

An aerial photograph of a coastline. The water is a vibrant turquoise color, transitioning to a white sandy beach. The land is covered in dense green vegetation. The entire image is framed by a white border.

# PACIFIC CURRENT GROUP

Annual Report 2016

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In accordance with ASX Listing Rule 4.10.3, Pacific Current Group Limited's Corporate Governance Statement can be found on its website at <http://paccurrent.com/shareholders/corporate-governance/>

# ABOUT PACIFIC CURRENT GROUP LIMITED

Pacific Current Group Limited (ASX:PAC) is a global multi-boutique asset management business committed to seeking out and partnering with exceptional investment managers.

## Our philosophy

Each partnership is created with flexibility to create exceptional alignment with our boutique managers. We apply capital, strategic insight, and global distribution to support the growth and development of our partner boutiques. Our goal is to help boutique funds focus on their core business and what matters most – investing.

## What we offer our boutiques

- Strategic and complementary capital – we seek to complement their business, not control
- Flexible ownership structures – our goal is to create exceptional alignment with our partners, so every partnership is uniquely tailored to fit the specific manager's needs
- Global distribution and marketing services to help grow underlying FUM at the boutique level – allowing portfolio managers to remain focused on investing
- Access to our global network and strategic insight – there are many ways we help support the development of our boutiques, specifically by providing intelligent insight and connecting them with the right people

## RESULTS AT A GLANCE

A challenging year from an operational perspective, but good progress has been made with the group's restructure and solid organic growth with key boutiques.

### Key Financial Highlights during the year:

Normalised net profit  
after tax (NPAT)

**\$11.6m**

Total funds  
under management

**\$50.4bn**

Full year dividend  
(fully franked)

**25c**

Year End FUM (\$bn)	50.4
Aggregate Boutique Management Fees (\$m)	176.1
Underlying Net Profit (\$m)	11.6
Final Dividend (cps)	5.0
Full Year Dividend (cps)	25.0

# CHAIRMAN'S REPORT

On behalf of the Board, I wish to thank our shareholders for their continued support and patience during a period of significant change for the Company.



The 2016 financial year has been a difficult period for Pacific Current Group Limited (Pacific Current) as we continued with our restructuring efforts designed to simplify and refocus our business.

On behalf of the Board, I wish to thank our shareholders for their continued support and patience during a period of significant change for the Company. The past year has been a challenging one for Pacific Current as we continued to implement some very important changes both within our management team and our portfolio. Whilst these changes have been challenging, we end the financial year with a business that is better placed for growth and the delivery of shareholder value over the years ahead.

The year saw changes of key personnel both at Board and Executive level. In April, our Chief Executive Officer, Tim Carver resigned from his position as CEO and subsequently joined GQG Partners LLC (GQG), a US-based funds management start-up backed by Pacific Current, as its CEO. Tim is responsible for all business strategy and management at GQG. Tim will resign as a director of Pacific Current prior to the Annual General Meeting in October.

We also appointed Tony Robinson as an independent Non-Executive Director in August 2015, replacing Andrew McGill. Tony was subsequently appointed as an Executive Director of the Group and joined Paul Greenwood, Global CIO and President North America and Joseph Ferragina, Chief Operating Officer on our new Executive Team.

I am confident that this new Executive Team has the right skills and experience to oversee the necessary changes and restructuring efforts being made at Pacific Current. They have worked diligently and assiduously on changes to staffing, the portfolio structure, carrying values and the reduction of material costs within the business.

The financial year also saw the continuation of our efforts of repositioning our portfolio towards “sunrise” investments and the pursuit of our strategy to continue to slowly divest out of businesses that we believe have lesser growth prospects or those where the sale price have been better than the boutique’s growth prospects.

This strategy led to the decision to invest in GQG, a boutique which we believe has exciting growth potential. It also led to the challenging decision to sell our investment in RARE. The decision to sell our RARE stake also reflected the fact that we wanted to support RARE’s majority shareholders who wished to pursue the opportunity to partner with Legg Mason.

With some of the proceeds from the RARE sale, we acquired a minority ownership stake in Aperio, a rapidly growing boutique that is well suited to our overall strategy and has already had a positive impact. Both Aperio and GQG have exceptionally sound growth prospects and we expect them to continue to make a positive contribution over the years ahead.

One of the main challenges during the year was continued FUM losses at Seizert due to recent underperformance at the US boutique. These losses offset much of the positive performance across our broader portfolio and resulted in some one-off costs that had a negative impact on our full year result.

Despite these significant one-off costs, which also reflect the impact of our restructuring initiatives, Pacific Current’s balance sheet remains sound. The completion of the sale of the majority of the Company’s interest in RARE positively impacted the financial position in FY2016.

### Financial Results

Pacific Current's underlying net profit after tax decreased to \$11.6 million, down 31% on the prior financial year. Statutory results were a loss of \$48.2 million.

### Funds Under Management

Funds under management increased by 3.0% to \$50.4 billion as at June 30, 2016. This reflected a strong performance from Aperio, Aether and IML offset by continued outflows at Seizert and RARE.

### Dividend

The Board has declared a fully franked final dividend of 5 cents per share, taking the total dividends for the year to 25 cents per share. This equates to a total payout ratio of 60% of underlying earnings for the year, which is at the lower end of the targeted range. The Board has confidence in the outlook for the business and reaffirms the targeted payout ratio band of 60-80%.

### Fund Manager Performance

The financial results were affected by a series of interest charges and other non-labour costs that will not carry through to the 2017 financial year. The result was also affected by the impairment charge relating to continued losses at Seizert, which was offset by strong performances at Aperio, Aether and IML as well as a positive contribution from GQG.

Going forward, we expect these core boutiques to be the key drivers to earnings, reflecting our continued diversification of the business that has been achieved following the merger with Northern Lights in 2014. The investments in GQG and Aperio reflect our continued efforts to diversify towards boutiques that are better suited to current and future investment trends and away from the traditional long-only style of management.

### Social Responsibility

The business from the Board down recognises its corporate social responsibility and continue to support a number of diligent and hard-working organisations in their efforts to bring about meaningful social change. For a number of years, we have supported Third Link Investment Managers through the provision of investment and support services on a pro-bono basis, with all fees donated to the not-for-profit sector.

### Outlook

The Board and Management recognise that shareholders have had to endure an arduous and challenging year given a number of significant changes for Pacific Current. The near term outlook for the Company remains somewhat difficult as we continue to implement important changes to refocus the business and reposition our portfolio towards more attractive industry segments.

Management remains focused on improving our financial results and I am confident that Pacific Current has the right team in place to deliver on this goal. We remain optimistic that the changes we have made, as well as the broader position of our portfolio will deliver growth over the years ahead.

Once again, I thank all our shareholders for their continued support during a difficult period and our dedicated staff, investment partners and clients for their efforts and hard work. I look forward to updating you with more information on our restructuring efforts in the near term.



**M. Fitzpatrick**  
Chairman

# CIO'S REPORT

In many ways FY2016 was another transitional year for PAC.



## Business Performance

In many ways FY2016 was another transitional year for PAC. We underwent meaningful changes in our management team as well as within our portfolio of investment boutiques. While challenging to navigate, we believe we have ended the year in a place where PAC is well situated to grow with a portfolio that better reflects the direction investors' appetites are moving.

In mid-2015 we made the difficult decision to sell our position in RARE. Our investment in RARE was enormously successful, returning more than 33 times the initial investment. While we believed RARE was an important asset, we felt it was appropriate to support the majority shareholders who wanted to pursue the opportunity to partner with Legg Mason. We were also confident that we could rapidly redeploy the proceeds from this transaction. When the transaction concluded, we immediately retired expensive merger-related debt and invested in rapidly growing Aperio Group (Aperio). Aperio is a firm exceptionally well suited to benefit from the trends toward passive management, ESG, and factor-tilted portfolios. Early results suggest that the decision to make this portfolio investment was indeed the right one.

Shortly before the end of FY2016 we invested in GQG Partners. While a true start-up, we believe GQG has exceptional growth prospects. The firm has been founded on the investment skills of one of the world's more prominent long-only investors, Rajiv Jain.

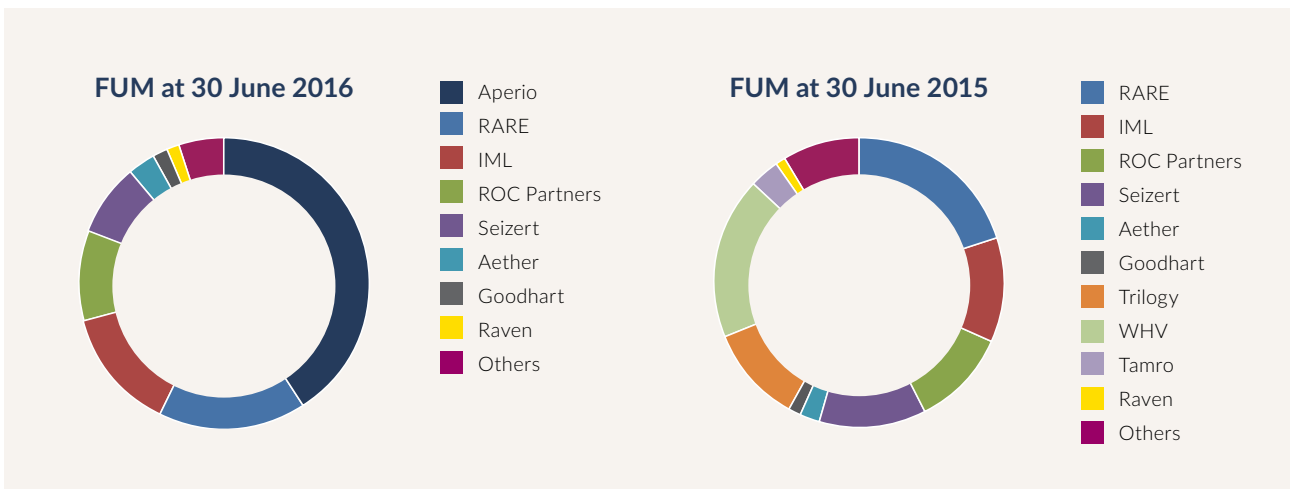
Mr. Jain left his prior employer, where he managed US\$48 billion and decided to partner with us in a new venture, GQG Partners. With its focus on global and emerging market equity strategies, its products should have broad appeal. The initial response to GQG from consultants and prospects has been exceptionally positive and makes us quite bullish on its prospects for FY2017.

Aperio and GQG illustrate our efforts to concentrate new investments in "sunrise" segments of the asset management industry – those areas that will be the beneficiaries of increased investor allocations in the years ahead. This idea informs not only how we go about seeking new investment opportunities but also how we think about managing our existing portfolio. Accordingly, shareholders should expect to see us continue to slowly migrate out of businesses with lesser prospects or where we are offered prices that are more attractive than our view of the underlying growth prospects and then redeploy capital into more attractive industry segments.

The biggest challenge we faced during the year were headwinds at Seizert. The decline in Seizert's FUM has been brought on by recent underperformance and the declining appetite for active US equity strategies. The Seizert team is talented and stable and we are confident that the firm is simply enduring a typical performance cycle, the likes of which they have seen numerous times before. Nevertheless, with the benefit of hindsight, we clearly overpaid for this asset and the attrition in Seizert FUM has offset much of the progress being made across the broader portfolio.

## Operational and Financial Performance

Total FUM of our portfolio companies finished the year at A\$50.4 billion. The biggest contributor to this sum was Aperio Group, which ended 30 June 2016 at A\$20.5 billion, up from A\$18.2 billion at the time of our investment six months earlier. In addition to large inflows at Aperio, other boutiques – IML, Raven and EAM – also experienced rapid growth during the year. Seizert and RARE (in which we still own 10%), were the notable laggards.



Like FY2015 we had large amounts of noise coming through the financial statements in FY2016. Specifically, we took large asset impairments, primarily at Seizert, due to the reduction in the firm's FUM.

Statutory results were a loss of \$48.2 million with an underlying profit of \$11.6 million. The Aurora Trust recognised impairment charges of \$119 million and this impacted on the PAC result.

**Conclusion**

Despite the challenges noted, our optimism regarding our portfolio is increasing. One reason for this is the breadth of growth we are seeing across our portfolio. In fact, the majority of our portfolio companies have demonstrated true organic growth this year and only a small number have stayed even or lost ground.

Another reason for optimism relates to how well our team executed in FY2016. In the face of considerable change they have worked tirelessly to close new investments, improve our financial reporting, and identify operational efficiencies. For example, early in 2016 we completely restructured our sales and marketing team. The net result was significant cost savings and more sales people in the field seeking to grow our portfolio companies.

In closing, I would like to thank our shareholders for their support and patience as we worked through the challenges of FY2016. In many respects, we are in a much stronger place than we were a year ago because of the modifications to our portfolio and the cost savings we have identified. Nevertheless, management is keenly aware of the need to enhance financial results going forward and we are intensely focused on doing just that. As large shareholders ourselves, maximizing value for PAC shareholders remains our most important priority in FY2017.

**P. Greenwood**  
Global CIO & President, North America





## DIRECTORS' REPORT

Your directors submit their Report for the year ended 30 June 2016

### Directors

The names and details of Pacific Current Group Limited's directors in office during the financial year and until the date of this report are listed below. Directors were in office for this entire period unless otherwise stated.

#### Names, qualifications, experience and special responsibilities

**M. Fitzpatrick**, (Chairman) B. Eng, BA (Oxon) Honours

Mr Fitzpatrick joined the Board on 5 October 2004. He has over 38 years experience in the financial services sector. After a career in investment banking in Australia and the US, Mr Fitzpatrick founded Hastings Funds Management Ltd ('Hastings') one of the largest managers of infrastructure and alternative assets in Australia. Hastings was a pioneering infrastructure asset management company where Mr Fitzpatrick was Managing Director until he sold his interest to Westpac Banking Corporation. Mr Fitzpatrick is a Non-executive director of Infrastructure Capital Group, a boutique manager of \$1.4 billion of energy and infrastructure assets. He also holds a number of other Non-executive directorships, including the Walter & Eliza Hall Institute of Medical Research, Latam Autos Limited and Carnegie Wave Energy Limited. Mr Fitzpatrick is also the Chairman of the Australian Football League.

Mr Fitzpatrick holds a B.Eng. (Hons) degree in electrical engineering from the University of Western Australia and a B.A. (Hons) from the University of Oxford, where he was a Rhodes Scholar.

Mr Fitzpatrick is a member of the Board's audit & risk committee, remuneration committee and governance committee.

**P. Greenwood**, (Global CIO and President, North America) CFA, BA

Mr Greenwood joined the Board on 10 December 2014 as an Executive director. He co-founded Northern Lights Capital Group, LLC ('Northern Lights') in 2006. Prior to Northern Lights, he created Greenwood Investment Consulting ('GIC'), a firm that worked directly with investment managers on investment process and organisational issues.

Before GIC, Mr Greenwood served as director of US Equity for Russell Investment Group ('Russell'), where he managed all of Russell's US equity oriented portfolio management and research activities. He also served as a Russell spokesperson and authored many articles and research commentaries related to investment manager evaluation.

**T. Carver**, (Non-executive director, appointed 30 April 2016; Managing director and CEO, resigned 30 April 2016) BA

Mr Carver joined the Board on 10 December 2014. He is the co-founder of Northern Lights Capital Group, LLC ('Northern Lights'). Serving as Managing director for 8 years prior to Northern Lights merger with Pacific Current Group Limited, Mr Carver led the transaction process for Northern Lights and provided overall firm leadership. Prior to Northern Lights, he co-founded Orca Bay Partners ('Orca Bay'), a private equity firm that focused on investing in boutique asset managers. At Orca Bay, Mr Carver led the investments and served on the boards of Parametric Portfolio Associates and Envestnet Asset Management. Mr Carver began his career at Morgan Stanley in New York.

**A. McGill**, (Managing director and CEO, resigned on 28 August 2015) B Com LLB

Mr McGill joined the Board on 30 August 2013. He has more than 25 years financial markets experience, including investment and management experience within the alternative asset sector of the funds management industry. He joined Pacific Current Group Limited as CEO in July 2011 with overall responsibility for management of the business, including investment and partnering activities. Prior to joining Pacific Current Group Limited, Mr McGill was a founding partner of Crescent Capital ('Crescent'), an independent mid-market private equity firm, where he led the successful development of that business from 2000 to 2010. Prior to establishing Crescent, he held senior roles within Macquarie Bank's Corporate Finance and Direct Investment teams. Previous to that, he was a strategy consultant with LEK Partnership. Mr McGill is also the Chairman of PM Capital Global Opportunities Fund Limited and serves on the Council of Kambala Girls School.

**P. Kennedy**, (Non-executive director) B.Ec. L.L.M.

Mr Kennedy joined the Board on 4 June 2003. He is the founding partner of the commercial law firm, Madgwicks Lawyers, and has more than 40 years experience in commercial law advising a broad range of clients across a variety of sectors. He leads the firm's Dispute Resolution practice and plays an integral role in the governance and management of the firm, having been Madgwicks' Managing Partner for over 10 years.

Mr Kennedy also sits on the boards of a number of companies in the manufacturing, property and retail industries. His formal qualifications include B.Ec, LL.B., LL.M (Tax), Monash University.

He is the Chairman of the audit & risk committee and a member of the remuneration committee.

## DIRECTORS' REPORT

continued

### **M. Donnelly**, (Non-executive director) B.C.

Ms Donnelly joined the Board on 28 March 2012. Ms Donnelly, a chartered accountant, is the founder and former chairperson of the Centre for Investor Education, a specialist education and consultancy firm for executives in Australian and superannuation funds, institutional investment bodies and the financial services markets. Ms Donnelly's previous work experience includes CEO of the Queensland Investment Corporation, deputy Managing director of ANZ Funds Management and Managing director of ANZ Trustees.

Ms Donnelly is also a director of JA Russell & Co Sdn Bhd. In addition, Ms Donnelly is a member of the Advisory Committee of the Oxford University Centre for Ageing. Previously Ms Donnelly was deputy Chairperson of the Victorian Funds Management Corporation and a Non-executive director of Ashmore Group plc.

Ms Donnelly is the Chairperson of the governance committee and a member of the audit & risk committee.

### **J. Vincent**, (Non-executive director) MBA, BSBA

Mr Vincent joined the Board on 10 December 2014. He has been the CEO of the Laird Norton Company, LLC diversified investment holding company, for the past 16 years. In this role, he has overseen US investments in real estate, building materials distribution, financial services, private equity, and consumer services. His experience in the financial services area includes direct responsibility for the Pacific Northwest's largest privately wealth management. Mr Vincent has held a variety of board positions and has performed the duties of audit, compensation, and board chair.

Mr Vincent has demonstrated strong skills in mergers and acquisitions, corporate governance, executive compensation, operations and financial management. He has also led organisations through significant periods of change.

Mr Vincent currently serves on the boards of Laird Norton Company, LLC and its affiliates and JM Huber Corporation.

Mr Vincent is the Chairman of the remuneration committee and a member of audit & risk committee.

### **G. Guérin**, (Non-executive director) MSc, BA

Mr Guérin joined the Board on 10 December 2014. He is CEO of BNP Paribas Capital Partners, where he has worked for the past five years developing the alternative investment capabilities of the BNP Paribas Group. Mr. Guérin served as CEO and President of Natixis Global Associates, Executive of Natixis AM North America and held Executive and senior leadership roles at HDF Finance, AlphaSimplex, IXIS AM and Commerz Financial Products.

Mr Guérin has over 20 years experience in capital markets and investment management. This includes cross asset class experience spanning the equities fixed income and commodities markets, with a specific focus on alternative strategies and hedge funds.

During his career, Mr Guérin has managed relationships with investors and distributors across the world, in particular in Europe, the US, Japan, the Middle East and Australia. Mr Guérin has operated distribution capabilities worldwide and developed new products and investment capabilities. He has served on the board of various investment companies, including Aurora Investment Management. Throughout his career, he liaised with regulators across various jurisdictions and worked with thought leaders of the investment industry including Dr Andrew Lo and Dan Fuss.

Mr Guérin is also a director of Ginjer AM and of INNOCAP.

Mr Guérin is a member of the remuneration committee and governance committee.

### **T. Robinson**, (Executive director, appointed 30 April 2016; Non-executive director, (28 Aug 2015 to 30 April 2016)) BCom, MBA, CFA

On 28 August 2015, Mr Robinson joined the Board in the capacity of Non-executive director. He has significant expertise and experience across a number of industries including banking, financial services, telecommunications, and transport. He is an experienced company director and CEO.

Mr Robinson is also a director of Bendigo and Adelaide Bank Limited and OnCard Limited and holds a number of directorships of private companies, including River Capital Ltd.

Mr Robinson's previous executive roles include Managing director of IOOF Ltd and OAMPS Limited.

### **J. Ferragina**, (Finance director, COO and Company secretary) BCom, M App Fin, CA, FFin, GAICD.

Mr Ferragina joined the Board on 31 March 2015. He is a Chartered Accountant and has worked in funds management for 20 years. He has gained specialised experience in a range of funds management companies including Colonial First State Investment Managers and AMP Global Investors Ltd ('AMP'), which led him to a position as CFO and Company secretary of Ronin Property Group, a separately listed company spun out of AMP. Prior to his appointment as CFO of Pacific Current Group Limited in October 2005, he was head of finance at DBRREEF (now Dexus).

Mr Ferragina sits on the boards of Investors Mutual Limited, Celeste Funds Management Limited, Freehold Investment Management Limited, ROC Partners Pty Ltd and Treasury Group Investment Services Limited. He sat on the boards of RARE Infrastructure Ltd and Octis Asset Management Pte Ltd up until they were sold during the year.

### Company secretaries

**C. Driver**, LLB (Hons), LLM, DipLP, GradDipACG, ACISA, resigned 3 June 2016

Ms Driver was appointed Company secretary on 7 July 2015. Ms Driver is a chartered secretary and lawyer (admitted in Scotland). She has a Masters in Commercial Law and graduated with a Graduate Diploma in Applied Corporate Governance in January 2014. Ms Driver is an associate member of the Governance Institute of Australia. Ms Driver previously worked at Gryphon Minerals Limited as compliance officer and company secretary.

### J. Ferragina

Please refer to Mr Ferragina's profile under the directors section.

### Interests in the shares and options/performance rights of Pacific Current Group Limited and related bodies corporate

At the date of this report, the interests of the directors in the shares and options/performance rights of Pacific Current Group Limited were:

	Ordinary shares	Options/ performance rights over ordinary shares
M. Fitzpatrick	2,701,285	–
P. Greenwood	–	500,000
T. Carver	–	–
P. Kennedy	242,628	–
M. Donnelly	20,000	–
J. Vincent	–	–
G. Guérin	–	–
T. Robinson	–	–
J. Ferragina	141,400	305,000

(Loss)/Earnings Per Share	Note	Cents
Basic (loss) per share	8	(172.1)
Diluted (loss) per share	8	(172.1)
Underlying earnings per share		41.5

Dividends	Cents per share	\$
<b>Final dividend declared:</b>		
on ordinary shares (fully franked)	5	1,406,298
Dividends paid in the year:		
<b>Interim for the year</b>		
on ordinary shares (fully franked) paid on 31 March 2016	20	5,625,191
<b>Final for 2015 shown as declared in the 2015 report</b>		
on ordinary shares (fully franked) paid on 30 September 2015	28	7,738,682

# DIRECTORS' REPORT

continued

## Corporate Information

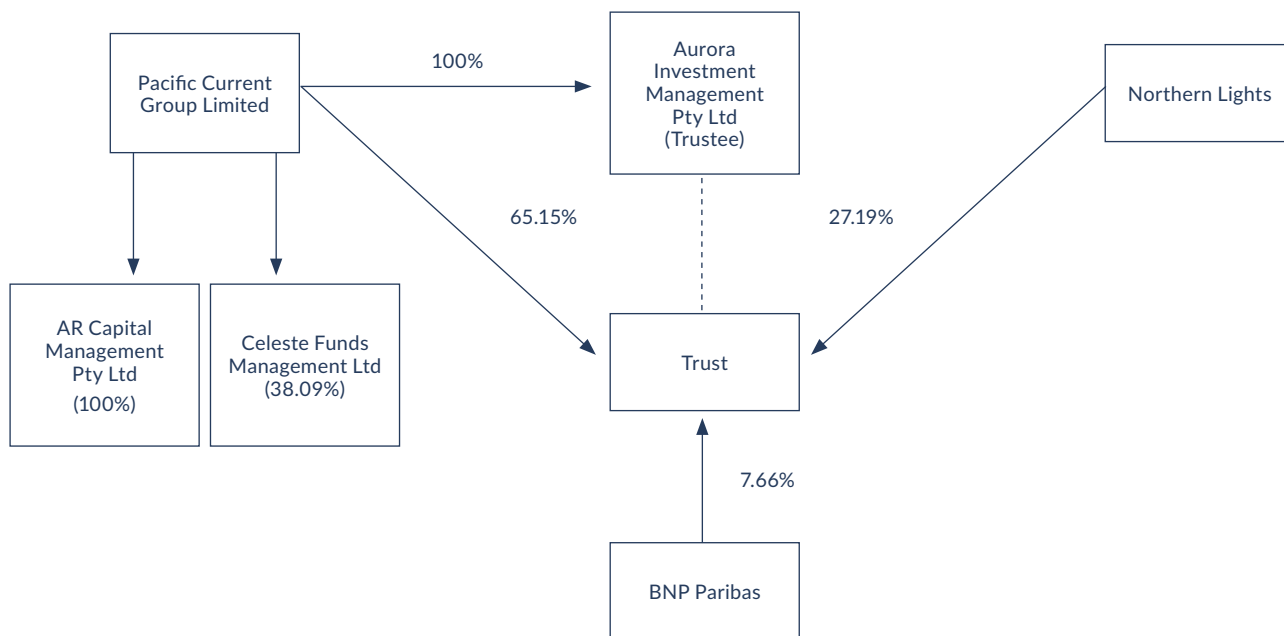
### Corporate Structure

Pacific Current Group Limited (the 'Company' or 'Group') is a company limited by shares and is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled and jointly controlled during the financial year. On 20 October 2015, Treasury Group Ltd (ASX: PAC) announced the change of its name to Pacific Current Group Limited. The new name follows the integration in the prior year of the operations of Treasury Group Ltd and Northern Lights Capital Group, LLC ('Northern Lights') under a single operating entity, Aurora Trust ('Trust'). The combined enterprise now operates as one global business under the Pacific Current Group Limited name.

Aurora Investment Management Pty Ltd, the Trustee of the Trust is a 100% subsidiary owned and controlled by Pacific Current Group Limited, and is thus consolidated in the accounts of Pacific Current Group Limited. As at 30 June 2016, the Company owns 65.15% (2015: 64.03%) of the Trust.

Whilst the ownership exceeds 50% and results in a presumption of control, the Trust is referred to as a joint venture arrangement among Pacific Current Group Limited, Northern Lights and BNP Paribas. Pacific Current Group Limited and Northern Lights contributed their businesses to the Trust to conduct investment activities, and BNP Paribas was an investor in Northern Lights prior to the merger between Pacific Current Group Limited and Northern Lights. The key function of the Trust and the overall business is investment in asset managers. Former Northern Lights executives are responsible for investment analyses and recommendations as investment due diligence and recommendations are undertaken by the majority Northern Lights controlled investment committee. Investment decisions require approval by a majority vote of the Trustee board. The decision making process leading to execution requires all parties to agree. It is therefore deemed appropriate that the Trust be reflected as a joint venture investment.

The Company's corporate structure at the date of this report is as follows:



## Operating and Financial Review

### Review of Operations

#### Nature of operations and principal activities

Pacific Current Group Limited invests in global asset management through its investment in the Trust. The Trust continued its overall business of managing its investments in the asset managers in accordance with the Trust Deed. During the year, the shareholders of RARE Infrastructure Ltd ('RARE') including the Trust sold their majority interests to Legg Mason Global Asset Management ('Legg Mason'). The proceeds from the sale of RARE provided the Trust flexibility to reposition its portfolio by partnering with outstanding asset management professionals by acquiring equity in Aperio Group, LLC ('Aperio') and Strategic Capital Investors LLP ('SCI'), both overseas-based investment managers. The Trust has also settled its Medley Capital Corporation ('Medley Capital') debt and Y redeemable preference units. The settlement of these external borrowings and debt instrument issued to unitholders provided an immediate return to the financial performance by reducing the Trust's interest expense and reducing financial gearing.

The Trust through its Trustee, Aurora Investment Management Pty Ltd participated in the equity restructure of Investors Mutual Limited ('IML') and IML Investment Partners Pty Limited ('IML IP'). IML merged its operations with IML IP resulting in IML owning 100% of the issued capital in IML IP. In conjunction with this merger, IML issued additional share capital to retain and lock in key staff in order to ensure continued growth and development of IML into the future. As a result, the Trust's ownership in IML reduced from 47.22% and 40% of IML IP pre-merger, to 45.44% of the new merged entity IML. The equity restructure of the IML Group is viewed to create synergies within the IML Group which have a material impact on the Trust in the long term. The IML employees' equity is held in an employee share plan. As the equity vests, the Trust's ownership will be reduced to 40.04%. The Trust continues to review and monitor the performance of its investments. During the year, the Trust has taken impairment charges for its investments in portfolio companies, particularly Seizert Capital Partners, LLC ('Seizert'). The significant attribution of the impairment in Seizert is due to the continued losses in Funds Under Management ('FUM'). The current environment has proven challenging for the firm but Seizert has navigated similarly challenging environments in the past and continues to manage funds true to their stated value discipline.

Applying a more conservative basis of assumptions in terms of expected performance and timing of flows has resulted in a reduction in the carrying value of Seizert by A\$76m. The Trust's balance of impairment charges is attributable to changes in the assumptions used in establishing the appropriate carrying values with respect to other US portfolio companies Raven Capital Management, LLC (Raven), Nereus Capital, LLC (Nereus), Alphashares, LLC and TAMRO Capital Partners, LLC and impairment charges with respect to its Australian boutiques that is attributable to loss of FUM (Celeste Funds Management Limited, Global Value Investors Limited and Orion Asset Management (Aust) Pty Ltd) and winding up the responsible entity business of Treasury Group Investment Services Limited.

On 7 September 2015, BNP Paribas exchanged its 487,804 Class C units in the Trust for 487,804 Pacific Current Group Limited shares. Consequently the Trust issued 487,804 Class A units to Pacific Current Group Limited, resulting in an increase in the investment of Pacific Current Group Limited in the Trust to 65.15% (2015: 64.03%).

The overall ownership in the Trust did not materially change during the year. As at 30 June 2016, the Trust is owned by Pacific Current Group Limited (as a single entity) at 65.15%, Northern Lights at 27.19% and BNP Paribas at 7.66%.

The Trust is referred to as a joint venture of Pacific Current Group Limited and the principles of equity method of accounting are applied.

#### Employees

The consolidated entity employed 7 full time equivalent employees as at 30 June 2016 (2015:17). The consolidated entity includes Pacific Current Group Limited (parent), Aurora Investment Management Pty Ltd as the Trustee of the Trust and AR Capital Management Pty Ltd. Pacific Current Group Limited owns 65.15% of the Trust which has US subsidiaries that had 40 employees at the end of the year (2015:46).

#### Funds management/business performance

As at 30 June 2016, the FUM of the combined enterprise was \$50.4bn (2015:\$49.0bn). The increase of the FUM was due to the acquisition of an interest in Aperio, inflows from IML, market performance and positive impact of the weak Australian dollar relative to the US dollar offset by the impact of outflows from Seizert and RARE.

## DIRECTORS' REPORT

continued

## Operating results for the year

The Company generated net losses attributable to members of Pacific Current Group Limited of \$48.2m for the year ended 30 June 2016. This compares with a net profit attributable to members of Pacific Current Group Limited of \$136m (restated) in the prior year which included the \$132m (restated) net gain on sale of businesses to the Trust. The net profit after tax of the Company as reported in the current year compared to the restated 30 June 2015 comparative result is shown in the table below reconciling the underlying profit. The current period reconciling items to the underlying profit are included within the share of net losses of equity accounted investments in the Consolidated Statement of Profit or Loss.

	Consolidated	
	2016 \$	2015 \$
Net (loss)/profit before tax attributable to members of Pacific Current Group Limited	(78,041,766)	193,627,443
Income tax benefit/(expense)	29,801,318	(57,925,264)
Net (loss)/profit after tax	(48,240,448)	135,702,179
Add/(Deduct):		
– Impairment of investments	77,498,371	10,761,277
– Gain on sale of investments	(8,650,287)	(132,087,769)*
– Gain on acquisition and/or deemed disposal of investments	(1,177,425)	–
– Gain on revaluation of investments	(466,356)	–
– Transaction costs in the sale of business to the Trust	–	2,217,804*
– Write off of receivables	2,363,977	–
– Transaction costs at RARE	3,677,299	–
– Fair value adjustments	2,074,608	–
– Foreign currency losses on repayment of Y redeemable preference units	2,123,790	–
– Amortisation of identifiable intangibles	1,903,881	–
– Prepayment penalty of Medley Capital debt/loan origination costs write off	1,528,714	–
– Transaction costs at the Trust for RARE	976,498	–
– Employee restructuring	887,460	–
– Deal costs for Aperio, SCI and GQG	440,487	–
– Long term incentives amortisation	228,025	–
– Back out income tax benefit on accounting losses arising from share of losses from the Trust	(23,546,053)	–
Total <sup>1</sup>	59,862,989	(119,108,688)
Underlying profit	11,622,541	16,593,491
Underlying earnings per share	41.5	64.8
Statutory (losses)/earnings per share	(172.1)	529.7

\* Represents the gain and transaction costs incurred in the sale of business to the Trust in the prior year, net of income tax expense.

<sup>1</sup> These are transactions within the Trust.

On 21 October 2015, the shareholders of RARE including the Trust sold their majority interest in RARE to Legg Mason. The total transaction consideration included upfront cash proceeds of \$111m received, an earn-out arrangement up to four years, and 10% retained equity interest in RARE subject to a two-year differentiated option pricing: call option by Legg Mason at a fixed multiple of RARE revenues or put option by the Trust at 'fair market value'. The sale of RARE was accounted for inside the Trust and Pacific Current Group Limited took the corresponding gain on the sale through its share in the results of the Trust.

On 31 December 2015, Pacific Current Group Limited, Northern Lights and BNP Paribas reinvested the distributions from the sale proceeds of RARE into additional units in the Trust to fund the repayment of the Medley Capital debt facility and the acquisition of Aperio. Pacific Current Group Limited's reinvestment represented an additional A\$55.3m. The relative ownership of the Trust did not change as all unitholders reinvested at their respective percentage ownerships.

On 4 January 2016, the Trust paid Medley Capital, the debt facility in the amount of US\$45.85m including a prepayment penalty of US\$0.65m which represents 1.37% of the original loan.

On 4 January 2016, the Trust acquired a 23.4% minority equity in Aperio for US\$31.8m (A\$44.2m) with an initial investment of US\$15.5m and the remainder is to be paid at the end of 2016. Aperio, based in Sausalito, California is an investment management firm with more than A\$20.5bn in FUM across highly customised index-based portfolios using Aperio's expertise in tax management, tilts and ESG (Environmental, Social and Governance) investments. It is a pioneer in designing and managing custom portfolios to track index benchmarks or deliver targeted risk, factor, geographic, or industry exposures, customised to a client's specific tax situation, values and/or desired economic exposure. Aperio works with both taxable and tax-exempt investors to track a broad range of US and international indexes. The Trust holds two out of six board seats at Aperio. The Trust treats Aperio as an associate and the principles of equity method of accounting are applied. Pacific Current Group Limited believes Aperio adds diversification to the Trust's current portfolio.

On 15 February 2016, Pacific Current Group Limited granted 1,199,000 performance rights which have a vesting date of 1 July 2018 to officers and certain employees as part of their long term incentives. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative total shareholder return (TSR) of Pacific Current Group Limited compared to the ASX 300 (Hurdle 1) and a group of seven other domestic and international fund managers (Hurdle 2). The value of each right for Hurdle 1 and 2 were \$1.26 and \$2.46, respectively. Total value of the performance rights issued is \$2.2m amortised over two years and four months from the grant date. The performance rights on issue were valued based on the valuation prepared by an independent adviser using a monte-carlo pricing model.

On 1 March 2016, the Trust through its Trustee, Aurora Investment Management Pty Ltd participated in the equity restructure of IML and IML IP. IML merged its operations with IML IP resulting in IML owning 100% of the issued capital in IML IP. In conjunction with this merger, IML issued additional share capital to retain and

lock in key staff in order to ensure continued growth and development of IML into the future. As a result, the Trust's ownership in IML reduced from 47.22% and 40% of IML IP pre-merger, to 45.44% of the new merged entity IML. The equity restructure of the IML Group is viewed to create synergies within the IML Group which have a material impact on the Trust in the long term. The IML employees' equity is held in an employee share plan. As the equity vests, the Trust's ownership will be reduced to 40.04%.

On 30 April 2016, Tim Carver resigned as CEO. Tony Robinson was appointed as an Executive director. Paul Greenwood was appointed Global CIO and President, North America.

On 2 June 2016, Pacific Current Group Limited, operating through the Trust, entered into an agreement to launch GQG Partners, LLC ('GQG'), a newly created long-only equity firm, based in Fort Lauderdale, Florida. The Trust is committed to invest up to US\$4m in GQG and retains a minority equity interest. As at 30 June 2016, the investment in GQG was US\$1.6m. While smaller than typical stakes, there is expectation that GQG could become a core Pacific Current Group Limited holding. Former Pacific Current Group Limited CEO Tim Carver joined GQG as CEO and is responsible for all business strategy and management. GQG utilises the institutional sales and marketing capability of Pacific Current Group Limited in North America and Australia and is evaluating other distribution partnerships in different geographies.

During the current financial year, additional information became available with respect to the 2015 financial year. Pacific Current Group Limited has restated the comparatives in the consolidated financial statements to recognise the impact of the finalisation of Purchase Price Accounting ('PPA') in the Trust, correction of prior period accounting error and adjustment in the income tax and deferred tax as a result of review of income tax notes and disclosures. Details of the prior period adjustment are detailed in Note 2(z) of this financial report.

### (Losses)/Earnings Per Share

The (losses)/earnings for the year reflect the operations of the merged company for the full year to 30 June 2016.

	2016	2015 (restated)
Basic (loss)/earnings per share (cents)	(172.1)	529.7
Diluted (loss)/earnings per share (cents)	(172.1)	529.7
Underlying earnings per share (cents)	41.5	64.8

### Financial Position

As at the end of year, Pacific Current Group Limited's current liabilities exceed current assets. This is driven by a tax liability with respect to the capital gain on the sale of RARE. The Board is confident of satisfying the Company's net current liabilities through its own capacity or through a distribution from the Trust. Pacific Current Group Limited has a 65.15% interest in the Trust which has debt instruments issued to other parties and to its unitholders (i.e. Northern Lights and BNP Paribas).

## DIRECTORS' REPORT

continued

The Trust is reviewing options with respect to capital structure including restructuring options and asset disposals. Net assets decreased by 21% which is attributable to decrease in investment in the Trust as a result of the losses in the Trust primarily due to impairment charges relating to carrying values. The carrying value of Pacific Current Group Limited's investment in the Trust is determined by the cost to acquire the units and the share in net losses of the Trust reduced by distributions received.

Pacific Current Group Limited has the capacity to pay dividends to its shareholders. During the year, Pacific Current Group Limited paid 48 cents per share in dividends. A final dividend of 5 cents per share was declared on 31 August 2016.

### Cash flow from operations

Net cash flow from operating activities increased by \$10.8m to \$15.3m or by 246% over the year. This is due to a higher distribution received from the Trust and lower net payables to suppliers as a result of transfer of operating activities to the Trust in the prior year.

### Business Strategies and Prospects

Pacific Current Group Limited continues to expand and diversify its portfolio by partnering with outstanding asset management professionals worldwide through its investment in the Trust. The strategy of the combined company continues to leverage the enhanced capabilities delivered by the merger in the prior year and includes a number of elements:

#### Continued expansion and diversification of portfolio via value enhancing new investments

The merger resulted in a strengthened management and investment team with executives well positioned to access deal flow within international markets. In addition to partnering with early stage asset management businesses, the combined enterprise has the scale to invest in established businesses.

#### Leveraged distribution capabilities to increase asset base

The combined enterprise has sales executives across offices in Australia and the US focused on the sale of boutique investment products and services to institutional investors, superannuation and pension funds, family offices and other classes of investors. This is expected to provide opportunities for broader geographic sales and distribution strategies (subject to compliance with regulatory requirements).

### Material Business Risks

The material business risks faced by Pacific Current Group Limited that are likely to have an impact on the financial prospects of the Company and how the Company manages these risks include:

### Global market risks

With a diversified global portfolio, Pacific Current Group Limited is exposed to an immensely larger scale of market volatility and higher degree of adverse market conditions. Major international listed equity markets continue to display volatility on both the upside and downside with publicised global macro risks such as lower European growth and deflation, slower growth in China, and monetary policies in the US and Japan.

### Fund manager performance

Pacific Current Group Limited's FUM reflects the investment performance of its boutique fund managers, in addition to such other factors as funds flowing into and out of the underlying funds. Market volatility and adverse market conditions may lead to decline in FUM and performance of the Trust's business which may adversely affect Pacific Current Group Limited's earnings and profitability. While these risks are external and beyond the control of the Company, a number of our boutique partners delivered exceptional performance including IML, Aether Investment Partners, LLC ('Aether') and Aperio. Market risk is however at the core of the business.

### Foreign currency risks

Pacific Current Group Limited is exposed to A\$/US\$ exchange rate risk through its investment in the Trust that holds the US and other foreign currency denominated investments. The Company has adopted hedge accounting such that the impact of foreign currency translation is taken up through the foreign currency translation reserve of the Trust. Pacific Current Group Limited takes the share of the movement of the Trust's foreign currency translation reserve in its equity.

### Regulatory environment

The business of the Company operates in a highly regulated environment that is frequently subject to review and regular change of law, regulations and policies. Pacific Current Group Limited is exposed to changes in the regulatory conditions under which it and its boutique fund managers operate in Australia, the US and the UK. The Company's highly experienced in-house risk and regulatory experts are actively managing and monitoring the Company's regulatory compliance activities. Regulatory risk is also mitigated by the use of industry experts when the need arises. Other measures include the establishment of the risk committee composed of executives to ensure that risk management is monitored, managed and controlled.

### Significant Changes in State of Affairs

On 7 September 2015, BNP Paribas which owned the Class C Units of the Trust exchanged its 487,804 Class C units for 487,804 Pacific Current Group Limited shares. On 7 September 2015, Pacific Current Group Limited issued 487,804 fully paid ordinary shares to BNP Paribas, and the Trust consequently issued 487,804 Class A units to Pacific Current Group Limited resulting in an increase in the ownership of Pacific Current Group Limited in the Trust to 65.15% (2015: 64.03%).



On 20 October 2015, Treasury Group Ltd (ASX: PAC) announced the change of its name to Pacific Current Group Limited. The new name follows the integration of the operations of Treasury Group Ltd and Northern Lights under a single operating entity, the Trust. The combined enterprise now operates as one global business under the Pacific Current Group Limited name. The Trust was created to manage the combined enterprise's interest in 17 boutiques in Australia, the US and other jurisdictions ranging from traditional equities to alternatives and private equity with FUM of \$50.4bn as at 30 June 2016. The Trust is jointly owned by Pacific Current Group Limited, Northern Lights and BNP Paribas.

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#### Significant Events after the Balance Date

On 31 August 2016, the directors of Pacific Current Group Limited declared a final dividend on ordinary shares in respect of the 2016 financial year. The total amount of the dividend is \$1,406,298 which represents a fully franked dividend of 5 cents per share. The dividend has not been provided for in the 30 June 2016 consolidated financial statements.

# DIRECTORS' REPORT

continued

## Performance Rights

On 15 February 2016, Pacific Current Group Limited granted 1,199,000 performance rights which have a vesting date of 1 July 2018 to officers and certain employees as part of their long term incentives. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative total shareholder return (TSR) of Pacific Current Group Limited compared to the ASX 300 (Hurdle 1) and a group of seven other domestic and international fund managers (Hurdle 2). The value of each right for Hurdle 1 and 2 were \$1.26 and \$2.46, respectively. Total value of the outstanding performance rights is \$2,225,945 amortised over two years and four months from the grant date. The performance rights on issue were valued based on the valuation made by an independent adviser using a monte-carlo pricing model.

As at 30 June 2016, there were 100,000 performance rights outstanding that were issued to certain employees in 7 August 2013 with a vesting date of 7 August 2016. These performance rights were valued based on the valuation made by an independent adviser using a hybrid monte-carlo/binomial option pricing model on the performance rights that were issued on 11 July 2011. The value of each right was \$1.64. Total value of the outstanding performance rights is \$164,000 amortised over three years from the grant date. As at the date of this Report, none of these performance rights have vested.

The amount of performance rights amortisation expense for the period was \$372,659 (2015:\$91,886).

On 1 July 2015, performance rights issued to certain employees on 1 July 2012 vested at 96% for the 8,731 performance rights issued and 82% for the 31,250 performance rights issued. Accordingly, a total of 34,007 Pacific Current Group Limited shares were issued to these employees.

## Indemnification and Insurance of Directors and Officers

The Company has entered into an agreement for the purpose of indemnifying directors and officers of the Company in certain circumstances against losses and liabilities incurred by the directors or officers on behalf of the Company.

The following liabilities, except for a liability for legal costs, are excluded from the above indemnity:

- a. A liability owed to the Company or related body corporate;
- b. A liability for pecuniary penalty order under section 1317G or a compensation order under section 1317H of the Corporations Act 2001;
- c. A liability owed to someone other than the Company or a related body corporate and did not arise out of conduct in good faith;
- d. Any other liability against which the Company is precluded by law from indemnifying the Director.

The insurance contract prohibits the disclosure of the insurance premium for insuring officers of the Company against a liability which may be incurred in that person's capacity as an officer of the Company.

## Remuneration Report (Audited)

### About this Report

This remuneration report (**'Report'**), which forms part of the directors' report, outlines the remuneration arrangements of Pacific Current Group Limited's Key Management Personnel ('KMP') for the financial year ended 30 June 2016, in accordance with the requirements of the *Corporations Act 2001* and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 29.4 to Aus 29.7.2 of AASB 124 *Related Party Disclosures*, which have been transferred to the remuneration report in accordance with Corporations Regulation 2M.6.04. The Report includes remuneration paid to KMP as a consequence of each KMP's role with Pacific Current Group Limited and the Trust.

### Contents

1. Defined terms used in this report
2. Key management personnel
3. Remuneration philosophy and structure
4. Relationship between the remuneration philosophy and company performance
5. Remuneration of KMP
6. Key terms of employment contracts of KMP
7. Remuneration of Non-executive directors
8. Share based remuneration
9. KMP equity holdings

## 1. Defined Terms used in this Report

EPS	Earnings per share for the purpose of determining performance against LTI performance targets. When measuring the growth in EPS to determine the vesting of the long-term incentive awards, we define EPS as net profit after tax divided by the weighted average number of issued shares during the year.
Fixed Remuneration	Generally comprises cash salary, superannuation contribution/401K benefits and the remainder as nominated benefits. Fixed remuneration is determined on the basis of the role of the individual employee, including responsibility and job complexity, performance and local market conditions. It is reviewed annually based on individual performance and market data.
KMP	Key Management Personnel. Those people who have the authority and responsibility for planning, directing and controlling the activities of Pacific Current Group Limited and the Group, directly or indirectly. KMP disclosed in this report are Non-executive directors, Executive directors, CIO and COO.
KPI	Key Performance Indicators. These are based on operational targets, growth and business development targets as well as operational management.
LTI	Long Term Incentive. It is awarded in the form of performance rights to executives and employees for the purpose of retention and to align the interests of employees with shareholders.
STI	Short Term Incentive. The purpose of the STI is to provide financial rewards to executives in recognition of performance aligned with business and personal objectives. The STI is a cash based incentive paid on an annual basis and is paid at the discretion of the Board.
TSR	Total Shareholder Return is defined as share price growth plus dividends paid over the measurement period.

## 2. Key Management Personnel

Pacific Current Group Limited's KMP during or since the end of the financial year were:

### Current KMP

#### Non-executive directors

M. Fitzpatrick	Chairman, Non-executive director
P. Kennedy	Non-executive director
M. Donnelly	Non-executive director
J. Vincent	Non-executive director
G. Guérin	Non-executive director
T. Carver	Non-executive director. Became a Non-executive director on 30 April 2016 after resigning as CEO.

#### Executive directors

P. Greenwood	Global CIO and President, North America
T. Robinson	Executive director. Appointed executive director on 30 April 2016. Formerly a Non-executive director appointed 28 August 2015, resigned as Non-executive director 30 April 2016.
J. Ferragina	Finance director, COO and company secretary

#### Former KMP

T. Carver	Managing director and CEO, resigned 30 April 2016
A. McGill	Managing director and CEO, resigned 28 August 2015

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

## 3. Remuneration Philosophy and Structure

The performance of the Company depends upon the quality of its directors and executives. Pacific Current Group Limited aims to provide market competitive pay and rewards to successfully attract, motivate and retain the highest quality individuals. Our remuneration and benefits are structured to reward people for their individual and collective contribution to our success for demonstrating our values, and for creating and enhancing value for all Pacific Current Group Limited stakeholders.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value; and
- Significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks.

# DIRECTORS' REPORT

continued

## 3.1 Remuneration Committee

The remuneration committee is a committee of the Board established by the Board.

The objective of the committee is to assist the Board in the establishment of remuneration and incentive policies and practices for, and in discharging the Board's responsibilities relative to the remuneration setting and review of, the Company's executive directors and other senior executives and directors. The list of responsibilities of the committee is laid out in its charter available on the Pacific Current Group Limited website.

## 3.2 Remuneration Structure

In accordance with corporate governance best practices, the remuneration structure of Non-executive directors, Executive directors and officers is separate and distinct. In particular, Non-executive director remuneration comprises fixed fees with no performance incentive payments. Executive directors' remuneration includes incentive payments as detailed in this Report.

## 3.3 External Remuneration Consultants

During the year, Pacific Current Group Limited engaged AON Hewitt ('AON') as an external remuneration consultant to provide guidance on several key executive and long term incentive plan matters, including recommendations in relation to KMP. As required by the Corporations Act, this engagement was pre-approved by the remuneration committee and the recommendations were provided directly to the remuneration committee Chairman. The Board and remuneration committee are satisfied that the recommendations were free of undue influence of Pacific Current Group Limited executives as AON liaised directly with the Chairman of the remuneration committee, who is a Non-executive director in providing their advice. AON did not provide any other advice during the year. The amount paid to AON was \$13,409.

## 3.4 Executive Remuneration

### Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for company, business unit and individual performance targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

### Structure

Remuneration consists of the following key elements:

- Fixed remuneration
- Variable remuneration
  - STI; and
  - LTI

The remuneration committee establishes the proportion of fixed remuneration and variable remuneration.

## 3.5 Fixed Remuneration

### Objective

The level of fixed remuneration is set to provide a base level of remuneration that is both appropriate to the position and is competitive in the market.

The remuneration committee reviews fixed remuneration annually, and considers performance, relevant comparative remuneration in the market and advice on policies and practices.

### Structure

Fixed remuneration comprises cash salary, superannuation contribution/401K benefits and the remainder as nominated benefits.

### Changes in 2016

The details of fixed remuneration are included in the remuneration tables later in this Report. Aside from new executives, there were no changes to fixed remuneration for executive KMP during the year.

## 3.6 Variable Remuneration – Short Term Incentive (STI)

### Objective

The objective of the STI plan is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The STI is fully discretionary in the hands of the remuneration committee. The remuneration committee receives a recommendation from the Executive director on executive performance. The Executive director bases his report on a number of tailored KPI for each executive and officer. The total potential STI available is set at a level to provide sufficient incentive to the executive to achieve the operational targets such that the cost to the Company is reasonable.

### Structure

The Board sets annual KPIs for the Executive directors against which performance is measured. The KPIs are based on financial targets, growth and business development targets as well as operational management.

The focus of the KPIs is to drive decision making in a manner that increases returns to shareholders in the short and longer term. The Board also considers the general value add to the business and the Company's stakeholders through areas such as investor relations, deal origination and strategy.

Following the resignation of Tim Carver as CEO in April 2016 and the appointment of Tony Robinson as Executive director, KPIs were set for Mr Robinson for the 2016/17 financial year as follows:

- Achievement of strategic plan milestones
- Qualitative assessment of management team structure
- Achievement of specific financial performance targets
- Discretionary element

The KPIs for 2016 for other executive KMP covered the Company's financial performance and clearly defined KPIs related to the individual roles of Mr Greenwood and Mr Ferragina.

#### Payments in 2016

Payments of STI during the financial year 2016 were as follows:

Mr Ferragina's deferred component of STI for his performance in the year ended 30 June 2015 was paid in June 2016.

Mr. Greenwood's deferred component of STI for his performance in the year ended 30 June 2015 was not yet paid as at the date of this Report. The Company is currently negotiating with Mr Greenwood in relation to his employment contract as a result of his new position and other matters, which is expected to conclude shortly. Payment of the STI will be made following the amendment of his employment contract with the Company. Refer to the table under section 5 for further details regarding the STI.

For each executive awarded STI, 50% of that is paid within 3 months after the close of the year.

### **3.7 Special Arrangements in 2016**

Subsequent to Mr McGill's announced departure, the Board entered into discussions with Mr Carver to renegotiate his employment contract as part of Mr Carver stepping up to be the CEO, culminating in a restructuring of the contract as announced to the ASX on 1 February 2016. Mr Carver agreed to relinquish certain rights and entitlements to which he was previously entitled under his prior arrangement with Northern Lights and agreed to include non-compete provisions in his contract, in exchange for a one-time payment of US\$600,000 at signing of the contract subject to remaining employed through to 30 September 2016.

On 30 April 2016, Mr Carver resigned as CEO and transitioned from being an Executive director to being a Non-executive director. In light of a number of on-going initiatives, the Board was pleased to secure Mr Carver's ongoing commitment to the Company by remaining on the Board. As part of this transition, the Board and Mr Carver agreed a portion of the amount received by Mr Carver in

the restructure of his employment agreement would not be subject to clawback if Mr Carver provides continuing assistance with:

- the routine Securities Exchange Commission examination of the US distribution company (now completed);
- transition matters with the boutiques and Northern Lights shareholders as a result of him becoming a Non-executive director;
- certain strategic and management initiatives; and
- achieving the 2015/16 budget.

At the date of this Report, Mr Carver has continued to work with the Company on all the matters agreed, however on the basis that the Company did not achieve its 2016 budget, to date Mr Carver has agreed to repay US\$50,000.

### **3.8 Variable Remuneration – Long Term Incentive (LTI) Objective**

The Company has a Board approved LTI plan (employee share plan). The Board has established an LTI plan with the objectives to reward executives and officers in a manner that aligns this element of remuneration with the creation of shareholder wealth. The awarding of the LTIs is fully discretionary and grants are determined by the remuneration committee.

#### **2016 Structure**

The 2016 LTI offer to executive and officers was made under the LTI Plan in the form of performance rights. The LTI plan allows for grants to be in the form of performance rights, options or shares.

In 2016, the following performance rights were awarded to KMP under the LTI Plan:

Mr Greenwood: 500,000 performance rights

Mr Ferragina: 305,000 performance rights

The grant of these performance rights is not subject to shareholder approval as any securities to be allocated on vesting of the performance rights will be purchased on market. When purchasing securities on market under an LTI plan, shareholder approval is not required.

Note, as disclosed in the 2015 remuneration report there were no LTIs awarded to executive KMP during the 2015 financial year.

The performance rights granted in 2016 are subject to the terms and conditions detailed below. The Board has the discretion to amend the vesting terms and performance hurdles for each offer of performance rights to ensure that they are aligned to market practice and ensure the best outcome for Pacific Current Group Limited. The Board also has the discretion to change the LTI plan and to determine whether LTI grants will be made in future years.

# DIRECTORS' REPORT

continued

The structure of LTI plan and 2016 offer is set out below:

<b>Feature</b>	<b>Terms of the 2016 LTI offer</b>										
Type of security	Performance rights which are an entitlement to receive fully paid ordinary Pacific Current Group Limited Shares (as traded on the ASX) on a one-for-one basis.										
Valuation	An independent valuation was conducted using a monte-carlo simulation as well as binomial option pricing methodology.										
Performance Period	The performance period is the three year period 1 July 2015 to 1 July 2018 inclusive.										
Performance Conditions	<p>The performance rights are split into two equal groups and each group are subject to a different TSR performance hurdle as described below.</p> <p>Broadly, TSR measures the return to a shareholder over the performance period in terms of changes in the market value of the shares plus the value of any dividends paid on the shares.</p> <p>Each TSR Hurdle compares the TSR performance of Company with the TSR performance of each of the entities in a comparator group described below:</p> <p>Hurdle 1</p> <p><i>S&amp;P ASX 300 Comparator Group</i></p> <p>50% of the performance rights are subject to a TSR Hurdle that compares the TSR performance of Pacific Current Group Limited at the end of the performance period with the growth in TSR over the same period of the S&amp;P ASX 300 companies.</p> <p>Hurdle 2</p> <p><i>Selected Comparator Group</i></p> <p>The other 50% of the performance rights are subject to a TSR Hurdle that compares the TSR performance of Pacific Current Group Limited at the end of the performance period with the growth in TSR over the same period of a selected comparator group of companies.</p> <p>In determining the outcome of the TSR Hurdle for this group of performance rights, each company in the comparator group will be weighted equally. The companies comprising the comparator group have similar performance drivers to Pacific Current Group Limited and will be subject to review on the basis of relevance and may change at the Board's discretion. The comparator group at the time of this Report is as follows:</p> <ul style="list-style-type: none"> <li>– BT Investment Management Limited (ASX ticker: BTT)</li> <li>– Perpetual Limited (ASX ticker: PPT)</li> <li>– Platinum Asset Management Limited (ASX ticker: PTM)</li> <li>– Magellan Financial Group (ASX ticker: MFG)</li> <li>– Henderson Group (ASX ticker: HGG)</li> <li>– Affiliated Managers Group (NY ticker: AMG)</li> <li>– Fortress Investment Group (NY ticker: FIG)</li> </ul> <p>Together Hurdle 1 and Hurdle 2 comprise the total performance conditions but act independently relative to their specific target component.</p> <p>The percentage of performance rights which vest (if any) will be determined by the Board by reference to the percentile ranking achieved by Pacific Current Group Limited over the performance period compared to the comparator group applying under the relevant TSR Hurdle for that group:</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"><b>TSR growth – percentile ranking</b></th> <th style="text-align: left;"><b>Performance rights that vest (%)</b></th> </tr> </thead> <tbody> <tr> <td>75<sup>th</sup> percentile or above</td> <td>100%</td> </tr> <tr> <td>Between 50<sup>th</sup> and 75<sup>th</sup> percentile</td> <td>Progressive pro rata vesting from 50% at 2% for every one percentile increase above the 50<sup>th</sup> percentile</td> </tr> <tr> <td>50<sup>th</sup> percentile</td> <td>50%</td> </tr> <tr> <td>Below 50<sup>th</sup> percentile</td> <td>Nil</td> </tr> </tbody> </table>	<b>TSR growth – percentile ranking</b>	<b>Performance rights that vest (%)</b>	75 <sup>th</sup> percentile or above	100%	Between 50 <sup>th</sup> and 75 <sup>th</sup> percentile	Progressive pro rata vesting from 50% at 2% for every one percentile increase above the 50 <sup>th</sup> percentile	50 <sup>th</sup> percentile	50%	Below 50 <sup>th</sup> percentile	Nil
<b>TSR growth – percentile ranking</b>	<b>Performance rights that vest (%)</b>										
75 <sup>th</sup> percentile or above	100%										
Between 50 <sup>th</sup> and 75 <sup>th</sup> percentile	Progressive pro rata vesting from 50% at 2% for every one percentile increase above the 50 <sup>th</sup> percentile										
50 <sup>th</sup> percentile	50%										
Below 50 <sup>th</sup> percentile	Nil										

<b>Feature</b>	<b>Terms of the 2016 LTI offer</b>
Re-testing	There is no re-testing. Any unvested LTI after the test at the end of the performance period will lapse immediately.
Allocation of shares	Shares allocated will be sourced by the Company on the market to enable it to rely on ASX Listing Rule 10.14, unless the Company first obtains approval for the issuance at an Annual General Meeting (AGM).
Forfeiture	<p>Performance rights will lapse for the following reasons:</p> <ul style="list-style-type: none"> <li>– upon cessation of employment, except in a good leaver scenario detailed below;</li> <li>– if the employee acts fraudulently, dishonestly or in breach of obligations;</li> <li>– in connection with a change of control event as detailed below; or</li> <li>– if the dealing restrictions are contravened.</li> </ul> <p><u>Good Leaver</u></p> <p>Any unvested performance rights will not lapse (unless the Board determines otherwise) if the participant's employment ceases due to death or total permanent disability. In these circumstances performance rights will vest on the basis that the performance conditions applicable to those performance rights have been satisfied on a pro rata basis over the period from the grant date to the date of cessation of employment.</p> <p>The Board has discretion to allow vesting for other reasons, such as retirement or redundancy.</p> <p><u>Change of Control</u></p> <p>Generally, in the event of:</p> <ul style="list-style-type: none"> <li>– a takeover bid being made, recommended by the Board or becoming unconditional;</li> <li>– a scheme of arrangement, reconstruction or winding up of the Company being put to members; or</li> <li>– any other transaction, event or state of affairs that the Board in its discretion determines is likely to result in a change in control of the Company,</li> </ul> <p>the performance rights may vest at the Board's discretion in accordance with the LTI plan rules.</p>
Clawback	The Board has "clawback" powers if, amongst other things, the participant has acted fraudulently or dishonestly.

#### 4. Relationship between the Remuneration Philosophy and Company Performance

The table below sets out summary information about the Company's earnings and movements in shareholder wealth for the five years to 30 June 2016. Bonuses are paid based on individual and Company performance. The remuneration committee has ultimate discretion in determining the amount of bonus pool:

	2016 \$	2015 (restated) \$	2014 \$	2013 \$	2012 \$
Revenue	5,602,651	6,714,712	2,323,656	4,303,143	3,944,594
Net (loss)/profit before tax <sup>1</sup>	(78,041,766)	193,627,443	15,187,652	10,803,395	6,415,796
Net (loss)/profit after tax	(48,240,448)	135,702,179	13,061,814	10,390,514	6,751,757
Share price at start of year (\$)	9.50	9.57	7.07	4.09	3.96
Share price at end of year (\$)	4.31	9.50	9.57	7.07	4.09
Interim dividend (cps) <sup>2</sup>	20	24	23	17	14
Final dividend (cps) <sup>2</sup>	5	28	27	23	20
(Loss)/EPS	(172.1)	529.7	56.6	45.0	29.3
Diluted (loss)/EPS	(172.1)	529.7	55	45.3	29.3
KMP bonuses (\$)	1,049,421 <sup>3</sup>	576,185*	629,500	539,200	502,166

<sup>1</sup> 2015 performance was driven by the gain on the sale of business to the Trust and is non-recurring.

<sup>2</sup> Franked to 100% at 30% corporate income tax.

<sup>3</sup> Notwithstanding the decline in the financial performance of the business, the Board decided that certain STI payments would be made. This recognises that some significant achievements were made during the period and recognising the importance of KMP to the business going forward. In the case of Paul Greenwood, his role changed during the year and consequently changes are proposed to be made to his employment contract.

\* Awarded to Mr Greenwood and Mr Ferragina in the prior year. These awards were recommended by the then CEO and approved by the Remuneration Committee based on their individual performances.

# DIRECTORS' REPORT

continued

## 5. Remuneration of KMP

Details of the nature and amount of each element of the remuneration of each director of the Company and each of the KMP of the Company and the consolidated entity for the financial year are set out below. Note that the financial year 2015 remuneration for the US executives and directors is for the period 25 November 2014 to 30 June 2015, while the financial year 2016 numbers are for the full year. Pacific Current Group Limited is responsible for 65% of the remuneration.

	Short term		Post employment	Share based payments		Others	Total	Performance related
	Salary & fees \$	Cash bonus \$	Super-annuation/ 401K \$	Shares \$	Options/ Performance rights \$	Others \$		
<b>Non-executive Directors</b>								
M. Fitzpatrick – Chairman								
2016	118,722	–	11,278	–	–	–	130,000	–
2015	114,417	–	10,870	–	–	–	125,287	–
P. Kennedy – Non-executive director								
2016	120,000	–	–	–	–	–	120,000	–
2015	120,000	–	–	–	–	–	120,000	–
M. Donnelly – Non-executive director								
2016	103,472	–	9,828	–	–	–	113,300	–
2015	97,626	–	9,274	–	–	–	106,900	–
T. Robinson – Non-executive director, appointed 28 August 2015, resigned as Non-executive director 30 April 2016								
2016	72,300	–	6,868	–	–	–	79,168	–
2015	–	–	–	–	–	–	–	–
J. Vincent – Non-executive director								
2016	85,000	–	–	–	–	–	85,000	–
2015	–	–	–	–	–	–	–	–
G. Guérin – Non-executive director								
2016	75,000	–	–	–	–	–	75,000	–
2015	–	–	–	–	–	–	–	–
T. Carver – Non-executive director from 30 April 2016								
2016	–	–	–	–	–	–	–	–
2015	–	–	–	–	–	–	–	–
R. Hayes – Non executive director, resigned 31 March 2015								
2016	–	–	–	–	–	–	–	–
2015	53,154	–	9,922	–	–	–	63,076	–
<b>Executive Directors</b>								
P. Greenwood <sup>1</sup> – Global CIO and President, North America, appointed 30 April 2016								
2016	824,421	824,421	16,425	–	132,607	–	1,797,874	46%
2015	480,898	253,685	10,174	–	–	–	744,757	34%
T. Carver <sup>1</sup> – Managing director and CEO, resigned 30 April 2016								
2016	882,157	–	13,725	–	–	824,421	1,720,303	–
2015	479,660	–	9,884	–	–	–	489,544	–
A. McGill – Managing director and CEO, resigned 28 August 2015								
2016	102,690	–	3,218	–	–	–	105,908	–
2015	631,217	–	18,783	–	8,986	–	658,986	34%
T. Robinson – Executive director, appointed 30 April 2016								
2016	48,003	–	1,608	–	–	–	49,611	–
2015	–	–	–	–	–	–	–	–
J. Ferragina – Finance director, COO and Company secretary								
2016	430,693	225,000	19,307	–	80,890	–	755,890	30%
2015	379,773	322,500	18,783	–	2,516	–	723,572	45%
<b>Total remuneration: KMP</b>								
2016	2,862,458	1,049,421	82,257	–	213,497	824,421	5,032,054	21%
2015	2,356,745	576,185	87,690	–	11,502	–	3,032,122	19%

The remuneration table is reported in Australian Dollars except where noted. No KMP appointed during the year received a payment as part of their consideration for agreeing to hold the position.

<sup>1</sup> The compensation of these KMP were paid by a US subsidiary of the Trust.



The relative proportions of those elements of remuneration of KMP that are linked to performance:

	Maximum potential of short-term incentive based on fixed remuneration		Actual short-term incentive based on fixed remuneration linked to performance <sup>1</sup>		Maximum potential of long-term incentive based on fixed remuneration <sup>3</sup>		Actual long-term incentive based on fixed remuneration linked to performance <sup>3</sup>	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Executives</b>								
P. Greenwood	100%	100%	100%	50%	100%	N/A	16%	N/A
T. Robinson <sup>2</sup>	100%	N/A	– <sup>2</sup>	–	N/A	N/A	N/A	N/A
J. Ferragina	100%	100%	50%	100%	100%	N/A	17%	N/A
<b>Former executive KMP</b>								
T. Carver	N/A	100%	N/A	– <sup>4</sup>	N/A	N/A	N/A	N/A
A. McGill	N/A	100%	N/A	– <sup>4</sup>	N/A	N/A	N/A	N/A

<sup>1</sup> Each year, KMP STI are paid in two instalments being 50% in August following the performance year and 50% in June the following year. For the current year, only the 50% payable in August is provided for as at 30 June 2016. Note that Mr Greenwood's deferred component of STI for his performance in the year ended 30 June 2015 has not yet been paid as at the date of this Report. The Company is currently negotiating the amendment to his employment. For the comparative period, 50% was provided for in June 2015 and the remaining 50% was paid in June 2016.

<sup>2</sup> T. Robinson appointed on 30 April 2016. Mr Robinson was not eligible for an STI in the 2016 financial year.

<sup>3</sup> Valuation based on fair-value at grant date using a monte-carlo simulation as well as binomial option pricing methodology. As disclosed in the 2015 remuneration report there were no LTIs awarded to executive KMP during the 2015 financial year.

<sup>4</sup> In its discretion, the remuneration committee decided to not award Mr McGill any STI in 2015. In his 2015 STI recommendations to the committee, Mr Carver volunteered to not receive a STI in 2015, and the remuneration committee approved his STI recommendations.

## 6. Key Terms of Employment Contracts of KMP

### 6.1 Key Terms of Employment Contract of Executive Director

Contract Details	Tony Robinson, Executive director
Term of Contract	Ongoing until notice is given by either party
Fixed Remuneration	\$300,000
STI	Mr Robinson is eligible for a short term incentive in 2016/17 of up to \$300,000 with the percentage payable determined based on achievements of set key performance indicators. This will be assessed and payable in December 2016, unless agreed to be paid earlier. See further detail in section 3.6.
LTI	There is no LTI component in Mr Robinson's contract.
Termination of Employment	Under the terms of the contract, Mr Robinson or Pacific Current Group Limited may terminate the contract giving one month written notice with no termination benefits.  The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr Robinson is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.  Where employment is terminated with notice, no further payments will be paid by the Company except unpaid salary accrued to the date of termination and accrued annual leave.

# DIRECTORS' REPORT

continued

## 6.2 Key Terms of Employment Contract of Global CIO and President, North America

Contract Details	Paul Greenwood, Global CIO and President, North America
Term of Contract	Ongoing until notice is given by either party
Fixed Remuneration	US\$600,000
STI	Mr Greenwood is eligible for a STI based on a number of clearly defined KPIs. The STI is for up to 100% of base salary and paid in two equal instalments over a two year period. See further detail in section 3.6.
LTI	Mr Greenwood is eligible to participate in the Company's LTI plan and the offers each year (if any) will be disclosed in the remuneration report and will be subject to shareholder approval if required.
Termination of Employment	<p><b>Termination for cause/resignation for other than good reason</b></p> <p>Under the terms of the contract, the Company may terminate Mr Greenwood's employment for "cause" (which includes serious misconduct) without notice and Mr Greenwood may resign his employment for other than "good reason" or otherwise by giving six (6) months prior written notice. In either of these situations, Mr Greenwood will be entitled to receive that portion of remuneration which is fixed (and only up to the date of termination); accrued but untaken annual leave, vested but unpaid amounts owed to Mr Greenwood under the Company's retirement, non-qualified deferred compensation or incentive compensation plans; and any other applicable bonus/incentive payments as per the terms of the contract and grant or plan documents.</p> <p><b>Termination upon death or permanent disability</b></p> <p>If Mr Greenwood suffers a permanent disability or dies during the term of their respective contracts, Mr Greenwood (or his estate, as applicable) will be entitled to receive the same benefits as payable in a "Termination for cause/resignation for other than good reason" scenario, plus twelve (12) months continuation coverage under the Company's health plans under which Mr Greenwood and his dependents participated immediately prior to Mr Greenwood's date of termination.</p> <p><b>Termination without cause/resignation for good reason</b></p> <p>Under the terms of the contract, the Company may terminate Mr Greenwood's employment without cause by giving six (6) months prior written notice, and Mr Greenwood may resign his employment for other than "good reason" or otherwise. In either of these situations, Mr Greenwood will be entitled to the same benefits as payable in a "Termination upon death or permanent disability" scenario, plus a lump sum severance payment equal to twelve (12) months base salary.</p> <p>The Company is currently negotiating the employment contract of Mr Greenwood which is expected to conclude shortly.</p>

### 6.3 Key Terms of Employment Contract of Finance Director, COO and Company Secretary

Contract Details	Joseph Ferragina, Finance director, COO and Company secretary
Term of Contract	Ongoing until notice is given by either party
Fixed Remuneration	\$450,000
STI	Mr Ferragina is eligible for a STI based on a number of clearly defined KPIs. The STI is for up to 100% of base salary and paid in two equal instalments over a two year period. See further detail in section 3.6.
LTI	Mr Ferragina is eligible to participate in the Company's LTI Plan and the offers each year (if any) will be disclosed in the Remuneration Report and will be subject to shareholder approval if required.
Termination of Employment	<p>Under the terms of the contract, Mr Ferragina or Pacific Current Group Limited may terminate the contract giving three months written notice with no termination benefits.</p> <p>The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr Ferragina is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause, any unvested performance rights will immediately be forfeited.</p> <p>Where employment is terminated with notice, no further payments will be paid by the Company except unpaid salary accrued to the date of termination and accrued annual leave. Where employment is terminated with notice, deferred short-term incentives will also be paid. However, the Board retains the discretion to determine that some or all unvested performance rights vest or lapse with effect from or after the cessation date.</p>

# DIRECTORS' REPORT

continued

## 7. Remuneration of Non-executive directors

### Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest caliber, whilst incurring a cost which is acceptable to shareholders.

### Structure

In accordance with the ASX Listing Rules, the aggregate remuneration of Non-executive directors is determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the general meeting held on 15 November 2006 when shareholders approved an aggregate remuneration of \$650,000 per year for services of directors as directors of the Company and its subsidiaries.

The amount of aggregate remuneration requires shareholder approval and the manner in which it is apportioned amongst directors is reviewed annually. Non-executive directors do not receive performance-based bonuses from Pacific Current Group Limited.

Non-executive directors do not receive fees that are contingent on performance, shares in return for their services, retirement benefits, other than statutory superannuation or termination benefits.

The Executive directors are not remunerated separately for acting as directors.

There is no intent to seek to increase the Non-executive director fee pool at the 2016 AGM.

Following is the schedule of Non-executive directors fees:

	2016 \$	2015 \$
<b>Chairman</b>	100,000	100,000
Non-executive director	60,000	60,000
Audit and risk committee chair	20,000	20,000
Audit and risk committee member	15,000	15,000
Remuneration committee member (includes Chair, no fee difference between member and chair)	10,000	10,000
Governance committee chair	10,000	-
Governance committee member	5,000	3,000

The fees above are inclusive of superannuation contributions, except for the director fees paid to Mr Vincent and Mr Gu  rin. Total fees paid to Non-executive directors in the year ended 30 June 2016 were \$602,468. Refer to page 22 for details.

The only increase to Non-executive directors' fees during the 2016 reporting period was an increase in fees paid to the governance committee chair and members due to the increased workload for this committee during the year.

Directors are not required under the constitution or any other Board policy to hold any shares in Pacific Current Group Limited. The shareholding level of directors is detailed in the tables later in this Report.

## 8. Share-Based Remuneration

### Share-Based Payments Granted as a Compensation for the Current Financial Year

Pacific Current Group Limited operates an LTI plan for eligible employees as described in section 3.8. The number of performance rights granted under the LTI plan in 2016 are as detailed in the table below and further described in section 3.8.

Details of share-based payments/performance rights granted as compensation to KMP during the current financial year:

	During the financial year					% of compensation for the year consisting of performance rights
	Option series	Numbers granted <sup>1</sup>	Numbers vested	% of grant vested	% of grant forfeited	
<b>Executive KMP</b>						
P. Greenwood	2016	500,000	-	-	-	-
T. Robinson	2016	-	-	-	-	-
J. Ferragina	2016	305,000 <sup>2</sup>	-	-	-	-

<sup>1</sup> Granted in February 2016.

<sup>2</sup> Following his performance review in July 2014, Pacific Current Group Limited made a commitment to grant Mr Ferragina 165,000 performance rights. On his promotion to Finance director in April 2015, Pacific Current Group Limited made a commitment to grant Mr Ferragina an additional 140,000 performance rights.

## 9. KMP Equity Holdings

### Fully paid ordinary shares of Pacific Current Group Limited

30 June 2016	Balance 1 July 2015	Granted as remuneration	Received on vesting of performance rights/options	Net change other	Balance held nominally
<b>Non-executive directors</b>					
M. Fitzpatrick	2,701,285	–	–	–	2,701,285
P. Kennedy	214,929	–	–	27,699	242,628
M. Donnelly	20,000	–	–	–	20,000
J. Vincent <sup>2</sup>	–	–	–	–	–
G. Guérin <sup>2</sup>	–	–	–	–	–
T. Carver <sup>3</sup>	–	–	–	–	–
<b>Executive KMP</b>					
P. Greenwood <sup>3</sup>	–	–	–	–	–
T. Robinson	–	–	–	–	–
J. Ferragina	141,400	–	–	–	141,400

30 June 2015	Balance 1 July 2014	Granted as remuneration	Received on vesting of performance rights/options <sup>1</sup>	Net change other	Balance held nominally
<b>Non-executive directors</b>					
M. Fitzpatrick	2,701,285	–	–	–	2,701,285
P. Kennedy	213,487	–	–	1,442	214,929
M. Donnelly	20,000	–	–	–	20,000
J. Vincent <sup>2</sup>	–	–	–	–	–
G. Guérin <sup>2</sup>	–	–	–	–	–
<b>Executive KMP</b>					
P. Greenwood <sup>3</sup>	–	–	–	–	–
T. Carver <sup>3</sup>	–	–	–	–	–
J. Ferragina	7,000	–	134,400	–	141,400

<sup>1</sup> The performance rights granted on 11 July 2011 vested on 11 July 2014. As a result, Mr Ferragina received Pacific Current Group Limited shares with a market value of \$1,330,560. The market value of the shares on 11 July 2014 was \$9.90 per share.

<sup>2</sup> Both Mr Vincent and Mr Guérin represent stakeholders who are Class B and B-1 unitholders in the Trust. These Class B and B-1 units are exchangeable for fully paid ordinary shares in Pacific Current Group Limited. In the event that exchange notices are delivered to convert such Class B and B-1 unit holdings as at the date of this report, the stakeholders whom Mr Vincent and Mr Guérin represent will receive fully paid ordinary shares in Pacific Current Group Limited of 2,439,229 and 2,397,957 respectively. Refer to page 59 for the conversion multiple.

<sup>3</sup> Class B and B-1 unitholders in the Trust. Class B or B-1 units are exchangeable for fully paid ordinary shares in Pacific Current Group Limited. In the event that exchange notices are delivered to convert such Class B or B-1 unit holdings as at the date of this report, Mr Carver and Mr Greenwood will receive fully paid ordinary shares in Pacific Current Group Limited of 509,887 and 908,932 respectively. Refer to page 59 for the conversion multiple.

## DIRECTORS' REPORT

continued

### Performance rights of Pacific Current Group Limited

	Balance at 1 July 2015	Granted as compensation	Received on vesting of performance rights/options	Net change other	Balance At 30 June 2016	Balance Vested at 30 June 2016	Vested but not exercisable	Vested and exercisable	Performance rights vested 30 June 2016	
30 June 2016	No.	No.	No.	No.	No.	No.	No.	No.	No.	
<b>Executive KMP</b>										
P. Greenwood	-	500,000	-	-	500,000	-	-	-	-	
T. Robinson	-	-	-	-	-	-	-	-	-	
J. Ferragina <sup>1</sup>	-	305,000	-	-	305,000	-	-	-	-	

	Balance at 1 July 2014 <sup>2</sup>	Granted as compensation	Received on vesting of performance rights/options	Net change other	Balance at 30 June 2015	Balance vested at 30 June 2015	Vested but not exercisable	Vested and exercisable	Performance rights vested 30 June 2015	
30 June 2015	No.	No.	No.	No.	No.	No.	No.	No.	No.	
<b>Executive KMP</b>										
P. Greenwood	-	-	-	-	-	-	-	-	-	
J. Ferragina	140,000	-	(134,400)	(5,600)	-	96%	-	134,400	134,400	

<sup>1</sup> Following his performance review in July 2014, Pacific Current Group Limited made a commitment to grant Mr Ferragina 165,000 performance rights. On his promotion to Finance director in April 2015, Pacific Current Group Limited made a commitment to grant Mr Ferragina an additional 140,000 performance rights.

<sup>2</sup> The performance rights granted on 11 July 2011 vested on 11 July 2014.

Note – see section 3.8 for applicable performance criteria and further details.

### Loans to directors and executives

No loans were made to directors and executives of the Company including their close family and entities related to them during the year.

## Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors meetings		Audit & risk committee meetings		Remuneration committee meetings		Governance committee meetings	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
M. Fitzpatrick	13	13	4	4	2	2	3	3
P. Greenwood	12	12	0	0	0	0	0	0
T. Carver	11	11	0	0	0	0	0	0
A. McGill*	3	3	0	0	0	0	0	0
P. Kennedy	13	13	4	4	2	2	0	0
M. Donnelly	13	12	4	3	0	0	3	3
J. Vincent	13	13	4	4	2	2	0	0
G. Guérin	13	12	0	0	2	2	3	3
T. Robinson*	10	10	2	2	1	1	0	0
J. Ferragina	12	12	0	0	0	0	0	0

\* They were not Directors for the full year.

## Committee Membership

As at the date of this report, the Company had an audit & risk committee, a remuneration committee and a governance committee of the Board of directors.

Members acting on the committees of the Board during the year were:

Audit & Risk	Remuneration	Governance
P. Kennedy (Chairman)	J. Vincent (Chairman)	M. Donnelly (Chairperson)
M. Fitzpatrick	M. Fitzpatrick	M. Fitzpatrick
M. Donnelly	P. Kennedy	G. Guérin
J. Vincent	G. Guérin	

## Tax Consolidation

As at the date of this report, Pacific Current Group Limited, Aurora Investment Management Ltd and AR Capital Management Pty Ltd are the members of the tax consolidated entity.

## Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Pacific Current Group Limited support the principles of corporate governance. The Company's corporate governance statement is available on Pacific Current Group Limited's website [www.paccurrent.com](http://www.paccurrent.com).

## Environmental Regulation and Performance

The Company's operations are not presently subject to significant environmental regulation under the law of the Commonwealth and State.

## Non-Audit Services

The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

## Auditor Independence

The Directors received an independence declaration from the auditors of Pacific Current Group Limited. A copy of the declaration is set out on page 30.

Signed in accordance with a resolution of the Directors.



**M. Fitzpatrick**

Chairman

31 August 2016

# AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Pacific Current Group Limited



Deloitte Touche Tohmatsu  
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The Board of Directors  
Pacific Current Group Limited  
Level 14, 39 Martin Place  
Sydney NSW 2000

31 August 2016

Dear Board Members

## **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 audit of the financial statements of Pacific Current Group Limited for the financial year ended 30 June 2016, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

  
DELOITTE TOUCHE TOHMATSU

  
Declan O'Callaghan  
Partner  
Chartered Accountants



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2016

	Notes	2016 \$	2015 (restated)* \$
<b>Continuing Operations</b>			
Revenues	5(a)	5,602,651	6,714,712
Net gain on investments	5(b)	–	198,803,507
Salaries and employee benefits expenses	5(c)	(4,051,766)	(5,266,779)
Other expenses	5(c)	(1,105,809)	(1,991,791)
Share of net losses of equity accounted investments	5(d)	(78,486,842)	(4,632,206)
<b>(Loss)/profit before income tax</b>		<b>(78,041,766)</b>	<b>193,627,443</b>
Income tax benefit/(expense)	6(c)	29,801,318	(57,925,264)
<b>(Loss)/Profit for the Year</b>		<b>(48,240,448)</b>	<b>135,702,179</b>
<b>ATTRIBUTABLE TO MEMBERS OF THE PARENT</b>			
<b>(Losses)/earnings per share (cents per share)</b>			
– basic for (loss)/profit for the year attributable to ordinary equity holders of the parent	8	(172.1)	529.7
– diluted for (loss)/profit for the year attributable to ordinary equity holders of the parent	8	(172.1)	529.7
<b>Franked dividends paid per share (cents per share) for the financial year</b>	7(b)	48	51

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

\* The consolidated statement of profit or loss for the year ended 30 June 2015 has been restated. Refer to Note 2(z) for an explanation.

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	2016 \$	2015 (restated)* \$
<b>(Loss)/Profit for the Year</b>	(48,240,448)	135,702,179
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit and loss</b>		
Reversal of net unrealised losses on available-for-sale sold during the year	-	(213,684)
Share of net fair value gain on available-for-sale financial assets of a joint venture (after tax)	(112,125)	1,569,431
Share of exchange differences on translating foreign operations of a joint venture (after tax)	6,965,730	9,723,255
<b>Other comprehensive income for the year</b>	<b>6,853,605</b>	<b>11,079,002</b>
<b>Total Comprehensive (Loss)/Income for the Year</b>	<b>(41,386,843)</b>	<b>146,781,181</b>
<b>Attributable to Members of the Parent</b>	<b>(41,386,843)</b>	<b>146,781,181</b>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

\* The consolidated statement of other comprehensive income for the year ended 30 June 2015 has been restated. Refer to Note 2(z) for an explanation.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	2016 \$	2015 (restated)* \$
<b>Current assets</b>			
Cash and cash equivalents	9(a)	2,997,744	1,056,243
Trade and other receivables	10	11,906,851	10,046,019
<b>Total current assets</b>		<b>14,904,595</b>	<b>11,102,262</b>
<b>Non-Current Assets</b>			
Investments in joint ventures/associates	11(b)	210,056,666	290,163,883
<b>Total non-current assets</b>		<b>210,056,666</b>	<b>290,163,883</b>
<b>Total assets</b>		<b>224,961,261</b>	<b>301,266,145</b>
<b>Current liabilities</b>			
Trade and other payables	12	2,000,884	2,002,211
Provision for income tax	13	14,157,614	-
Provisions	14	236,468	328,765
<b>Total current liabilities</b>		<b>16,394,966</b>	<b>2,330,976</b>
<b>Non-current liabilities</b>			
Provisions	14	175,268	207,445
Deferred tax	6(d)	20,961,430	61,920,061
<b>Total non-current liabilities</b>		<b>21,136,698</b>	<b>62,127,506</b>
<b>Total liabilities</b>		<b>37,531,664</b>	<b>64,458,482</b>
<b>Net assets</b>		<b>187,429,597</b>	<b>236,807,663</b>
<b>Equity</b>			
Equity attributable to equity holders of the parent			
Issued capital	15(a)	74,556,705	69,500,943
Reserves	15(f)	21,401,642	14,231,149
Retained earnings	15(e)	91,471,250	153,075,571
<b>Total equity</b>		<b>187,429,597</b>	<b>236,807,663</b>

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

\* The consolidated statement of financial position for the year ended 30 June 2015 has been restated. Refer to Note 2(z) for an explanation.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

For the year ended 30 June 2016

	Note	Issued capital \$	Equity-settled employee benefits reserve \$	Investment revaluation reserve \$	Foreign currency translation reserve \$	Retained earnings \$	Total \$
At 1 July 2015 (restated)*		69,500,943	2,938,463	1,569,431	9,723,255	153,075,571	236,807,663
Total comprehensive (loss)/income for the year		-	-	(112,125)	6,965,730	(48,240,448)	(41,386,843)
Issuance of shares due to vesting of performance rights		55,771	(55,771)	-	-	-	-
Issuance of shares		4,999,991	-	-	-	-	4,999,991
Share-based payments	15(d)	-	372,659	-	-	-	372,659
Dividends paid	7(b)	-	-	-	-	(13,363,873)	(13,363,873)
<b>At 30 June 2016</b>		<b>74,556,705</b>	<b>3,255,351</b>	<b>1,457,306</b>	<b>16,688,985</b>	<b>91,471,250</b>	<b>187,429,597</b>

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

\* The consolidated statement of changes in equity for the year ended 30 June 2015 has been restated. Refer to Note 2(z) for an explanation.

For the year ended 30 June 2015

	Note	Issued capital \$	Equity-settled employee benefits reserve \$	Investment revaluation reserve \$	Foreign currency translation reserve \$	Retained earnings \$	Total (restated)* \$
At 1 July 2014		29,594,265	3,874,436	213,684	-	30,092,285	63,774,670
Total comprehensive (loss)/income for the year		-	-	(66,581)	(4,458,846)	138,723,124	134,197,697
Issuance of shares due to vesting of performance rights		1,027,859	(1,027,859)	-	-	-	-
Issuance of shares		38,878,819	-	-	-	-	38,878,819
Share-based payments	15(d)	-	91,886	-	-	-	91,886
Dividends paid	7(b)	-	-	-	-	(13,023,319)	(13,023,319)
<b>At 30 June 2015 (as previously reported)</b>		<b>69,500,943</b>	<b>2,938,463</b>	<b>147,103</b>	<b>(4,458,846)</b>	<b>155,792,090</b>	<b>223,919,753</b>
Impact of restatement	2(z)	-	-	1,422,328	14,182,101	(2,716,519)	12,887,910
<b>At 30 June 2015 (restated)*</b>		<b>69,500,943</b>	<b>2,938,463</b>	<b>1,569,431</b>	<b>9,723,255</b>	<b>153,075,571</b>	<b>236,807,663</b>

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

\* The consolidated statement of changes in equity for the year ended 30 June 2015 has been restated. Refer to Note 2(z) for an explanation.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		3,702,852	19,269,533
Payments to suppliers and employees		(4,910,718)	(24,544,608)
Dividends and distributions received		16,474,272	7,872,346
Interest received		38,968	1,821,573
<b>Net cash flows generated by operating activities</b>	<b>9(b)</b>	<b>15,305,374</b>	<b>4,418,844</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of available-for-sale investments		–	6,900,946
Repayment of loans by former associates		–	2,270,505
Advances to former associates		–	(2,454,756)
Purchase of investment joint venture/associate		–	(47,005,303)
Cash held by deconsolidated entities		–	(1,789,712)
<b>Net cash flows (used in) investing activities</b>		<b>–</b>	<b>(42,078,320)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares, net of transaction costs		–	38,878,819
Dividends paid on ordinary shares		(13,363,873)	(13,023,319)
<b>Net cash flows (used in)/generated by financing activities</b>		<b>(13,363,873)</b>	<b>25,855,500</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,941,501</b>	<b>(11,803,976)</b>
Cash and cash equivalents at beginning of year		1,056,243	12,860,219
<b>Cash and cash equivalents at end of year</b>	<b>9(a)</b>	<b>2,997,744</b>	<b>1,056,243</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes. The non-cash investing activities in relation to acquisition of units in the Trust were \$60,381,631 (2015: \$248,862,194), refer to Note 11(b) for further details. Non-cash financing activities were \$4,999,991 (2015: Nil), refer to Note 15(b) for further details.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 1. Corporate Information

The financial report of Pacific Current Group Limited (the 'Company' or 'Group', formerly Treasury Group Ltd) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 31 August 2016.

Pacific Current Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

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

## 2. Summary of Significant Accounting Policies

### a. Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost.

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

### b. Statement of Compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Company. For the purposes of preparing the consolidated financial statements, Pacific Current Group Limited is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

### Application of new and revised accounting standards

There were no new and revised standards that were applied in the current year that had any material impact on accounting or disclosure.

### Amendment to AASBs and new Interpretations that are mandatorily effective for the current year

There were no amendments to AASBs or new interpretations that are mandatorily effective for the current year that were required to be applied in the current year.

### Standards and Interpretations in issue not yet adopted

At the date of authorisation of the consolidated financial statements, the Standards and Interpretations were issued but not yet effective are listed below. Their adoption may affect the accounting for future transactions or arrangements.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standard	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
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'	1 January 2018	30 June 2019
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018

At the date of authorisation of the consolidated financial statements, there have been no IASB or IFRIC Interpretations that are issued but not effective that could impact the Group.

### c. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### Service fees

Fees charged for providing administrative services to related companies are accrued as services are provided.

#### Management fees

Management fees on asset management activities are accrued as services are provided.

#### Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### Distributions and dividends

Distribution and dividend income from investments is recognised when the shareholder's right to receive payment has been established. Distributions or dividends received from the equity accounted investments in joint ventures and associates are not recognised in the profit or loss but are reduced from the equity-accounted investment's carrying value.

### d. Recognition of Gain or Loss on Sale of Investments

Gain or loss is recognised in the Consolidated Statement of Profit or Loss which is determined as the difference between the carrying amount and fair value of the assets and liabilities being transferred or deemed sold.

### e. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. Summary of Significant Accounting Policies (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

### f. Cash and Cash Equivalents

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

### g. Trade and Other Receivables

Trade receivables, which are generally on 30 day terms, are recognised at fair value and subsequently valued at amortised cost using the effective interest method, less any allowance for uncollectible amounts. Cash flows relating to short term receivables are not discounted as any discount would be immaterial.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt. Financial difficulties of the debtor or default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. The Company did not have any impaired trade receivables (2015: Nil).

### h. Impairment of Available-for-Sale Financial Assets

The Company assesses at each balance date whether a financial asset or group of financial assets is impaired.

### i. Investments in Joint Ventures and Associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

As at 30 June 2016, the Company owns 65.15% (2015: 64.03%) of the Trust. Whilst the ownership exceeds 50% and results in a presumption of control, the Trust is referred to as a joint venture arrangement among Pacific Current Group Limited, Northern Lights and BNP Paribas. Pacific Current Group Limited and Northern Lights contributed their businesses to the Trust to conduct investment activities, and BNP Paribas was an investor in Northern Lights prior to the merger between Pacific Current Group Limited and Northern Lights. The key function of the Trust and the overall business is investment in asset managers. Former Northern Lights executives are responsible for investment analyses and recommendations as investment due diligence and recommendations are undertaken by the majority Northern Lights controlled investment committee. Investment decisions require approval by a majority vote of the Trustee board. The decision making process leading to execution requires all parties to agree. It is therefore deemed appropriate that the Trust be reflected as a joint venture investment.

In the prior year, Pacific Current Group Limited referred to its investment in the Trust as an associate in its Consolidated Statement of Financial Position. The principles of the equity accounting method apply to the accounting for both associates and joint ventures and the reclassification of the investment to an investment in joint venture does not therefore require any adjustment in the accounting for the investment in the Trust. Further information on this reclassification is included in Note 2(z).

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'.



Under the equity method, an investment in an associate or a joint venture is initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income which includes reserves of the associate or joint venture. When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or joint venture), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Distributions or dividends received from the equity accounted investments in joint ventures and associates are reduced from the investment's carrying value. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 'Financial Instruments; recognition and measurement' are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) 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 of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Company retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Company measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139.

The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Company accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Company reduces its ownership interest in an associate or a joint venture but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Company, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Company's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Company.

#### **j. Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business, less any accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Upon disposal of the relevant cash-generating unit, the amount of goodwill attributable is included in the determination of the gain or loss on disposal. The Company's policy for goodwill arising on the acquisition of a joint venture or an associate is described at Note 2(i).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. Summary of Significant Accounting Policies (continued)

### k. Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Major depreciation methods and periods are:

#### 2016 & 2015

Furniture & fittings:	5 – 10 years	diminishing value
Office equipment:	3 – 10 years	diminishing value
Leasehold improvements:	1 – 6 years	straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

### Disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

### l. Intangibles

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are expensed as incurred.

Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year end.

### m. Financial Assets

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, available-for-sale (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised when the right to receive cash flows from the financial assets have expired or been transferred; on a trade date basis i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that required delivery of assets within the time frame established by regulation or convention in the marketplace.

When financial assets are recognised initially they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

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

Financial assets classified as held for trading are included in the category 'Financial Assets at Fair Value Through Profit and Loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit.

### ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the loan and receivables are derecognised or impaired, as well as through the amortisation process.

For loans and receivables carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

### iii. Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three other categories. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on that balance date.

### n. Income Tax

The income tax (benefit)/expense for the year comprises current income tax (benefit)/expense and deferred tax (benefit)/expense.

Current income tax expense charged to the profit or loss is the tax payable on taxable income measured at the amounts expected to be paid to or recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax (benefit)/expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and

their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The Company has applied the Stand-Alone Taxpayer approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidation group. The tax funding agreement provides each member of the tax consolidated group to pay a tax equivalent amount to or from the parent in accordance with their current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after lodgement of the consolidated return and payment of the tax liability.

The deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 'Income Taxes'.

#### **Tax Consolidation**

Pacific Current Group Limited, Aurora Investment Management Ltd and AR Capital Management Pty Ltd are the members of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned entities on a pro-rata basis. Under a tax funding agreement, each member of the tax consolidated group is responsible for funding their share of any tax liability. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

#### **o. Other Taxes**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ('GST') except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### **p. Impairment of Non-financial Assets other than Goodwill**

Non-financial assets other than goodwill are tested for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

#### **q. Trade and Other Payables**

Trade payables and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of the goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **r. Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. Summary of Significant Accounting Policies (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### s. Employee Provisions

#### Short term and long term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration date expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

### t. Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### u. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### Operating leases

Operating lease payments are recognised as an expense in the Consolidated Statement of Profit or Loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

### v. (Loss)/Earnings Per Share

Basic (loss)/earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted (loss)/earnings per share is calculated as net loss or profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends), if any;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;

- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element, if any.

### w. Share-based Payments

#### Equity-settled transactions:

The Company provides benefits to employees (including senior executives and directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The Pacific Current Group Limited's Long Term Incentive plan is in place whereby Pacific Current Group Limited, at the discretion of the Board of Directors, awards performance rights to directors, executives and certain members of staff of the Company. Each performance right at the time of grant represents one Pacific Current Group Limited share upon vesting.

On 15 February 2016, Pacific Current Group Limited granted 1,199,000 performance rights which have vesting date of 1 July 2018 to officers and certain employees as part of their long term incentives. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative TSR of Pacific Current Group Limited compared to the ASX 300 (Hurdle 1) and on a group of seven other domestic and international fund managers (Hurdle 2). The value of each right for Hurdle 1 and Hurdle 2 were \$1.26 and \$2.46, respectively. Total value of the outstanding performance rights is \$2,225,945 amortised over two years and four months from the grant date. The performance rights on issue were valued based on the valuation made by an independent adviser using a monte-carlo pricing model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Pacific Current Group Limited (market conditions), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-based transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Consolidated Statement of Profit or Loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No cumulative expense is recognised for awards that do not ultimately vest due to the non-fulfilment of a non-market condition.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award as described in the previous paragraph.

The dilutive effect, if any, of outstanding options and performance rights are reflected as additional share dilution in the computation of diluted (losses)/earnings per share.

## **x. Foreign Currency Translation**

### **i. Functional and presentation currency**

Both the functional and presentation currency of Pacific Current Group Limited and its subsidiaries are Australian dollars (\$).

### **ii. Transactions & balances**

Transactions in foreign currencies are initially recorded in the functional currency by applying an average spot exchange rate for the period. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. Non-monetary items are measured in terms of historical cost in a foreign currency and are translated using the exchange rate at the date the fair value was determined.

## **y. Going Concern**

The directors believe that the Company remains a going concern on the basis that it can satisfy its obligations through its own capacity or through distributions from the Trust. The Trust continues to be a going concern and there are ongoing discussions about capital restructure and possible asset sales.

## **z. Comparatives and Restatement of Financial Information**

During the current financial year, additional information became available with respect to the 2015 financial year. Pacific Current Group Limited has restated the comparatives in the consolidated financial statements to recognise the following adjustments as summarised in the table thereunder on page 44:

## **Accounting Treatment of Investment in the Trust**

1) As at 30 June 2016, the Company owns 65.15% (2015:64.03%) of the Trust. Whilst the ownership exceeds 50% and results in a presumption of control, the Trust is referred to as a joint venture arrangement among Pacific Current Group Limited, Northern Lights and BNP Paribas. Pacific Current Group Limited and Northern Lights contributed their businesses to the Trust to conduct investment activities, and BNP Paribas was an investor in Northern Lights prior to the merger between Pacific Current Group Limited and Northern Lights. The key function of the Trust and the overall business is investment in asset managers. Former Northern Lights executives are responsible for investment analyses and recommendations as investment due diligence and recommendations are undertaken by the majority Northern Lights controlled investment committee. Investment decisions require approval by a majority vote of the Trustee board. The decision making process leading to execution requires all parties to agree. It is therefore deemed appropriate that the Trust be reflected as a joint venture investment.

In the prior year, Pacific Current Group Limited referred to its investment in the Trust as an associate in its Consolidated Statement of Financial Position. The principles of the equity accounting method apply to the accounting for both associates and joint ventures and the reclassification of the investment to an investment in joint venture does not therefore require any adjustment in the accounting for the investment in the Trust.

## **Finalisation of PPA of the Trust**

2) There was a PPA adjustment in the determination of net assets of the Trust that were contributed by Northern Lights. The liabilities brought to the Trust were understated by \$8.8m (US\$7.0m). As a consequence there was an adjustment to the fair value of the available-for sale investment securities acquired from Northern Lights, indicating the fair value of one specific available-for sale investment security's fair value was not supportable at period end. An impairment of the available-for sale investment security was recognised by the Trust. This resulted in Pacific Current Group Limited recognising an additional share in these losses, based on its 64.03% interest in the Trust, of \$5.6m.

The income tax effect of the recognition of these additional losses by Pacific Current Group Limited was also recognised at 30%, being a reduction of \$1.7m in the income tax expense and the deferred tax liability balance.

3) The PPA adjustments resulted in a revised amount being booked to the Trust's investment revaluation reserve of \$3.1m and the foreign currency translation reserve of \$31.6m. The correction results in Pacific Current Group Limited recognising an increase in its investment in the Trust of \$22.2m, which represents its 64.03% proportionate share in the investment revaluation reserve of \$2.0m and foreign currency translation reserve of \$20.2m, respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 2. Summary of Significant Accounting Policies (continued)

The income tax effect of the recognition of the additional share in the investment revaluation reserve and foreign currency translation reserve by Pacific Current Group Limited was also recognised at 30%, being an increase in the deferred tax liability of \$6.7m and respective increases in the deferred tax balances held in the reserves of \$0.6m (Investment revaluation reserve) and \$6.1m (Foreign currency translation reserve).

### Correction of prior period accounting error

4) The consolidated statement of comprehensive income for the year ended 30 June 2015 stated a lower amount of gain on sale of investment. This was due to an error in posting transaction costs of \$3.4m which were recognised as an expense of Pacific Current Group Limited but should have been recognised as a cost borne on behalf of the Trust. As a consequence, the share of joint venture's losses were also understated by a total of \$4.0m being Pacific Current Group Limited's then 64.03% share of the combined costs borne by Pacific Current Group Limited (\$3.4m) and Northern Lights (\$3.1m) that were not previously reflected in the Trust's income statement. In addition, \$2.2m cash received from the Trust in part reimbursement of these transaction costs was erroneously credited to the investment in joint venture balance. This was corrected and a receivable of \$1.2m recognised, being the amount of reimbursement that was still owing to Pacific Current Group Limited as at 30 June 2015.

The income tax effect of the recognition of the additional share of associate losses of (\$4.0) offset by the additional gain on sale of the investments transferred to the Trust of \$3.4m was also recognised at 30%. This resulted in a reduction of \$0.2m in the income tax expense and deferred tax liability balances.

### Review of income tax notes disclosure

5) During the year, the Company reviewed its accounting for current and deferred income tax. In addition to the income tax impact of the adjustments outlined above, the Company's review of the current and deferred income tax balances also showed that income tax expense was overstated by a further \$1.4m and the deferred tax liability was overstated by \$1.7m. Accordingly, an adjustment was made to reduce the income tax expense by \$1.4m and reduce the deferred tax liability by \$1.7m, and the remaining \$0.3m is booked to retained earnings.

Pacific Current Group Limited and Northern Lights entered into a joint venture arrangement on 25th November 2015 and therefore the restructure has no impact on the opening retained earnings as at 1 July 2014.

Comparative Consolidated Statement of Other Comprehensive Income	Previously stated	Adjustments \$			Restated \$
		Finalisation of PPA of the Trust Adjustment 2	Adjustment 3	Correction of prior period accounting error Adjustment 4	
Net gain on of investments	195,410,403			3,393,104	198,803,507
Share in net profit/(losses) of equity accounted investments	5,014,466	(5,685,202)		(3,961,470)	(4,632,206)
Income tax expense	(61,157,887)	1,705,561		170,510	(57,925,264)
Profit for the year	138,723,124	(3,979,641)		(397,856)	135,702,179
<b>Comparative Consolidated Statement of Financial Position</b>					
Trade and other receivables	8,829,670			1,216,349	10,046,019
Investments accounted for under equity method	275,341,759	(5,685,202)	22,292,041	(1,784,715)	290,163,883
Deferred tax	(58,769,498)	1,705,561	(6,687,612)	170,510	(61,920,061)
Net assets	223,919,753	(3,979,641)	15,604,429	(397,856)	236,807,663
Investment revaluation reserve	(147,103)		(2,031,897)	609,569	(1,569,431)
Foreign currency translation reserve	4,458,846		(20,260,144)	6,078,043	(9,723,255)
Retained earnings	(155,792,090)	3,979,641	-	397,856	(1,660,978) (153,075,571)

### 3. Financial Risk Management Objectives and Policies

Due to the change of business structure and operation, Pacific Current Group Limited's investments are mainly the units held in the Trust.

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 2 to the consolidated financial statements.

#### Risk Exposures and Responses

##### Interest rate risk

The Company's direct exposure to market interest rates relates primarily to the Company's cash and short term investments.

At the balance date, the Company had the following financial assets exposed to Australian variable interest rate risk:

	Consolidated	
	2016 \$	2015 \$
<b>Financial assets</b>		
Cash and cash equivalents	2,997,744	1,056,243
	<b>2,997,744</b>	<b>1,056,243</b>

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date.

If interest rates had moved during the year as illustrated in the table below (using an average cash balance), with all other variables held constant, post tax (losses)/profit and reserves would have been affected as follows:

	Post Tax (Losses)/Profit Higher/(Lower)	
	2016 \$	2015 \$
<b>Consolidated</b>		
+0.75% [2015:0.75%]/(75 basis points), [2015:75 basis points]	11,837	51,960
-0.75% [2015:0.75%]/(75 basis points), [2015:75 basis points]	(11,837)	(51,960)

The movements in (losses)/profit are due to higher/lower interest income from cash and short term deposit balances.

##### Credit risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counterparty, with the maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Company does not hold any credit derivatives to offset its credit exposure.

The Company trades only with related parties and recognised, creditworthy third parties, and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 3. Financial Risk Management Objectives and Policies (continued)

#### Liquidity risk

As at the end of year, Pacific Current Group Limited's current liabilities exceed current assets. This is driven by a tax liability with respect to the capital gain on the sale of RARE. The Board is confident of satisfying the Company's net current liabilities through its own capacity or through a distribution from the Trust. Pacific Current Group Limited has a 65.15% interest in the Trust which has debt instruments issued to other parties and to its unitholders (i.e. Northern Lights and BNP Paribas). The Trust is reviewing options with respect to capital structure including restructuring options and asset disposals.

The Company does not have any significant transactional currency exposures.

#### Foreign currency risk

##### *Consolidated Statement of Financial Position*

Pacific Current Group Limited has an indirect exposure to foreign currency through its investment in the Trust. The Trust is an international multi-boutique business with operations primarily attributable to the US and Australia and the impact of foreign currency translations are taken up in the equity reserves of the Trust. Pacific Current Group Limited takes up its proportionate share of the Trust's foreign currency translation reserve through Pacific Current Group Limited's equity reserves.

##### *Consolidated Statement of Profit or Loss*

Pacific Current Group Limited has an indirect exposure to foreign exchange movements that arise from the translation of profits and losses predominantly in US\$. Profits and losses are translated at an average exchange rate. A falling Australian dollar relative to the US Dollar results in a higher net profit in the Trust and correspondingly in Pacific Current Group Limited. The day to day expenses in Australia and US operations are funded within the local operations.

### 4. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on experience and other factors, including expectations of future events that may have an impact on the Company. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these consolidated financial statements are outlined below:

#### Classification of and valuation of investments

The Company has classified the investment in the Trust as a joint venture and has accounted for its investment under equity method. The carrying value of the investment in the Trust is the cost to acquire the units and the share in net profits or losses of the Trust reduced by distributions received. The carrying value of the equity method investment is subject to assessment for indicators of impairment. Any required impairment testing would involve significant judgement. Additionally, Pacific Current Group Limited has finalised its PPA adjustments relating to the investment in the Trust (Note 2(z)).

The Company's consolidated financial statements reflect the results of the Trust through recognition of its share of net profits/(losses) of the joint venture. In preparing the consolidated financial statements of the Trust, the Trustee needs to exercise significant judgement in areas that are highly subjective. The valuation of assets and the assessment of carrying values and goodwill requires that a detailed valuation 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.

The valuation of the Investment in the Trust is impacted by the following key judgements and estimates:



**Impairment of non-financial assets**

At the end of each reporting period, the Trustee is required to assess the carrying values and the level of goodwill of each of the underlying assets of the Trust. Should assets underperform or do not meet expected growth targets from prior expectations, a resulting impairment of goodwill is recognised if that deterioration in performance is deemed not to be derived from short term factors such as market volatility. Factors that are considered in assessing possible impairment in addition to financial performance include changes to key investment staff, significant investment underperformance and litigation. Impairments of goodwill can not be reversed if a business recovers or exceeds previous levels of financial performance. Impairment of goodwill that forms part of equity accounted associate carrying value can be reversed in limited circumstances.

**Purchase price allocation**

During the prior year and in subsequent acquisition of assets by the Trust, the Trustee ensures that the investments are originally accounted as required under Purchase Price Allocation. Typically, the Trustee will engage an independent expert to determine identifiable intangible assets such as customer relationships, brand and trademarks and intellectual property in addition to goodwill. Identifiable intangible assets are amortised over a defined period of which have a degree of judgement and subjectivity.

**Contingent debt instrument**

The Trust also carries a form of debt whose value is contingent on the relative financial performance of six Northern Lights investments managers namely Raven, Nereus, Goodhart Partners LLP (UK), EAM Global Investors, LLC, Blackcrane Capital, LLC and Northern Lights Alternative Advisors Ltd relative to the expected financial performance of two of Pacific Current Group Limited's investment managers namely ROC Partners Pty Limited and Aubrey Capital Management Limited over a period of seven years. The determination of the carrying value of this debt instrument is subject to the significant assumptions about future growth in the earnings of the managers which operate in different asset classes and in different markets.

**Taxation****Deferred tax liabilities**

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures (the Trust), except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. (Refer Note 6(d)).

**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 detailed in Note 18. 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 5. Revenue and Expenses

	Consolidated	
	2016 \$	2015 (restated) \$
<b>a. Revenues from continuing operations</b>		
<b>Fee income</b>		
Fund management fees	–	9,636
Service fees	5,563,683	4,285,442
<b>Total fee income</b>	<b>5,563,683</b>	<b>4,295,078</b>
<b>Interest income</b>		
Related parties		
– Joint venture/associates	–	1,011,220
Other persons/corporations	38,968	244,114
<b>Total interest income</b>	<b>38,968</b>	<b>1,255,334</b>
<b>Other Income</b>		
Cost recovery from the Trust	–	1,164,300
<b>Total other income</b>	<b>–</b>	<b>1,164,300</b>
<b>Total revenues</b>	<b>5,602,651</b>	<b>6,714,712</b>
<b>b. Gains on investments</b>		
Net gain on sale of investments to the Trust <sup>1</sup>	–	198,497,146
Net gain on disposal of available-for-sale investments	–	306,361
<b>Total net gains on investments</b>	<b>–</b>	<b>198,803,507</b>

<sup>1</sup> This is the gain on sale of investment is the result of the sale of Pacific Current Group Limited's business to the Trust on 25 November 2014 which is determined as the difference between the carrying amount and fair value of such assets and liabilities transferred at the time of transfer, net of transaction costs related to the merger. The fair value of Pacific Current Group Limited's assets on 25 November 2014 was \$247,697,894. The amount of income tax expense on the net gain was \$64,774,451.

	Consolidated	
	2016 \$	2015 (restated) \$
<b>c. Expenses</b>		
<b>Salaries and employee benefits</b>		
Salaries and employee benefits	3,679,107	5,174,893
Share-based payment expense arising from equity-settled share-based payment transactions	372,659	91,886
<b>Total salaries and employee benefits</b>	<b>4,051,766</b>	<b>5,266,779</b>
<b>Depreciation and amortisation</b>		
Furniture & fittings	–	597
Office equipment	–	18,221
Leasehold improvements	–	1,679
Software	–	2,878
<b>Total depreciation and amortisation of non-current assets</b>	<b>–</b>	<b>23,375</b>
<b>Other expenses</b>		
Accounting & audit fees	–	62,561
Operating lease rental – minimum lease payments	358,514	375,086
Marketing & communication expenses	–	49,411
Travel & accommodation costs	–	99,059
Payroll tax	163,631	148,648
Legal & compliance fees	–	129,130
Consulting fee & IT charges	–	486,351
Insurance charges	1,014	56,610
Directors' fees (Non-executives)	574,829	375,491
Share registry & ASX fees	–	89,924
Subscriptions and training expenses	–	55,515
Other expenses	7,821	40,630
	<b>1,105,809</b>	<b>1,968,416</b>
<b>Total other expenses</b>	<b>1,105,809</b>	<b>1,991,791</b>
<b>d. Share of net (losses) of equity accounted investments</b>		
Share in net losses of the Trust	(78,486,842)	(13,843,700)
Share in net profits from former associates	–	9,211,494
<b>Total share in net (losses) of equity accounted investments</b>	<b>(78,486,842)</b>	<b>(4,632,206)</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 6. Income Tax

	Consolidated	
	2016	2015
	\$	(restated) \$
<b>a. Income tax (benefit)/expense recognised in profit or loss</b>		
The major components of income tax (benefit)/expense are:		
<i>Current tax</i>		
In respect of the current year	14,157,614	-
<i>Deferred tax</i>		
In respect of the current year	(43,516,985)	57,891,522
Adjustments in respect of previous years	(441,947)	33,742
<b>Total income tax (benefit)/expense recognised in the current year</b>	<b>(29,801,318)</b>	<b>57,925,264</b>
<b>b. Income tax recognised directly in equity</b>		
<i>Deferred tax</i>		
Share of the movement of the Trust's investment revaluation reserve*	29,142	(653,701)
Share of the movement of the Trust's foreign currency translation reserve*	(2,985,314)	(4,167,108)
<b>Total income tax recognised directly in equity</b>	<b>(2,956,172)</b>	<b>(4,820,809)</b>
* To take up origination of deferred tax through equity on Pacific Current Group Limited's share of the Trust's investment revaluation reserve of (\$97,139) (2015:\$2,179,004) and share of the Trust's foreign currency translation reserve of \$9,951,045 (2015:\$13,890,361).		
<b>c. Reconciliation between aggregate tax benefit/(expense) recognised in the consolidated statement of profit or loss and tax expense calculated per the statutory income tax rate</b>		
A reconciliation between tax benefit/(expense) and the product of accounting (loss)/profit before income tax multiplied by the Company's applicable income tax rate is as follows:		
Accounting loss/(profit) before income tax:	<b>78,041,766</b>	<b>(193,627,443)</b>
At the Company's statutory income tax rate of 30% (2015: 30%)	23,412,530	(58,088,233)
Share-based payments	(111,797)	(27,566)
Franking credits received net of tax	6,058,638	4,371,580
Statutory adjustment of gain on sale of investments to the Trust	-	(4,144,275)
Expenditure not allowable for income tax purposes	-	(650)
Under/(over) provision from previous years	441,947	(33,742)
Others	-	(2,378)
<b>Aggregate income tax benefit/(expense)</b>	<b>29,801,318</b>	<b>(57,925,264)</b>

	Statement of Consolidated Financial Position		Statement of Consolidated Profit or Loss	
	2016 \$	2015 (restated) \$	2016 \$	2015 (restated) \$
<b>d. Recognised deferred tax assets and liabilities</b>				
Deferred income tax at 30 June relates to the following:				
<i>Consolidated</i>				
<b>Deferred tax assets</b>				
Tax losses	–	1,093,574	(1,531,938)	517,435
Impairment of investment in AR Capital Management Pty Ltd	217,017	217,017	–	–
Accruals and provisions	351,106	350,126	(2,602)	476,618
Deductible capital expenditures	100,220	151,521	(51,300)	70,044
	<b>668,343</b>	<b>1,812,238</b>		
<b>Deferred tax liabilities</b>				
Investment in the Trust	(21,629,773)	(63,732,299)	45,102,825	(58,955,619)
Deferred tax	<b>(20,961,430)</b>	<b>(61,920,061)</b>	<b>43,516,985</b>	<b>(57,891,522)</b>

**e. Tax consolidation**

As at the date of this report, Pacific Current Group Limited, Aurora Investment Management Pty Ltd and AR Capital Management Pty Ltd are the members of the tax consolidated entity.

Pacific Current Group Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned entities on a pro-rata basis. Under a tax funding agreement, each member of the tax consolidated group is responsible for funding their share of any tax liability. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

**Tax effect accounting by members of the tax consolidated group**

Members of the tax consolidated group allocate current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 Income Taxes. Allocations are made at the end of each half year.

The allocation of taxes is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company, Pacific Current Group Limited. The Company has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 7. Dividends Paid and Proposed

	Pacific Current Group Limited	
	2016 \$	2015 \$
<b>a. Dividends proposed and not recognised as a liability*</b>		
Final fully franked dividend of 5 cents per share (2015: 28 cents per share)	1,406,298	7,738,682
<b>b. Dividends paid during the year</b>		
<i>Current year interim</i>		
Fully franked dividend (20 cents per share) (2015: 24 cents per share)	5,625,191	6,625,283
<i>Previous year final</i>		
Fully franked dividend (28 cents per share) (2015: 27 cents per share)	7,738,682	6,398,036
<b>Total paid during the year (48 cents per share) (2015:51 cents per share)</b>	<b>13,363,873</b>	<b>13,023,319</b>
* Calculation based on the ordinary shares on issue as at 31 July 2016		
<b>c. Franking credit balance</b>		
The amount of franking credits available for the subsequent financial year are:		
– franking account balance as at the end of the financial year at 30% (2015: 30%)	4,524,639	5,195,799
– franking credits that will arise from the receipt of distributions recognised as receivables at the reporting date	8,655,199	5,056,214
	<b>13,179,838</b>	<b>10,252,013</b>
The amounts of franking credits available for future reporting periods:		
– impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the year	(602,699)	(3,316,578)
Franking credits carried forward after payment of final dividend	<b>12,577,139</b>	<b>6,935,435</b>

The tax rate at which paid dividends have been franked is 30% (2015: 30%).

Dividends proposed will be franked at the rate of 30% (2015: 30%).

## 8. (Losses)/Earnings Per Share

	Consolidated	
	2016 \$	2015 (restated) \$
The following reflects the income and share data used in the calculations of basic and diluted (losses)/earnings per share:		
Net (loss)/profit attributable to ordinary equity holders of Pacific Current Group Limited	(48,240,448)	135,702,179
	Weighted average number of shares	
Weighted average number of ordinary shares used in calculating basic (losses)/earnings per share:	28,031,112	25,617,169
<b>Effect of dilutive securities:</b>		
Dilutive effect of potential ordinary shares – equity-settled employee benefits and performance rights	–	–
Adjusted weighted average number of ordinary shares used in calculating diluted (losses)/earnings per share	28,031,112	25,617,169
<b>(Losses)/earnings per share (cents per share):</b>		
Basic (loss)/profit for the year attributable to ordinary equity holders of the parent	(172.1)	529.7
Diluted (loss)/profit for the year attributable to ordinary equity holders of the parent	(172.1)	529.7

In the opinion of the management performance rights do not have a dilutive effect on the earnings per share calculation as the vesting of these rights is uncertain.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 9. Cash and Cash Equivalents

	Consolidated	
	2016	2015
	\$	(restated) \$
<b>a. Reconciliation of cash and cash equivalents</b>		
Cash balance comprises:		
– cash at bank and on hand	2,997,744	1,056,243
Closing cash balance	<b>2,997,744</b>	<b>1,056,243</b>
<b>b. Reconciliation</b>		
(Loss)/profit for the year	(48,240,448)	135,702,179
<b>Adjustments for</b>		
Share of the Trust's net losses	78,486,842	4,632,207
Dividend and distribution received from the Trust and former associates	71,855,912	11,544,906
(Gain) on sale of investments to the Trust	–	(198,497,146)
(Gain) on sale of available-for-sale investments	–	(306,361)
Depreciation and amortisation of non-current assets	–	23,375
Non-cash distributions, dividends and other income	–	(1,164,300)
Non-cash investments in the Trust	(55,381,640)	–
Non-cash interest	–	(158,692)
Share-based payments	372,659	91,996
Others	(944,219)	(969,714)
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	(1,860,832)	1,071,160
Decrease in other assets	–	1,926,236
Decrease in trade and other payables	(1,327)	(5,669,758)
Increase in current provisions	14,065,317	106,862
(Decrease)/increase in non-current provisions	(32,177)	71,563
Net (decrease)/increase in deferred tax liabilities	(43,014,713)	56,014,331
<b>Net cash flow generated by operating activities</b>	<b>15,305,374</b>	<b>4,418,844</b>

At the reporting date, Pacific Current Group Limited did not have any financing facilities available.



## 10. Trade and Other Receivables

	Consolidated	
	2016 \$	2015 (restated) \$
<b>Current</b>		
Trade receivables	1,017,762	1,035,681
Sundry receivables	61,203	64,828
Related party receivables		
— Trust's distribution	10,827,886	7,729,161
— Other	–	1,216,349
	<b>11,906,851</b>	<b>10,046,019</b>

## a. Allowance for impairment loss

Trade receivables are non-interest bearing and generally on 30 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No allowance for impairment losses has been made.

	Total \$	0-30 days \$	31-60 days PDNI* \$	61-90 days PDNI* \$	+91 days PDNI* \$
<b>2016</b>	<b>11,906,851</b>	<b>11,480,367</b>	–	<b>237,183</b>	<b>189,301</b>
2015	10,046,019	9,417,533	–	216,028	412,458

\* Past due not impaired ('PDNI')

Receivables past due but not impaired is \$426,484 (2015:\$628,486). Management is satisfied that payment will be received in full.

## b. Related party receivables

For terms and conditions of related party receivables refer to Note 22.

## c. Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

Trade receivables represent the Group's outstanding invoices for management fees receivable from related parties and the credit risk is therefore very low.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 11. Investments in Joint Ventures/Associates

	Consolidated	
	2016	2015 (restated)
	\$	\$
Investment in Trust	210,056,666	290,163,883
Investment in Celeste Funds Management Limited ('Celeste')	-	-
	210,056,666	290,163,883

## a. Interests in joint ventures/associates

Name	Balance date	Ownership interest held by consolidated entity	
		2016 %	2015 %
Aurora Trust – units	30 June	65.15	64.03
Celeste Funds Management Ltd – ordinary shares	30 June	38.09	38.09

*Principal activity*

- (a) As at 30 June 2016, the Company owns 65.15% (2015:64.03%) of the Trust. Whilst the ownership exceeds 50% and results in a presumption of control, the Trust is referred to as a joint venture arrangement among Pacific Current Group Limited, Northern Lights and BNP Paribas. Pacific Current Group Limited and Northern Lights contributed their businesses to the Trust to conduct investment activities, and BNP Paribas was an investor in Northern Lights prior to the merger between Pacific Current Group Limited and Northern Lights. The key function of the Trust and the overall business is investment in asset managers. Former Northern Lights executives are responsible for investment analyses and recommendations as investment due diligence and recommendations are undertaken by the majority Northern Lights controlled investment committee. Investment decisions require approval by a majority vote of the Trustee board. The decision making process leading to execution requires all parties to agree. It is therefore deemed appropriate that the Trust be reflected as a joint venture investment.
- (b) Celeste is an Australian equity manager with a smaller companies focus. It is incorporated and domiciled in Australia. The equity holding in Celeste is legally owned by Pacific Current Group Limited, but the economic benefits flow to the Trust and therefore the investment carrying value and the share of net profits/(losses) of Celeste are reflected in the Trust.

## b. Carrying amount of investments in joint ventures

## Investment in the Trust is comprised of the following:

Beginning balance	290,163,883	-
Cash investment	-	46,805,185
Non-cash investment	60,381,631 <sup>1</sup>	248,862,194
Share in net (losses)	(78,486,842)	(13,843,700)
Distribution received/receivable	(71,855,912)	(7,729,161)
Share in unrealised foreign currency translation reserve	9,951,045	13,890,361
Share in investment revaluation reserve	(97,139)	2,179,004
<b>Total</b>	<b>210,056,666</b>	<b>290,163,883</b>

<sup>1</sup> Non-cash investment includes \$4,999,991 conversion of the 487,804 Class C units in the Trust held by BNP Paribas to 487,804 ordinary shares of Pacific Current Group Limited. On 7 September 2015, the Trust cancelled the 487,804 Class C units and issued 487,804 Class A units to Pacific Current Group Limited. On 31 December 2015, Pacific Current Group Limited reinvested \$55,381,640 of distributions from the sale proceeds of RARE into additional units in the Trust to fund the Trust's repayment of the Medley Capital debt facility and its acquisition of Aperio. The relative ownership of the Trust did not change as all unitholders reinvested at their respective percentage ownerships.

**c. Details of the Company's material joint venture at the end of the reporting period are as follows:**

Name of joint venture	Principal Activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Company	
			2016	2015
Aurora Trust	Funds management	Australia	65.15%	64.03%

The above joint venture is accounted for using the equity method in the consolidated financial statements. The consolidated group of the joint venture includes the Trust, Treasury Group Investment Services Limited (TIS), Global Value Investors Limited (GVI), Northern Lights MidCo (MidCo), LLC, Seizert, and Aether.

Summarised financial information in respect of the Company's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's consolidated financial statements in accordance with the Accounting Standards. Additional financial information of the Trust is contained in Note 24.

Aurora Trust	2016 \$	2015 (restated)* %
Current assets	30,890,115	70,763,871
Non-current assets	411,833,098	565,633,270
Current liabilities	(45,982,007)	(111,061,760)
Non-current liabilities	(73,939,097)	(71,306,887)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	20,784,134	39,288,137
Current financial liabilities (excluding trade and other payables and provisions)	21,874,929	18,591,500
Non-current financial liabilities (excluding trade and other payables and provisions)	73,939,097	71,306,887
Revenue	38,400,404	29,488,357
(Loss) for the year	(120,484,314)	(21,711,478)
Other comprehensive income for the year	14,693,516	25,096,613
Total comprehensive (loss)/income for the year	(105,790,798)	3,385,135
Distributions received/receivable from the joint venture during the year	71,855,912	7,729,161
The above (loss)/income for the year includes the following:		
Depreciation and amortisation	2,496,045	1,235,373
Interest income	613,470	438,008
Interest expense	10,718,834	8,070,225
Income tax expense <sup>1</sup>	1,975,742	1,896,732
Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:		
Net assets of the joint venture	322,802,109	454,028,494
	65.15%	64.03%
Proportion of the Company's ownership interest in the joint venture	210,305,574	290,714,445
Carrying amount of the Company's interest in the joint venture	210,056,666 <sup>2</sup>	290,163,883 <sup>2</sup>

<sup>1</sup> This is the income tax expense of the joint venture's subsidiaries.

<sup>2</sup> The discrepancy between the share of the Company in the net assets of the Trust and the carrying value of the investment in the Trust is due to the impact of equity accounting the share in losses of the Trust which is based on ownership at each reporting date.

\* The comparative financial statements of the Trust for the year ended 30 June 2015 have been restated. Details of the nature and the impact on the Group's reported Consolidated Statement of Profit or Loss, Consolidated Statement of Other Comprehensive Income, Comprehensive Statement of Financial Position and Consolidated Statement of Changes in Equity is set out in Note 2(z).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 12. Trade and Other Payables

	Consolidated	
	2016 \$	2015 \$
Trade payables	27,590	1,108
Other payables	1,858,030	1,660,911
Related party payables:		
– Trust	115,264	340,192
	<b>2,000,884</b>	<b>2,002,211</b>

*(a) Fair value*

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

*(b) Related party payables*

For terms and conditions relating to related party payables please refer to Note 22.

*(c) Interest rate and liquidity risk*

Trade and other payables are non-interest bearing. Liquidity risk exposure is not regarded as significant.

Trade, other and related party payables are all due within less than 90 days.

### 13. Provision for Income Tax

	Consolidated	
	2016 \$	2015 \$
Provision for income tax	14,157,614	–
	<b>14,157,614</b>	<b>–</b>

This represents the amount of income tax liability that arose as a result of the capital gains distributions from the Trust, net of the previously recognised tax losses of Pacific Current Group Limited.

### 14. Provisions

	Consolidated	
	2016 \$	2015 \$
<b>Current</b>		
Provision for annual leave, beginning balance	328,765	221,903
Provisions during the year	13,926	166,847
Annual leave taken	(106,223)	(59,985)
Provision for annual leave, closing balance	<b>236,468</b>	<b>328,765</b>
<b>Non-Current</b>		
Provision for long service leave, beginning balance	207,445	135,882
Provisions during the year	19,113	71,563
Long service leave taken	(51,290)	–
Provision for long service leave, closing balance	<b>175,268</b>	<b>207,445</b>

## 15. Contributed Equity and Reserves

### a. Issued capital

	2016 \$	2015 \$
Issued and fully paid ordinary shares	74,556,705	69,500,943

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued shares.

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

### b. Movements in ordinary shares on issue

	Pacific Current Group Limited			
	2016		2015	
	Number of shares	\$	Number of shares	\$
Beginning balance	27,604,144	69,500,943	23,070,755	29,594,265
Issued on 6 August 2014	–	–	626,743	1,027,859
Issued on 18 December 2014	–	–	2,926,830	28,835,705
Issued on 23 January 2015	–	–	979,816	10,043,114
Issued on 31 July 2015	34,007	55,771	–	–
Issued on 7 September 2015	487,804	4,999,991	–	–
Balance at end of the year	<b>28,125,955</b>	<b>74,556,705</b>	<b>27,604,144</b>	<b>69,500,943</b>

On 31 July 2015, Pacific Current Group Limited (formerly Treasury Group Ltd) issued 34,007 ordinary shares on exercise of 34,007 performance rights issued under the former Treasury Group Performance Rights Plan for its Executives. As a result of this issue, \$55,771 was transferred from the equity-settled employee benefits reserve to share capital.

On 7 September 2015, Pacific Current Group Limited (formerly Treasury Group Ltd) issued 487,804 ordinary shares in exchange for 487,804 Class C units in the Trust held by BNP Paribas. On 7 September 2015, the Trust cancelled the 487,804 Class C units and issued 487,804 Class A units to Pacific Current Group Limited.

### c. Capital management

The Company's capital management policies focus on ordinary share capital. When managing capital, Management'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.

Management is constantly reviewing the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, Management may change the amount of dividends to be paid to shareholders or conduct share buybacks.

During the year ended 30 June 2016, the Company paid dividends of \$13,363,873 (2015: \$13,023,319). Directors anticipate that the payout ratio is 60-80% of the Trust's distribution to Pacific Current Group Limited over the medium term.

During the year, the sale proceeds from the divestment of RARE were used to repay external debt and invest in Aperio. The distribution representing the profit on sale was distributed to Pacific Current Group Limited and reinvested for additional units in the Trust.

As at 30 June 2016, the Trust has on issue Class B units which are exchangeable (at the holders' election) to Pacific Current Group Limited shares at the following fixed ratios:

- (i) Any time from 24 November 2014 – 2 Pacific Current Group Limited shares for every 3 Class B units or B-1 units
- (ii) Any time from 24 November 2017 – 5 Pacific Current Group Limited shares for every 6 Class B units or B-1 units
- (iii) In the event of takeover – 1 Pacific Current Group Limited share for each Class B unit
- (iv) In the event a Qualified Public Offering ('QPO') does not occur during the QPO period, for an exchange occurring on and from the expiration of the QPO period – 1 Pacific Current Group Limited share for each Class B unit

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 15. Contributed Equity and Reserves (continued)

If the takeover and QPO events in (iii) and (iv) above were to occur, the Trust Class B units would be cancelled and Pacific Current Group Limited would issue ordinary shares. As a consequence, the Trust would issue Class A units to Pacific Current Group Limited and become a fully owned and controlled subsidiary of Pacific Current Group Limited.

#### d. Long term incentives - performance rights

On 15 February 2016, Pacific Current Group Limited granted 1,199,000 performance rights which have a vesting date of 1 July 2018 to officers and certain employees as part of their long term incentives. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative total shareholder return (TSR) of Pacific Current Group Limited compared to the ASX 300 (Hurdle 1) and a group of seven other domestic and international fund managers (Hurdle 2). The value of each right for Hurdle 1 and 2 were \$1.26 and \$2.46, respectively. Total value of the outstanding performance rights is \$2,225,945 amortised over two years and four months from the grant date. The performance rights on issue were valued based on the valuation made by an independent adviser using a monte-carlo pricing model.

As at 30 June 2016, there were 100,000 performance rights outstanding that were issued to certain employees on 7 August 2013 with a vesting date of 7 August 2016. These performance rights were valued based on the valuation made by an independent adviser using a hybrid monte-carlo/binomial option pricing model on the performance rights that were issued on 11 July 2011. The value of each right was \$1.64. Total value of the outstanding performance rights is \$164,000 amortised over three years from the grant date. As at the date of this Report, none of these performance rights has vested. The amount of performance rights amortisation expense for the period was \$372,659 (2015:\$91,886).

On 1 July 2015, performance rights issued to certain employees on 1 July 2012 vested at 96% for the 8,731 performance rights issued and 82% for the 31,250 performance rights issued. Accordingly, a total of 34,007 Pacific Current Group Limited shares were issued to these employees.

#### e. Retained earnings

	Consolidated	
	2016	2015 (restated)
	\$	\$
Balance at the beginning of the year	153,075,571	30,092,285
(Loss)/profit for the year	(48,240,448)	135,702,179
Impact of restatement	-	304,426
Dividends	(13,363,873)	(13,023,319)
Balance at end of year	91,471,250	153,075,571

#### f. Reserves

	Consolidated	
	2016	2015 (restated)
	\$	\$
<i>Equity-settled employee benefits reserve</i>		
Balance at the beginning of the year	2,938,463	3,874,436
Issuance of shares due to vesting of performance rights	(55,771)	(1,027,859)
Share-based payments	372,659	91,886
Balance at end of year	3,255,351	2,938,463
<i>Investment revaluation reserve</i>		
Balance at the beginning of the year	1,569,431	213,684
Reversal of net unrealised losses on available-for-sale sold during the year	-	(213,684)
Share on net fair value gain on available-for-sale financial assets of the Trust (after tax)	(112,125)	1,569,431
Balance at end of year	1,457,306	1,569,431

	Consolidated	
	2016	2015 (restated)
	\$	\$
<i>Foreign currency translation reserve</i>		
Balance at the beginning of the year	9,723,255	-
Share on exchange differences on translating foreign operations of the Trust (after tax)	6,965,730	9,723,255
Balance at end of year	16,688,985	9,723,255
Total Reserves	21,401,642	14,231,149

#### Equity-settled employee benefits reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 18 for further details of these plans.

#### Investment revaluation reserve

The reserve records the Company's share of after-tax gain on available-for-sale investments of the Trust.

#### Foreign currency translation reserve

The reserve records the Company's share of the foreign currency translation reserve of the Trust which is derived from foreign exchange differences arising on translation of the Trust's foreign operations.

### 16. Segment Information

Information reported to the Company's Board of Directors for the purposes of resource allocation and assessment of performance is specifically focused on the (loss)/profit after tax earned by each business within the Company. Therefore the Company's reportable segments under AASB 8 are included in the table below.

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

As at 30 June 2016, Pacific Current Group Limited has identified the Trust as the sole operating segment. The Trust is equity accounted by Pacific Current Group Limited. All the operational and investment activities are undertaken by the Trust. It is the financial performance of the Trust that impacts on the financial performance of Pacific Current Group Limited as no other significant operations are undertaken by the Company.

The following is an analysis of the Company's results by reportable operating segment:

	Consolidated	
	2016	2015 (restated)
	\$	\$
<b>Segment (loss)/profit after tax for the year</b>		
Australian unlisted trust	(54,940,789)	(9,690,590)
Outsourcing and responsible entity services	-	341,030
Australian equities	-	3,014,911
Alternative investments	-	6,176,823
	(54,940,789)	(157,826)
Central administration costs	6,700,341	135,860,005
Total per Consolidated Statement of Profit or Loss	(48,240,448)	135,702,179
<b>Segment net assets for the year</b>		
Australian unlisted trust	185,765,507	235,972,983
Central administration	1,664,090	834,680
Total per Consolidated Statement of Financial Position	187,429,597	236,807,663

As at 30 June 2016, the Australian unlisted trust above includes the equity accounted investment in the Trust.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 17. Commitments and Contingencies

### Operating Lease Commitments

The Company has entered into commercial property leases to meet its office accommodation requirements. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated	
	2016 \$	2015 \$
<i>Future minimum rentals:</i>		
Minimum lease payments		
- not later than one year	234,386	342,564
- later than one year and not later than five years	- <sup>1</sup>	234,386
Aggregate lease expenditure contracted for at reporting date	234,386	576,950
Amounts not provided for:		
- rental commitments	234,386	576,950
Total not provided for	234,386	576,950
Aggregate lease expenditure contracted for at reporting date	234,386	576,950

<sup>1</sup> There are no new commitments after a year as the the lease agreement of the current premises expires on 17 March 2017. The lease agreement for the new office premises was signed post 30 June 2016.

## 18. Employee Benefits and Superannuation Commitments

### The Pacific Current Group Limited Long Term Incentive Plan

On 15 February 2016, Pacific Current Group Limited granted 1,199,000 performance rights which have a vesting date of 1 July 2018 to officers and certain employees as part of their long term incentives. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative TSR of Pacific Current Group Limited compared to the ASX 300 (Hurdle 1) and a group of seven other domestic and international fund managers (Hurdle 2). The value of each right for Hurdle 1 and Hurdle 2 were \$1.26 and \$2.46, respectively. Total value of the outstanding performance rights is \$2,225,945 amortised over two years and four months from the grant date. The performance rights on issue were valued based on the valuation made by an independent adviser using a monte-carlo pricing model.

As at 30 June 2016, there were 100,000 performance rights outstanding that were issued to certain employees in 7 August 2013 with a vesting date of 7 August 2016. These performance rights were valued based on the valuation made by an independent adviser using a hybrid monte-carlo/binomial option pricing model on the performance rights that were issued on 11 July 2011. The value of each right was \$1.64. As at the date of this Report, none of these performance rights has vested. Total value of the outstanding performance rights is \$164,000 amortised over three years from the grant date. As at the date of this Report, none of these performance rights has vested.

The amount of performance rights amortisation expense for the period was \$372,659 (2015:\$91,886).

On 1 July 2015, performance rights issued to certain employees on 1 July 2012 vested at 96% for the 8,731 performance rights issued and 82% for the 31,250 performance rights issued. Accordingly, a total of 34,007 Pacific Current Group Limited shares were issued to these employees.

## 19. Subsequent Events

On 31 August 2016, the Directors of Pacific Current Group Limited declared a final dividend on ordinary shares in respect of the 2016 financial year. The total amount of the dividend is \$1,406,298 which represents a fully franked dividend of 5 cents per share. The dividend has not been provided for in the 30 June 2016 consolidated financial statements.



## 20. KMP Disclosures

### a. Details of KMP

#### i. Non-executive directors

M. Fitzpatrick	Chairman, non-executive
P. Kennedy	Non-executive director
M. Donnelly	Non-executive director
J. Vincent	Non-executive director
G. Guérin	Non-executive director
T. Carver	Non-executive director from 30 April 2016 after resigning as CEO

#### ii. Executives & KMP

P. Greenwood	Global CIO and President, North America, appointed 30 April 2016
T. Robinson	Executive director, appointed 30 April 2016. Formerly a Non-executive director appointed 28 August 2015.
J. Ferragina	Finance director, COO and Company secretary

#### iii. Former KMP

T. Carver	Managing director and CEO, resigned 30 April 2016
A. McGill	Managing director and CEO, resigned 28 August 2015

### b. Compensation for KMP

	Consolidated	
	2016 \$	2015 \$
Short-term	3,911,879	2,932,930
Post employment	82,257	87,690
Share-based payments	213,497	11,502
Others	824,421	–
<b>Total remuneration</b>	<b>5,032,054</b>	<b>3,032,122</b>

Each year, KMP STI are paid in two instalments being 50% following the performance year in August and 50% in June the following year. For the current year, only the 50% payable in August is provided for as at 30 June 2016. For the comparative period, only the 50% payable in August was provided for as at 30 June 2015.

### c. Transactions with director - related entity

There were no transactions with the directors during the year (2015: Nil).

### d. Loans to KMP

No loans have been advanced to key management employees at any stage during the financial year ended 30 June 2016 (2015: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 21. Auditor's Remuneration

	Consolidated	
	2016*	2015
	\$	\$
<b>Auditor of Parent entity (Deloitte Touche Tohmatsu)</b>		
Amounts received or due and receivable by Deloitte Touche Tohmatsu:		
- For audit of the financial report – Pacific Current Group Limited	66,150	63,000
- Tax advisory on integration with Northern Lights	452,090	874,393
- Tax compliance	37,900	65,545
<b>Total</b>	<b>556,140</b>	<b>1,002,938</b>

\* Auditor's remuneration for the year ended 2016 is borne by the Trust on behalf of the Company.

## 22. Related Party Disclosures

The consolidated financial statements include the financial statements of Pacific Current Group Limited and the controlled entities in the following list:

	Percentage of equity interest held by the consolidated entity	
	2016	2015
<b>Companies</b>		
Aurora Investment Management Pty Ltd, the Trustee of the Trust	100	100
AR Capital Management Pty Ltd	100	100

These are both incorporated in Australia.

The following transactions with related parties were on normal terms and conditions. There were no write offs to bad debt expenses during the financial year (2015: Nil) and no provision for bad debts as at year end (2015: Nil).

### Transactions with parties to the joint venture arrangement

There were no transactions with Northern Lights and BNP Paribas during the year (2015: Pacific Current Group Limited, Northern Lights and BNP Paribas established the Trust to hold 17 boutiques and gave effect to the merger). Pacific Current Group Limited acquired 61.22% ownership interest in the Trust, an Australian unlisted unit trust and Northern Lights and BNP Paribas acquired the remaining 38.78%. The consideration transferred in exchange for the 61.22% equity was based on the fair values of the assets and liabilities given up. Details of the transaction are discussed in the corporate structure on page 10 and Note 11 of the financial report.

### Transactions with the joint venture

#### Service fees

During the year, Pacific Current Group Limited provided management and administrative services to the Trust. During the year, Pacific Current Group Limited received management and administrative fees of \$1,142,451 (2015: \$202,724).

#### Cost recovery

In the prior year, Pacific Current Group Limited incurred transaction costs in relation to issuance of shares. The proceeds of the issuance of shares was used to acquire units in the Trust. The transaction costs incurred were reimbursed by the Trust in the form of units.

#### Receivables and payables

As at 30 June 2016, Pacific Current Group Limited has outstanding receivables of \$849,146 (2015: Nil) and Nil outstanding payables (2015: \$7,200) relating to the Trust.

#### Loans

In the prior year, Pacific Current Group Limited extended a loan to the Trust for \$38,878,821. Interest on the loan was at a commercial rate of 11% (Base Rate + LIBOR). Both the principal and interest in the amount of \$39,759,804 was paid by the Trust on 13 April 2015.

**Transactions with the joint venture (continued)*****Dividend and distributions***

Dividends and distributions received and receivable at the reporting date are disclosed in Note 10 of the financial report.

**Transactions with a subsidiary**

During the year, there were intercompany transactions between Pacific Current Group Limited and its wholly-owned subsidiary, Aurora Investment Management Pty Limited. These transactions comprised of expense recharges and the intercompany receivable and payable are eliminated on consolidation.

**Transactions between a subsidiary and the joint venture*****Service fees***

During the year, Pacific Current Group Limited's wholly owned entity Aurora Investment Management Pty Ltd, the Trustee of the Trust provided management and administrative services to the Trust. During the year, Aurora Investment Management Pty Ltd received management and administrative fees of \$4,007,802 (2015: \$3,296,513).

***Receivables and payables***

As at 30 June 2016, Aurora Investment Management Pty Ltd has outstanding receivables of \$125,920 (2015: \$952,336) and Nil outstanding payables (2015: Nil) relating to the Trust.

**Transactions between a subsidiary and subsidiary of a joint venture*****Service fees***

During the year, Aurora Investment Management Pty Ltd, the Trustee of the Trust provided management and administrative services to Treasury Group Investment Services Ltd, a controlled entity of the Trust. During the year, Aurora Investment Management Pty Ltd received management and administrative fees for \$413,430 (2015: \$328,907).

***Receivables and payables***

As at 30 June 2016, Aurora Investment Management Pty Ltd has outstanding receivables of \$23,711 (2015: \$61,995) relating to Treasury Group Investment Services Ltd.

**Transactions with former associates*****Service fees***

In the prior year, Pacific Current Group Limited provided distribution services to former associates. Total fees received were \$87,569.

***Loans***

In the prior year, loans advanced by Pacific Current Group Limited to former associates were with a fixed repayment date once a repayment clause was triggered. Interest on the loans was capitalised at commercial rates until the repayment clause was triggered.

In the prior year, Pacific Current Group Limited received \$2,270,505 in repayments of these loans. Interest income on these loans was \$130,237.

**Transactions with directors**

There were no transactions with the directors during the year (2015: Nil)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 23. Parent Entity Disclosure

The accounting policies of the parent are consistent with the consolidated entity.

	Consolidated	
	2016	2015 (restated)*
	\$	\$
<b>i. Financial Performance</b>		
Profit for the year	101,854,471	153,829,567
<b>Total comprehensive income</b>	<b>101,854,471</b>	<b>153,829,567</b>
<b>ii. Financial Position</b>		
Assets		
Current assets	14,258,907	9,696,534
Non-current assets	356,162,682	295,781,051
<b>Total assets</b>	<b>370,421,589</b>	<b>305,477,585</b>
Liabilities		
Current liabilities	16,695,161	1,492,747
Non-current liabilities	16,958,123	60,707,122
<b>Total liabilities</b>	<b>33,653,284</b>	<b>62,199,869</b>
Equity		
Issued capital	74,556,705	69,500,943
Retained earnings	259,389,131	170,898,533
Equity-settled employee benefits reserve	2,822,469	2,878,240
<b>Total equity</b>	<b>336,768,305</b>	<b>243,277,716</b>

\* The parent entity financial statements for the year ended 30 June 2015 have been restated. Refer to Note 2(z) for an explanation.

## 24. Joint Venture Primary Consolidated Financial Statements

Aurora Trust Consolidated Statement of Profit or Loss	2016	For the period 25 November 2014 to 30 June 2015 (Restated)*
	\$	\$
<b>Investment income</b>		
Revenues	38,400,404	29,488,357
Share of net profits of equity accounted investments	10,851,048	15,276,555
Other gains and losses	15,800,565	-
Foreign exchange gain	-	711,230
<b>Total net investment income</b>	<b>65,052,017</b>	<b>45,476,142</b>
<b>Expenses</b>		
Salaries and wages	29,012,128	14,737,646
Establishment costs	-	6,459,623
Legal and compliance fees	4,398,188	1,654,880
Commission and sales and marketing expenses	834,759	1,043,637
Insurance expense	980,400	919,454
Rent expense	1,679,832	875,203
Travel and entertainment	2,662,680	841,134
Auditors' remuneration	1,607,691	662,876
Other expenses	3,454,868	3,105,254
Impairment expense	118,953,753	25,685,583
Write-off of receivables	3,628,514	-
Foreign exchange loss	3,132,897	-
<b>Total operating expenses</b>	<b>170,345,710</b>	<b>55,985,290</b>
<b>Net (loss) before interest, amortisation and depreciation expenses</b>	<b>(105,293,693)</b>	<b>(10,509,148)</b>
Interest expense	10,718,834	8,070,225
Amortisation of other identifiable intangibles	2,217,539	1,111,568
Depreciation expense	278,506	123,805
<b>Total interest, amortisation and depreciation expenses</b>	<b>13,214,879</b>	<b>9,305,598</b>
<b>Net (loss) after interest, amortisation and depreciation expenses</b>	<b>(118,508,572)</b>	<b>(19,814,746)</b>
Income tax expense <sup>1</sup>	1,975,742	1,896,732
<b>(Losses) for the year attributable to unitholders</b>	<b>(120,484,314)</b>	<b>(21,711,478)</b>
<b>Attributable to:</b>		
<b>Unitholders</b>	<b>(120,470,977)</b>	<b>(21,711,478)</b>
<b>Non-controlling interest</b>	<b>(13,337)</b>	<b>-</b>

<sup>1</sup> This is the income tax expense of the joint venture's subsidiaries.

\* The comparative financial statements of the Trust for the year ended 30 June 2015 have been restated. Details of the nature and the impact on the Group's reported Consolidated Statement of Profit or Loss is set out in Note 2(z).

The Trust consolidates the operations of TIS, GVI, MidCo, Seizert and Aether due to the fact that the Trust owns 100% of the ordinary equity of these managers.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 24. Joint Venture Primary Consolidated Financial Statements (continued)

Aurora Trust Consolidated Statement of Other Comprehensive Income	2016	For the period 25 November 2014 to 30 June 2015 (Restated)*
	\$	\$
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translating foreign operations	14,901,115	21,693,519
Net fair value gain on available-for-sale investments	(207,599)	3,403,094
Other comprehensive income for the year	14,693,516	25,096,613
<b>Total comprehensive (loss)/income for the year</b>	<b>(105,790,798)</b>	<b>3,385,135</b>
<b>Attributable to:</b>		
<b>Unitholders</b>	<b>(105,777,461)</b>	<b>3,385,135</b>
<b>Non-controlling interest</b>	<b>(13,337)</b>	<b>-</b>

\* The comparative financial statements of the Trust for the year ended 30 June 2015 have been restated. Details of the nature and the impact on the Group's reported Consolidated Statement of Other Comprehensive Income is set out in Note 2(z).

<b>Aurora Trust Consolidated Statement of Financial Position</b>	<b>30 June 2016</b>	<b>30 June 2015 (Restated)*</b>
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	20,784,134	39,288,137
Trade and other receivables	8,088,830	28,250,418
Other current assets	2,017,151	3,225,316
<b>Total current assets</b>	<b>30,890,115</b>	<b>70,763,871</b>
<b>Non-current assets</b>		
Available-for-sale investments	23,262,682	27,984,771
Investments held at fair value through profit or loss	37,550,000	-
Loans and other receivables	5,295,915	6,267,067
Investments in associates	161,332,053	270,733,657
Deferred tax	31,490	29,083
Property, plant and equipment	976,586	1,077,028
Goodwill	134,395,514	215,832,449
Other intangible assets	41,605,435	42,648,392
Other non-current assets	7,383,423	1,060,823
<b>Total non-current assets</b>	<b>411,833,098</b>	<b>565,633,270</b>
<b>Total assets</b>	<b>442,723,213</b>	<b>636,397,141</b>
<b>Current liabilities</b>		
Trade and other payables	24,107,078	32,610,553
Deferred consideration - Aperio	21,874,929	-
Y- Redeemable preference units	-	18,591,500
Financial liability – Medley Capital	-	59,859,707
<b>Total current liabilities</b>	<b>45,982,007</b>	<b>111,061,760</b>
<b>Non-current liabilities</b>		
Financial liabilities	73,939,097	71,306,887
<b>Total non-current liabilities</b>	<b>73,939,097</b>	<b>71,306,887</b>
<b>Total liabilities</b>	<b>119,921,104</b>	<b>182,368,647</b>
<b>Net assets</b>	<b>322,802,109</b>	<b>454,028,494</b>
<b>Equity</b>		
Units issued	547,596,022	462,593,359
Reserves	39,790,129	25,096,613
Retained losses	(264,571,001)	(33,661,478)
Total equity attributable to unitholders	322,815,150	454,028,494
Non-controlling interest	(13,041)	-
<b>Total equity</b>	<b>322,802,109</b>	<b>454,028,494</b>

\* The comparative financial statements of the Trust for the year ended 30 June 2015 have been restated. Details of the nature and the impact on the Group's reported Consolidated Statement of Financial Position is set out in Note 2(z).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

## 24. Joint Venture Primary Consolidated Financial Statements (continued)

<b>Aurora Trust Consolidated Statement of Cash Flows</b>	<b>2016</b>	<b>For the period 25 November 2014 to 30 June 2015</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	57,934,888	49,781,923
Payments to suppliers and employees	(67,340,937)	(78,164,412)
Dividends and distributions received	20,851,511	14,522,329
Interest received	230,451	215,518
Interest repayment on debt facility	(4,444,308)	(4,849,561)
Income tax paid <sup>1</sup>	(2,701,823)	(35,093)
<b>Net cash flows generated/(used in) operating activities</b>	<b>4,529,782</b>	<b>(18,529,296)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(125,015)	(486,670)
Proceeds from disposal of property, plant and equipment	-	2,761
Proceeds from disposal of available-for-sale investments	-	2,161,708
Purchase of available-for-sale investments	(6,382,243)	(2,234,039)
Repayment of loans by associates	1,352,194	218,750
Advances to associates	-	(1,550,000)
Payment for acquisition of a subsidiary	-	(9,499,344)
Purchase of investment in associates	(23,666,063)	(254,544)
Proceeds from disposal of investments in associates	112,522,341	-
Repayment of advances from related party	(1,444,363)	-
Net cash inflow on business combination	-	26,359,166
<b>Net cash flows generated from investing activities</b>	<b>82,256,851</b>	<b>14,717,788</b>
<b>Cash flows from financing activities</b>		
Distributions paid	(20,899,927)	-
Proceeds from issue of units	-	43,878,813
Repayment of borrowings	(84,238,991)	(1,490,398)
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(105,138,918)</b>	<b>42,388,415</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(18,352,285)</b>	<b>38,576,907</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>39,288,137</b>	<b>-</b>
<b>Exchange differences in translating foreign currency</b>	<b>(151,718)</b>	<b>711,230</b>
<b>Cash and cash equivalents at the end of year</b>	<b>20,784,134</b>	<b>39,288,137</b>
Non-cash financing activities during the year were \$85,002,663 (2015: Nil).		

<sup>1</sup> This is the income tax expense of the joint venture's subsidiaries.



## DIRECTORS' DECLARATION

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In accordance with a resolution of the Directors of Pacific Current Group Limited, I state that:

1. In the opinion of the Directors:
  - a. the consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:
    - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of its performance for the year ended on that date;
    - ii. complying with Accounting Standards and Corporations Regulations 2001; and
    - iii. complying with International Financial Reporting Standards, as stated in Note 2 to the consolidated financial statements.
  - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2016.

On behalf of the Board



**M. Fitzpatrick**

Chairman

31 August 2016

# INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2016



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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## Independent Auditor's Report to the Members of Pacific Current Group Limited

### Report on the Financial Report

We have audited the accompanying financial report of Pacific Current Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the 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 year's end or from time to time during the financial year as set out on pages 31 to 71.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Deloitte.

### *Auditor's Independence Declaration*

In conducting our audit, 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 report.

### *Opinion*

In our opinion:

- (a) the financial report of Pacific Current Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 16 to 28 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Opinion*

In our opinion the Remuneration Report of Pacific Current Group Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan  
Partner  
Chartered Accountants  
Sydney, 31 August 2016

## ASX ADDITIONAL INFORMATION

### Corporate Governance

In accordance with ASX Listing Rule 4.10.3, Pacific Current Group's Corporate Governance Statement can be found on its website at [www.paccurrent.com/shareholders/corporate-governance/](http://www.paccurrent.com/shareholders/corporate-governance/).

The Directors approved the 2016 Corporate Governance Statement on 30 August 2016.

### Shareholder Information as at 9 September 2016

Additional information required by the Australian Securities Exchange listing rules and not shown elsewhere in this report is as follows.

#### a. Distribution of equity securities (as at 9 September 2016)

The number of shareholders by size of holding for fully paid ordinary shares are:

Holding	Number of shareholders	Number of shares	%
1 – 1,000	1,735	869,378	3.09
1,001 – 5,000	1,887	4,787,977	17.02
5,001 – 10,000	383	2,828,178	10.06
10,001 – 100,000	223	5,253,446	18.68
100,001 and over	22	14,386,976	51.15
<b>Total</b>	<b>4,250</b>	<b>28,125,955</b>	<b>100</b>

The number of shareholders holding less than a marketable parcel of shares is 324, a total of 13,759 shares.

#### b. Twenty largest shareholders (as at 9 September 2016)

The names of the twenty largest holders of quoted shares are:

Name	Number of shares	%
1 SQUITCHY LANE HOLDINGS PTY LTD	2,401,500	8.54
2 RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,752,129	6.23
3 RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	1,738,807	6.18
4 NATIONAL NOMINEES LIMITED	1,147,582	4.08
5 BNP PARIBAS NOMS PTY LTD	1,068,459	3.80
6 CITICORP NOMINEES PTY LIMITED	985,762	3.50
7 J P MORGAN NOMINEES AUSTRALIA LIMITED	686,180	2.44
8 MR TIMOTHY GERARD RYAN	564,573	2.01
9 BNP PARIBAS CAPITAL PARTNERS	487,804	1.73
10 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	416,463	1.48
11 MR MICHAEL BRENDAN PATRICK DE TOCQUEVILLE	400,000	1.42
12 GLENN HARGRAVES INVESTMENTS PTY LTD	375,000	1.33
13 BANSON NOMINEES PTY LTD	370,854	1.32
14 NETWEALTH INVESTMENTS LIMITED	325,411	1.16
15 KATTAG HOLDINGS PTY LTD	320,000	1.14
16 INVIA CUSTODIAN PTY LIMITED	254,512	0.90
17 HFM INVESTMENTS PTY LTD	250,000	0.89
18 TOP POCKET PTY LTD	250,000	0.89
19 29TH MARSUPIAL PTY LTD	172,591	0.61
20 MARDOM PTY LTD	141,400	0.50
<b>Total</b>	<b>14,109,027</b>	<b>50.16</b>
<b>Balance of Register</b>	<b>14,016,928</b>	<b>49.84</b>

**c. Substantial shareholders**

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Name	Number of Shares	Current Interest
Perpetual Limited and subsidiaries	3,904,140	13.89%
Michael Fitzpatrick	2,701,285	9.60%
Copia Investment Partners	1,439,000	5.12%

**d. Voting rights**

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

**e. Buyback**

There is no current on-market buy-back.

## CORPORATE INFORMATION

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ABN 39 006 708 792

### Directors

M. Fitzpatrick, Chairman

P. Greenwood, Global Chief Investment Officer (CIO) and President, North America

T. Carver, Non-executive Director, from 30 April 2016; Managing Director and Chief Executive Officer (CEO), resigned 30 April 2016

A. McGill, Managing Director and CEO, resigned 28 August 2015

P. Kennedy, Non-executive Director

M. Donnelly, Non-executive Director

J. Vincent, Non-executive Director

G. Guérin, Non-executive Director

T. Robinson, Executive Director, appointed 30 April 2016; Non-executive Director 28 Aug 2015 to 30 April 2016

J. Ferragina, Finance Director, Chief Operating Officer (COO) and Company Secretary

### Company Secretaries

C. Driver (resigned 3 June 2016)

J. Ferragina

### Registered Office

Level 14

39 Martin Place

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Phone (02) 8243 - 0400

Facsimile (02) 8243 - 0410

### Bankers

Westpac Banking Corporation

### Share Register

Computershare Investor Services Pty Ltd

452 Johnston Street

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Phone (03) 9415 - 5000

### Auditors

Deloitte Touche Tohmatsu

### Internet Address

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