has been estimated based on the number of shares eligible to participate as at 30 June 2021.

| | 30 Jun 2021 Consolidated $'000 | 31 Dec 2020 Consolidated $'000 |
|---|---|---|
| **7. Investments in associates and joint ventures** | | |
| MA Kincare Fund | 9,143 | 9,037 |
| MA Senior Secured Credit Fund II | 2,712 | 2,353 |
| MKM Capital | 5,527 | 5,667 |
| Redcape Hotel Group | 70,365 | 58,232 |
| | **87,747** | **75,289** |

## 7. Investments in associates and joint ventures (continued)

### Impairment of investments in associates and joint ventures

In line with the Group's accounting policies, after application of the equity method of accounting, the Group's investments in associates and joint ventures were assessed for impairment at the reporting date. The Group performs an assessment to determine whether there is any objective evidence that its investments in associates and joint ventures are impaired. The main indicators of impairment are significant financial difficulty of the investee, significant changes in the technological, market, economic or legal environment and a significant or prolonged decline in fair value below cost. Refer to 7.2 below for further information on the Group's investments.

### 7.1 Details of ownership interest

| | | | Proportion of ownership interest and voting power held by the Group | |
|---|---|---|---|---|
| **Associates** | **Place of incorporation** | **Principal activity** | **30 Jun 2021** | **31 Dec 2020** |
| Infinite Care Group[1] | Australia | Aged care facility operator | 5.2% | 5.2% |
| MA Aged Care Fund[1] | Australia | Investor in aged care facility operator | 10.1% | 10.1% |
| MA Kincare Fund | Australia | Credit funds management | 25.5% | 25.5% |
| MA Senior Secured Credit Fund II | Australia | Credit funds management | 13.0% | 13.0% |
| MKM Capital | Australia | Residential mortgage lending | 47.5% | 47.5% |
| Redcape Hotel Group | Australia | Owner & operator of hotels | 10.9% | 9.4% |

1. The Group's investment in Infinite Care Group and MA Aged Care Fund are carried at $nil at 30 June 2021 (31 Dec 2020: $nil).

### 7.2 Details of investments

### Details of investment in Redcape Hotel Group

At 30 June 2021, the Group has a 10.9% direct equity investment in Redcape Hotel Group (Redcape) and funds managed by the Group own a further 29.4% of Redcape. The Group earns trustee, asset manager and hotel operator fees from Redcape, as well as investment returns on its direct investment. The Group is considered to have significant influence over Redcape as a result of participating in the financial and operating policy decisions of Redcape through its roles as responsible entity, asset manager and hotel operator.

Redcape owns or operates 36 hotels in New South Wales and Queensland. Redcape venues in the Greater Sydney area were temporarily closed from 26 June 2021 in line with NSW Government COVID-19 restriction. Redcape assessed their assets for impairment at 30 June 2021, including considering the impact of COVID-19 on their operations. The Directors are satisfied with the independent audit report and procedures undertaken by Redcape management to prepare the audited financial statements for the year ended 30 June 2021, including that the impairment testing performed by Redcape is reasonable. As a result no additional impairment is required for the Group's investment in Redcape. Redcape has recognised an increase in its net assets at 30 June 2021, of which the Group's share of the increase has been equity accounted.

During the period, the Group purchased 8.5 million units in the Redcape at a bargain purchase price. The gain on the bargain purchase of $1.6 million is recognised in the share of profit of associates in the statement of profit and loss and other comprehensive income.

| | 30 Jun 2021 Consolidated $'000 | 31 Dec 2020 Consolidated $'000 |
|---|---|---|
| **8. Receivables** | | |
| Accounts receivable | 10,962 | 4,798 |
| Fees receivable | 16,094 | 16,748 |
| Interest receivable | 699 | 528 |
| Sundry debtors | 1,675 | 13,644 |
| Receivables from associates | 10,981 | 11,367 |
| Loss allowance on receivables | (889) | (963) |
| **Total receivables** | **39,522** | **46,122** |

### 8.1 Movement in loss allowance on receivables

| | | |
|---|---|---|
| **Collectively assessed loss allowance on receivables** | | |
| Balance at the beginning of the period | (901) | (368) |
| Loss allowance on receivables movement for the period | 204 | (533) |
| **Balance at the end of the period** | **(697)** | **(901)** |
| **Individually assessed loss allowance on receivables** | | |
| Balance at the beginning of the period | (62) | (40) |
| Loss allowance on receivables acquired in business combination during the period | (130) | – |
| Loss allowance on receivables movement for the period | – | (22) |
| **Balance at the end of the period** | **(192)** | **(62)** |
| **Total loss allowance on receivables** | **(889)** | **(963)** |

| | 30 Jun 2021 Consolidated $'000 | 31 Dec 2020 Consolidated $'000 |
|---|---|---|
| **9. Loans receivable** | | |
| ***Current*** | | |
| Loans to third parties | 137,238 | 131,317 |
| Loans to associates | 4,006 | 2,000 |
| Loss allowance | (461) | (374) |
| | **140,783** | **132,943** |
| ***Non-current*** | | |
| Loans to third parties | 122,038 | 87,502 |
| Loans to associates | 4,318 | 4,318 |
| Loan to employees | 430 | 439 |
| Loss allowance | (2,266) | (931) |
| | **124,520** | **91,328** |
| **Total loans receivable** | **265,303** | **224,271** |

Loans to third parties comprises of commercial loans provided to Australian corporates. The loans have terms of between three months and five years and are either fully or partially secured against the assets of the borrowers.

### 9.1 Loans receivable by industry

| Consolidated | Loans receivable $'000 | Loss allowance Stage 1 12 months ECL Collectively assessed $'000 | Total $'000 |
|---|---|---|---|
| **30 Jun 2021** | | | |
| Child care | 18,442 | (659) | 17,783 |
| Construction and real estate | 17,974 | (362) | 17,612 |
| Financial services | 124,936 | (768) | 124,168 |
| Professional services | 104,243 | (768) | 103,475 |
| Other | 2,435 | (170) | 2,265 |
| | **268,030** | **(2,727)** | **265,303** |
| **31 Dec 2020** | | | |
| Child care | 15,044 | (472) | 14,572 |
| Construction and real estate | 7,282 | (268) | 7,014 |
| Financial services | 109,291 | (375) | 108,916 |
| Professional services | 93,520 | (167) | 93,353 |
| Other | 439 | (23) | 416 |
| | **225,576** | **(1,305)** | **224,271** |

## 10. Loss allowance

The table below presents the gross exposure and related ECL allowance for assets subject to impairment requirements of AASB 9 *Financial Instruments*.

| Consolidated | Gross exposure for asset $'000 | Loss allowance $'000 | Total $'000 |
|---|---|---|---|
| **30 Jun 2021** | | | |
| Receivables | 40,411 | (889) | 39,522 |
| Loans receivable | 268,030 | (2,727) | 265,303 |
| | **308,441** | **(3,616)** | **304,825** |
| **31 Dec 2020** | | | |
| Receivables | 47,085 | (963) | 46,122 |
| Loans receivable | 225,576 | (1,305) | 224,271 |
| | **272,661** | **(2,268)** | **270,393** |

### 10.1 Loss allowance on loans receivable

By providing loans to customers, the Group bears the risk that the future circumstances of customers might change, including their ability to repay their loans in part or in full. While the Group's credit lending policies and procedures aim to minimise this risk, there will always be instances where the Group will not receive the full amount owed and hence a provision for impaired loans will be necessary. The calculation of both the collectively and individually assessed expected loss allowance contains various factors that require judgement and estimates by management.

| | 30 Jun 2021 Consolidated $'000 | 31 Dec 2020 Consolidated $'000 |
|---|---|---|
| **10.2 Movement in loss allowance on loans receivable** | | |
| ***Current*** | | |
| **Collectively assessed loss allowance** | | |
| Balance at the beginning of the period | (374) | (464) |
| Loss allowance movement for the period | (87) | 90 |
| **Balance at the end of the period** | **(461)** | **(374)** |
| **Individually assessed loss allowance** | | |
| Balance at the beginning of the period | – | (4,550) |
| Loss allowance movement for the period | – | 4,550 |
| **Balance at the end of the period** | – | – |
| ***Non-current*** | | |
| **Collectively assessed loss allowance** | | |
| Balance at the beginning of the period | (931) | (314) |
| Loss allowance movement for the period | (1,335) | (617) |
| **Balance at the end of the period** | **(2,266)** | **(931)** |
| **Total loss allowance on loans receivable** | **(2,727)** | **(1,305)** |

## 10. Loss allowance (continued)

### 10.2 Movement in loss allowance on loans receivable (continued)

The Group periodically assesses exposures to determine whether the credit risk of a loan receivable has increased significantly since initial recognition. The assessment, which requires judgement, considers both quantitative and qualitative information that is based on the Group's historical experience and informed credit assessment including forward-looking information, such as economic forecast and outlook, GDP growth, unemployment rates and interest rates.

During the period the Group undertook a review of its loans receivable portfolio and expected credit losses. The review considered the macroeconomic outlook, counterparty credit quality, the type of collateral held and exposure at default as at the reporting date. While the model inputs and forward-looking information were revised, the accounting policies of the Group remained consistent with prior periods. The Group's loss allowance provisions are a determination of probabilities of default and a determination of losses that may be incurred should a default occur.

| | Half-year ended 30 Jun 2021 Consolidated $'000 | Half-year ended 30 Jun 2020 Consolidated $'000 |
|---|---|---|
| **10.3 Credit loss allowance** | | |
| **Credit loss allowance recognised in the statement of profit or loss:** | | |
| Credit loss allowance on receivables | (204) | 801 |
| Credit loss allowance on loans receivable | 1,187 | 21 |
| Credit loss allowance on loans to associates | 236 | 1,744 |
| Individually assessed credit loss allowance on loans receivable | – | 22 |
| **Total credit loss allowance for the period** | **1,219** | **2,588** |

| | 30 Jun 2021 Consolidated $'000 | 31 Dec 2020 Consolidated $'000 |
|---|---|---|
| **11. Other financial assets** | | |
| **Financial assets – current** | | |
| Financial assets held at FVTPL (equity securities) | 2,118 | 18,429 |
| Financial assets held at FVTOCI | 5,000 | – |
| | **7,118** | **18,429** |
| **Financial assets – non-current** | | |
| Financial assets held at FVTOCI | 37,786 | 25,097 |
| Financial assets held at FVTPL (non-equity securities) | 24,005 | 682 |
| | **61,791** | **25,779** |

| | 30 Jun 2021 Consolidated $'000 | 31 Dec 2020 Consolidated $'000 |
|---|---|---|
| **12. Intangible assets** | | |
| **Carrying amounts of:** | | |
| Identifiable intangible assets (net of amortisation) | 15,948 | 11,794 |
| | | |
| **Cost** | | |
| Balance at the beginning of the period | 19,859 | 18,676 |
| Additions | 6,843 | 1,183 |
| **Balance at the end of the period** | **26,702** | **19,859** |
| | | |
| **Accumulated amortisation and impairment** | | |
| Balance at the beginning of the period | (8,065) | (5,320) |
| Amortisation expense | (2,689) | (2,745) |
| **Balance at the end of the period** | **(10,754)** | **(8,065)** |

Identifiable intangible assets are comprised of (net of amortisation):

- $7.4 million (31 Dec 2020: $9.2 million) relating to the net present value of management rights recognised as part of the 2017 acquisition of Armada Funds Management (Armada).
- $2.3 million (31 Dec 2020: $2.6 million) related to software and trademarks.
- $6.2 million (31 Dec 2020: $nil) relating to the net present value of customer contracts and property management agreements recognised as part of the acquisition of retail property manager RetPro Pty Ltd (RetPro) on 1 April 2021.

Included in the deferred tax liability of the Group as at 30 June 2021 is an amount of $2.2 million (31 Dec 2020: $2.8 million) and $2.8 million (31 Dec 2020: $nil) relating to the intangible assets recognised from the Armada and the RetPro acquisitions respectively.

Identifiable intangible assets recognised as part of the Armada acquisition were determined as the net present value of the forecast management fees less operating expenses, based on the expected lives of each fund which ranged from 2 years and 7 months to 7 years and 9 months at the time of acquisition. As at 30 June 2021, the Armada funds have remaining expected lives of 3 years and 8 months.

Identifiable intangible assets recognised as part of the RetPro acquisition were determined as the net present value of forecast property management fees less expenses, based on the expected remaining lives of each contract. The expected lives of customer contracts and property management agreements at the acquisition date is between one and 5 years and 5 years respectively.

### Amortisation of Armada intangible assets

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

### Amortisation of RetPro intangible assets

Customer contracts and property management agreements are amortised over the expected life of the contracts.

## 12. Intangible assets (continued)

### Impairment assessment of Armada intangible assets

At 30 June 2021, the Group has assessed the Armada intangible asset for impairment, which included consideration of the impact of COVID-19. A value-in-use model was used that incorporated inputs for post-tax cash flow projections based on financial budgets over five years, a terminal growth rate of 2.5% (31 Dec 2020: 1%) and a discount rate of 12.5% (31 Dec 2020: 12.5%). The values assigned to the inputs represent the Group's assessment of future trends and have been based on historical data from both internal and external sources and include an assessment of the likely lives of the management rights, expectations about variations to management fee rates and amount and timing of transaction fees. In addition, the assessment includes consideration of expected changes to operating costs and discount rates that reflect the relative security of the cashflows and the market pricing for similar management rights.

No impairment charge was recognised in relation to Armada intangible assets during the period as the recoverable amount was determined to be in excess of the carrying amount. A sensitivity analysis was performed on the value-in-use calculation, stress testing the model inputs for reasonably possible changes in assumptions, such as discount rates and post-tax cash flows, to test for impairment and no additional indicators of impairment were identified.

| | 30 Jun 2021 Consolidated $'000 | 31 Dec 2020 Consolidated $'000 |
|---|---|---|
| **13. Goodwill** | | |
| Cost | 14,868 | 9,827 |
| **Goodwill is allocated to the following cash-generating units:** | | |
| Asset Management | 13,542 | 8,501 |
| Corporate Advisory and Equities | 1,326 | 1,326 |
| | **14,868** | **9,827** |

Goodwill with indefinite lives relate to the Group's integrated acquisitions. Goodwill is not amortised but reviewed for impairment at least annually.

As part of the acquisition of RetrPro on 1 April 2021, goodwill of $5.0 million was recognised.

### Impairment of goodwill

At 30 June 2021, the Group has assessed goodwill for impairment, which included consideration of the impact of COVID-19. A value-in-use model of the cash-generating unit (CGU), to which goodwill has been allocated, was used that incorporated inputs for post-tax cash flow projections based on financial budgets over five years, a terminal growth rate of 2.5% (31 Dec 2020: 1%) and a discount rates ranging from 10% to 12.5% (31 Dec 2020: 11% to 12.5%). The values assigned to the inputs represent the Group's assessment of future trends and have been based on historical data from both internal and external sources and include an assessment of the estimated future cash flows the Group expects to derive from the asset and the time value of money, represented by a market risk-free rate of interest. In addition the assessment considers of other factors that market participants would reflect in pricing the future cash flows the Group expects to derive from the asset.

No impairment charge was recognised in relation to goodwill during the period as the recoverable amount was determined to be in excess of the carrying amount. A sensitivity analysis was performed on the value-in-use calculation, stress testing the model inputs for reasonably possible changes in assumptions, such as discount rates and post-tax cash flows, to test for impairment and no additional indicators of impairment were identified.

## 14. Borrowings

| | 30 Jun 2021 Consolidated $'000 | 31 Dec 2020 Consolidated $'000 |
|---|---|---|
| ***Current*** | | |
| Unsecured notes – limited recourse | 30,030 | 30,030 |
| | **30,030** | **30,030** |
| ***Non-current*** | | |
| Unsecured notes | 65,000 | 65,000 |
| Fund preferred units | 215,428 | 172,540 |
| | **280,428** | **237,540** |

Except for the obligation to pay periodic interest and repay the principal, the terms of the unsecured notes, including the limited recourse notes, do not include any material undertakings or obligations which, if not complied with, would result in an acceleration of the amount owing.

### (a) Unsecured notes

| | MA Bond II | MA Bond IV |
|---|---|---|
| Classification | Non-current | Non-current |
| Issue | 2018 | 2020 |
| Maturity Date | Sep 2022 | Sep 2024 |
| Amount ($m) | 25.0 | 40.0 |
| Interest rate per annum | 5.75% | 5.85% |
| Issue costs ($'000) | 6.5 | 9.0 |

### (b) Unsecured notes – limited recourse

| | MA Bond III |
|---|---|
| Classification | Current |
| Issue | 2019 |
| Maturity Date | May 2024 |
| Amount ($m) | 30.0 |
| Interest rate per annum | Variable |

The limited recourse notes constitute unsecured, unsubordinated obligations of an issuing special purpose Group entity (issuing entity). The issuing entity was capitalised by the Group and invests the proceeds of the note issuance in a diversified portfolio of cash and loans. The notes have sole recourse to the assets of the issuing entity and are not guaranteed by the Company. Whilst the notes have a five year stated maturity, they can be redeemed at the option of the note holders subject to a minimum 12 month holding period following issue. The limited recourse notes are held for investors under the Significant Investor Visa (SIV) programme and, given the nature of the investors, it is anticipated that redemptions may be requested by the note holders prior to the stated maturity of the notes, as investors receive their permanent residency status. The interest rate is calculated at a margin of 4.35% over the RBA cash rate at the time of issue per tranche and then resets in February and August of each year. No redemptions of MA Bond III were paid during the period (year ended 31 Dec 2020: $5.0 million redemption).

## 14. Borrowings (continued)

### (c) Fund Preferred Units

The Group manages the MA Priority Income Fund (MAPIF), formerly MA Fixed Income Fund. MAPIF provides investors with exposure to a diversified portfolio of credit investments via an investment in Class A Units (Fund Preferred Units) in the MA Master Credit Trust (Master Credit Trust). As a 10% co-investment, the Group holds Class B Units in the Master Credit Trust. The Master Credit Trust is a consolidated entity of the Group.

The Fund Preferred Units held by MAPIF receive a preferential distribution from the realised profit of Master Credit Trust, up to a maximum equal to the RBA Cash Rate plus 4.00%. The Class B Units receive any excess distributable profits after paying the preferential distribution to the Fund Preferred Units and fund expenses. The Class B units further provide a maximum 10% "first loss" capital buffer which affords the Fund Preferred Units preferential treatment on distribution and wind-up of the Master Credit Trust. As such the Group's maximum economic exposure is limited to the value of the Class B Units which at 30 June 2021 amounted to $21.5 million (31 Dec 2020: $17.3 million).

## 15. Financial instruments

### Fair value of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes is determined on such a basis except for measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136 *Impairment of Assets*.

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

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

### Valuation processes

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation function that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer. The valuation function regularly reviews significant unobservable inputs and valuation adjustments. Significant valuation issues are reported to the Group's Audit and Risk Committee.

## 15. Financial instruments (continued)

### Valuation processes (continued)

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

| | Mandatorily at FVTPL | FVTOCI– equity instruments | Total | Level 1 (a) | Level 2 (b) | Level 3 (c) | Total |
|---|---|---|---|---|---|---|---|
| **30 Jun 2021** | | | | | | | |
| Loans receivable | 20,330 | – | **20,330** | – | – | 20,330 | **20,330** |
| Non-equity securities | 24,005 | – | **24,005** | – | 329 | 23,676 | **24,005** |
| Equity securities | 2,118 | 42,786 | **44,904** | 20,707 | 24,197 | – | **44,904** |
| **Financial assets measured at fair value** | **46,453** | **42,786** | **89,239** | **20,707** | **24,526** | **44,006** | **89,239** |
| **31 Dec 2020** | | | | | | | |
| Loans receivable | 10,752 | – | **10,752** | – | – | 10,752 | **10,752** |
| Non-equity securities | 682 | – | **682** | – | 682 | – | **682** |
| Equity securities | 18,429 | 25,097 | **43,526** | 10,859 | 32,667 | – | **43,526** |
| **Financial assets measured at fair value** | **29,863** | **25,097** | **54,960** | **10,859** | **33,349** | **10,752** | **54,960** |

The carrying amount of the Group's cash and cash equivalents, restricted cash, trade receivables, redeemable preference shares, unsecured notes, Fund Preferred Units and trade payables approximate to their fair value at the current and prior reporting periods.

The Group reviewed its valuation techniques and key inputs for its Level 2 and Level 3 assets during the period, including a consideration of the impact of COVID-19 on the estimated fair values. The review considered the most recent independent valuations, quoted unit prices of recent equity transactions, expected duration the assets are likely to be held for and the macroeconomic outlook for the industries each asset operates in. As a result of the review, no significant change in the fair values of the assets was identified and the Group considers the fair values adopted to be appropriate at the end of the period.

### Valuation techniques and key inputs

(a) Quoted bid prices in an active market.

(b) Inputs other than quoted prices, that are observable, such as unit prices or based on recent transactions.

(c) Short-term held assets or valued using a discounted cash flow valuation technique with inputs that are not based on observable market data (unobservable inputs) but are based on assumptions by reference to historical company and industry experience. Discount rate inputs range between 6.2% – 14.5%.

## 15. Financial instruments (continued)

### Reconciliation of balances in Level 3 of the fair value hierarchy

During the period there were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies. The following table summarises the movements in Level 3 of the fair value hierarchy for the financial instruments measured at fair value by the Group:

| | Loan assets $'000 |
|---|---|
| **Balance as at 1 January 2020** | 9,158 |
| Additions | 24,388 |
| Disposals and repayments | (22,616) |
| Fair value movements recognised in profit or loss | (178) |
| **Balance as at 31 December 2020** | **10,752** |
| **Balance as at 1 January 2021** | 10,752 |
| Additions | 12,762 |
| Disposals and repayments | (3,112) |
| Fair value movements recognised in profit or loss | (72) |
| **Balance as at 30 June 2021** | **20,330** |

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in profit or loss, total assets, total liabilities or total equity.

| | 30 Jun 2021 Consolidated $'000 | 31 Dec 2020 Consolidated $'000 |
|---|---|---|
| **16. Contributed equity** | | |
| Ordinary shares – fully paid | 158,094 | 154,579 |

The Company had authorised share capital at 30 June 2021 amounting to 155,426,070 ordinary shares (31 Dec 2020: 151,141,070). Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

### Shares purchased on-market for the purpose of an employee incentive scheme

During the period, the Group purchased 577,006 shares on-market (year ended 31 Dec 2020: 1,889,326 shares) and 512,858 shares via an off-market transfer from its employees during the staff trading window (year ended 31 Dec 2020: 378,030 shares) in order to meet the Group's shared based payments award requirements. The average price of all share purchases during the period was $4.51 (year ended 31 Dec 2020: $3.97).

### Shares issued for the Loan Funded Share Plan

On 11 March 2021 and 4 June 2021, the Company issued 3,635,000 and 650,000 (year ended 31 Dec 2020: 3,500,000) fully paid ordinary shares respectively in order for eligible employees of the Group to acquire shares in the Company as part of the Loan Funded Share Plan (LFSP) employee equity incentive scheme. The average issue price of the shares was $4.38 (year ended 31 Dec 2020: $4.04). The purchase price of the shares acquired by eligible employees under the LFSP was fully funded by a limited recourse loan provided by the Company. The shares are subject to vesting conditions, including performance conditions and continuous employment, and carry the same rights as other fully paid ordinary shares.

### Share Options

On 18 February 2021, the Chairman and non-executive Director, Jeffrey Browne, exercised 390,625 (year ended 31 Dec 2020: 390,625) options at an exercise price of $3.00 (year ended 31 Dec 2020: $2.80) per option for 390,625 fully paid ordinary shares of the Company.

## 17. Key management personnel

Remuneration arrangements of key management personnel (KMP) are disclosed in the 2020 Annual Financial Report. Annual bonuses accrued in December 2020 for KMP consisted of cash and deferred equity. The cash component of the annual bonus was fully paid to KMP in March 2021. The remaining deferred equity component of the bonus was granted to KMP as restricted shares in March 2021 and is subject to vesting conditions. During the period the Company issued 800,000 fully paid ordinary shares of the Company to KMP as part of the LFSP. Non-recourse loans provided under the LFSP represent a transaction with a KMP that is an in-substance option and not considered a loan to the KMP.

## 18. Acquisition of subsidiary

### Business acquisitions

On 1 April 2021 the Group acquired 100% of the issued share capital of RetPro Pty Ltd and RetPro Management Pty Ltd (RetPro Group), obtaining control of the RetPro Group. The RetPro Group is engaged in the provision of property management, retail leasing and consultancy as well as strategic advisory services to retail property owners and qualifies as a business as defined in AASB 3 *Business Combinations.*

The initial accounting for the acquisition of the RetPro Group has only been provisionally determined at the end of the reporting period. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the Group receives all the information possible to determine fair value.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

| | Fair value $'000 |
|---|---|
| **Current assets** | |
| Cash and cash equivalents | 7,940 |
| Receivables | 3,176 |
| **Total current assets** | **11,116** |
| **Non-current assets** | |
| Fixed Assets | 148 |
| Identifiable intangible assets | 6,676 |
| **Total non-current assets** | **6,824** |
| **Total assets** | **17,940** |
| **Liabilities** | |
| **Current liabilities** | |
| Trade and other payables | 1,334 |
| Income tax payable | 1,101 |
| Provisions | 1,361 |
| Deferred tax liabilities | 2,861 |
| **Total current liabilities** | **6,657** |
| **Total identifiable assets acquired and liabilities assumed** | **11,283** |
| Goodwill | 5,041 |
| **Total consideration** | **16,324** |
| Satisfied by: | |
| Cash | 14,627 |
| Contingent consideration arrangement | 1,697 |
| **Total consideration transferred** | **16,324** |
| Net cash outflow arising on acquisition | |
| Cash consideration | 14,627 |
| Less: cash and cash equivalent balances acquired | 7,940 |
| **Total net cash outflow arising on acquisition** | **6,687** |

## 18. Acquisition of subsidiary (continued)

### Goodwill

The goodwill of $5.0 million arising from the acquisition consists of:

- the experience and employment of key management;
- expectation of customer property management contract renewal; and
- future contracts.

None of the goodwill is expected to be deductible for income tax purposes.

### Acquisition related costs

Business acquisition costs of $0.4 million comprising legal fees and due diligence costs were included in the Group's consolidated statement of profit or loss and other comprehensive income.

### Contingent consideration

The contingent consideration to be transferred by the Group is recognised at the acquisition-date fair value.

The contingent consideration arrangement requires the settlement of outstanding matters and is payable 12 months after the acquisition date. The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangement is between $nil million and $1.7 million.

### Contribution to the Group's results

The RetPro Group contributed $4.6 million of revenue and $0.7 million to the Group's profit before tax for the period between the date of acquisition and the reporting date.

If the acquisition of the Retro Group had been completed on the first day of the period, Group revenues for the half-year ended 30 June 2021 would have been $106.6 million and Group profit before tax would have been $23.1 million. The Directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group for the half-year ended 30 June 2021 and to provide a reference point for comparison in future half-years.

## 19. Commitments

At 30 June 2021, the Group had undrawn loan commitments of $38.1 million (31 Dec 2020: $30.9 million). Subsequent to 30 June 2021, $7.6 million of this commitment was either cancelled or drawn upon.

At 30 June 2021, the Group has the following capital commitments:

- The Group has committed to a 10% co-investment in Class B Units in MCT, a consolidated entity of the Group. At 30 June 2021, $21.5 million (31 Dec 2020: $17.3 million) has been invested by the Group in MCT. Refer to further information in note 14(c).
- The Group has entered into commercial leases for the rental of office premises in Sydney and Melbourne. These leases have terms of 7 years with renewal terms included in the contracts. Renewals are at the specific option of the Group. The Group's lease commitments of $52.1 million have not been recognised as a right-of-use asset and lease liability as the respective lease commencement dates are after the end of the financial period.

## 20. Contingent liabilities

On 17 June 2021, the Group entered into a put and call agreement to purchase a real estate asset for $140 million and on that same day paid a security deposit of $7 million. Prior to expiry of the option in September 2021, the Group's obligations under the agreement are expected to be assigned to a fund managed by the Group.

On 30 June 2021, the Group entered into a contract to purchase a hospitality property and business for $54.5 million and a deposit of $2.7 million was paid. Prior to the completion date, the Group is expected to nominate a fund managed by the Group to fulfil the purchase obligations.

## 21. Structured entity

The Group has an exposure to an unconsolidated structured entity (SE) which is collaterised by asset finance loan receivables. The terms of the SE are such that voting or similar rights are not the dominant factor in determining who controls the SE. The Group assesses at inception and at each reporting date, whether the SE should be consolidated based on the Group's consolidation accounting policy. At 30 June 2021, the carrying value of the investment was $23.7 million (31 Dec 2020: $nil) and is reported in non-current financial assets held at FVTPL. The group's exposure to the SE is represented by an investment in partly paid notes issued by the SE. The maximum exposure to loss is limited to $23.7 million (31 Dec 2020: $nil). The total assets of the unconsolidated SE at 30 June 2021 is $275 million (31 Dec 2020: $nil), based on the most current available information to the Group.

## 22. Subsequent events

On 18 August 2021, Redcape Hotel Group Management Ltd, as responsible entity for the Redcape Hotel Group (ASX:RDC) announced a delisting proposal subject to RDC securityholder approval. The proposal includes a buy-back to be funded through $115 million of additional debt and a $132.3 million rights issue at $1.15 per RDC security. Under the proposal RDC securityholders have the option to either retain their existing holding, increase their holding through participation in the rights issue or have their securities bought back. The Group has agreed to underwrite the rights issue should the proposal be approved by RDC securityholders. The Group has entered into further sub-underwriting agreements such that the Group's maximum underwriting commitment would be $66.2 million.

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