PACIFIC CURRENT GROUP LIMITED

Annual Report 2020

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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/

In this Annual Report, a reference to 'Pacific Current Group', 'Group', 'the Group', ' the Company', 'we', 'us' and 'our' is to Pacific Current Group Limited ABN 39 006 708 792 and its subsidiaries unless it clearly means just Pacific Current Group Limited

In this Annual Report, a reference to funds under management (FUM) means the total market value of all the financial assets which one of our partner boutiques manages on behalf of its clients and themselves.

ABOUT US

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

OUR PHILOSOPHY

Each investment 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 investments in the boutiques. Our goal is to help investment managers 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 it
- Flexible ownership structures – our goal is to create exceptional alignment with our investments, so every investment 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 support the development of our boutiques, specifically by providing intelligent insight and connecting them with the right people

KEY FINANCIAL HIGHLIGHTS

Increased underlying profit
(up from $20.8m)

$25.0m

Increased dividends
(up from 25 cents per share)

35cps

Increased net assets per share
(up from $8.04)

$8.09

- Acquisitions of Proterra, Pennybacker and additional equity in Roc Partners
- Strong growth in FUM across the Group
- Investment pipeline remains exceptionally robust
- Excluding earn-outs and lease liabilities, no debt with strong cash generation

CHAIRMAN'S REPORT

Our investments reflect our strategic goal to work with really capable fund management professionals who are motivated and driven to create success.

Dear Shareholders,

I am pleased to be writing to you post the end of a very solid financial year.

The financial performance of the business has been strong and that has allowed us to materially increase the dividend to shareholders.

This performance has been achieved in an environment that has hampered our executives' ability to visit our partner companies, our sales team to visit existing and prospective clients, and our partner companies to visit their existing and prospective clients.

While statutory financial statements are complicated, we are always striving to keep them as simple as we can, and to explain them as well as we can. Notwithstanding that goal, they can remain almost impenetrable. This is largely because the movements in the valuations of some of our holdings are mixed with the returns being generated by the sales team and our share of the profits flowing from the partner companies.

The valuation movements of our holdings in partner companies that flow through to earnings statements also only tell part of that story. While some movements go through the earnings statements, some do not. This year the aggregate movement in the fair value of these investments was positive notwithstanding that the net charge to the earnings statement was negative.

Our investments are always of a form and size that result in us having little ability to influence the day to day activities of the partner companies. This reflects our strategic goal to work with really capable fund management professionals who are motivated and driven to create success. We believe that a key to having the opportunity to partner with them is to recognise that individuals with those attributes and attitudes will always want to share in the value they are creating and usually in the majority share of that value. That requires our management to have a skill set that is flexible and adaptable and often to have a high degree of patience.

All of the above gives an insight into the complexity of managing and growing Pacific Current. Given that, I would like to take this opportunity to thank everyone involved in the business for their hard work and enormous efforts throughout this very challenging year. The results are a tribute to their efforts and a product of them.

I would also like to thank Shareholders for their continuing support and interest.

A. Robinson
Chairman

MANAGING DIRECTOR, CHIEF EXECUTIVE OFFICER AND CHIEF INVESTMENT OFFICER'S REPORT

The experience of FY20 has validated our diversification strategy and positioned us to benefit from some of the opportunities that we see arising in the year ahead.

Managing Director's Financial Year Overview

I am pleased to provide an update on the business and performance of PAC. What initially looked like another year of economic growth and equity market appreciation turned into an unprecedented global economic shock courtesy of the COVID-19 pandemic. Thus far, we have weathered this storm reasonably well, though the longer-term implications are still unclear, and we do not expect to escape completely unscathed. Overall, we feel the experience of FY20 has validated our diversification strategy and positioned us to benefit from some of the opportunities that we see arising in the year ahead.

Financial Progress

Despite the challenges brought on by the pandemic, PAC posted its largest underlying profits (in dollar terms) ever in FY20. Underlying net profit before tax ("NPBT") grew 17% in FY20 to A$32.0 million up from A$27.4 million in FY19. Underlying profits after tax ("NPAT") grew 21% to A$25.0 million compared to A$20.8 million in FY19. The board declared fully franked dividends for the year of 35 cents per share, a 40% increase over the prior year. The growth in underlying earnings reflects increased contributions from rapidly growing boutiques like GQG, as well as contributions from new investments like Pennybacker and Proterra, and surprisingly strong performance fees from SCI. Continued progress on expense reduction was also a major contributor to the enhanced bottom line.

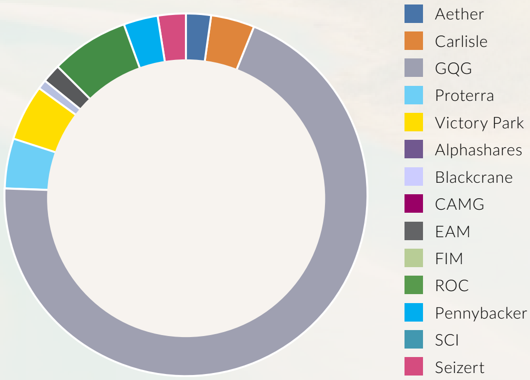
Results would have been even stronger if not for the disruption in equity markets and the near halt in boutique asset gathering efforts necessitated by COVID's arrival. Despite the second-half slowdown, our financial performance compares favorably to our peers, many of whom have struggled with portfolios of investment managers in more traditional asset classes where secular headwinds are quite strong.

PAC's net assets grew in FY20. This increase came despite recognising A$53.4 million of impairments. Some of the impairments reflect boutiques that have faced strong industry headwinds, like Seizert Capital, while other impairments were more a function of delayed fundraising brought on by the global pandemic. These impairments were largely offset by the increased valuations of investments like GQG and Carlisle, which are "fair valued" assets.

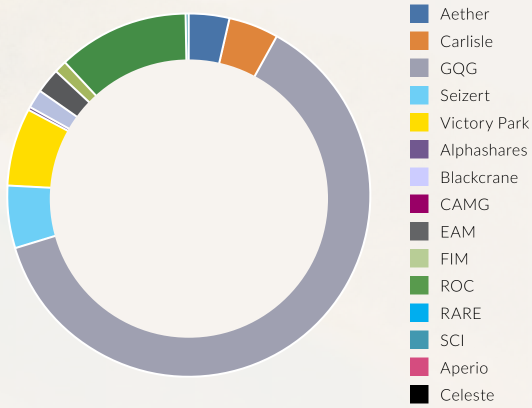
For what are fairly esoteric accounting reasons some of PAC's investments can be written both up and down, while others can only be written down but never up. Some valuation changes go through the income statement, others go through the balance sheet, and some increases in value cannot be reported at all in the financial statements. For example, for accounting purposes, we carry some assets, like Roc Partners, at book value, but our estimate of fair value is actually multiples of this figure.

Performance fees were a larger component of our revenues in FY20 than they have been in the past. Of our A$43.6 million of contributions from boutiques, A$9.8 million represented PAC's share of performance fees realised by our boutiques. These were primarily generated by Victory Park, Carlisle, and SCI.

FUM at 30 June 2020



FUM at 30 June 2019



It is our practice to recognise performance fees only when our entitlement to them is essentially assured. However, some of our boutiques accrue performance fees on their own books that we cannot yet recognise as earnings. As at 30 June, our boutiques had accrued A$7.0 million of such fees. If there is no adverse change to investment performance, we will ultimately recognise these fees as revenue. We expect these accrued performance fees to continue to grow over time, with periodic reductions that reflect the performance fees we actually receive.

Stock Performance

PAC's stock price appreciated 20% in FY20. For internal purposes, we track a pool of 7 similar investment management organisations. The average stock price for this group declined 12% over the last year. We attribute the relative price performance differential to the growth in our underlying earnings, as well as our lower exposure to public equity markets compared to our peers whose portfolios are more heavily weighted toward traditional active equity managers.

Portfolio Highlights

It was a quieter year in terms of changes to our portfolio. As is typical, we made minor modifications to several of our arrangements with our boutiques, such as Seizert Capital. We sold one small investment, Freehold Investment Management, and closed down another boutique, AlphaShares, after it lost its remaining sources of revenue. On the new investment front, we made an incremental investment of A$6.8 million in Roc Partners in July of 2019. Roc has done an exceptional job evolving its legacy business into a direct private equity business, and thus we were excited to expand our ownership from 18% to 30%.

In addition to the follow-on investment in Roc, we made two new investments. The first was Proterra Investment Partners, a natural resources investment firm offering both private equity and private credit strategies. The firm is particularly well known for its food and agriculture strategies, an area of growing interest to asset allocators globally. The second investment was Pennybacker Capital Management, a private equity real estate investor that has made a name for itself through the exceptional returns it has delivered and its leading role in the application of sophisticated information technology to the investment management and client reporting processes.

In terms of PAC's legacy positions, the obvious standout was once again GQG Partners. Its exceptionally rapid growth continued, with FUM growing from US$25.1 billion to US$44.6 billion during FY20. This staggering increase came from multiple geographies and distribution channels. We expect continued growth, as it still has ample capacity left in most of its investment strategies.

From an investment performance perspective, FY20 was generally a strong year. Our active equity managers generally posted strong benchmark-relative results, while our private capital managers fared as well as could be expected given the market environment and their specific strategies. Several of our private capital boutiques took write-downs in their portfolios for the period ended 31 March, which was near the peak of economic uncertainty. For the quarter ended 30 June, many of these write-downs were partially or completely reversed.

MANAGING DIRECTOR, CHIEF EXECUTIVE OFFICER AND CHIEF INVESTMENT OFFICER'S REPORT

COVID-19

Elsewhere in this report, we elaborate in greater depth on the impact COVID-19 has had on our business. That said, the brief summary is that: (1) some of our portfolio companies have modified their strategies to adapt to the impact of changing investor preferences, (2) some performance fees we expected our portfolio companies to realise in FY20 have been delayed and/or have become less likely, (3) short-term fundraising prospects for many of our boutiques have been hurt due to the inability to solicit prospective clients on an in-person basis, and (4) some of the valuations of our portfolio companies have been adversely impacted due to their revised business development expectations.

With the obvious exception of GQG, most of our portfolio experienced a near-complete shutdown in fundraising activities due to COVID-19. Simply put, raising capital for institutional investment products is a face-to-face proposition that is exceptionally difficult to perform when you are trapped at home. Moreover, many institutional allocators are still not willing to discuss new allocations given their concerns about their existing portfolios. Currently, most of our sales activity is being done via phone or through suddenly ubiquitous Zoom calls. We are now starting to see some early signs that allocators are beginning to warm up to new investments, but the level of activity is certainly well below pre-pandemic levels. Our expectation, based more on experience than data, is that fundraising for our portfolio companies has basically been set back at least a year.

Despite such delays, we have enough visibility into specific new business opportunities to be confident that many of our portfolio companies will generate significant new commitments during FY21.

Strategy

PAC's investment pipeline remains exceptionally robust. In fact, we believe that our ability to deploy capital into attractive new investments dramatically exceeds our existing capital to fund them. We are exploring a variety of avenues to access additional capital to fund these investments. One option under consideration is for PAC to manage a pool of capital for others. Under this approach, we would aim to secure one or more large institutional investors to invest in a fund that PAC would manage, making new investments in the fund similar to what we have been investing in on behalf of PAC over the last several years. PAC would receive management fee revenues from the fund and would seek the ability to co-invest in any investments the fund made.

Regardless of whether PAC manages outside capital, we expect to continue to invest available capital into attractive opportunities. Thematically, shareholders should expect to see us continue to increase our exposure to private capital strategies due to their more resilient cash flows and long-term growth prospects. We are also intrigued by how the investment management industry is evolving and the implications of this evolution on the traditional investment management business model. The net result is that we expect an increasing portion of our investments to be somewhat less traditional and focused on firms offering distinctive business or distribution models, and/or harnessing technology in new ways. Of course, if we run across an opportunity in a mainstream asset class that looks like the next GQG, we won't hesitate to grab it.

Final Thoughts

We believe our diversification into growing segments of the investment management world is one of our key strengths. One only has to look at the quarter ended 31 March to glimpse the risk that accompanies a portfolio full of active equity managers. The 20% - 30% decline in equity markets severely impacted other multi-boutiques but had a minimal impact on our results. This reality, combined with the fact that active managers continue to lose market share to passive managers and private capital strategies, is why we have charted such a different path. To the extent possible we want the risk we take to be unique to the specific investment and of our investment managers while minimising shared risks such as stock market declines.

I must admit that having talked so much about diversification, I had never imagined that a global pandemic would be a risk we should attempt to guard against. In the short run, our results held up as expected because we have a portfolio of very different and highly talented investment firms. Over the longer term, the potential growth of our boutiques will be the key driver. In a very competitive world, we expect to devote an increasing portion of our bandwidth to helping all our portfolio companies capitalise on the new business opportunities in front of them.

Lastly, as we move into another year, heavy with uncertainty, it is appropriate to recognise the incredible work done by PAC employees. Challenging times test everyone's character, which is why I am so proud of the manner in which our team performed in FY20. Their efforts were exceptional, as was their adaptability and commitment. Going into FY21 we remain grateful for the support of our shareholders and optimistic about our business and the opportunities in front of us.

P. Greenwood
Managing Director, Chief Executive Officer
and Chief Investment Officer

BOARD OF DIRECTORS

A. Robinson
Chairman

P. Greenwood
Managing Director, Chief Executive Officer and Chief Investment Officer

P. Kennedy
Non-executive Director

M. Donnelly
Non-executive Director

G. Guérin
Non-executive Director

J. Chafkin
Non-executive Director

See pages 9 to 10 for further information

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Your Directors submit their Report for the year ended 30 June 2020.

DIRECTORS' REPORT

Directors and Officers

The Directors and officers of Pacific Current Group Limited (the "Company") at the date of this report or at any time during the financial year ended 30 June 2020 were:

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

Names, Qualifications, Experience and Special Responsibilities

Mr. Antony Robinson, BCom, MBA, CPA (Non-Executive Chairman)

Mr. Robinson joined the Board on 28 August 2015, in the capacity of Non-Executive Director. He became an Executive Director on 20 April 2016 before returning to a Non-Executive Director on 1 September 2018. On 1 October 2018 he was appointed Chairman. 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 Chief Executive Officer ("CEO").

Mr. Robinson is also a Director of Bendigo and Adelaide Bank Limited and Managing Director of PSC Insurance Group Limited. He was a former Director of Tasfoods Limited and Longtable Group Ltd (formerly Primary Opinion Ltd). His previous executive roles include Managing Director of IOOF Ltd and OAMPS Limited.

Mr. Robinson is a member of the Audit and Risk Committee and the Remuneration, Nomination and Governance Committee.

Mr. Paul Greenwood, BA, CFA (Executive Managing Director)

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 which merged with Treasury Group Ltd in November 2014 to form Pacific Current Group Limited. Effective from 1 July 2018, Mr. Greenwood was appointed to the roles of Managing Director, Chief Executive Officer and Global Chief Investment Officer ("MD, CEO and CIO") in the Company.

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.

Mr. Peter Kennedy, B.Ec. L.L.M. (Tax) (Non-Executive Director)

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 is a member of the Madgwicks' Dispute Resolution practice. Having been Madgwicks' Managing Partner for over 15 years, he plays an integral role in the governance and management of the firm.

Mr. Kennedy also sits on the boards of a number of companies in the manufacturing, property and retail industries.

Mr. Kennedy is the Chairman of the Remuneration, Nomination and Governance Committee and is a member of the Audit and Risk Committee.

Ms. Melda Donnelly, CA, OAM B.C. (Non-Executive Director)

Ms. Donnelly joined the Board on 28 March 2012. She is the founder and former chairperson of the Centre for Investor Education, a specialist education and consultancy firm for executives in Australian superannuation funds, institutional investment bodies and the financial services markets.

DIRECTORS' REPORT

continued

Ms. Donnelly currently serves as a member of the Investment Committee of HESTA Super Fund. Her 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 has held a range of directorships of both Australian and international companies including Non-Executive Director of Ashmore Group plc, trustee director of UniSuper, Deputy Chair of the Victorian Funds Management Corporation and Chair of Plum Financial Services Nominees Pty Ltd.

Ms. Donnelly is the Chairperson of the Audit and Risk Committee and a member of the Remuneration, Nomination and Governance Committee.

Mr. Gilles Guérin, BA MSc, (Non-Executive Director)

Mr. Guérin joined the Board on 10 December 2014. He is the CEO of BNP Paribas Capital Partners, where he has worked developing the alternative investment capabilities of the BNP Paribas Group. He also 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. He 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 Europe, the United States of America (the "USA"), Japan, the Middle East and Australia. He has operated distribution capabilities worldwide and developed new products and investment capabilities. 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. He is also a Director of Ginjer AM and of INNOCAP.

Mr. Guérin is a member of the Audit and Risk Committee and the Remuneration, Nomination and Governance Committee.

Mr. Jeremiah Chafkin, BScEcon, MBA Fin (Non-Executive Director)

Mr. Chafkin joined the Board on 10 April 2019. He has over 30 years' experience in financial services leadership in the asset management sector, primarily in North America. He is currently the Executive Vice President and Chief Investment Officer of AssetMark, Inc. an independent provider of investment and consulting solutions for financial advisors. Mr. Chafkin is responsible for designing, enhancing and managing AssetMark's investment solutions framework and providing investment and market perspectives to advisors and their clients.

Previously, Mr. Chafkin was CEO at AlphaSimplex Group, a liquid alternatives and active volatility management specialist; CEO at IXIS Asset Management US; and spent nearly a decade at Charles Schwab in a range of leadership roles. He began his career at Bankers Trust Company where he spent almost 15 years in a variety of asset management roles working with institutional clients in the USA and abroad.

Mr. Chafkin is a member of the Audit and Risk Committee and the Remuneration, Nomination and Governance Committee.

Ms. Clare Craven, BLegS, FGIA, GAICD (Company Secretary)

Ms. Craven has over 20 years' legal, company secretarial and governance experience gained in various listed and private companies. She has a deep understanding of financial services, wealth management, corporate governance, risk management and compliance. She currently acts as Company Secretary for several of Company Matters Pty Limited's clients.

Ms. Craven most recently held various senior leadership roles at Westpac Banking Corporation including Head of Westpac Secretariat, Head of Westpac Subsidiaries and Head of BT Secretariat. Ms. Craven's previous roles included Company Secretarial Consultant to various public and private companies in the financial services, construction, insurance and health services sector, legal and corporate advisory roles at NRMA Ltd and NRMA Insurance Limited (including Company Secretary), and as an Associate Solicitor in private practice.

Ms. Craven is admitted as a Solicitor of the Supreme Court of NSW, holds a Bachelor of Legal Studies and a Graduate Diploma in Applied Corporate Governance.

Mr. Philip Mackey, Fellow GIA, AICD (Company Secretary)

Mr. Mackey has over 30 years' company secretarial and commercial experience, including multi-jurisdictional board practice as both a Company Secretary and a Director. He currently acts as Company Secretary for several of Company Matters Pty Limited's clients. As a member of the Company Matters Pty Limited's team, clients benefit from both his project management knowledge and passion for good corporate governance.

Previously, Mr. Mackey served as Company Secretary of Australand Group Limited and Deputy Company Secretary of AMP Limited. His commercial experience includes appointment as Chief Operating Officer (Specialised Funds) of Babcock & Brown and Bressan Group.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

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

The primary criteria the Company looks for in these potential investments are high quality people, a robust investment process, competitive performance and strong growth potential. The strategy of the Company is to build shareholder value through identifying, investing, and managing investments in investment management firms that exhibit moderate to high sustainable growth while delivering exceptional results to their clients.

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

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS

Investment activities during the year

New acquisitions

On 21 September 2019, the Group acquired a non-voting Class A Preferred Interest, equivalent to an 8% equity interest, on a fully diluted basis, in Proterra Investment Partners, LP ("Proterra") for USD20,500,000 ($30,283,000) and a potential earn-out obligation with a maximum additional consideration of USD9,500,000 ($14,034,000). The Group is entitled to 8% of the gross management revenues and 16% of the liquidation proceeds in the event of a sale. The investment has been accounted for as a financial asset at fair value through profit or loss. For the year ended 30 June 2020, contributions from Proterra to the Group amounted to $2,738,000 which have been accounted for as dividend income. At 30 June 2020, a decrease in the fair value of the investment, net of the fair value of the earn-out liability, amounting to $298,000 was also recognised. The net decrease in fair value was due to changes in cash flow forecast.

Proterra is an alternative investment manager based in Minneapolis, Minnesota, USA offering private equity investment strategies focused on agriculture, food, and metals and mining.

On 14 December 2019, the Group effectively acquired a 16.5% equity interest in Pennybacker Capital Management, LLC ("Pennybacker") for USD20,000,000 ($29,002,000) alongside an equal co-investor, Kudu Investment Management, LLC ("Kudu"). The Group has also a potential earn-out obligation with a maximum additional consideration of USD7,500,000 ($10,876,000), which would be paid between the closing of the transaction and 31 December 2024 if certain revenue thresholds for Pennybacker's emerging growth and income platforms are met.

The Group and Kudu's combined 33% interest in Pennybacker is held through Copper Funding LLC, ("CFL"). The Group owns a 50% interest in CFL. The Group accounts for the interest in CFL as an investment in joint venture. The investment in Pennybacker held by CFL has been accounted for as an investment in associate. The Group is effectively entitled to 16.5% of the net income of Pennybacker and 2.5% of all carried interest from new funds and accounts.

The Group recognised its proportionate share of the earn-out obligation that CFL may have to pay to Pennybacker. The share of the potential earn-out obligation has been added to the acquisition cost of Pennybacker. At the date of acquisition, the Group also recorded its share on the fair value of the earn-out payments in the amount of USD3,139,000 ($4,552,000). As at 30 June 2020, the fair value of this liability was $5,515,000. The increase in fair value of the earn-out obligation was due to changes in cash flow forecast. For the year ended 30 June 2020, the share in profits from Pennybacker to the Group amounted to $88,000 (net of $691,000 amortisation of intangible assets).

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

DIRECTORS' REPORT

continued

Additional contributions to existing asset managers

On 2 July 2019, the Group acquired an additional 12.41% equity interest in Roc Group for $6,826,000 increasing the Group's equity interest to 30%. Roc Partners is a leading alternative investment manager specialising in private equity in the Asia Pacific region. The investment in Roc Partners is still accounted for as an associate since the increase in ownership did not change the Group's significant influence over Roc Partners. For the year ended 30 June 2020, the share in profits from Roc Group amounted to $1,234,000 (net of $284,000 amortisation of intangible assets).

The Group made an additional total contribution of GBP1,000,000 ($1,881,000) to Capital & Asset Management Group, LLP ("CAMG") through capital drawdowns of GBP250,000 each made on 26 August 2019, 5 November 2019, 23 January 2020, and 19 May 2020, respectively. The Group was issued an additional interest of 12.5% for all the total drawdown resulting to an increased interest from 20% to 32.5%. CAMG is a private infrastructure investment firm based in London, England and Washington, DC, USA. The existing accounting treatment of the investment as an associate did not change. For the year ended 30 June 2020, the share in net losses from CAMG amounted to $470,000.

On 31 December 2019, the Group made an additional contribution to IFP Group, LLC ("IFP") of USD600,000 ($895,000) to fund the increasing capital requirements of IFP as a result in the growth of the business and increased level of operations. The additional contribution resulted in an increased equity from 10% to 16%. The accounting treatment of this investment in IFP was changed from fair value through other comprehensive income to an associate following the increase in equity ownership from 10% to 16%. In addition, the Group have also provided a USD1,500,000 ($2,200,000) credit facility to IFP for the purpose of providing loans to new advisors to use as transition assistance to the new IFP platform. IFP made drawdowns of USD654,000 ($976,000) and USD235,000 ($351,000) on 19 October 2019 and 19 November 2019, respectively.

On 11 March 2020, the USD889,000 ($1,327,000) loan under the credit facility and the related interest of USD11,000 ($16,000) was recharacterised into additional capital contributions resulting in a further increased equity from 16% at 31 December 2019 to 24.9%. The investment in IFP is still accounted for as an associate since the increase in ownership did not change the Group's significant influence over IFP. For the year ended 30 June 2020, the share in net losses from IFP amounted to $15,000 (net of $45,000 amortisation of intangible assets).

On 11 March 2020, IFP and the Group have amended the credit facility to provide an additional balance of USD600,000 ($895,000). All other terms of the credit facility remain unchanged. IFP made drawdowns of USD216,000 ($322,000) and USD252,000 ($376,000) on 11 March 2020 and 10 June 2020, respectively. The loans have been accounted for as a financial asset at amortised cost.

On 11 March 2020, the Group contributed an additional USD800,000 ($1,194,000) to IFP as operating capital contribution to support further growth of the business and increased level of operations. This contribution did not give rise to an increased equity ownership nor a return equivalent to the existing equity in IFP. The Group is entitled to a 10% annualised return to be collected upon IFP making an initial distribution. The investment has been accounted for as a financial asset at fair value through profit or loss. At 30 June 2020, the increase in the fair value of this investment was $36,000.

Disposal and/or restructuring of investments

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

On 2 January 2020, Seizert repurchased its 500 Class A Common Units from the Group for USD1 per unit as part of its equity restructuring. The restructure resulted in the Group holding preferred units only and changed its ownership interest from 54.55% to 25% on a fully diluted basis. However, the Group still retained its 54.55% voting rights, majority Board representation and preference in the distribution waterfall. This disposal of the share of the Group's equity did not result in losing its control in Seizert. Therefore, Seizert is still consolidated with the Group. The non-controlling interest from any residual share in Seizert arising after preferential distributions is immaterial.

Funds under management ("FUM")

As at 30 June 2020, the FUM of the Group's asset managers was $93,320,896,000 (2019: $57,465,950,000).

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

Boutique	Total FUM as at 30 June 2019[1] $'000	Inflows from Boutique Acquisitions $'000	Net Flows $'000	Other[2] $'000	Foreign Exchange Movement[3] $'000	Total FUM as at 30 June 2020 $'000
Tier 1	44,403,729	4,732,772	25,194,822	5,322,214	(195,807)	79,467,730
Tier 2	13,062,221	2,763,170	(1,644,228)	(597,281)	279,284	13,863,166
Total Boutiques	**57,465,950**	**7,495,942**	**23,550,594**	**4,724,933**	**83,477**	**93,320,896**
Open-end[4]	44,529,774	–	22,068,420	5,774,166	(91,484)	72,280,876
Closed-end[4]	12,936,176	7,495,942	1,482,174	(1,049,233)	174,961	21,040,020
Total	**57,465,950**	**7,495,942**	**23,550,594**	**4,724,933**	**83,477**	**93,320,896**

Notes:

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

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

3 The Australian dollar ("AUD") slightly weakened against the USA dollar ("USD") during the year. The AUD/USD spot rate was 0.6890 at 30 June 2020 compared to 0.7023 as at 30 June 2019. The Net Flows and Other items are calculated using the average rates.

4 Certain adjustments have been made to previously reported figures for presentation purposes.

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

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

Accordingly, the Company cautions against simple extrapolation based on FUM trends. The FUM of the Group was impacted by the onset of the novel coronavirus disease 2019 ("COVID-19") as global pandemic in March 2020. The impact of COVID-19 not only to the Group's FUM but to the Group as a whole is discussed in detail in page 17 of this Report.

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

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

People

The Group employed 20 full time equivalent employees at 30 June 2020 (2019: 19) working out of our Australian offices located in Sydney and Melbourne, and USA offices located in Tacoma and Denver.

DIRECTORS' REPORT

continued

Financial Review

Operating results for the year

Underlying net profit after tax ("NPAT") attributable to members of the Company

The Group generated a net loss before tax ("NLBT") of $27,317,000 for the year ended 30 June 2020 (2019: net profit before tax ("NPBT") of $53,969,000); a decrease of 151%. This result, however, has been significantly impacted by non-cash, non-recurring and/or infrequent items. Normalising this result for the impact of these non-cash, non-recurring and/or infrequent items results in underlying NPAT to members of the Company of $25,034,000 (2019: $20,765,000), an increase of 21%.

	2020 $'000	2019 $'000
Reported (NLBT)/NPBT	**(27,317)**	**53,969**
Non-cash items		
– Impairment of investments[1]	52,693	28,857
– Amortisation of identifiable intangible assets[2]	6,168	4,310
– Fair value adjustments of financial assets at FVTPL	(11,258)	91
– Fair value adjustments of financial liabilities at FVTPL	1,510	414
– Share-based payment expenses	961	1,016
	50,074	**34,688**
Non-recurring items		
– Provision for estimated liability for Nereus	4,405	7,688
– Legal, consulting expenses, deal costs and break fee costs[3]	2,819	1,201
– Net foreign exchange loss	1,228	1,102
– Loss on conversion of financial asset at amortised cost to investment in associate	863	–
– Gain on sale of investments	–	(73,013)
– Broker and consulting fees[4]	–	1,310
– Redundancy costs	–	503
	9,315	**(61,209)**
Unaudited underlying NPBT	32,072	27,448
Income tax expense[5]	(5,818)	(5,405)
Unaudited underlying NPAT	**26,254**	**22,043**
Less: share of non-controlling interests	(1,220)	(1,278)
Unaudited underlying NPAT attributable to members of the Company	**25,034**	**20,765**

Notes:

1 The impairment relates to impairment of investment in associates and goodwill and other identifiable intangible assets from subsidiaries excluding the impairment of capital contributions to Nereus Capital Investments (Singapore) Pte Ltd ("NCI") amounting to $709,000 and impairment of trade and other receivables amounting to $63,000 (2019: $542,000).

2 The 2020 amortisation of identifiable intangible assets included the amortisation of intangible assets of the associates amounting to $2,889,000 (2019: $1,686,000). The amortisation is recorded as an offset to the share in net profit of the associates.

3 For the current year, these were costs incurred in relation to the derivative action against several of the Group's current and former directors, deal costs on the acquisitions of investments and expenses incurred for unsuccessful divestments. In the prior year the fees relate to the costs from acquisitions of investments.

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

5 The net income tax expense is the reported income tax expense adjusted for the tax effect of the normalisation adjustments (including prior year tax adjustments).

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

- Non-cash items relate to income and expenses that are accounting entries rather than movements in cash; and
- Non-recurring items relate to income and expenses from events that are infrequent in nature including their related costs and foreign exchange impact.

Cash flows

Set out below is a summary of the cash flows for the year ended 30 June 2020.

	2020 $'000	2019 $'000
Cash provided by/(used in) operating activities	25,620	(2,364)
Cash (used in)/provided by investing activities	(65,499)	6,906
Cash (used in) financing activities	(21,325)	(34,320)
Net decrease in cash and cash equivalents	(61,204)	(29,778)

Operating activities

Cash flows from operations have increased from a net outflow of $2,364,000 for the year ended 30 June 2019 to net inflow of $25,620,000 for the year ended 30 June 2020. This was mainly attributable to the decrease in income tax paid from $26,746,000 in the prior year to $2,946,000 in the current year. The tax paid in the prior year was the result of tax liabilities accruing on gains on disposal in previous years.

Investing activities

Cash flows from investing activities have decreased from a net inflow of $6,906,000 in the year ended 30 June 2019 to net outflow of $65,499,000 for the year ended 30 June 2020. This was primarily attributable to the acquisitions of Proterra ($30,283,000); Pennybacker ($29,002,000); additional contributions to CAMG, IFP and Roc Group ($12,820,000) and offset by collections of other financial assets ($5,808,000). In the prior year, this was primarily associated by the disposals of Aperio Group, LLC ($101,594,000) and RARE Infrastructure Ltd ($21,510,000); maturity of the short-term deposits ($20,000,000); net of the acquisitions of VPC and VPC-Holdco ($94,825,000).

Financing activities

Cash flows used in financing activities decreased from $34,320,000 for the year ended 30 June 2019 to $21,325,000 for the year ended 30 June 2020. This was primarily due to repayment of the of the earn-out liability - Aether ($9,920,000) (2019: nil); full repayment of Seizert notes payable of $7,499,000 (USD5,039,000) (2019:$8,494,000); repayment of short term borrowings in 2019 ($9,269,000), and payment of dividends ($12,117,000) (2019: $15,246,000). This was offset by the net proceeds from the issue of the Company's ordinary shares which amounted to $11,993,000 (2019: nil).

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

DIRECTORS' REPORT

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Normalised Cash Flow from Operations

	2020 $'000	2019 $'000
Unaudited underlying NPBT	**32,072**	**27,448**
Non-cash/cash items		
– Dividends and distributions income	(25,271)	(19,851)
– Share of profits of associates	(4,640)	(2,993)
– Dividends and distributions received	26,966	25,568
– Net interest income	(92)	(638)
– Net interest (received)/paid	(154)	202
– Impairment – NCI capital contributions	709	542
– Depreciation	1,047	368
– Increase/decrease in assets and liabilities	(253)	(2,014)
– Other (income)/expense	(118)	54
	(1,806)	1,238
Unaudited underlying pre-tax cash from operations	**30,266**	**28,686**
Non-recurring/infrequent items		
– Legal, consulting expenses, deal costs and break fee costs	(2,819)	(1,201)
– Net foreign exchange loss	1,119	(686)
– Broker and consulting fees	–	(1,310)
– Redundancies	–	(503)
	(1,700)	**(3,700)**
Pre-tax cash from operations	**28,566**	**24,986**
Income tax paid	(2,946)	(27,350)
Cash provided by/(used in) operating activities	**25,620**	**(2,364)**

The income tax paid in FY19 was significantly impacted by the tax payable on gains resulting from the disposals of Aperio Group, LLC and Investors Mutual Limited realised in previous financial years.

(Loss)/Earnings per share

Set out below is a summary of the earnings per share for the year to 30 June 2020.

	2020	2019
Reported net loss after tax ("NLAT")/NPAT attributable to the members of the Company ($'000)	(17,509)	37,612
Unaudited underlying NPAT attributable to the members of the Company ($'000)	25,034	20,765
Weighted average number of ordinary shares on issue (Number)	48,797,128	47,642,367
Basic (loss)/earnings per share (cents)	(35.88)	78.95
Unaudited underlying earnings per share (cents)	51.30	43.59

Dividends

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

	Cents per Share	Total Amount $'000	Franked at 30%	Date of Payment
Declared and paid during the financial year:				
– Final for 2019 on ordinary shares	15.00	7,146	100%	11 October 2019
– Interim for 2020 on ordinary shares	10.00	4,971	100%	2 April 2020
		12,117		
Declared after the end of the financial year:				
– Final for 2020 on ordinary shares	25.00	12,427	100%	23 October 2020

On 28 February 2020, the Directors of the Company declared an interim fully franked dividend of 10 cents per share (28 February 2019: 10 cents per share).

On 31 August 2020, the Directors of the Company declared a final fully franked dividend of 25 cents per share (30 August 2019: 15 cents per share). The final dividend for 2020 financial year will be subject to the Dividend Reinvestment Plan ("DRP"). Any shares issued under the DRP will be at a 5% discount to the average daily Volume Weighted Average Price calculated over a 10-day period commencing on the third trading day following the record date. This dividend has not been provided for in the 30 June 2020 consolidated financial statements.

Total dividends relating to financial year 2020 amounted to 35.0 cents per share an increase of 10.0 cents over 25.00 cents in the financial year 2019.

Financial position

Set out below is a summary of the financial position for the year ended 30 June 2020.

	2020 $'000	2019 $'000
Cash and cash equivalents	20,154	80,232
Other current assets	21,705	25,184
Non-current assets	397,938	325,765
Current liabilities	(19,313)	(36,211)
Non-current liabilities	(17,925)	(11,443)
Non-controlling interest	(543)	(537)
Net assets attributable to members of the Company	402,016	382,990
Net assets per share at end of financial year ($)	8.09	8.04

The level of gearing of the Group was reduced with the repayment of the current portion of the ARA Fund V earn out liability of $9,920,000 (USD6,647,000) and the full repayment of the Seizert Notes Payable of $7,499,000 (USD5,039,000). The remainder of the cash and cash equivalents at 30 June 2019 provided the Group liquidity and flexibility to fund the acquisitions of Proterra and Pennybacker.

IMPACT OF COVID-19 TO THE GROUP

In late 2019, COVID-19 began spreading. On 11 March 2020, the World Health Organisation declared COVID-19 a global pandemic.

The COVID-19 pandemic has severely impacted, and will likely continue to severely impact, global health, social, and economic conditions. This has resulted in slowing global economic growth; substantial volatility in financial markets; increased unemployment; and daily working and living challenges such as restricted travel and social interaction. All businesses, including the Company, have been impacted by COVID-19; albeit to varying degrees.

DIRECTORS' REPORT

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Impact of COVID-19 on our people

The health and welfare of our people is a key priority for the Company. Our flexible work practices have enabled our teams to quickly adapt with minimal disruption to our business. From mid-March 2020 most of our people were working remotely. In addition, initiatives were implemented to ensure that people remained connected with their colleagues and had the support of management where there was a need to balance work with additional family responsibilities.

Most of the business systems used by our Administrative teams operate in the "cloud". As such, they were able to continue with minor inconvenience.

The travel restrictions, however, reduced the amount of travel that the investment, operations, and distribution teams could undertake in the last quarter of the financial year. This hampered the activities of these teams who traditionally have met "face-to-face" with new investment opportunities, our boutiques and potential distribution partners. These teams have however been able to mitigate this disruption using technology (e.g. video conferencing).

Impact of COVID-19 on our boutiques

The primary business of the Group is to invest in global asset managers, private advisory, placement and private equity firms. The Group's strategy has been to enhance the resilience of the Group's earnings by diversifying into investments that are less susceptible to capital markets volatility and have a low correlation to other assets in the Group's portfolio. Therefore, our boutiques operate not just in listed equity markets but in different investment markets such as private credit, life settlement, or real assets. Given the diverse nature of these activities, COVID-19 has impacted each of these portfolio companies differently.

At 30 June 2020, approximately 23% of the FUM managed by the Group's portfolio companies was in "closed-end" funds. Excluding the GQG "open-ended" funds, this was 73%. The nature of these "closed-end" funds is where the investor has committed capital for a set period and can only redeem after an agreed period. As such the FUM for "closed-end" funds are not as susceptible to unforeseen redemptions as an "open-end" fund. It is also typical that fees for this type of fund are based on committed capital and not on invested capital or net asset value; thus, ensuring a more resilient income stream.

The announcement of COVID-19 as a pandemic in March 2020 saw large declines in global financial markets. The decline in equity markets significantly impacted on the third quarter market performance of our long only equity managers. This recovered to some degree over the fourth quarter. As at 30 June 2020, Blackcrane Capital, LLC and EAM Global Investors, LLC had recovered strongly while GQG continued to have strong inflows throughout the year.

The economic uncertainty impacted not only equity markets but also other financial markets. As changes in the availability and pricing of certain asset classes occurred, the ability of some Boutiques to invest and trade these assets was impacted. This subsequently delays the ability of those Boutiques to generate performance fees.

With the general uncertainty in markets and the restricted ability to interact and travel the prospect for several of our portfolio companies to raise new Funds and attract new investors has been delayed. As the value of these portfolio companies is a function of their ongoing growth profile these delays impact on the resulting valuations.

The Australian dollar began the financial year at approximately US70 cents and ended the year at approximately US69 cents. Between those two dates though there was significant volatility. The high for the Australian dollar was US70.82 cents in July 2019. The low (a 17-year low) was set in March 2020 at US55.06 cents. The low point largely corresponded to lows for global share markets. As most of our Boutiques are USD denominated assets the currency volatility impacts on any assessment of these in AUD.

Impact of COVID-19 on our shareholders

Due to COVID-19, FY2020 was a very volatile period for Australian public company equities. The Company's share price was not immune to this volatility, experiencing a significant decline in the final week of March 2020 and recovering before the financial year end. The Board recognises that shareholders have been impacted by the volatile share values during this period.

The ASX S&P All Ordinaries and ASX 300 indices started the financial year at 6,699.17 and 6,568.42, respectively. They finished the year at 6,001.35 and 5,858.54, respectively; a decline of 10.42% and 10.81% over the 12 months to 30 June 2020. Over the same period the Company's share price commenced the year at $4.55 and finished it at $5.48; a rise of 20.44%.

The impact of COVID-19 on KMP remuneration

The revenue (excluding gain on sale of investments and share of boutiques) generated by the Group in FY20 is significantly lower than the comparative result in FY19. While this result theoretically meant that the Company qualified for some of the Government COVID-19 assistance programmes (e.g. Jobkeeper), this decline was not directly attributable to COVID-19 but rather the scheduled run-off in commission payments. The Board therefore decided that it was inappropriate for the Company to avail itself of this assistance.

The Board has specifically considered the current external environment and the impact to our stakeholders from COVID-19:

- Management and the Board recognise the importance of retaining key people through this period of economic uncertainty.
- The strategy of the Group, successfully implemented in prior years and executed in the current year, has reduced the volatility of the Group's earnings stemming from events such as COVID-19.

- Underlying NPAT of $25,034,000 compared to our last guidance of in the range of $23,000,000 to $25,000,000 while prior year was underlying NPAT of $20,765,000.
- Net asset value as at 30 June 2020 was $8.09 per share compared to $8.04 per share at 30 June 2019.
- Shareholders may have been impacted through the volatility in the value of their shares during this period, but the PAC share price rose over the year.
- The Board has resolved to pay a fully franked final dividend of 25 cents per share.
- The shareholders are being offered to reinvest their dividend entitlement through a dividend reinvestment plan at a discount of 5% to the average of the daily Volume Weighted Average Price calculated over a 10-day period commencing on the third trading day following the record date.

After careful consideration of all these factors, for FY2020, the Board determined that:

- Non-Executive Directors remuneration for FY21 would be $645,000; and
- The FY20 short term incentive for Executive KMP would be 50% of the maximum allowable, representing a decrease of 28.6% on the prior year.

Financial Position

The Company maintains a healthy financial position.

- Excluding acquisition earn-outs and lease liabilities, it has no debt.
- Strong cash generation, with cash from operating activities was $25,620,000 against net cash used in operating activities in prior year of $2,364,000.
- Underlying NPAT of $25,034,000 compared to our last guidance of in the range of $23,000,000 to $25,000,000 while prior year was underlying NPAT of $20,765,000.

Governments and regulators across the world have reacted to the crisis caused by the COVID-19 pandemic by implementing various programs, though it is currently unclear the extent to which these or future actions will be successful. If the pandemic is prolonged or the government interventions are unsuccessful, the adverse impact could deepen, and the Group's results could also be affected.

MATERIAL BUSINESS RISKS

Set out below are the material business risks faced by the Group that are likely to have an impact on the financial prospects of the Company and how the Group manages these risks.

Global market risks

With a diversified global portfolio, the Group is exposed to a variety of risks related to global capital markets. Specifically, social, political, geographical and economic factors impact the performance of different capital markets in ways that are difficult to predict. Equity market decline represents a significant risk to the Group because several of its affiliates' revenues are directly tied to the performance of public equities.

Fund manager performance

The aggregate FUM of many of the Group's affiliates are highly sensitive to the relative performance (results compared to a market benchmark) of each investment manager as well as the changing demand for specific types of investment strategies. In addition to performance related risks, many boutique partners have high levels of key man risk, making them vulnerable to the sudden departure of critically important investment professionals. Because many investments are made in new or young firms, there is often the risk of firms failing to reach critical mass and become self-sustaining, which can lead them to seek additional capital infusions from the Company or other parties.

Regulatory environment

The business of the Group operates in a highly regulated environment that is frequently subject to review and regular change of law, regulations and policies. The Group is also exposed to changes in the regulatory conditions under which it and its boutique fund managers operate in Australia, the USA, the United Kingdom (the "UK"), Continental Europe and India. Each member boutique has in-house risk and regulatory experts actively managing and monitoring each member boutique's regulatory compliance activities. Regulatory risk is also mitigated by the use of industry experts when the need arises.

Loss of key personnel

The Group operates in an industry that requires talent, wide range of skills and expertise of its people and asset managers. Loss of these key people and asset managers would be detrimental to the continued success of the Group.

DIRECTORS' REPORT

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REMUNERATION REPORT (AUDITED)

Table of Contents

1. About this Remuneration Report

The Remuneration Report has been prepared and audited against the disclosure requirements of the *Corporations Act 2001* (the "Act") and its regulations. The Remuneration Report forms part of the Directors' Report and outlines the Company's remuneration framework and remuneration outcomes for the year ended 30 June 2020 for the Company's Key Management Personnel ("KMP").

2. Defined terms used in the Remuneration Report

Term	Meaning
EPS	**Earnings per share**, which is used for the purpose of determining performance against agreed at risk remuneration performance targets. When measuring the growth in EPS to determine the vesting of the at risk remuneration, EPS is defined as using the statutory net profit after tax and unaudited underlying, divided by the weighted average number of shares issued during the year, so as to exclude the resultant profit or loss from one-off sales of boutique investments during the year.
Fixed Remuneration	Generally, **fixed remuneration** comprises cash salary, superannuation contribution benefits (in Australia - superannuation guarantee contribution and in North America - partial Company matching of employee 401k defined contribution), and the remainder as nominated benefits. Fixed remuneration is determined based on 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 the Group, directly or indirectly.
LTI	**Long Term Incentive**. It is awarded in the form of share performance rights to senior 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 senior executives in recognition of performance aligned with business and personal objectives. The STI is a cash-based incentive paid on an annual basis and at the discretion of the Board with reference to agreed outcomes and goals and company performance. Refer to the respective key employment terms of each KMP set-out in Section 7 of this Remuneration Report for the eligibility of STI's by assessing their performance against a set of pre-determined key performance indicators.

3. Remuneration Philosophy and Structure

Remuneration philosophy

The performance of the Group depends significantly upon the quality of its Directors and senior executives. The Group therefore aims to provide market competitive remuneration and rewards to successfully attract, motivate and retain the highest quality individuals. The Group's remuneration and benefits are structured to reward people for their individual and collective contribution to the Company and wider Group's success, for demonstrating its values and for creating and enhancing value for the Group's stakeholders.

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

Competitive: provide competitive rewards to attract high calibre executives.

Alignment: link executive remuneration to Group performance and enhancing shareholder value year on year.

At risk: a significant portion of executive remuneration is 'at risk' and is dependent upon meeting pre-determined and agreed performance benchmarks.

Remuneration committee

The Remuneration, Nomination and Governance Committee is a committee of the Board. The objective of this 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 Directors, Executive Directors and other senior executives. The list of responsibilities of the Remuneration, Nomination and Governance Committee is set out in its charter, which is available on the Group's website at http://paccurrent.com/shareholders/corporate-governance.

Remuneration structure

The Group rewards its Executive KMP with a level and mix of remuneration that is relevant to their position, responsibilities and performance during the year, which is aligned with the Company's strategy, performance and returns to shareholders.

Executive KMP total remuneration comprises both fixed remuneration and variable remuneration, which includes short-term and long-term incentive opportunities. On recommendation from the Remuneration, Nomination and Governance Committee, the Board establishes the proportion of fixed remuneration and variable remuneration, reviews Executive KMP total remuneration annually, and considers performance, relevant comparative remuneration in the market and advice on policies and practices.

Setting a target remuneration mix for Executive KMP is complicated due to the Company operating in different jurisdictions, which have their own target remuneration mix models. Accordingly, the Group has adopted the target remuneration mix that is appropriate for each jurisdiction, including giving consideration of the fact that in Australia, variable remuneration is considered at risk until granted. This is because these amounts are only paid if the KMP is still in the employment at the date of payment. In the USA however, variable remuneration is a contractual right subject to performance conditions being met, i.e. once the KMP met the performance conditions to qualify for the variable remuneration, the Company is obligated to pay the amounts regardless of whether the KMP is still in the employment of the Company at the date of payment. As a result, the risks associated with the different jurisdictions are different and the remuneration mix models differ to accommodate this situation.

Elements of Executive KMP remuneration

Fixed remuneration

Fixed remuneration consists of base salary, superannuation contribution benefits (in Australia - superannuation guarantee contribution and in the USA – partial matching of employee 401k defined contribution), and the remainder as nominated benefits. 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.

Variable remuneration

STI Plan

Under the Group's STI Plan, Executive KMP have the opportunity to earn an annual incentive award, which is paid in cash. The STI Plan links the achievement of the Company's operational targets with the remuneration received by the Executive KMP charged with meeting those targets. The awarding of an STI cash award is fully at the discretion of the Board on recommendation by the Remuneration, Nomination and Governance Committee.

Feature	Terms of the Plan
How is the STI paid?	Any STI award is paid after the assessment of annual performance for the financial year ended 30 June. For any bonus up to $200,000, 100% will be paid within three months of year-end and for any bonus above $200,000, 50% will be paid within three months of year-end and the remaining 50% deferred and paid at the start of the next financial year. In Australia, the deferred component requires the KMP to complete the service period. In the USA, the deferred component is a contractual obligation and the KMP is not required to complete the service period. This arrangement can be varied at the discretion of the Board.
How much can each Executive KMP earn?	For FY2020, Executive KMP have a target STI opportunity generally of up to 100% of base salary. Each year, on recommendation from the Remuneration, Nomination and Governance Committee, the Board determines a total amount available for the payment of STIs (bonus pool), based on the underlying profit performance of the Group for the year. For FY2020, the total amount available for the payment of STIs to Executive KMP was $596,957 (2019: $559,365).
Outcomes and goals	The Board, on recommendation from the Remuneration, Nomination and Governance Committee, establishes outcomes and goals which it expects the Executive KMP to achieve, and against which performance is measured. The outcomes and goals are based on financial targets, Group and business unit statutory and underlying profit performance, growth and business development targets as well as operational management. The Board creates these goals and outcome expectations in a manner that is designed to increase returns to shareholders in the short and long-term. The focus of the outcomes and goals is to drive decision making in a manner that increases returns to shareholders in the short and long-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. The following are the CEO's KPIs for 2020: – Achievement of EPS growth targets; – Completion of targeted deal opportunities; – Achievement of strategic plan milestones; – Qualitative assessment of management of staff; and – Qualitative assessment of effectiveness of communications with market.
How is performance measured?	The Board, on recommendation from the Remuneration, Nomination and Governance Committee, assesses the individual performance of each Executive KMP. The Board base their assessment of the Executive KMP's performance against the outcomes and goals set out above and other goals and Group and business unit underlying profit performance.
What happens if an Executive KMP leaves?	If an Executive KMP resigns or is terminated for cause before the end of the financial year, no STI is awarded for that financial year except for the Accrued Bonus Obligation. If the Executive KMP ceases employment during the financial year by reason of redundancy, ill health, death or other circumstances approved by the Board, the Executive KMP will be entitled to a pro-rata cash payment based on the Board's assessment of the Executive KMP's performance during the financial year up to the date of ceasing employment.
What happens if there is a change of control?	In the event of a change of control, a pro-rata cash payment will be made, based on the Remuneration, Nomination and Governance Committee's recommended assessment of performance during the financial year up to the date of the change of control and approval by the Board.

Under the terms of his Employment Contract, Mr. Greenwood has a separate STI plan. This plan provides him with the capacity to receive an annual cash bonus of up to USD400,000 each year, subject to satisfying the KPIs for the relevant year, as agreed by the Board of Directors of the Company (Refer to Section 7 of this Remuneration Report).

LTI Plan

At the 2018 Annual General Meeting held on 30 November 2018, shareholders approved a new Employee Share Ownership Plan 2018 ("New LTI Plan"), under which all future LTI grants will be made. No further LTI grants will be made under the previous Long Term Incentive Plan ("Old LTI Plan"), adopted by the Board on 24 August 2011.

A summary of the Old LTI Plan it is set out below:

Feature	Terms of the Old LTI Plan
What is the Old LTI Plan?	The Old LTI Plan allowed for grants to be in the form of performance rights, options or shares.
What is the objective of the Old LTI Plan?	The objective of the Old LTI Plan was to reward senior executives and officers in a manner that aligns the LTI element of total remuneration with the creation of shareholder wealth. The awarding of an LTI is fully discretionary and grants are determined by the Board, based on a recommendation from the Remuneration, Nomination and Governance Committee.
How do the share performance rights vest?	The performance rights vest subject to two different Total Shareholder Return ("TSR") performance hurdles, namely: the achievement of TSR performance of the Company compared with the growth in TSR over a three-year period of the S&P ASX 300 companies ("Hurdle 1") and separately compared with the growth in TSR over a three-year period of a selected comparator group of companies ("Hurdle 2") - see 'Performance Conditions' in table below for further details.
Is shareholder approval required?	Any securities to be allocated to Executive KMPs and their related parties on vesting of the performance rights, will either be purchased on-market under the Old LTI Plan and therefore shareholder approval is not required, or at the Board's discretion, shareholder approval may be sought. The Board, based on a recommendation from the Remuneration, Nomination and Governance Committee, has the discretion to amend the vesting terms and performance hurdles for each offer of performance rights to ensure that they are aligned to current market practice and ensure the best outcome for the Group. The Board also has the discretion to change the Old LTI Plan and to determine whether LTI grants will be made in future years.
Type of security	Performance rights, which are an entitlement to receive fully, paid ordinary Company Shares (as traded on the ASX) on a one-for-one basis.
Valuation	An independent valuation is conducted using Monte-Carlo simulation and binomial option pricing.
Performance Period	The performance period is the three-year period following the grant date.
Performance Conditions	The performance rights are split into two equal groups, and each group are subject to a different TSR performance hurdle as described below. 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. Each TSR Hurdle compares the TSR performance of Company with the TSR performance of each of the entities in a comparator group described below. Hurdle 1 *S&P ASX 300 Comparator Group* 50% of the performance rights are subject to a TSR Hurdle that compares the TSR performance of the Company at the end of the performance period with the growth in TSR over the same period of the S&P ASX 300 companies. Hurdle 2 *Selected Comparator Group* The other 50% of the performance rights are subject to a TSR Hurdle that compares the TSR performance of the Company at the end of the performance period with the growth in TSR over the same period of a selected comparator group of companies.

DIRECTORS' REPORT

continued

Feature	Terms of the Old LTI Plan
	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 the Company 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 Remuneration Report is as follows: – Affiliated Managers Group (NYSE: AMG) – Janus Henderson Group plc (ASX and NYSE: JHG) – Magellan Financial Group Limited (ASX: MFG) – Pendal Group Limited (ASX: PDL) – Perpetual Limited (ASX:PPT) – Platinum Asset Management Limited (ASX: PTM) Together, Hurdle 1 and Hurdle 2 comprise the total performance conditions but act independently relative to their specific target component. The percentage of performance rights which vest (if any) will be determined by the Board by reference to the percentile ranking achieved by the Company over the performance period compared to the comparator group applying under the relevant TSR Hurdle for that group:

TSR growth – percentile ranking	Performance rights that vest (%)
75th percentile or above	100%
Between 50th and 75th percentile	Progressive pro rata vesting from 50% at 2% for everyone percentile increase above the 50th percentile
50th percentile	50%
Below 50th percentile	Nil

Feature	Terms of the Old LTI Plan
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	Any securities to be allocated on vesting of the performance rights will either be purchased on market under the old LTI plan and therefore shareholder approval is not required or at the Board's discretion, shareholder approval may be sought.
Forfeiture	Performance rights will lapse for the following reasons: – upon cessation of employment, except in a good leaver scenario detailed below; – if the employee acts fraudulently, dishonestly or in breach of obligations; – in connection with a change of control event as detailed below; or – if the dealing restrictions are contravened. Good Leaver 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. The Board has discretion to allow vesting for other reasons, such as retirement or redundancy. Change of Control Generally, in the event of: – a takeover bid being made, recommended by the Board or becoming unconditional; – a scheme of arrangement, reconstruction or winding up of the Company being put to members; or – 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, the performance rights may vest at the Board's discretion in accordance with the Old LTI Plan rules.
Clawback	The Board has "clawback" powers if, amongst other things, the participant has acted fraudulently or dishonestly.

A summary of the Employee Share Ownership Plan 2018 (New LTI Plan) is set out below:

Feature	Terms of the New LTI Plan
Employee Share Ownership Plan 2018	Under the terms of the New LTI Plan: (a) officers and employees of the Company and its subsidiaries (and a person who has been made an offer to become such an employee or director) are eligible to participate; (b) eligible participants may acquire ordinary shares in the Company, options over ordinary shares and rights to, or interests in, such shares (including directly or by a nominee, or as a beneficiary of a trust established by the Company for participants); and (c) the Directors have broad discretion as to the terms on which eligible participants may acquire securities under the New LTI Plan, including as to the number and type of securities that may be offered, the price payable for the securities (which may be nil) and how payment for securities may be made (e.g. by loans from the Company, whether interest-free or limited recourse or otherwise, or by salary sacrifice or sacrifice of cash bonuses).
What is the objective of the New LTI Plan?	The objectives of the New LTI Plan are: (a) to motivate and retain the Group's personnel; (b) to attract quality personnel to the Group; (c) to create commonality of purpose between the Group's personnel and the Group; and (d) to add wealth for all shareholders of the Company through the motivation of the Group's personnel; by allowing the Group's personnel to share the rewards of the success of the Group through the acquisition of, or entitlements to, Securities (which means a Share or Option, an interest in a Share or Option, whether legal or equitable, or a right to acquire or which may convert to a Share or Option. The awarding of an LTI grant is fully discretionary and grants are determined by the Board, based on a recommendation from the Remuneration, Nomination and Governance Committee.
How are offers made?	The Company may from time to time invite any person to participate in this New LTI Plan who is, or has been made an offer to become, an Eligible Person, by offering to the person any Securities for acquisition on such terms as the Board may determine in accordance with this New LTI Plan.
How are Securities acquired?	Securities may be acquired under the New LTI Plan by or for the benefit of a person by way of issue of new Shares or Options, purchase of existing Shares or Options (whether on or off market), creation of rights to or interests in Shares or Options, transfer of Securities or otherwise, and on such terms, as the Board may determine.
What consideration is paid for the Securities?	Securities may be offered for acquisition and acquired by or for the benefit of a person under this New LTI Plan for no consideration or at such price or for such other consideration to be paid or otherwise provided at such times and on such terms as the Board may determine at or before the time of acquisition of the Securities. For example, the Board may allow any consideration to be provided by way of salary sacrifice or sacrifice of cash bonuses or other equivalent entitlements or in return for a reduction in salary or wages or as part of the person's remuneration package.
Terms of options	The Directors of the Company may also determine the terms of options which may be acquired under the New LTI Plan such as the exercise price, any restrictions as to exercise (e.g. vesting conditions), any restrictions as to the disposal or encumbrance of any options or underlying shares once acquired, and the expiry date of options. Other terms of options are as follows: (a) An option holder will be entitled to have the number of options, the exercise of the options and/or the number of shares underlying the options varied in the event of a bonus issue, rights offer or reconstruction of the share capital of the Company, in accordance with the ASX Listing Rules. (b) The Company is not required to issue any shares following an exercise of options unless the Company can be satisfied that as offer of those shares for sale within 12 months after their issue will not need disclosure to investors under part 6D.2 of the *Corporations Act*. (c) Subject to the *Corporations Act* and the ASX Listing Rules, no options may be disposed of (e.g. by sale or transfer) until any vesting conditions have been satisfied, and no options may be transferred except in circumstances (if any) permitted by the Company.

DIRECTORS' REPORT

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Managing Director and CEO Rights Plan

At the 2018 Annual General Meeting shareholders approved a separate LTI Plan ("MD & CEO LTI Plan") for Mr. Paul Greenwood.

Feature	Terms of the MD & CEO LTI Plan
MD & CEO LTI Plan	Mr. Greenwood's long-term incentive is provided through the grant of the Company share entitlements conditional on certain performance criteria being met ("performance rights") that are designed to give Mr. Greenwood an outcome that is similar to the benefit that options would provide. It is comprised of two tranches, the first with a performance assessment period of three years and the second with a performance assessment period of four years. Each tranche is subdivided into three lots with different performance conditions, one lot requiring continuing employment and a share price hurdle to be met and the other two also requiring different total shareholder return hurdles to be met. The starting point for the incentive to create value for Mr. Greenwood is achieving the Company share price that is approximately 10% above the volume weighted average price of the Company's shares over both the last week and month ending on the last trading day of 30 June 2021 and 30 June 2022, respectively. Under the MD & CEO LTI Plan, Mr Greenwood is entitled to receive no more than 2,500,000 performance rights on the basis that 1 performance right represents and entitlement to 1 fully paid share in the Company. Set out below is a more detailed summary of the performance rights.
1st tranche - 1 July 2018 to 30 June 2021	If the 30-trading day volume weighted average price ("VWAP") of an ordinary share ("Share") in the Company ending on the last trading day of 30 June 2021 ("2021 VWAP") exceeds $6.75, Mr. Greenwood will be entitled to acquire for no cash consideration a number of Shares equal to: $\frac{375{,}000 \times (\text{2021 VWAP} - \$6.75)}{\text{2021 VWAP}}$ PLUS If the above price hurdle is exceeded and the 2021 VWAP plus the aggregate dividends paid on a Share during the period 1 July 2018 to 30 June 2021 ("2021 TSR") is more than $6.75 increased at the rate of 8.5% per annum compounding annually, Mr. Greenwood will be entitled to acquire for no cash consideration an additional number of Shares equal to: $\frac{437{,}500 \times (\text{2021 VWAP} - \$6.75)}{\text{2021 VWAP}}$ PLUS If the above price hurdle is exceeded and the 2021 VWAP plus the aggregate dividends paid on a Share during 2021 TSR is more than $6.75 increased at the rate of 11% per annum compounding annually, Mr. Greenwood will be entitled to acquire for no cash consideration an additional number of Shares equal to: $\frac{437{,}500 \times (\text{2021 VWAP} - \$6.75)}{\text{2021 VWAP}}$

Feature	Terms of the MD & CEO LTI Plan
2nd tranche - 1 July 2018 to 30 June 2022	If the 30-trading day VWAP of a Share in the Company ending on the last trading day of 30 June 2022 ("2022 VWAP") exceeds \$6.75, Mr. Greenwood will be entitled to acquire for no cash consideration a number of Shares equal to: $\frac{375{,}000 \times (\text{2022 VWAP} - \$6.75)}{\text{2022 VWAP}}$ PLUS If the above price hurdle is exceeded and the 2022 VWAP plus the aggregate dividends paid on a Share during the period 1 July 2018 to 30 June 2022 ("2022 TSR") is more than \$6.75 increased at the rate of 8.5% per annum compounding annually, Mr. Greenwood will be entitled to acquire for no cash consideration an additional number of Shares equal to: $\frac{437{,}500 \times (\text{2022 VWAP} - \$6.75)}{\text{2022 VWAP}}$ PLUS If the above price hurdle is exceeded and the 2022 VWAP plus the aggregate dividends paid on a Share during the 2022 TSR is more than \$6.75 increased at the rate of 11% per annum compounding annually, Mr. Greenwood will be entitled to acquire for no cash consideration an additional number of Shares equal to: $\frac{437{,}500 \times (\text{2022 VWAP} - \$6.75)}{\text{2022 VWAP}}$ Mr. Greenwood's entitlement to acquire shares under the MD & CEO LTI Plan was conditional on the Company shareholder approval, which was obtained on 30 November 2018.
Continuing employment	Mr. Greenwood's entitlement to acquire any Shares is conditional on his full-time employment not having terminated at or before the time the Shares are required to be issued or transferred to Mr. Greenwood, although where employment terminates due to his death or total and permanent disablement or his role becoming redundant due to operational reasons or Mr. Greenwood being given notice of termination without cause, and some or all of the performance hurdles set out in the above formulae have in substance been achieved, Mr. Greenwood will become entitled to some or all of the Shares that he would be entitled to if the date of termination of his employment were substituted in place of 30 June 2021 and 30 June 2022 in the formulae.
Adjustment	Where the share capital of the Company is reorganised or there is a bonus issue of Shares to Company shareholders, the terms of the long-term incentive (e.g. the share price hurdle and underlying share numbers in the above formulae) will be adjusted in a way that is comparable to the way options are required to be adjusted under the ASX Listing Rules.
Cash alternative	The Company may elect to pay to Mr. Greenwood a cash equivalent amount instead of issuing or arranging to transfer all or any of the Shares to him. The Company expects that this will be an equity settled transaction.

DIRECTORS' REPORT

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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 2020. The STI and/or LTI awards are paid based on individual and underlying Company performance. The Board, based on a recommendation from the Remuneration, Nomination and Governance Committee, has ultimate discretion in determining the amount of the bonus pool:

	2020	2019	2018 (Restated)	2017 (Restated)	2016 (Restated)
Revenue and other income ($)	62,727,233	62,854,332	46,404,656	42,076,742	38,717,055
Statutory net (loss)/profit before tax ($)	(27,316,939)	53,968,253	95,409,526	(60,465,404)	13,722,970
Statutory net (loss)/profit after tax ($)	(16,289,332)	38,890,182	98,179,137	(65,959,754)	(12,515,638)
Underlying net profit after tax ($)	25,033,552	20,765,287	18,272,277	16,618,839	11,622,541
Share price at start of year ($)	4.55	6.56	6.65	4.31	9.50
Share price at end of year ($)	5.48	4.55	6.56	6.65	4.31
Interim dividend (cps)[1]	10	10	–	–	20
Final dividend (cps)[1]	25	15	22	18	5
(Loss)/earnings per share (cps)	(35.88)	78.95	204.86	(165.34)	(44.60)
Diluted (loss)/earnings per share (cps)	(35.88)	78.14	204.53	(165.34)	(44.60)
Underlying earnings per share (cps)	51.30	43.59	38.35	53.30	41.50
KMP bonuses ($)	298,479[2]	391,556[2]	1,357,940[3]	449,015[3]	1,049,421[4]

The Group's FY2020 business performance is reflected in the outcome of the variable component of Executive KMP's total remuneration. Details of the remuneration of Executive KMP in FY2020 is set out in Section 8 of this Remuneration Report.

Notes:

1 Franked to 100% at 30% corporate income tax.

2 Awarded to Mr. Greenwood. This was determined by the Remuneration, Nomination and Governance Committee based on the Company's performance and Mr. Greenwood's individual performance against a set of pre-determined key performance set out by the Board. For FY20, the RNGC prudently decided that Mr. Greenwood would be awarded certain STI in recognition of his performance. His STI would be 50% of the maximum allowable, representing a decrease of 28.6% on the prior year.

3 Awarded to Mr. Ferragina, Mr. Greenwood and Mr. Robinson. These were determined by the then Remuneration Committee based on the Company's performance and their individual performance against a set of pre-determined key performance indicators set out by the Board.

4 Notwithstanding the decline in the financial performance of the business during FY2016, the Board decided that certain STI payments would be made. This recognised that some significant achievements were made during the period and recognising the importance of KMP to the business going forward. In the case of Mr. Greenwood, his role changed during the year and consequently changes were made to his employment contract.

5. Key Management Personnel

The following were KMP of the Group at any time during the financial year and until the date of this Remuneration Report and unless otherwise indicated they were KMP for the entire financial year:

Name	Position
Non-executive Directors	
Mr. A. Robinson	Non-Executive Chairman and Director
Mr. J. Chafkin	Non-Executive Director
Ms. M. Donnelly	Non-Executive Director
Mr. G. Guérin	Non-Executive Director
Mr. P. Kennedy	Non-Executive Director
Executive KMP	
Mr. P. Greenwood	MD, CEO and CIO
Mr. A. Killick[1]	Interim CFO
Mr. J. Ferragina[2]	Former CFO and COO Australia

Notes:

[1] Mr. Killick commenced as Interim CFO on 20 March 2019.

[2] Mr. Ferragina's employment contract ended on 2 July 2019.

6. Remuneration of Non-Executive Directors

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Non-Executive Directors of the highest calibre, whilst incurring a cost that 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 of shareholders. An amount not exceeding the amount approved by shareholders is apportioned amongst Directors, as agreed by the Directors, and the manner in which it is apportioned amongst Directors is reviewed annually.

The last determination by shareholders of the aggregate remuneration of Non-Executive Directors was at the general meeting held on 15 November 2006, when shareholders approved an aggregate remuneration of $650,000 per annum, for the services of Non-Executive Directors as Directors of the Company and its subsidiaries.

Non-executive Directors do not receive performance-based bonuses from the Company, nor do they 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.

The following is a schedule of Non-Executive Directors' fees:

	2021 $	2020 $	2019 $
Chairman	175,000	175,000	140,000
Non-Executive Director	110,000	110,000	70,000
Audit and Risk Committee chairman	N/A	N/A	30,000
Audit and Risk Committee member	N/A	N/A	20,000
Remuneration Committee chairman	N/A	N/A	20,000
Remuneration Committee member	N/A	N/A	15,000
Governance Committee chairman	N/A	N/A	15,000
Governance Committee member	N/A	N/A	10,000

The fees above are inclusive of superannuation contributions, except for the Directors' fees paid to Mr. Chafkin, Mr. Guérin and Mr. Kennedy. Total fees paid to Non-executive Directors in FY2020 were $646,000 (FY2019: $609,738). Refer to Section 8 of this Remuneration Report for details of remuneration paid to Non-Executive Directors in FY20.

During the year, the Board agreed that there would not be any increase in the fees for the Chairman and Non-Executive Directors.

7. Remuneration of Executive KMP

Key terms of employment contract of Paul Greenwood

The following key terms of employment are applicable from 1 July 2019:

Title	MD, CEO and CIO
Term of Contract	A term of three years from 24 November 2014 and automatic renewal for successive one-year periods thereafter until notice is given by either party. A First Addendum was signed and effective from 1 July 2016 on his appointment as President, North America, and Global CIO. A Second Addendum was signed and effective from 1 July 2018 on his appointment as MD, CEO and CIO.
Base Salary	USD725,000
STI	Mr. Greenwood is eligible for Annual cash bonuses of up to USD400,000 each year subject to satisfying the key performance indicators for the relevant year.
LTI	As detailed in Section 3 of this Remuneration Report, Mr. Greenwood's long-term incentive is provided through the grant of the Company share entitlements conditional on certain performance criteria being met.
Other employee benefit plans	Mr. Greenwood is also entitled to participate in any and all other employee benefit plans which are made available to the senior executives of the Group from time to time. At present, Mr. Greenwood participates in the Group's North American qualified retirement plan whereby matching contributions are paid towards Mr. Greenwood's retirement benefits up to approximately USD11,400 each year. He also participates in the Group's health plans whereby the Group pays for coverage for health-related services for Mr. Greenwood and his dependents at a current net annual cost of approximately USD24,800.
Termination upon death or permanent disability	If Mr. Greenwood suffers a permanent disability or dies during the term of the Contract, Mr. Greenwood (or his estate, as applicable) will be entitled to receive (i) any amount of base salary not paid and any accrued but untaken annual leave ("Accrued Obligations"), (ii) any vested but unpaid amounts owed to Mr. Greenwood under the Company's retirement, non-qualified deferred compensation or incentive compensation plans ("Accrued Plan Obligations"), (iii) any other applicable bonus/ incentive payments as per the terms of the contract and grant or plan documents ("Accrued Bonus Obligations"), and (iv) 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 death or permanent disability.
Termination by the Company for cause	The Company may terminate Mr. Greenwood's employment at any time for Cause by issuing a Cause Notice and allowing Mr. Greenwood at least 15 days to discuss the reasons for the Cause Notice and at least 30 days to cure the reasons for the Cause Notice. If after that period Mr. Greenwood has not cured the Cause Event, the Company may terminate his employment with immediate effect. In this circumstance, Mr. Greenwood will be entitled to receive (i) his Accrued Obligations, (ii) his Accrued Plan Benefits and (iii) his Accrued Bonus Obligations.
Termination by the Company without cause	The Company may terminate Mr. Greenwood's employment without cause by giving six months' prior written notice. In this circumstance, Mr. Greenwood will be entitled to (i) his Accrued Obligations, (ii) his Accrued Plan Benefits and (iii) his Accrued Bonus Obligations (iv) a lump sum severance payment equal to his then current 12 months' base salary, and (v) 12 months-continuation coverage under the Company's health plans under which Mr. Greenwood and his dependents participated immediately prior to his date of termination.
Resignation for Other than Good Reason	Mr. Greenwood may voluntarily terminate his employment for any reason upon at least six months' prior written notice. On the date of termination, Mr. Greenwood will be entitled to receive (i) his Accrued Obligations, (ii) his Accrued Plan Benefits and (iii) his Accrued Bonus Obligations.
Resignation for Good Reason	Mr. Greenwood may terminate his employment at any time for Good Reason by giving the Company written notice, which specifies the date of termination and the reason therefor. On the date of termination, Mr. Greenwood will be entitled to receive (i) his Accrued Obligations, (ii) his Accrued Plan Benefits and (iii) his Accrued Bonus Obligations; (iv) a lump sum payment equal to the Severance Amount payable by the Company, and (v) for a period equal to the Severance Period, continuation coverage payable by the Company under the Company's group health plans for which Mr. Greenwood and his dependents participated immediately prior to his date of termination.
Non-compete	Upon termination of his employment, Mr. Greenwood will be subject to non-competition restrictions for 6 months (where termination is without cause or by Mr. Greenwood for good reason) or 12 months (where termination is for any other reason).
Dispute resolution	The terms of the LTI are governed by the laws of the Commonwealth of Australia and the state of Victoria and all other provisions of the employment agreement are governed by the laws of the state of Washington, USA. Any controversy or claim is required to be resolved by arbitration in Seattle Washington. The Company is required to pay all costs and fees of the arbitration.

Key terms of employment contract of Mr. Joseph Ferragina

Title	CFO and COO Australia
Term of Contract	Until 2 July 2019
Base Salary	$450,000
STI	Mr. Ferragina was eligible for a STI for up to 100% of base salary.
LTI	Mr. Ferragina was eligible to participate in the Company's LTI Plan.
Termination of Employment	Under the terms of the contract, Mr. Ferragina or the Company may terminate the contract by giving three months 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. Ferragina is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause, any unvested performance rights will immediately be forfeited. 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. The employment contract of Mr. Ferragina ended on 2 July 2019.

Key terms of employment agreement of Mr. Ashley Killick

Title	Interim CFO
Term of Contract	Ongoing, with a minimum period of six months from 20 March 2019
Base Salary	$540,000
STI	Mr. Killick is not eligible to participate in the Company's STI Plan.
LTI	Mr. Killick is not eligible to participate in the Company's LTI Plan.
Termination of Employment	Under the terms of the contract, Mr Killick or the Company may terminate the contract by giving 30-day notice with no termination benefits.

DIRECTORS' REPORT

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8. Nature and amount of each element of KMP Remuneration in FY2020

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 for the financial year are set out below:

	Short term		Super/ 401k benefits	Share based payments		Other	Total	Performance related[1]
	Salary and fees $	Cash bonus $	$	Shares $	Options/ Performance rights $	$	$	%
Non-executive Directors								
A. Robinson[2]	159,817	–	16,638	–	–	–	176,455	–
J. Chafkin[3]	110,000	–	–	–	–	–	110,000	–
M. Donnelly	99,886	–	10,114	–	–	–	110,000	–
G. Guérin	110,000	–	–	–	–	–	110,000	–
P. Kennedy[4]	140,000	–	–	–	–	–	140,000	–
Executive KMP								
P. Greenwood[5]	1,082,027	298,479	17,013	–	803,163	37,011	2,237,693	49
A. Killick[6]	526,500	–	–	–	–		526,500	–
Total 2020	**2,228,230**	**298,479**	**43,765**	**–**	**803,163**	**37,011**	**3,410,648**	**32**
Non-executive Directors								
A. Robinson[2]	173,660	–	19,603	–	–	–	193,263	–
J. Chafkin[3]	24,680	–	–	–	–	–	24,680	–
M. Donnelly	94,353	–	11,154	–	–	–	105,507	–
G. Guérin	90,833	–	–	–	–	–	90,833	–
P. Kennedy[4]	140,000	–	–	–	–	–	140,000	–
M. Fitzpatrick[7]	87,167		8,281	–	–	–	95,448	–
Executive KMP								
P. Greenwood[5]	1,013,888	391,556	15,662	–	953,998	33,383	2,408,487	56
A. Killick[6]	153,000	–	–	–	–	–	153,000	–
J. Ferragina[8]	425,509	–	24,491	–	61,994	350,378	862,372	7
Total 2019	**2,203,090**	**391,556**	**79,191**	**–**	**1,015,992**	**383,761**	**4,073,590**	**35**

There were no non-monetary benefits paid to KMP during the current and prior year.

Notes:

1 This is calculated based on the short-term cash bonus and share based payments as a percentage of total remuneration.

2 Mr. Robinson ceased to be an Executive Director on 31 August 2018 and became a Non-Executive Director on 1 September 2018. On 1 October 2018 he became the Non-Executive Chairman. Mr. Robinson's FY2019 fees include $40,000 representing his compensation being an Executive Director from 1 July 2018 to 31 August 2018.

3 Mr. Chafkin became a Non-Executive Director on 10 April 2019.

4 Mr. Kennedy receives an additional fee of $30,000 for acting as Chairman of Treasury Group Investment Services Pty Ltd.

5 Mr. Greenwood and his dependents are entitled to a health-related cover paid for by the Group.

6 Mr. Killick commenced as Interim CFO on 20 March 2019. His services are provided through a contract with a management services company associated with him.

7 Mr. Fitzpatrick resigned as the Non-Executive Chairman on 1 October 2018, and on 1 March 2019 he resigned as a Non-Executive Director.

8 Mr. Ferragina's employment ended on 2 July 2019 and the other amount in FY 19 represented his benefits paid on conclusion of his contract.

The relative proportions of the 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		Maximum potential of long-term incentive based on fixed remuneration[1]		Actual long-term incentive based on fixed remuneration linked to performance[1]	
	2020	2019	2020	2019	2020	2019	2020	2019
P. Greenwood	53%	55%	26%	37%	100%	100%	71%	90%
J. Ferragina	N/A	0%	N/A	0%	N/A	100%	N/A	14%

Notes:

[1] Valuation based on fair-value at grant date using a Monte-Carlo simulation as well as binomial option pricing methodology.

Significant changes to Executive KMP remuneration in FY2020

There were no significant changes to Executive KMP remuneration in the current year.

9. Share based remuneration

As detailed above in this Remuneration Report, the Group operates a New LTI Plan and an Old LTI Plan for eligible employees and the MD & CEO LTI Plan for Mr. Greenwood. The number of performance rights granted for FY2020 under this MD & CEO LTI Plan for Mr. Greenwood and for FY2018 Old LTI Plan are detailed in the table below.

2020	Numbers granted	Numbers vested	% of grant vested	% of grant forfeited	% of compensation consisting of performance rights
P. Greenwood	–	102,500[1]	41%	59%	36%
J. Ferragina	–	41,000	41%	59%	0%
Other employees	200,000	–	0%	0%	0%
2019					
A. Robinson[2]	–	–	–	–	–
P. Greenwood	2,500,000	–	–	14%	40%
J. Ferragina	–	–	–	75%	7%
Other employees	750,000	–	–	26%	0%

Notes:

[1] AON Solutions Australia Limited determined that 41% of the 250,000 performance righs vested as at 1 July 2019.

[2] Mr. Robinson was an Executive Director up to 31 August 2018.

DIRECTORS' REPORT

continued

10. KMP Shareholdings

Details of KMP equity holdings for the financial year are set out below

2020	Opening balance	Granted as remuneration	Received on vesting of performance rights	Net change other	Balance held nominally
Non-executive Directors					
A. Robinson	10,000	–	–	35,795	45,795
J. Chafkin	–	–	–	64,816	64,816
M. Donnelly	20,000	–	–	–	20,000
G. Guérin	–	–	–	–	–
P. Kennedy	242,628	–	–	30,000	272,628
Executive KMP					
P. Greenwood	531,781	–	102,500	(41,000)	593,281
A. Killick[1]	–	–	–	10,000	10,000
2019					
Non-executive Directors					
A. Robinson	10,000	–	–	–	10,000
J. Chafkin	–	–	–	–	–
M. Donnelly	20,000	–	–	–	20,000
G. Guérin	–	–	–	–	–
P. Kennedy	242,628	–	–	–	242,628
M. Fitzpatrick	2,701,285	–	–	(2,701,285)[2]	–
Executive KMP					
P. Greenwood	531,781	–	–	–	531,781
A. Killick[1]	–	–	–	–	–
J. Ferragina	50,000	–	–	(50,000)[3]	–

Directors are not required under the constitution or any other Board policy to hold any shares in the Company.

Notes:

1 Mr. Killick commenced as interim CFO on 20 March 2019.

2 Mr. Fitzpatrick's equity holdings were removed since he was no longer Non-Executive Director of the Company as at 30 June 2019.

3 Mr. Ferragina's equity holdings were removed as he was no longer CFO of the Company as at 30 June 2019.

11. Shares under option

There were no unissued ordinary shares of the Company under option outstanding at the date of this Remuneration Report or at the date of the previous Remuneration Report dated 6 September 2019.

12. Performance rights

Total performance rights outstanding as at 30 June 2020 were 3,700,000 (2019: 3,850,000) with a value of $877,922 (2019: $1,578,414).

Details of performance rights on issue are as follows:

2020	Opening balance Number	Granted as compensation Number	Received on vesting Number	Net change other Number	Closing balance Number
P. Greenwood	3,000,000	–	(102,500)	(147,500)	2,750,000
J. Ferragina	100,000	–	(41,000)	(59,000)	–
Other employees	750,000	200,000	–	–	950,000
Total	**3,850,000**	**200,000**	**(143,500)**	**(206,500)**	**3,700,000**
2019					
P. Greenwood	1,000,000	2,500,000	–	(500,000)	3,000,000
J. Ferragina	405,000	–	–	(305,000)	100,000
Other employees	264,000	750,000	–	(264,000)	750,000
Total	**1,669,000**	**3,250,000**	**–**	**(1,069,000)**	**3,850,000**

2020	Balance Vested Number	Vested but not exercisable Number	Vested and exercisable Number	Rights vested Number
P. Greenwood	102,500	–	102,500	102,500
J. Ferragina	41,000	–	41,000	41,000
Other employees	–	–	–	–
Total	**143,500**	**–**	**143,500**	**143,500**
2019				
P. Greenwood	–	–	–	–
J. Ferragina	–	–	–	–
Other employees	–	–	–	–
Total	**–**	**–**	**–**	**–**

Any securities to be allocated on vesting of the performance rights under the Old LTI Plan will be purchased on the market and therefore shareholder approval is not required or at the Board's discretion, shareholder approval may be sought.

Any securities to be allocated on vesting of the performance rights under the MD & CEO LTI Plan will be issued.

The amount of performance rights amortisation expense for FY2020 was $960,981 (2019: $1,015,993).

DIRECTORS' REPORT

continued

Grant and vesting dates and the valuation of performance rights outstanding as at the date of this Remuneration Report are as follows:

2020

Issued to	Number issued	Grant Date	Share price on Grant Date	Vesting Date	Valuation[5]
P Greenwood	1,250,000	21 June 2018[1]	$6.77	30 June 2022	$0.669
	1,250,000	21 June 2018[1]	$6.77	30 June 2021	$0.547
	250,000	5 October 2017[2]	$6.66	1 July 2020	$4.060
Other employees	375,000	25 June 2019	$4.46	30 June 2021	$0.140
	375,000	25 June 2019	$4.46	30 June 2022	$0.225
	200,000	1 August 2019	$5.55	30 June 2021	$1.280
	200,000	1 August 2019	$5.55	30 June 2022	$1.314
Total	**3,700,000**				

2019

Issued to	Number issued	Grant Date	Share price on Grant Date	Vesting Date	Valuation[5]
P Greenwood	1,250,000	21 June 2018[1]	$6.77	30 June 2022	$0.669
	1,250,000	21 June 2018[1]	$6.77	30 June 2021	$0.547
	250,000	5 October 2017[2]	$6.66	1 July 2020	$4.060
	250,000	5 October 2016[3]	$4.00	1 July 2019	$1.840
J. Ferragina	100,000	26 October 2016[4]	$4.58	1 July 2019	$1.840
Other employees	375,000	25 June 2019	$4.46	30 June 2021	$0.140
	375,000	25 June 2019	$4.46	30 June 2022	$0.225
Total	**3,850,000**				

Refer to Section 3 of this Remuneration Report for applicable performance criteria and further details.

Notes:

[1] The performance rights provided to Mr. Greenwood on 21 June 2018, in consideration of his new role effective 1 July 2018, was approved by shareholders at the Annual General Meeting held on 30 November 2018. This issue was for no more than 2,500,000 performance rights in two tranches. One tranche covers the performance period 1 July 2018 to 30 June 2021 and the other tranche covers the performance period 1 July 2018 to 30 June 2022. Tranche 1 and Tranche 2 have vesting dates of 30 June 2021 and 30 June 2022, respectively. Each tranche is subdivided into three lots with different performance conditions, one requiring continuous employment and a share price hurdle and the other two requiring different total shareholder return hurdles to be satisfied (refer to Section 7 of this Remuneration Report for details). The average value of each right was $0.608. The total value at grant date of these outstanding performance rights was $1,520,506. The performance rights on issue were valued on 30 November 2018 by an independent adviser using a Monte Carlo pricing model.

[2] The rights issued on 5 October 2017 have a performance period from 1 July 2017 to 1 July 2020. AON Solutions Australia Limited ("AON") was commissioned to provide a report to determine whether these performance rights issued have vested as at 1 July 2020. AON Hewitt determined that 41% of 250,000 performance rights vested as at 1 July 2020.

[3] The rights issued on 5 October 2016 have a performance period from 1 July 2016 to 1 July 2019. AON was commissioned to provide a report to determine whether these performance rights issued have vested as at 1 July 2019. AON determined that 41% of 250,000 performance rights vested as at 1 July 2019.

[4] The rights issued on 26 October 2016 have a performance period from 1 July 2016 to 1 July 2019. AON was commissioned to provide a report to determine whether these performance rights issued have vested as at 1 July 2019. AON determined that 41% of 100,000 performance rights vested as at 1 July 2019.

[5] The valuation of performance rights issued are based on average valuations of each tranche issued and the following inputs:

Date of issue of performance rights	Volatility of the underlying share price	Expected dividend yield per annum	Risk free rates per annum
P. Greenwood			
– 21 June 2018	30%	3.84%	2.07% and 2.15%
– 5 October 2017	38.1% for the Company; 30.3% for funds management comparator group; and 35.6% for ASX 300 comparator group	3.2%	2.0%
Other employees			
– 25 June 2019	30%	4.48%	0.89% and 0.90%
– 1 August 2019	30%	3.6%	0.87% and 0.83%

13. 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 FY2020.

– End of Remuneration Report –

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 and Risk Committee		Remuneration, Nomination and Governance Committee	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
A. Robinson	22	22	6	4	6	5
P. Greenwood	22	22	6	6	6	6
J. Chafkin	22	20	6	4	6	6
M. Donnelly	22	20	6	6	6	6
G. Guérin	22	21	6	5	6	6
P. Kennedy	22	22	6	6	6	6

Committee membership

As at the date of this report, the Company had an Audit and Risk Committee and a Remuneration, Nomination and Governance Committee of the Board of Directors.

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

Audit and Risk Committee	Remuneration, Nomination and Governance Committee
M. Donnelly (Chairperson)	P. Kennedy (Chairman)
J. Chafkin	J. Chafkin
G. Guérin	G. Guérin
P. Kennedy	M. Donnelly
A. Robinson	A. Robinson

Indemnification and Insurance of Directors, Officers and Auditors

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 liability owed to the Company or related body corporate;
- A liability for pecuniary penalty order under section 1317G or a compensation order under section 1317H of the *Corporations Act 2001;*
- A liability owed to someone other than the Company or a related body corporate and did not arise out of conduct in good faith; and
- 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.

During or since the end of the financial year the Company has not indemnified or made a relevant agreement to indemnify an auditor of the Company or of any related body corporate against a liability incurred as such an auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an auditor.

DIRECTORS' REPORT

continued

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support the principles of corporate governance. The Company's Corporate Governance Statement is available on the Company's website at www.paccurrent.com/shareholders/corporate-governance.

Environmental Regulation and Performance

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

Auditor Independence

The Directors received an independence declaration from the auditors of the Group. A copy of the declaration is set out on page 40.

Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 26 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 26 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit & Risk Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

Other Matters

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

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

Rounding of Amounts

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

Likely Developments

The Group will continue to operate in accordance with its investment objectives and strategy as defined in the Nature of Operations and Principal Activities.

The impact of COVID-19 after 30 June 2020

The impact of the COVID-19 pandemic has seen an unprecedented global response by governments and regulators. The Group's financial results for FY20 have been impacted by COVID-19, but this has been mitigated due to the Group's strategy to enhance the resilience of the Group's earnings by diversifying into investments that are less susceptible to capital markets volatility and have a low correlation to other assets in the Group's portfolio .

Valuations included in the financial report such as fair value assets, goodwill, other identifiable intangibles, investments in associates and joint venture including financial liabilities are based on information available and relevant as at the financial year end. As market conditions are changing daily, changes to the estimates and outcomes that have been applied in the measurement of these assets and liabilities may arise in the future.

The Group continues to monitor developments in the COVID-19 pandemic and the measures being implemented to control and slow the outbreak. Given the dynamic nature of these circumstances and the significant increase in economic uncertainty, the related impact on the Group's future results of operations, cash flows and financial condition cannot currently be reasonably estimated.

Significant Events Subsequent to Reporting Date

On 31 August 2020, the Directors of the Company declared a final dividend on ordinary shares in respect of the 2020 financial year. The total amount of the dividend is $12,427,000 which represents a fully franked dividend of 25 cents per share. The dividend has not been provided for in the 30 June 2020 consolidated financial statements.

On 27 August 2020, the Board approved a Dividend Reinvestment Plan ("DRP") for the Company. The final dividend for 2020 financial year will be subject to the DRP. Any shares issued under the DRP will be at a 5% discount to the average daily Volume Weighted Average Price calculated over a 10-day period commencing on the third trading day following the record date.

Other than the matters detailed above, there has been no matter or circumstance, which has arisen since 30 June 2020 that has significantly affected or may significantly affect either the operations or the state of affairs of the Group.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf on the Directors

A. Robinson
Chairman
8 September 2020

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

The Board of Directors
Pacific Current Group Limited
Level 29, 259 George St
Sydney NSW 20000

8 September 2020

Dear Board Members

Auditor's Independence Declaration to Pacific Current Group Limited

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

As lead audit partner for the audit of the financial report of Pacific Current Group Limited for the year ended 30 June 2020, 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 faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jonathon Corbett
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Revenue	1	**35,811**	**41,501**
Other income and net gains on investments and financial instruments			
Distributions and dividend income	2	25,271	19,851
Sundry income	2	1,644	1,501
(Loss) on conversion of financial assets at amortised cost to investment in associate	2	(863)	–
Gain on sale of investments	2	–	73,013
Change in fair values of financial assets and liabilities	2	9,748	(505)
		35,800	**93,860**
Expenses			
Salaries and employee benefits	3	(21,643)	(24,120)
Impairment expense	3	(53,464)	(29,399)
Administration and general expenses	3	(20,826)	(25,351)
Depreciation and amortisation expense	3	(4,326)	(2,992)
Interest expense	3	(420)	(648)
		(100,679)	**(82,510)**
Share of net profits of associates and joint venture accounted for using the equity method	22	1,751	1,118
(Loss)/Profit before income tax expense		**(27,317)**	**53,969**
Income tax benefit/(expense)	4	11,028	(15,079)
(Loss)/Profit for the year		**(16,289)**	**38,890**
Attributable to:			
The members of the Company		(17,509)	37,612
Non-controlling interests		1,220	1,278
		(16,289)	**38,890**
(Loss)/Earnings per share attributable to the members of the Company (cents per share):			
– Basic	6	(35.88)	78.95
– Diluted	6	(35.88)	78.14
Franked dividends paid per share (cents per share) for the year	17	25.00	32.00

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
(Loss)/Profit for the year		**(16,289)**	**38,890**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Change in fair value of financial assets, net of income tax	16a(i)	28,091	6,627
Foreign currency movement of investment revaluation reserve	16a(i)	15	2,369
		28,106	**8,996**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	16a(ii)	8,482	14,758
Other comprehensive income for the year		**36,588**	**23,754**
Total comprehensive income		**20,299**	**62,644**
Attributable to:			
The members of the Company		19,031	61,417
Non-controlling interests		1,268	1,227
		20,299	**62,644**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	8	20,154	80,232
Trade and other receivables, net of expected credit losses	9	14,837	12,809
Other financial assets	10	2,248	7,518
Current tax assets	4	2,792	2,789
Other assets		1,828	2,068
Total current assets		**41,859**	**105,416**
Non-current assets			
Trade and other receivables	9	283	–
Other financial assets, net of expected credit losses	10	197,986	120,066
Plant and equipment		932	1,208
Right-of-use assets	11a(i)	2,096	–
Intangible assets	21	62,732	94,094
Investments in associates and joint venture	22	133,606	110,143
Other assets		303	254
Total non-current assets		**397,938**	**325,765**
Total assets		**439,797**	**431,181**
Current liabilities			
Trade and other payables	12	5,785	7,506
Provisions	13	12,028	8,407
Financial liabilities	14	–	16,969
Lease liabilities	11a(ii)	888	–
Current tax liabilities	4	612	3,329
Total current liabilities		**19,313**	**36,211**
Non-current liabilities			
Provisions	13	181	219
Financial liabilities	14	9,443	3,853
Lease liabilities	11a(ii)	1,658	–
Deferred tax liabilities	4	6,643	7,371
Total non-current liabilities		**17,925**	**11,443**
Total liabilities		**37,238**	**47,654**
Net assets		**402,559**	**383,527**
Equity			
Share capital	15	178,424	166,279
Reserves	16	126,620	90,934
Retained earnings		96,972	125,777
Total equity attributable to members of the Company		402,016	382,990
Non-controlling interests		543	537
Total equity		**402,559**	**383,527**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Share capital $'000	Reserves $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 1 July 2019					
As previously reported	166,279	90,934	125,777	537	383,527
Impact of adoption of AASB 16 (Note 28)	–	–	4	–	4
As restated	**166,279**	**90,934**	**125,781**	**537**	**383,531**
(Loss)/profit for the year	–	–	(17,509)	1,220	(16,289)
Other comprehensive income:					
(i) Net movement in investment revaluation reserve net of income tax	–	28,106	–	–	28,106
(ii) Net movement in foreign currency translation reserve	–	8,434	–	48	8,482
Total comprehensive income for the year	**–**	**36,540**	**(17,509)**	**1,268**	**20,299**
Transfer within reserve (Note 16a(i))	**–**	**(817)**	**817**	**–**	**–**
Transactions with members in their capacity as members:					
(i) Issuance of shares, net of share issue costs and income tax (Note 15)	12,145	–	–	–	12,145
(ii) Dividends paid (Note 17)	–	–	(12,117)	(1,262)	(13,379)
(iii) Share-based payments (Note 16a(iii))	–	961	–	–	961
(iv) Shares bought on market to settle performance rights vested (Note 16a(iii))	–	(998)	–	–	(998)
Total transactions with members in their capacity as members	**12,145**	**(37)**	**(12,117)**	**(1,262)**	**(1,271)**
Balance as at 30 June 2020	**178,424**	**126,620**	**96,972**	**543**	**402,559**

	Share capital $'000	Reserves $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 1 July 2018	**166,279**	**66,113**	**103,411**	**621**	**336,424**
Profit for the year	–	–	37,612	1,278	38,890
Other comprehensive income:					
(i) Net movement in investment revaluation reserve net of income tax	–	8,996	–	–	8,996
(ii) Net movement in foreign currency translation reserve	–	14,809	–	(51)	14,758
Total comprehensive income for the year	**–**	**23,805**	**37,612**	**1,227**	**62,644**
Transactions with members in their capacity as members:					
(i) Dividends paid (Note 17)	–	–	(15,246)	(1,311)	(16,557)
(ii) Share-based payments (Note 16a(iii))	–	1,016	–	–	1,016
Total transactions with members in their capacity as members	**–**	**1,016**	**(15,246)**	**(1,311)**	**(15,541)**
Balance as at 30 June 2019	**166,279**	**90,934**	**125,777**	**537**	**383,527**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flow from operating activities			
Receipts from customers		38,270	44,135
Payments to suppliers and employees		(36,516)	(39,430)
Dividends and distributions received		26,966	19,475
Interest received		606	1,046
Interest paid		(760)	(844)
Income tax paid		(2,946)	(26,746)
Net cash provided by/(used in) operating activities	7	**25,620**	**(2,364)**
Cash flow from investing activities			
Collections of financial assets at amortised cost		5,808	5,814
Collections of financial assets at fair value through profit or loss ("FVTPL")		1,276	619
Proceeds from maturity of short-term deposits		–	20,000
Loans provided to associates		(2,024)	–
Capital contributions to Nereus Holdings, LP		(709)	(542)
Payments for the purchase of financial assets at FVTPL		(31,477)	(47,038)
Proceeds from sale of financial assets at FVTPL		–	21,510
Payments for the purchase of financial assets at FVTOCI		–	(1,515)
Additional contributions to financial assets at FVTOCI		(895)	–
Payments for the purchase of associates		–	(94,825)
Proceeds from sale of associates		459	103,188
Additional contributions to associates		(8,867)	(127)
Payments for the purchase of a joint venture		(29,017)	–
Payment for the purchase of plant and equipment		(53)	(178)
Net cash (used in)/provided by investing activities		**(65,499)**	**6,906**
Cash flow from financing activities			
Proceeds from issuance of shares, net of transaction costs		11,993	–
Repayment of borrowing		–	(9,269)
Repayments of financial liabilities		(17,389)	(8,494)
Repayment of Nereus liability		(746)	–
Repayments of principal portion of lease liabilities		(806)	–
Dividends paid		(12,117)	(15,246)
Dividends paid to non-controlling interest in a subsidiary		(1,262)	(1,311)
Payments for the purchase of shares to settle shared-based payments		(998)	–
Net cash (used in) financing activities		**(21,325)**	**(34,320)**
Net (decrease) in cash and cash equivalents held		**(61,204)**	**(29,778)**
Cash at beginning of the financial year		80,232	110,096
Unrealised foreign exchange difference in cash		1,126	(86)
Cash at end of financial year	8	**20,154**	**80,232**
Non-cash investing and financing activities			
Investing activities	7	(7,344)	(12,214)
Financing activities	7	7,331	12,214

The accompanying notes form part of these consolidated financial statements.

INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

A. BASIS OF PREPARATION

This general-purpose financial report for the Company and the consolidated entities ("Group") for the year ended 30 June 2020, was authorised for issue in accordance with a resolution of the Directors on 8 September 2020.

It has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

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

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

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

a. Historical cost convention

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share based payment transactions that are within the scope of AASB 2 '*Share based Payments*', leasing transactions that are within the scope of AASB 16 '*Leases*' ("AASB 16") and measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136 'Impairment of Assets' (Refer to Notes 21 and 22).

b. Significant accounting policies

The accounting policies adopted in the preparation of this financial report are contained within the notes to which they relate. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

c. Going concern

This general-purpose financial report has been prepared on a going concern basis, which assumes that the Group will be able to meet its debts as and when they become due and payable. The Group also assessed the impact of COVID-19 in its ability to continue as a going concern. The Group prepared cash flow forecast analysis using various scenarios including a base-case and a worse-case scenario. Under these scenarios, the Group can continue as a going concern. While the Group's results during the year is a statutory loss of $16,289,000, the Group will still be able to meet its debts as and when they become due and payable.

d. Comparatives

The accounting policies adopted by the Group in the preparation and presentation of the financial statements have been consistently applied, except for the impact of the implementation of AASB 16 (Refer to Note 28). Where necessary, comparative information has been reclassified, repositioned, and restated for consistency with current year disclosures.

e. Critical accounting estimates, judgments, and assumptions

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

A. BASIS OF PREPARATION (continued)

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

- Revenue recognition of performance fees– refer to Note 1c;
- Income tax, tax basis for USA investments and recovery of deferred tax assets – refer to Note 4c;
- Impairment of trade and other receivables – refer to Note 9c;
- Valuation of financial assets at fair value and impairment of financial assets at amortised cost – refer to Note 10c and Note 18f;
- Lease terms and incremental borrowing rate– refer to Note 11c;
- Provision for estimated liability to Hareon – refer to Note 13c;
- Valuation of financial liabilities at fair value – refer to Note 14c and Note 18f;
- Impairment of goodwill and other identifiable intangible assets – refer to Note 21c;
- Impairment of investments in associates and a joint venture – refer to Note 22d; and
- Share-based payment transactions – refer to Note 25c.

f. Coronavirus disease 2019 (“COVID-19”) impact

In late 2019, COVID-19 began spreading. On 11 March 2020, the World Health Organisation declared COVID-19 a global pandemic.

The COVID-19 pandemic has severely impacted, and will likely continue to severely impact, global health, social, and economic conditions. This has resulted in slowing global economic growth; substantial volatility in financial markets; increased unemployment; and daily working and living challenges such as restricted travel and social interaction. The Group has considered the impact of COVID-19 and other market volatility in preparing its financial statements.

The economic uncertainty impacted not only equity markets but also other financial markets. As changes in the availability and pricing of certain asset classes occurred, the ability of some of the Group’s portfolio companies to invest and trade these assets was impacted. This subsequently delays the ability of these portfolio companies to generate performance fees.

With the general uncertainty in markets and the restricted ability to interact and travel, the prospect for several of our portfolio companies to raise new funds and attract new investors has been delayed. As the value of these portfolio companies is a function of their ongoing growth profile, these delays impact on the resulting valuations.

In addition to the specific areas of judgement identified by the Group in the above section, the impact of COVID-19 resulted in the consideration and application of further judgement in those identified areas.

Considerations applied:

As a consequence of COVID-19 in the preparation of the Group’s financial statements, management had considered the following:

- Assessment of the impact of COVID-19 on the long term forecasts of the Group’s portfolio companies and updating its economic outlook primarily on inputs into the impairment and fair value analysis of the Group’s financial and non-financial asset classes and financial liabilities including disclosures such as fair value disclosures of financial assets and liabilities;
- Assessment of the impact of COVID-19 on the long term forecasts that may impact the recoverability of the Group’s deferred tax assets;
- Reviewed whether there were any additional areas of judgement or estimation in addition to what have been disclosed in section e above;
- Evaluation of trade and other receivables and financial assets at amortised costs for collectability and expected credit losses; and
- Consideration of the impact of COVID-19 to the Company as a going concern (refer to Section A(c)) above.

g. Rounding of amounts

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

B. GROUP RESULTS FOR THE FINANCIAL YEAR

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

1. Revenue

a. Analysis of balances

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

	2020 $'000	2019 $'000
Timing of revenue recognition		
Over time		
– Fund management fees	28,754	32,683
– Performance fees	2,645	2,617
– Commission revenue	3,999	5,316
– Retainer revenue	313	751
– Service fees	30	65
– Sundry revenue	–	3
	35,741	**41,435**
At a point in time		
– Sundry revenue	70	66
Total revenue	**35,811**	**41,501**

b. Accounting policies

(i) Fund management fees

The revenue is recognised over time in the accounting period in which the asset management services are rendered and the performance obligation is met. The transaction price for fund management fees for each performance obligation is the defined contractual rate of the average assets under management or committed capital for the relevant accounting period.

The relevant Investment Management Agreement contains a series of performance obligations relating to the provision of asset management services to the underlying funds and mandates. A performance obligation within the series is identified as the performance of asset management and associated record management for monthly reporting. This performance obligation is repeated monthly for the term of the contract and as such the contract meets the definition of a series of obligations. The performance obligation is satisfied over the month when services have been provided to the client.

(ii) Performance fees

Performance fees arise when the performance of the asset under management exceeds a threshold. As the services provided under the Investment Management Agreement constitute a series of performance obligations performed on a monthly basis, subject to performance of the asset under management, the Group may meet those obligations throughout the term of the contract. However, as the performance fee is contingent on the performance of the funds under management for the full period of the contract, the revenue cannot be recognised, as it is not highly probable that this revenue will not be reversed.

Performance fees are only recognised every end of the financial year of the controlled entity when the performance fees are realised and no significant reversal will occur.

The performance fee is calculated in accordance with the calculation methodology of the underlying funds as defined in the relevant agreements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

B. GROUP RESULTS FOR THE FINANCIAL YEAR (continued)

1. Revenue (continued)

(iii) Commission revenue

Commission revenue arises when the Group provides sales services to its clients. The Group is entitled to a trail commission over three years in accordance with the Sales and Marketing Services Agreement when the client has invested in the funds or mandates of the asset managers and performance obligations have been met. The transaction price is the gross revenue generated from the mandate multiplied by the contractual rates.

The relevant Sales and Marketing Services Agreement contains a series of performance obligations relating to sales and marketing support services. A performance obligation within the series is identified as the performance of sales and marketing support. This performance obligation is repeated monthly for the term of the contract and as such the contract meets the definition of a series of obligations. The performance obligation is satisfied over the month when services have been provided to the client.

As the commission revenue correlates to the gross revenues of the mandates, the revenue cannot be recognised on a straight-line basis. The revenue is only recognised in the period where the gross management fees generated from the mandates and it is not highly probable that this revenue will not be significantly reversed.

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

(iv) Retainer revenue

Retainer revenue arises when the Group provides distribution services. The revenue is recognised in the accounting period in which the service is rendered and the performance obligation has been met and it is not highly probable that this revenue will not be significantly reversed. The transaction price for each performance obligation is based on the fixed amount of the consideration in the contract for the relevant accounting period.

The relevant Sales and Marketing Services Agreement contains a series of performance obligations relating to sales and marketing support services. A performance obligation within the series is identified as the performance of sales and marketing support. This performance obligation is repeated monthly for the term of the contract and as such the contract meets the definition of a series of obligations. The performance obligation is satisfied over the month when services have been provided to the client.

(v) Service fees

Service fees arise when the Group provides accounting and finance services to its related parties. The revenue is recognised in the accounting period in which the service is rendered and the performance obligation is met. The transaction price for each performance obligation is based on the amount of the consideration in the contract for the relevant accounting period.

The relevant Service Agreement contains a series of performance obligations relating to the provision of accounting and administration services. A performance obligation within the series is identified as the performance of accounting and administration services and associated record management for monthly reporting. This performance obligation is repeated monthly for the term of the contract and as such the contract meets the definition of a series of obligations. The performance obligation is satisfied over the month when services have been provided to the client.

c. Key estimates, judgments, and assumptions

Revenue recognition of performance fees

Performance fees are only recognised by the Group when it is highly probable that the revenue will not be reversed.

2. Other income, gains on sale of investments and changes in fair values of financial assets and liabilities

a. Analysis of balances

	2020 $'000	2019 $'000
Distributions and dividend income:		
– Financial assets at FVTPL	13,444	6,452
– Financial assets at FVTOCI	11,827	13,399
	25,271	**19,851**
Sundry income:		
Interest income:		
– Other persons/corporations	472	1,286
– Related party	40	–
	512	1,286
Earn-out income	–	128
Sundry income	1,132	87
Total other income	**1,644**	**1,501**
(Loss) on derecognition of financial assets		
(Loss) on derecognition of financial asset at amortised cost to investment in associate (refer to Note 22a(iii))	**(863)**	**–**
Gain on sale of investments		
Gain on sale of associates	–	73,003
Gain on sale of financial assets at FVTPL	–	10
Total gain on sale of investments	**–**	**73,013**
Changes in fair values of financial assets and liabilities:		
Financial assets through profit or loss	11,258	(91)
Financial liabilities through profit or loss	(1,510)	(414)
Total changes in fair values of financial assets and liabilities through profit or loss	**9,748**	**(505)**

b. Accounting policies

(i) Distributions and dividend income

Distribution and dividend income from investments is recognised when the Group's right to receive payment has been established and the amount can be reliably measured.

(ii) Interest income

Interest income is recognised on an accruals basis, taking into account the effective yield of the financial asset.

(iii) Gain or loss on sale on disposal of investments

Gain or loss is recognised in the consolidated statement of profit or loss in the period in which the transaction is concluded. The value is determined as the difference between the carrying amount of the assets and liabilities being derecognised or disposed and the fair value of the consideration received.

(iv) Changes in fair values of financial assets and liabilities

Refer to Note 10 and Note 14, respectively for the accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

B. GROUP RESULTS FOR THE FINANCIAL YEAR (continued)

3. Expenses

a. Analysis of balances

	2020 $'000	2019 $'000
Salaries and employee benefits:		
– Salaries and employee benefits	20,682	23,104
– Share-based payment expense	961	1,016
Total salaries and employee benefits	**21,643**	**24,120**
Impairment expenses:		
– Impairment of capital contributions:		
– Nereus Capital Investments (Singapore) Pte Ltd ("NCI")	709	542
– Impairment of investment in associates (refer to Note 22):		
– Alphashares, LLC	–	360
– Blackcrane Capital, LLC ("Blackcrane")	2,833	1,883
– Freehold Investment Management Limited ("FIM")	115	671
– IFP Group, LLC ("IFP")	908	–
– Victory Park Capital Advisors, LLC ("VPC")	14,307	–
– Victory Park Capital GP Holdco, L.P. ("VPC-Holdco")	3,631	–
	21,794	**2,914**
– Impairment of goodwill in subsidiaries (refer to Note 21):		
– Aether Investment Partners, LLC ("Aether")	8,206	1,590
– Seizert Capital Partners, LLC ("Seizert")	22,638	24,353
	30,844	**25,943**
– Impairment of financial assets:		
– Trade and other receivables (refer to Note 9)	63	–
– Financial assets at amortised cost (refer to Note 10)	54	–
	117	–
Total impairment expenses	**53,464**	**29,399**
Administration and general expenses		
– Accounting and audit fees (refer to Note 26)	1,979	2,866
– Broker and consulting fees[1]	–	1,310
– Commission and marketing expenses	2,633	1,819
– Computer and software maintenance expenses	1,036	856
– Deal costs	2,819	1,201
– Directors' fees	646	610
– Insurance expense	1,449	1,476
– Lease expenses[2]	298	1,089
– Legal, compliance and professional fees	1,790	1,806
– Net foreign exchange loss	1,190	1,070
– Provision for estimated liability to Hareon Solar Singapore Pte Ltd (refer to Note 13)	4,405	7,688
– Share registry and regulatory fees	179	182
– Taxes and license fees	990	952
– Travel and accommodation costs	872	1,338
– Other general expenses	540	1,088
Total administration and general expenses	**20,826**	**25,351**

Notes:

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

2 The current year lease expenses relate to short term and low value leases whereas the prior year contains the total operating lease expense prior to the adoption of AASB 16.

	2020 $'000	2019 $'000
Depreciation and amortisation expense:		
– Depreciation of plant and equipment	356	368
– Amortisation of management rights (refer to Note 21)	3,279	2,624
– Amortisation of right-of-use-asset (refer to Note 11a(i))	691	–
Total depreciation and amortisation expense	**4,326**	**2,992**
Interest expense:		
– Notes payable - Seizert	244	587
– Lease liabilities (refer to Note 11a(ii))	176	–
– Other	–	61
Total interest expenses	**420**	**648**
Total expenses	**100,679**	**82,510**

b. Accounting policies

(i) Expenses

Expenses are recognised at the fair value of the consideration paid or payable for services or goods received.

(ii) Impairment expenses

Refer to Note 9b, Note 10b, Note 21b and Note 22c for the accounting policies.

(iii) Foreign exchange (gain)/loss

Refer to Note 20(ii) for the accounting policies.

(iv) Amortisation expenses

Refer to Note 11b and Note 21b for the accounting policies for right of use assets and management rights respectively.

(v) Interest expense

Interest expense is recognised as it accrues using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

B. GROUP RESULTS FOR THE FINANCIAL YEAR (continued)

4. Income tax

a. Analysis of balances

	2020 $'000	2019 $'000
Income tax (benefit)/expense		
Components of income tax (benefit)/expense:		
– Current tax	375	14,220
– Deferred tax	(11,170)	708
– (Over)/under provision in prior years	(233)	151
Total income tax (benefit)/expense recognised in profit or loss	**(11,028)**	**15,079**
Reconciliation of income tax expense recognised in profit or loss to prima facie income tax		
(Loss)/profit before income tax	(27,317)	53,969
Prima facie income tax expense at 30% (2019: 30%)	(8,195)	16,190
Add/(deduct) the tax effect of:		
– Non-deductible foreign expenses	1,074	1,931
– Share-based payments	288	305
– Tax losses not carried forward	88	–
– Impact of difference in tax rates in other countries	(2,631)	(5,515)
– USA state income tax payments	(1,146)	1,907
– Franking credits received	(244)	(103)
– Non-assessable income	(236)	(237)
– Non-deductible foreign currency losses	–	491
– Other	207	(41)
– (Over)/under provision of income tax from prior years	(233)	151
Income tax (benefit)/expense attributable to profit	**(11,028)**	**15,079**
Net deferred income tax liabilities recognised in income tax (benefit)/expense		
– Investments	(5,550)	(96)
– Earn-out liability	(3,078)	–
– Retention payments	(1,533)	(1,495)
– Dividend receivable	(794)	824
– Deductible capital expenditures	(335)	376
– Accruals and provisions	190	1,072
– Impact of AASB 16 implementation	(37)	–
– Others	(33)	27
	(11,170)	**708**
Deferred income tax related to items charged or credited directly to equity		
– Movement of the Group's investment revaluation reserve	10,655	1,762
– Movement of the Group's share capital	(152)	–
– Movement of the Group's retained earnings	1	–
	10,504	**1,762**

	2020 $'000	2019 $'000
Tax losses not recognised		
– Unused tax losses for which no deferred tax asset has been recognised	801	507
– Potential tax benefit at 30% and 19% (2019: 19%)	**185**	**96**

The unused tax losses were incurred during the year by the parent entity in Australia in respect to revenue losses of $294,000 and $507,000 by a controlled entity in the UK in respect to the disposal of its investment.

	2020 $'000	2019 $'000
Current tax assets		
Income tax receivable[1]	**2,792**	**2,789**
Current tax liabilities		
Provision for income tax[2]	**612**	**3,329**

Notes:

[1] The income tax receivable is the estimated receivable in the USA (2019: USA).

[2] The provision for income tax consisted of the estimated income tax liability in the UK (2019: $2,372,000 in Australia and $957,000 in the UK).

Non-current liabilities – net deferred tax liabilities
Components of net deferred tax liabilities:

	2020 $'000	2019 $'000
– Liabilities:		
– Investments	10,811	6,211
– Dividend receivable	30	824
– Retention payments	–	1,533
	10,841	**8,568**
– Assets		
– Adjustment on financial liabilities at FVTPL	(2,993)	(107)
– Deductible capital expenditures	(1,055)	(707)
– Accruals and provisions	(108)	(410)
– Impact of AASB 16 implementation	(37)	–
– Others	(5)	27
	(4,198)	**(1,197)**
Net deferred tax liabilities	**6,643**	**7,371**

b. Accounting policies

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

B. GROUP RESULTS FOR THE FINANCIAL YEAR (continued)

4. Income tax (continued)

c. Key estimates, judgments, and assumptions

(i) Income tax

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

(ii) Tax basis for USA investments

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

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

(iii) Recovery of deferred tax assets

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

(iv) Tax losses not recognised

A deferred tax asset in relation to tax losses is regarded as recoverable and therefore recognised only when, on the basis of available evidence, it can be regarded as probable that there will be suitable taxable profits against which to recover the losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax assets in relation to tax losses in Australia and the UK have not been recognised on the basis that there remains uncertainty regarding the timing and quantum of the generation of taxable profits.

d. Tax consolidation and status in other jurisdictions

(i) Tax status of the Company in Australia

The Company and its wholly-owned Australian subsidiaries formed a tax consolidated group for income tax purposes. The Company is the head entity of the tax consolidated group. Members of the tax consolidated group have entered 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.

(ii) Tax status of the Company in the USA

The Group's investments in the USA are pass-through vehicles for tax purposes. The tax on earnings will be paid for by Company as the ultimate entity liable for the tax obligations in the USA.

e. Uncertainty over income tax treatments

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

Other than the above, the group's income taxes provision does not currently include any tax treatments for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under law.

5. Segment information

a. Reportable segments

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

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

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

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

- their annual earnings contribution for two consecutive reporting periods. For example, an investment with an earnings contribution of $4,000,000 in the first reporting period and $3,000,000 in the second reporting period will still be classified as a Tier 1 boutique since one of its two reporting periods has an earnings contribution of $4,000,000; or
- assessment of the Board that the category of a particular investment be amended because of a substantial loss of FUM and significant decline in the contribution to the Group.

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

	2020 Segment Category	2019 Segment Category
Aether Investment Partners, LLC and Aether General Partners	Tier 1	Tier 1
Blackcrane Capital, LLC	Tier 2	Tier 2
Capital & Asset Management Group, LLP	Tier 2	Tier 2
Carlisle Management Company S.C.A. ("Carlisle")	Tier 1	Tier 1
EAM Global Investors, LLC ("EAM Global")	Tier 2	Tier 2
GQG Partners, LLC ("GQG")	Tier 1	Tier 1
IFP Group, LLC ("IFP")	Tier 2	Tier 2
Nereus Holdings, L.P.	Tier 2	Tier 2
Northern Lights Alternative Advisors, LLP	Tier 2	Tier 2
Roc Group	Tier 2	Tier 2
Seizert Capital Partners, LLC	Tier 2[1]	Tier 1
Strategic Capital Investments, LLP	Tier 2	Tier 2
Victory Park Capital Advisors, LLC and	Tier 1	Tier 1
Victory Park Capital GP Holdco, L.P. ("VPC-Holdco")	Tier 1	Tier 1
Acquired during the year		
Pennybacker Capital Management, LLC	Tier 2	–
Proterra Investment Partners, LP	Tier 1	–
Disposed during the year/prior year		
AlphaShares, LLC	Tier 2	Tier 2
Aperio Group, LLC	–	Tier 1
Celeste Funds Management Limited	–	Tier 2
Freehold Investment Management Limited	Tier 2	Tier 2
RARE Infrastructure Ltd	–	Tier 2

Notes:

1 At 1 July 2019, the Board assessed that Seizert be categorised from Tier 1 to Tier 2 boutique on the basis that there were substantial losses of FUM and significant decline in the contribution to the Group. Therefore the current year financial information of Seizert was included as part of Tier 2.

b. Analysis of balances

(i) Segment revenues and results

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

	Segment revenue		Share of net profits of associates and joint venture		Segment (loss)/profit for the year	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Tier 1 boutiques	19,619	36,224	1,047	405	16,726	2,471
Tier 2 boutiques	16,175	4,972	704	713	(25,443)	(3,517)
	35,794	41,196	1,751	1,118	(8,717)	(1,046)
Central administration	17	305	–	–	(7,572)	39,936
Total per consolidated statement of profit or loss	**35,811**	**41,501**	**1,751**	**1,118**	**(16,289)**	**38,890**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

B. GROUP RESULTS FOR THE FINANCIAL YEAR (continued)

5. Segment information (continued)

The following details of segment revenue:

	Tier 1 boutiques $'000	Tier 2 boutiques $'000	Central administration $'000	Total $'000
2020				
Over time				
– Fund management fees	16,262	12,492	–	28,754
– Performance fees	–	2,645	–	2,645
– Commission revenue	3,193	789	17	3,999
– Retainer revenue	164	149	–	313
– Service fees	–	30	–	30
– Sundry revenue	–	–	–	–
	19,619	**16,105**	**17**	**35,741**
At a point in time				
– Sundry revenue	–	70	–	70
	19,619	**16,175**	**17**	**35,811**
2019				
Over time				
– Fund management fees	31,232	1,451	–	32,683
– Performance fees	–	2,617	–	2,617
– Commission revenue	4,385	692	239	5,316
– Retainer revenue	607	144	–	751
– Service fees	–	65	–	65
– Sundry revenue	–	3	–	3
	36,224	**4,972**	**239**	**41,435**
At a point in time				
– Sundry revenue	–	–	66	66
	36,224	**4,972**	**305**	**41,501**

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

	2020 $'000	2019 $'000
Revenue	17	305
Other income	683	1,587
Gain on sale of investments[1]	–	73,013
Changes in fair values of financial assets and liabilities	235	(505)
	935	**74,400**
Salaries and employee benefits	(7,155)	(10,191)
Impairment expenses	(60)	–
Administration and general expenses	(11,583)	(8,823)
Depreciation and amortisation expense	(666)	(310)
Interest expense	(71)	(61)
	(19,535)	**(19,385)**
Income tax (expense)/benefit	11,028	(15,079)
	(7,572)	**39,936**

Notes:

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

(ii) Segment assets and liabilities

	Segment assets		Segment liabilities		Segment net assets	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Tier 1 boutiques	344,469	322,672	27,111	28,808	317,358	293,864
Tier 2 boutiques	77,161	24,759	11,011	9,283	66,150	15,476
	420,106	347,431	38,122	38,091	383,508	309,340
Central administration[1]	18,167	83,750	(884)	9,563	19,051	74,187
Total per consolidated statement of financial position	**439,797**	**431,181**	**37,238**	**47,654**	**402,559**	**383,527**

Notes:

[1] The total assets and liabilities under central administration consisted of the following:

	Segment assets	
	2020 $'000	2019 $'000
Cash and cash equivalents	7,431	66,566
Trade and other receivables	54	30
Income tax receivable	2,792	2,789
Other financial assets	5,446	12,218
Plant and equipment	756	1,006
Right-of-use assets	637	–
Other assets	1,051	1,141
Total	**18,167**	**83,750**

	Segment liabilities	
	2020 $'000	2019 $'000
Trade and other payables	2,730	4,731
Provisions	557	700
Financial liabilities	–	500
Lease liabilities	979	–
Provision for income tax	612	3,329
Net deferred tax (assets)/liabilities	(5,762)	303
Total	**(884)**	**9,563**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

B. GROUP RESULTS FOR THE FINANCIAL YEAR (continued)

5. Segment information (continued)

(iii) Other segment information

	2020 $'000	2019 $'000
Impairment expense of segments		
– Tier 1 boutiques	26,143	25,943
– Tier 2 boutiques	27,261	3,456
– Central administration	60	–
Total	**53,464**	**29,399**
Depreciation and amortisation of segments		
– Tier 1 boutiques	3,442	2,679
– Tier 2 boutiques	217	3
– Central administration	667	310
Total	**4,326**	**2,992**

(iv) Geographical information

Revenues and results

	30 June 2020				30 June 2019			
	Tier 1 boutiques $'000	Tier 2 boutiques $'000	Central admin-istration $'000	Total $'000	Tier 1 boutiques $'000	Tier 2 boutiques $'000	Central admin-istration $'000	Total $'000
Revenues								
– Australia	–	106	–	106	–	3	(11)	(8)
– USA	19,619	12,978	17	32,614	36,224	836	316	37,376
– UK	–	3,091	–	3,091	–	4,133	–	4,133
– Luxembourg	–	–	–	–	–	–	–	–
– India	–	–	–	–	–	–	–	–
	19,619	**16,175**	**17**	**35,811**	**36,224**	**4,972**	**305**	**41,501**
Share in net profits/(losses)								
– Australia	–	1,268	–	1,268	–	373	–	373
– USA	1,047	(94)	–	953	405	677	–	1,082
– UK	–	(470)	–	(470)	–	(337)	–	(337)
– Luxembourg	–	–	–	–	–	–	–	–
– India	–	–	–	–	–	–	–	–
	1,047	**704**	**–**	**1,751**	**405**	**713**	**–**	**1,118**
Profit/(loss) after tax								
– Australia	(622)	1,014	(6,872)	(6,480)	(1,612)	1,367	(7,435)	(7,680)
– USA	(4,627)	(23,369)	(186)	(28,182)	(706)	1,651	48,351	49,296
– UK	–	2,026	(514)	1,512	–	3,005	(980)	2,025
– Luxembourg	21,975	–	–	21,975	4,789	–	–	4,789
– India	–	(5,114)	–	(5,114)	–	(9,540)	–	(9,540)
	16,726	**(25,443)**	**(7,572)**	**(16,289)**	**2,471**	**(3,517)**	**39,936**	**38,890**

Other than the US, no other country represents more than 10% of revenue for the Group (2019: USA and UK). Other than ARA Fund V (2019: GQG), no individual customer represents more than 10% revenue for the Group.

Non-current assets excluding financial assets

	30 June 2020				30 June 2019			
	Tier 1 boutiques $'000	Tier 2 boutiques $'000	Central admin-istration $'000	Total $'000	Tier 1 boutiques $'000	Tier 2 boutiques $'000	Central admin-istration $'000	Total $'000
Investment in associates and joint venture								
– Australia	–	7,827	–	7,827	–	1,544	–	1,544
– USA	83,196	38,394	–	121,590	100,705	5,031	–	105,736
– UK	–	4,189	–	4,189	–	2,863	–	2,863
– Luxembourg	–	–	–	–	–	–	–	–
– India	–	–	–	–	–	–	–	–
	83,196	**50,410**	**–**	**133,606**	**100,705**	**9,438**	**–**	**110,143**
Plant and equipment								
– Australia	–	–	98	98	–	–	190	190
– USA	105	70	658	833	200	–	816	1,016
– UK	–	1	–	1	–	2	–	2
– Luxembourg	–	–	–	–	–	–	–	–
– India	–	–	–	–	–	–	–	–
	105	**71**	**756**	**932**	**200**	**2**	**1,006**	**1,208**
Right-of-use assets								
– Australia	–	–	286	286	–	–	–	–
– USA	438	1,021	351	1,810	–	–	–	–
– UK	–	–	–	–	–	–	–	–
– Luxembourg	–	–	–	–	–	–	–	–
– India	–	–	–	–	–	–	–	–
	438	**1,022**	**637**	**2,096**	**–**	**–**	**–**	**–**
Intangible assets								
– Australia	–	–	–	–	–	–	–	–
– USA	60,197	2,535	–	62,732	94,094	–	–	94,094
– UK	–	–	–	–	–	–	–	–
– Luxembourg	–	–	–	–	–	–	–	–
– India	–	–	–	–	–	–	–	–
	60,197	**2,535**	**–**	**62,732**	**94,094**	**–**	**–**	**94,094**
Total non-current assets excluding financial assets								
– Australia	–	7,827	384	8,211	–	1,544	190	1,734
– USA	143,936	42,020	1,009	186,965	194,999	5,031	816	200,846
– UK	–	4,190	–	4,190	–	2,865	–	2,865
– Luxembourg	–	–	–	–	–	–	–	–
– India	–	–	–	–	–	–	–	–
	143,936	**54,037**	**1,393**	**199,366**	**194,999**	**9,440**	**1,006**	**205,445**

c. Accounting policies

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit after tax earned by each segment without allocation of central administration costs. This is the measure reported to the CODM for purposes of resource allocation and assessment of segment performance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

B. GROUP RESULTS FOR THE FINANCIAL YEAR (continued)

6. (Loss)/earnings per share

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

	2020	2019
Basic (loss)/earnings per share:		
Net (loss)/profit attributable to the members of the Company ($'000)	(17,509)	37,612
Weighted average number of ordinary shares for basic earnings per share	48,797,128	47,642,367
Basic (loss)/earnings per share (cents)	**(35.88)**	**78.95**
Diluted (loss)/earnings per share:		
Net (loss)/profit attributable to the members of the Company ($'000)	(17,509)	37,227
Weighted average number of ordinary shares for diluted earnings per share	48,797,128	47,642,367
Diluted (loss)/earnings per share (cents)	**(35.88)**	**78.14**
Reconciliation of (losses)/earnings used in calculating (loss)/earnings per share:		
Net (loss)/profit attributable to the members of the Company used in the calculation of basic earnings per share ($'000)	(17,509)	37,612
Add: Adjustment on the impact on the dilution effect of the performance rights[1]	–	(385)
Net (loss)/profit attributable to the members of the Company used in the calculation of diluted (loss)/earnings per share ($'000)	(17,509)	37,227
Reconciliation of weighted average number of ordinary shares in calculating earnings per share:		
Weighted average number of ordinary shares for basic and diluted earnings per share	**48,797,128**	**47,642,367**

Notes:

[1] The 30 June 2020 impact of the 3,450,000 outstanding performance rights was not included in the calculation of the diluted (loss)/earnings per share since the Group reported a loss. Therefore, the impact became anti-dilutive.

a. Accounting policies

Basic earnings per share is calculated as net profit attributable to members of the Company, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, including, if any:

- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses/income;
- 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 if any.

7. Notes to consolidated statement of cash flows

a. Analysis of balances

(i) Reconciliation of cash flow from operations with (loss)/profit after income tax

	2020 $'000	2019 $'000
(Loss)/profit from ordinary activities after income tax	(16,289)	38,890
Adjustments and non-cash items:		
– Impairment of assets	53,402	29,399
– Dividends received/receivable from associates and joint venture	5,206	5,716
– Projected Settlement of Hareon Liability	4,405	–
– Depreciation and amortisation expense	4,325	2,992
– Non-operating foreign exchange transactions	2,325	373
– Share-based payments	961	1,016
– Loss on conversion of financial asset at amortised cost to investment in associate	863	–
– Changes in fair values of financial assets and liabilities	(9,748)	505
– Share of net (profit)/loss from associates and joint venture	(1,751)	(1,118)
– Non-operating interest income	135	(240)
– Non-operating interest expense	(339)	(196)
– Gain on sale of investments	–	(73,013
– Other	(185)	(135)
Changes in operating assets and liabilities:		
– (Increase) in trade and other receivables	(2,072)	(3,674)
– Decrease in other assets	195	292
– (Decrease)/increase in trade and other payables	(1,664)	976
– Decrease in current tax liabilities	(2,568)	(12,328)
– Net (decrease)/increase in deferred taxes	(11,385)	156
– (Decrease)/increase in provisions	(196)	8,025
Cash flows provided by/(used in) operating activities	**25,620**	**(2,364)**

(ii) Non-cash investing and financing activities

	2020 $'000	2019 $'000
Investing activities:		
– Increase in investment in CFL	(4,552)	–
– Recognition of right-of-use assets	(2,730)	–
– Impact of AASB 16 sublease receivables	(62)	–
– Recognition of management rights	–	(12,214)
	(7,344)	**(12,214)**
Financing activities:		
– Recognition of lease liabilities	2,779	–
– Recognition of earn-out liabilities	4,552	12,214
	7,331	**12,214**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

C. OPERATING ASSETS AND LIABILITIES

This section provides information regarding the operating assets and liabilities of the Group as at end of the year, including further details on cash and cash equivalents, trade and other receivables, other financial assets, right-of-use assets and related lease liabilities, trade and other payables and provisions.

8. Cash and cash equivalents

a. Analysis of balances

	2020 $'000	2019 $'000
– Cash at bank	20,153	80,231
– Cash on hand	1	1
	20,154	**80,232**

b. Accounting policies

Cash and cash equivalents consist of 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 consist of cash and cash equivalents.

For short-term deposits with an original maturity of more than three months but less than one year, these are classified separately as short-term deposits.

9. Trade and other receivables

a. Analysis of the balances

	2020 $'000	2019 $'000
Current		
Trade receivables	4,386	5,742
Contract assets	479	899
Dividend receivable	9,942	6,165
Sundry receivables	73	3
	14,880	12,809
Loss allowance for expected credit losses	(43)	–
	14,837	**12,809**
Non-current		
Trade receivables	**283**	**–**

(i) Impairment

The Group applies the AASB 9 *'Financial Instruments'* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. The loss allowance for trade receivables and contract assets and dividend and sundry receivables as at 30 June 2020 was determined as follows:

	Current	Past due 31 - 60 days	Past due 61 - 90 days	Past due over 90 days	Total
2020					
Expected loss rate	0.050%	0.050%	2.564%	5.263%	
Gross carrying amount ($)	3,643,000	822,000	–	683,000	5,148,000
Loss allowance ($)	1,822	411	–	35,944	38,177
Dividend and sundry receivables ($)					5,053
Total loss allowance ($)					43,230
2019					
Expected loss rate	0.050%	0.050%	2.564%	5.263%	
Gross carrying amount ($'000)	5,203,000	948,000	7,000	483,000	6,641,000
Loss allowance ($)	2,602	474	144	25,423	28,643
Dividend and sundry receivables ($)					3,083
Total loss allowance ($)					31,726

For the year ended 30 June 2020, the expected credit losses were recognised. In the prior year, the expected credit losses for trade and other receivables was considered immaterial, no impairment provision was recognised.

Movement of the loss allowance for expected credit losses:

	2020 $'000	2019 $'000
Opening balance	–	–
Additions (Refer to Note 3)	63	–
Written-off	(20)	–
Ending balance	**43**	**–**

b. Accounting policies

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

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

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

c. Key estimates, judgments, and assumptions

Impairment of trade and other receivables

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

As a response to COVID-19, the Group undertook a review of its trade, dividends and other receivables and the expected credit losses for each. The expected loss rates are then based on the payment profiles over a period of 36 months before 30 June 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are then adjusted to reflect current and forward-looking information on various factors affecting the ability of the counterparties to settle the receivables including the review of their financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

C. OPERATING ASSETS AND LIABILITIES (continued)

10. Other financial assets

a. Analysis of the balances

	Type of Instrument	2020 $'000	2019 $'000
Current			
Financial assets at amortised cost:			
– Receivable from EAM Investors, LLC ("EAM Investors")[1]	Debt	731	731
– Sublease receivable (Refer to Note 28)	Debt	290	293
– Receivable from other party[2]	Debt	–	5,108
– Loans receivable from a third party	Debt	–	48
		1,021	**6,180**
Financial assets at FVTPL:			
– Receivable from Raven Capital Management, LLC ("Raven")[3]	Debt	1,227	1,338
		2,248	**7,518**
Non-current			
Financial assets at amortised cost:			
– Receivable from EAM Investors[1]	Debt	1,361	1,869
– Loans receivable from IFP (Refer to Note 22a(iii))	Debt	679	–
– Sublease receivable (Refer to Note 28)	Debt	153	314
		2,193	**2,183**
Loss allowance for expected credit losses		(6)	–
		2,187	**2,183**
Financial assets at FVTPL:			
– Investment in Carlisle[4]	Debt and Equity	60,670	48,766
– Investment in Proterra[5]	Equity	29,464	–
– Investment in IFP – preferential distribution (Refer to Note 22a(iii))	Equity	1,214	–
– Receivable from Raven[3]	Debt	1,690	2,517
		93,038	**51,283**
Financial assets at FVTOCI:			
– Investment in GQG[6]	Equity	95,214	56,526
– Investment in EAM Global[7]	Equity	7,547	8,543
– Investment in IFP (Refer to Note 22a(iii))	Equity	–	1,531
		102,761	**66,600**
		197,986	**120,066**

Notes:

1 The receivable from EAM Investors pertains to the financing of USD2,250,000 provided by the Group on 21 February 2018. The loan has a term of six-years with interest of 10% per annum to assist EAM Investors in financing the repurchase of its equity from an outside shareholder. Repayments are received on a quarterly basis and the loan is expected to be fully settled by EAM Investors in June 2024.

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

3 The receivable from Raven pertains to the earn out component of the consideration on the sale of the investment on 14 October 2016. The Group is paid 33.33% of the management fees earned by Raven on new FUM. Payments are calculated quarterly until the USD3,500,000 earn out cap is met. During the year, the amount of USD855,000 (2019: USD435,000) was received and the balance of the earn-out was fair valued using a discounted cash flows method at 6.68% (2019: 7.78%) with the related changes in fair value taken to profit or loss.

4 The investment in Carlisle pertains to the purchase of 12,500 Preferred Shares of Carlisle and 5,000,000 units of Contingent Convertible Bonds ("CoCo Bonds") issued by Carlisle. The Group is entitled to 16% of the revenues and 40% of the liquidation proceeds in the event of a sale.

Carlisle, founded in 2009, is a fully regulated alternative investment fund manager which manages alternative investment funds exclusively investing in US life settlements. Carlisle is organised under the laws of Luxembourg as a partnership limited by shares (SCA or Société en commandite par actions).

5 The investment in Proterra pertains to the Group's 16% equity interest in Proterra acquired on 21 September 2019. The Group is entitled to 8% of the gross management revenues and 16% of the liquidation proceeds in the event of a sale. The fair value of the investment at 30 June 2020 was net of the fair value of the earn-out obligation of $5,515,000.

Proterra is an alternative investment manager based in Minneapolis, Minnesota, the USA offering private equity investment strategies focused on global natural resources.

[6] This pertains to the Group's 5% equity interest in GQG.

GQG was formed in April 2016, organised as a Delaware Limited Liability Company and is registered with the USA Securities and Exchange Commission. GQG is an investment advisor and provides investment advisory and asset management services to a number of investment funds and managed accounts for USA and Non-USA investors. GQG manages global international and emerging markets public equity strategies.

[7] This pertains to the Group's 18.75% equity interest in EAM Global.

EAM Global was founded in March 2014, organised as a Delaware Limited Liability Company and is registered with the USA Securities and Exchange Commission. EAM manages emerging markets small cap, international small cap and international micro-cap public equities strategies. EAM Global generates the majority of its revenues by providing advisory services to domestic customers. Fees for such services are asset based and as a result, its revenues are variable and subject to market volatility.

(i) Impairment of other financial assets at amortised cost

Applying the expected credit loss model for other financial assets at amortised cost resulted to a loss of $6,000 at 30 June 2020 (2019: $12,000).

For the year ended 30 June 2020, the expected credit losses were recognised. In the prior year, the expected credit losses for other financial assets at amortised cost was considered immaterial, no impairment provision was recognised.

Movement of the loss allowance for expected credit losses:

	2020 $'000	2019 $'000
Opening balance	–	–
Additions (Refer to Note 3)	54	–
Written-off	(48)	–
Ending balance	**6**	**–**

(ii) Movement of financial assets at amortised cost

2020	Opening balance $'000	Impact of application of AASB[1] $'000	Additions and interest accrued $'000	Collections $'000	Transfers[2] $'000	Impair-ment/ (loss) $'000	Reclassi-fications $'000	Foreign currency movement $'000	Closing balance $'000
Current	6,180	(34)	279	(6,209)	–	(48)	832	21	1,021
Non-current	2,183	96	2,055	–	(495)	(869)[3]	(832)	49	2,187
	8,363	**62**	**2,334**	**(6,209)**	**(495)**	**(911)**	**–**	**70**	**3,208**
2019									
Current	–	6,045	380	(6,169)	–	–	5,890	34	6,180
Non-current	–	7,858	62	–	–	–	(5,890)	153	2,183
	–	13,903	442	(6,169)	–	–	–	187	8,363

Notes:

[1] Pertained to the impact of implementation of AASB 16 for the current year and AASB 9 in the prior year. In the prior year, adoption of AASB 9 resulted in the reclassifications of loans and receivables and other assets to financial assets at amortised cost.

[2] The transfers in financial assets at amortised cost pertained to the conversion of the loan into investment in an associate and transfer of interest to interest receivable. Refer to Note 22a(iii) for details.

[3] The balance consists of $863,000 loss on conversion of financial asset at amortised cost to investment in associate (refer to Note 22a(iii) for details) and impairment of $6,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

C. OPERATING ASSETS AND LIABILITIES (continued)

10. Other financial assets (continued)

(iii) Movement of financial assets at FVTPL

2020	Opening balance $'000	Impact of application of AASB 9[1] $'000	Additions $'000	Collections/ disposals $'000	Change in fair value $'000	Reclassi-fications $'000	Foreign currency movement $'000	Closing balance $'000
Current	1,338	–	–	(1,276)	–	1,135	30	1,227
Non-current	51,283	–	31,477	–	11,258	(1,135)	155	93,038
	52,621	**–**	**31,477**	**(1,276)**	**11,258**	**–**	**185**	**94,265**
2019								
Current	–	2,836	–	(619)	–	(1,033)	154	1,338
Non-current	21,500	1,494	47,038	(21,500)	(91)	1,033	1,809	51,283
	21,500	**4,330**	**47,038**	**(22,119)**	**(91)**	**–**	**1,963**	**52,621**

Notes:

[1] In the prior year, adoption of AASB 9 resulted in the reclassification of Raven receivables from loans and receivable to financial assets at FVTPL.

(iv) Movement of financial assets at FVTOCI

2020	Opening balance $'000	Impact of application of AASB 9[1] $'000	Additions $'000	Transferred to investment in associate $'000	Change in fair value $'000	Foreign currency movement $'000	Closing balance $'000
Non-current	66,600	–	895	(3,786)	38,746	306	102,761
2019							
Non-current	–	53,616	1,515	–	8,390	3,079	66,600

Notes:

[1] In the prior year, adoption of AASB 9 resulted in the reclassification of available-for-sale financial assets to financial assets at FVTOCI.

b. Accounting policies

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument.

(i) Classification

The Group classifies its financial assets in the following measurement categories:

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

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

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

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

(ii) Measurement

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

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

(ii.a) Debt instruments

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

(ii.a.1) At amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

(ii.a.2) FVTOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.

(ii.a.3) FVTPL

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(ii.b) Equity instruments

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

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

(iii) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset (debt instrument) in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and the accumulated equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

C. OPERATING ASSETS AND LIABILITIES (continued)

10. Other financial assets (continued)

c. Key estimates, judgments, and assumptions

(i) Valuation of financial assets at fair value

The Group exercises significant judgement in areas that are highly subjective. The valuation of financial assets and the assessment of carrying values require that a detailed assessment be undertaken which reflects assumptions on markets, manager performance and expected growth to project future cash flows that are discounted at a rate that imputes relative risk and cost of capital considerations. Refer to Note 18f for the fair value disclosures.

(ii) Impairment of financial assets at amortised cost

The loss allowances for financial assets at amortised cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions and forward-looking estimates at the end of each reporting period.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

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

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

- Receivable from EAM Investors – The Group provided financing for EAM Investors to acquire the equity from a part owner WHV Investment, Inc. The loan is governed by the Secured Promissory Note deed whereby various protective features are defined such as the maintenance of an escrow account to hold a reserve requirement, quarterly repayments, reporting obligations including on the escrow account, and security over the units acquired by EAM Investors. The Group is responsible for the sales and distribution of EAM Global and has visibility of the growth and operations of EAM Global. The discounted cash flows of EAM Global at 30 June 2020 showed an increase in revenues.
- Loans receivable from IFP – The Group provided interest bearing loans to IFP which matures no later than 31 December 2022. Management considered the credit risk to be low based on the projection provided by IFP.
- Sublease receivable – The Group subleased its Seattle office premises to a third party over seven years whereby monthly lease payments from the sublessee are received. Management considered the credit risk to be low based on the collection pattern, information available in the public domain and the sublessee's reputation.
- Loans receivable from a third party – The Group provided interest bearing advances to the former principal of AlphaShares, LLC. During the year, the Group determined that the debtor's ability to pay the outstanding balance is uncertain resulting in the recognition of a loss allowance for the full balance outstanding. At 30 June 2020, the outstanding loan balance was written-off.

Impact of COVID-19

While the specific areas of judgement noted above did not change, the Group applied further judgement to consider the impact of COVID-19 within those identified areas. Refer to Section A(f) for details.

11. Right-of-use assets and related lease liabilities

a. Analysis of balances

(i) Right-of-use assets

	2020 $'000	2019 $'000
Non-Current		
Office leases, net of accumulated amortisation	2,043	–
Equipment leases, net of accumulated amortisation	53	–
	2,096	**–**

Movement of right-of-use assets

2020	Office Leases $'000	Equipment Leases $'000	Total $'000
Cost			
Opening balance	–	–	–
Impact of AASB 16 (refer to Note 28)	2,656	76	2,732
Effect of foreign currency differences	42	2	44
Closing balance	**2,698**	**78**	**2,776**
Accumulated depreciation			
Opening balance	–	–	–
Amortisation	(666)	(25)	(691)
Effect of foreign currency differences	11	–	11
Closing balance	(655)	(25)	(680)
	2,043	**53**	**2,096**

(ii) Lease liabilities

	2020 $'000	2019 $'000
Current	888	–
Non-current	1,658	–
	2,546	**–**

Movement of lease liabilities

2020	Opening balance $'000	Impact of AASB 16 $'000	Imputed interest $'000	Repay-ments of principal $'000	Repay-ments of interest $'000	Reclassi-fication $'000	Foreign currency move-ment $'000	Closing balance $'000
Current	–	779	176	(806)	(176)	905	10	888
Non-current	–	2,502	–	–	–	(905)	61	1,658
	–	**3,281**	**176**	**(806)**	**(176)**	**–**	**71**	**2,546**

b. Accounting policies

(i) Right-of-use-assets and the related lease liabilities

The Group's leasing activities and how these are accounted for

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

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

From 1 July 2019, following the adoption of AASB 16, leases are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

C. OPERATING ASSETS AND LIABILITIES (continued)

11. Right-of-use assets and related lease liabilities (continued)

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

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

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

(ii) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. The Group's low-value assets pertained to leases with less than $25,000 of the total gross minimum payments over the life of the lease.

(iii) Variable lease payments

For leases where the future increases are variable based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

During the current financial year, the Group does not have variable lease payments.

(iv) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

(v) Residual value guarantees

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

(vi) Impact of AASB 16 to the Group's associates and a joint venture

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

c. Key estimates, judgments, and assumptions

(i) Determining the lease term

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

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

(ii) Determining the internal borrowing rate

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual entity of the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

12. Trade and other payables

a. Analysis of balances

	2020 $'000	2019 $'000
Current		
Trade payables	208	801
Accrued expenses	3,672	3,962
Other payables	1,905	2,743
	5,785	**7,506**

b. Accounting policies

Trade 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 Group prior to the end of the financial year that are unpaid and arise when the Group 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.

13. Provisions

a. Analysis of balances

	2020 $'000	2019 $'000
Current		
Provision for estimated liability to Hareon[1]	11,638	7,926
Provision for annual leave	390	481
	12,028	**8,407**
Non-current		
Provision for long service leave	112	219
Other	69	–
	181	**219**

Notes:

1 Pursuant to and in connection with the Aurora Share Subscription and Assignment Deed ("Aurora Subscription Deed"), dated 28 July 2015, between Aurora Investment Management Pty Ltd (as the Trustee of Aurora Trust), the Aurora Trust, Hareon Solar Singapore Private Limited ("Hareon"), Nereus Capital Investments (Singapore) Pte. Ltd ("NCI") and Nereus Holdings Inc ("Nereus"), Aurora agreed to make a contingent additional contribution ("Additional Contribution") to NCI of up to five over seven (5/7) of Hareon's Capital Contribution less any amounts funded under the Guarantee as discussed in Note 19. This Additional Contribution can be drawn by NCI only to fund the exercise of the Put Option, which is held by Hareon, when and if it is exercised. In the Shareholders' Deed ("Shareholder's Deed"), dated 28 July 2015, Hareon may put its Class H Shares back to NCI at the "Put Option Price" any time within 60 days following the sixth anniversary of the commissioning of the first solar project sponsored by NCI, which occurred in June 2016. Thus, the Option can be exercised beginning July 2022. The Put Option Price is equivalent to a return of Hareon's invested capital plus a specified return on their invested capital. The Class H shares have priority to other shareholders.

Management's assessment of the Additional Contribution that may be required in the event that Hereon were to put its Class H Shares back to NCI is estimated to be $11,638,000 (2019: $7,926,000). As at 30 June 2020, the Group increased its potential obligation by $3,712,000 (USD 2,452,000), net of repayments of $746,000 (USD500,000). Management have estimated the value of this Additional Contribution based on the difference between the fair value of the solar plants operated by NCI and the redemption value of the Class H shares.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

C. OPERATING ASSETS AND LIABILITIES (continued)

13. Provisions (continued)

Movement of provision for estimated liability to Hareon for the year

	2020 $'000	2019 $'000
Opening balance	7,926	–
Provisions for the year (See Note 3)	4,405	7,688
Repayments	(746)	–
Foreign currency movement	53	238
Ending balance	**11,638**	**7,926**

b. Accounting policies

(i) Provisions

Provisions are recognised when the Group has a present obligation (contractual, legal or constructive) as a result of a past event, it is probable that the Group 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, considering 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.

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.

(ii) Provision for annual leave and long service leave

A liability is recognised for benefits accruing to employees in respect of annual leave and long service leave in the period the related service is rendered, 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 rate 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 Group in respect of services provided by employees up to reporting date.

c. Key estimates, judgments, and assumptions

Provision for estimated liability to Hareon

Management determined the provision for estimated liability to Hareon based on a two-step process by calculating the fair value of the Solar Projects and the Group's potential cash liability obligation. Step one was to determine the fair value of the Solar Projects by using the weighted probability of the valuation provided by an independent expert and the indicative offer from a third party. Step two was to determine the value of the Group's potential cash liability obligation based on the ranges of settlement amounts reduced by the fair value of the Solar Projects determined in step one.

D. CAPITAL, FINANCING AND FINANCIAL RISK MANAGEMENT

This section provides information regarding the capital, financing and financial risk management of the Group during the year, including further details on financial liabilities, share capital, reserves, dividends paid and proposed, financial risk management and capital commitments, short-term operating lease commitments and contingencies.

14. Financial liabilities

a. Analysis of balances

	2020 $'000	2019 $'000
Current		
Financial liabilities at amortised cost:		
– Notes payable – Seizert[1]	–	7,499
– Sublease liability[2]	–	246
	–	**7,745**
Financial liabilities at FVTPL		
– Earn-out liability[3]	–	9,224
	–	**16,969**
Non-current		
Financial liabilities at amortised cost:		
– Sublease liability[2]	–	255
Financial liabilities at FVTPL:		
– Earn out liability – Aether[3]	4,244	3,433
– Earn-out liability – Pennybacker[4]	4,737	–
– Deferred payment – former owners of EAM Global[5]	193	165
	9,174	**3,598**
Embedded derivatives:		
– CAMG put options[6]	269	–
	9,443	**3,853**

Notes:

1 The notes payable – Seizert pertains to the notes issued by the Trust in November 2014 to the former owners of Seizert as part of the consideration for the acquisition by Midco for the equity interest in Seizert. The Group made full payment to the holders of the notes payable in the amount of $8,053,000 (USD5,434,000) including accrued interest on 13 December 2019.

2 The Group implemented AASB 16 from 1 July 2019 resulting in the derecognition of the sublease liability. Refer to Note 28 for the impact of adoption of AASB 16.

3 The earn-out liability represents the amount owed by the Group to the former owners of Aether, for marketing and offering interests in the Aether Real Assets V, L.P. ("ARA Fund V"). ARA Fund V was formally closed on 20 July 2019 and two-thirds of the earn-out liability was recognised as a current liability as at 30 June 2019 and was paid on 15 October 2019. The remainder of the earn-out liability is due at the earlier of the final close of ARA Fund VII or three years after the close of ARA Fund VI and was classified as a non-current liability.

4 The earn-out liability represents the potential obligation to Pennybacker with a maximum additional consideration for $10,876,000 (USD7,500,000), which would be paid between the closing of the transaction and 31 December 2024 if certain revenue thresholds for Pennybacker's emerging growth and income platforms are met. At the date of acquisition, the Group recorded its share of the fair value of the potential earn-out obligation in the amount of $4,552,000 (USD3,139,000). As at 30 June 2020, the fair value of the earn-our obligation was $4,737,000. This increase in fair value was due to increase in cash flows.

5 The deferred payment pertains to the acquisition of the additional 375 preferred units in EAM Global from its former owners representing additional 3.75% equity ownership in EAM Global. The deferred payment is equivalent to 2% and 1% of EAM's gross revenues for the years ending 31 March 2021 and 31 March 2022, respectively.

6 By means of a Limited Liability Partnership Deed ("Deed") (amended as at 12 August 2019) with CAMG, the Group has committed to make capital contributions of up to GBP4,000,000 over three years, for interests in CAMG up to a maximum of 40% in total. In exchange for drawing the remaining committed amount (each occurrence a "Subsequent Drawdown"), CAMG will issue and allot to the Group additional ordinary interests with the quantity dependent on conditions at each Subsequent Drawdown.

The Deed creates a series of put options whereby CAMG has a right (but not obligation) to sell ordinary interests in CAMG to the Group at the Subsequent Drawdown amounts within a period of three years. Thus, the Group has a liability in the form of the sold put options to CAMG.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

D. CAPITAL, FINANCING AND FINANCIAL RISK MANAGEMENT (continued)

14. Financial liabilities (continued)

(i) Movement of financial liabilities at amortised cost

	Opening balance $'000	Impact on application of AASB 16 $'000	Imputed and interest accrued $'000	Repayments[1] $'000	Reclassi-fications $'000	Adjustment $'000	Foreign currency movement $'000	Closing balance $'000
2020								
Current	7,745	(246)	244	(8,053)	–	–	310	–
Non-current	255	(255)	–	–	–	–	–	–
	8,000	**(501)**	**244**	**(8,053)**	**–**	**–**	**310**	**–**
2019								
Current	13,139	–	693	(18,618)	12,670	43	(182)	7,745
Non-current	12,260	–	–	–	(12,670)	–	665	255
	25,399	**–**	**693**	**(18,618)**	**–**	**43**	**483**	**8,000**

Notes:

[1] Repayments consisted of principal component of $7,469,000 and interest component of $584,000 (2019: $17,763,000 principal component and $855,000 interest component).

(ii) Movement of financial liabilities at FVTPL

	Opening balance $'000	Additions $'000	Revaluation $'000	Repayments $'000	Foreign currency movement $'000	Closing balance $'000
2020						
Current	9,224	–	251	(9,920)	445	–
Non-current	3,598	4,552	977	–	47	9,174
	12,822	**4,552**	**1,228**	**(9,920)**	**492**	**9,174**
2019						
Current	–	8,901	311	–	12	9,224
Non-current	169	3,313	103	–	13	3,598
	169	**12,214**	**414**	**–**	**25**	**12,822**

(iii) Movement of embedded derivatives

	Opening balance $'000	Additions $'000	Revaluation $'000	Foreign currency movement $'000	Closing balance $'000
2020					
Non-current	–	–	282	(13)	269

b. Accounting policies

The Group's financial liabilities are classified in accordance with the substance of the contractual arrangement.

(i) Financial liabilities at amortised cost

These financial liabilities are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(ii) Financial liabilities at FVTPL

The Group designates its financial liabilities as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and the standard permits the entire combined contract to be designated as at fair value through profit or loss.

(iii) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit or loss under net gains/(losses) on financial liabilities.

c. Key estimates, judgements, and assumptions

(i) Valuation of financial liabilities at fair value

The Group exercises significant judgement in areas that are highly subjective (refer to Note 18f). The valuation of liabilities and the assessment of carrying values require that a detailed assessment be undertaken which reflects assumptions on markets, manager performance and expected growth to project future cash outflows that are discounted at a rate that imputes relative risk and cost of capital considerations.

15. Share capital

a. Analysis of balances

	2020 $'000	2019 $'000
Issued and fully paid ordinary shares	**178,424**	166,279

Movements in ordinary shares on issue

	2020		2019	
	No. of shares	$'000	No. of shares	$'000
Opening balance	47,642,367	166,279	47,642,367	166,279
Shares issued:				
– 9 December 2019, net of share issue costs and income tax	2,066,116	12,145	–	–
Closing balance	**49,708,483**	**178,424**	**47,642,367**	**166,279**

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

D. CAPITAL, FINANCING AND FINANCIAL RISK MANAGEMENT (continued)

15. Share capital (continued)

b. Accounting policies

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.

c. Capital management

The Company's capital management policies focus on ordinary share capital. When managing capital, the Board's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits to other stakeholders.

During the year ended 30 June 2020, the Company paid dividends of $12,117,000 (2019: $15,246,000). The Board anticipates that the medium payout ratio is 50% to 80% of the underlying net profit after tax of the Group. The Board continues to monitor the appropriate dividend payout ratio over the medium term.

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

16. Reserves

a. Analysis of balances

	2020 $'000	2019 $'000
Investment revaluation reserve	63,605	36,316
Foreign currency translation reserve	56,278	47,844
Equity-settled employee benefits reserve	6,737	6,774
	126,620	**90,934**

(i) Investment revaluation reserve

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

Movements in reserve:

	2020 $'000	2019 $'000
Opening balance	36,616	27,320
Movement in the other comprehensive income:		
– Net fair value gain on financial assets at FVTOCI, net of income tax	28,091	6,627
– Foreign currency movement	15	2,369
	28,106	8,996
Transfers between reserve:		
– Reversal of the net fair value gain, net of income tax, on financial assets at FVTOCI derecognised during the period (refer to Note 22a(iii))	(817)	–
Closing balance	**63,605**	**36,316**

(ii) Foreign currency translation reserve

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

Movements in reserve:

	2020 $'000	2019 $'000
Opening balance	47,844	33,035
Movement in the other comprehensive income:		
– Exchange differences on translating foreign operations of the Group	8,482	14,758
Share of non-controlling interests	(48)	51
Closing balance	**56,278**	**47,844**

(iii) 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 25 for further details of these plans.

Movements in reserve:

Opening balance	6,774	5,758
Share-based payments (refer to Note 25(iv))	961	1,016
Value of shares bought on market to performance rights vested (refer to Note 25(v))	(998)	–
Closing balance	**6,737**	**6,774**

17. Dividends paid and proposed

a. Analysis of balances

	2020 $'000	2019 $'000
Previous year final:		
Fully franked dividend (15 cents per share) (2019: 22 cents per share)	7,146	10,482
Current year interim:		
Fully franked dividend (10 cents per share) (2019: 10 cents per share)	4,971	4,764
	12,117	**15,246**
Declared after the reporting period and not recognised[1]:		
Fully franked dividend (25 cents per share) (2019: 15 cents per share)	**12,427**	**7,146**

b. Franking credit balance

The balance at the end of the financial year at 30% (2019: 30%)[2]	28,988	31,587
Franking credits that will arise from the receipt of dividends/distributions recognised as receivables by the parent entity at the reporting date	228	144
The 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 the members of the Company	(5,326)	(3,063)
	23,890	**28,668**
Franking credits that will arise on payment of current tax liability	–	2,372
The amounts of franking credits available for future reporting periods	**23,890**	**31,040**

The tax rate at which paid dividends have been franked and dividends proposed will be franked is 30% (2019: 30%).

Notes:

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

[2] The decrease in franking credits arose from the payment of dividends to the members of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

D. CAPITAL, FINANCING AND FINANCIAL RISK MANAGEMENT (continued)

18. Financial risk management

The Group is exposed to a variety of financial risks comprising interest rate risk, credit risk, liquidity risk, foreign currency risk and price risk.

The Board have overall responsibility for identifying and managing operational and financial risks.

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 are disclosed in the relevant notes.

The Group holds the following financial instruments:

	At amortised cost		At FVTPL		At FVTOCI		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Financial assets								
Cash and cash equivalents	20,154	80,232	–	–	–	–	20,154	80,232
Trade and other receivables								
– current	14,837	12,809	–	–	–	–	14,837	12,809
– non-current	283	–	–	–	–	–	283	–
Other financial assets								
– current	1,021	6,180	1,227	1,338	–	–	2,248	7,518
– non-current	2,187	2,183	93,038	51,283	102,761	66,600	197,986	120,066
Other assets								
– current[1]	–	139	–	–	–	–	–	139
– non-current	303	254	–	–	–	–	303	254
	38,785	**101,797**	**94,265**	**52,621**	**102,761**	**66,600**	**235,811**	**221,018**
Financial liabilities								
Trade and other payables	5,785	7,506	–	–	–	–	5,785	7,506
Other financial liabilities								
– current	–	7,745	–	9,224	–	–	–	16,969
– non-current	–	255	9,174	3,598	–	–	9,174	3,853
Lease liabilities								
– current	888	–	–	–	–	–	888	–
– non-current	1,657	–	–	–	–	–	1,657	–
	8,330	**15,506**	**9,174**	**12,822**	**–**	**–**	**17,504**	**28,328**

Notes:

[1] The amount excludes prepayments.

a. Interest rate risk

At the reporting date, the Group had the following direct exposure to global variable interest rate risk:

	2020 $'000	2019 $'000
Interest bearing financial assets:		
– Cash and cash equivalents	20,154	80,232
– Receivable from other party	–	5,108
	20,154	**85,340**
Interest bearing financial liabilities:		
– Notes payable – Seizert	–	7,499
	–	**7,499**

Sensitivity analysis

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

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

	2020 $'000	2019 $'000
Net impact on profit after tax		
+0.75% [2019: 0.75%]/ 75 basis points, [2019: 75 basis points]	127	399
-0.75% [2019: 0.75%]/ (75 basis points), [2019: 75 basis points]	(85)	(399)

b. Credit risk

Credit risk arises from the financial assets of the Group, which comprise, trade and other receivables, and other debt instruments. The Group'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 reporting date is addressed in each applicable note. The Group does not hold any credit derivatives to offset its credit exposure.

The Group transacts only with related parties and recognised creditworthy third parties. As such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables and other debt instruments.

Receivable balances and loans made to related entities are monitored on an ongoing basis and remain within approved levels, with the result that the Group's exposure to bad debts is not significant. Refer to Note 9a(i) and Note 10a(i).

The Company provides financing to the members of the Group in certain circumstances where these entities are deemed credit worthy. The maximum exposure to credit risk is the carrying value of the loans.

Impact of COVID-19

As a response to COVID-19, the Group undertook a review of its trade, dividends and other receivables and the expected credit losses for each. The expected loss rates are then based on the payment profiles over a period of 36 months before 30 June 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are then adjusted to reflect current and forward-looking information on various factors affecting the ability of the counterparties to settle the receivables including the review of their financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

D. CAPITAL, FINANCING AND FINANCIAL RISK MANAGEMENT (continued)

18. Financial risk management (continued)

c. Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and cash in bank balance by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

The following table details the Group's expected maturity for its financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on financial assets is necessary to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

2020	Weighted average effective interest rate	1 to 3 months $'000	3 months to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000
Trade receivables and contract assets	0%	3,643	1,174	189	142	5,148
Dividend receivable	0%	9,942	–	–	–	9,942
Sundry receivables	0%	59	14	–	–	73
Receivable from EAM Investors	10.00%	187	541	674	1,048	2,450
Loans receivable from IFP	13.00%	–	64	86	743	893
Sublease receivable	6.40%	101	207	156	–	464
Investment in IFP at FVTPL	10.00%	–	40	630	319	989
Receivable from Raven	6.68%	294	882	1,176	857	3,209
Security deposits	1.15%	4	43	233	24	304
		14,230	**2,965**	**3,144**	**3,133**	**23,472**
2019						
Trade receivables and contract assets	0%	5,985	656	–	–	6,641
Dividend receivable	0%	6,165	–	–	–	6,165
Sundry receivables	0%	3	–	–	–	3
Receivable from other party	0.88%	–	5,118	–	–	5,118
Receivable from EAM Investors	10.00%	197	571	714	1,689	3,171
Sublease receivable	7.25%	61	186	361	–	608
Loans receivable from third parties	7.00%	3	9	11	35	58
Receivable from Raven	7.78%	354	1,048	1,398	1,565	4,365
Security deposits	2.32%	112	–	–	258	370
		12,880	**7,588**	**2,484**	**3,547**	**26,499**

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both principal and interest cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

2020	Weighted average effective interest rate	1 to 3 months $'000	3 months to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000
Trade and other payables	0%	5,785	–	–	–	5,785
Earn-out liability (Aether)	7.00%	–	–	–	5,026	5,026
Earn-out liability (Pennybacker)	14.00%	–	–	–	7,968	7,968
Deferred payment (EAM Global)	19.00%	–	–	180	99	279
Lease liabilities	5.98%	244	749	629	1,233	2,855
		6,029	**749**	**809**	**14,326**	**21,913**

2019						
Trade and other payables	0%	7,506	–	–	–	7,506
Notes payable - Seizert	7.37%	–	7,722	–	–	7,722
Earn-out liability (Aether)	8.00%	–	9,464	–	4,731	14,195
Deferred payment (EAM Global)	18.32%	–	–	–	281	281
Sublease liability	7.25%	60	186	342	–	588
		7,566	**17,372**	**342**	**5,012**	**30,292**

d. Foreign currency risk

The Group adopted an accounting treatment to hedge its dollar net assets for its Investment in Northern Lights Midco, LLC ("Midco") for foreign exchange exposure arising between the Australian dollar and US dollar. At 30 June 2020, the Group had no hedge exposure since it fully paid its external borrowings denominated in USD.

(i) Consolidated statement of profit or loss

Profits and losses are translated at an average exchange rate. A falling Australian dollar relative to the USA dollar, UK pound ("GBP") and Euro ("EUR") results in a higher net profit in the Group. The day to day expenses of the operations in Australia, the USA and the UK are predominately funded with cash flows from those local operations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

D. CAPITAL, FINANCING AND FINANCIAL RISK MANAGEMENT (continued)

18. Financial risk management (continued)

(ii) Consolidated statement of financial position

The Group is an international multi boutique business with operations primarily within Australia, the USA and the UK. In addition, the Group has an investment in Luxembourg where the transactions are denominated in Euro. The impact of foreign currency translation of the foreign operations is taken up in the equity reserves of the Group. The impact of the Euro denominated transactions being the distributions and the related receivables from Carlisle is taken up through profit or loss.

At year end, the carrying amounts of the Group's financial assets and liabilities that are different from the functional currency of the Company and transactions that are denominated in foreign currency are as follows:

	2020			2019		
	USD $'000	GBP $'000	EUR $'000	USD $'000	GBP $'000	EUR $'000
Financial assets						
Cash and cash equivalents	14,528	4,254	–	65,641	3,644	–
Trade and other receivables	11,817	249	2,397	8,778	281	2,780
Other financial assets	200,517	–	–	122,476	–	–
Other assets	103	24		1,494	42	–
	226,965	**4,527**	**2,397**	**198,389**	**3,967**	**2,780**
Financial liabilities						
Trade and other payables	2,757	1,937	–	4,247	1,253	–
Other financial liabilities	9,174	–	–	13,324	–	–
Lease liabilities	2,286	–	–	–	–	–
	14,217	**1,937**	**–**	**17,571**	**1,253**	**–**

(iii) Sensitivity analysis

As at year end, the Group has an exposure in USD, GBP, and EUR foreign currencies. However, this is mitigated because the income of the Group in USD, GBP and EUR are from the Group's foreign operations. The impact of the foreign currency is recognised as part of the foreign currency translation reserve, offsetting the exchange differences.

(iv) Accounting policies

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

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

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

e. Price risk

The Group is exposed to securities price risk. This arises from the Group's investments in financial instruments held at fair value.

Sensitivity analysis

As at year end, if the key inputs discussed in Note 18f(i) have moved, post tax profit and reserves would have been affected as follows:

	2020		2019	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Financial assets at FVTPL				
– 1% variable inputs - impact on profit after tax	1,660	(1,534)	4,182	(3,645)
Financial assets at FVTOCI				
– 1% variable inputs - impact on equity	2,878	(2,305)	2,755	(2,301)
Financial liabilities at FVTPL				
– 1% variable inputs - impact on profit after tax	196	(204)	(134)	129
Embedded derivatives				
- 1% variable inputs - impact on profit after tax	(29)	29	–	–

f. Fair value estimation

(i) Fair value hierarchy

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

D. CAPITAL, FINANCING AND FINANCIAL RISK MANAGEMENT (continued)

18. Financial risk management (continued)

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

Financial instruments	2020 $'000	2019 $'000	Valuation techniques and unobservable inputs	Range of inputs	Relationship of unobservable input to fair value
Financial assets at FVTPL					
Investment in Carlisle	**60,670**	48,766	Discounted Cash Flow – Revenue growth derived from FUM growth – Discount rate – Terminal growth rate	 6.4% to 27.9% (2019: nil) 20% (2019: 14.08%) 3% (2019: 3%)	1% (2019: 1%) lower or higher terminal growth rate (2019: discount rate) while all the other variables were held constant, the fair value would decrease by $1,742,000 and increase by $1,887,000 (2019: decrease by $4,556,000 and increase by $5,235,000).
Investment in Proterra (acquired on 21 September 2019)	**29,464**	–	Discounted Cash Flow – Revenue growth derived from FUM growth – Discount rate – Terminal growth rate	 3% to 37% (2019: nil) 8.5% - 14.5% (2019: nil) 2.5% (2019: nil)	1% (2019: nil) lower or higher terminal growth rate while all the other variables were held constant, the fair value would decrease by $236,000 and increase by $249,000 (2019: nil).
Investment in IFP - preferential distribution (acquired on 13 March 2020)	**1,214**	–	Discounted Cash Flow – Discount rate	 10% (2019: nil)	1% (2019: nil) lower or higher discount rate while all the other variables were held constant, the fair value would decrease by $5,000 and increase by $5,000 (2019: nil).
Receivable from Raven	**2,917**	3,855	Discounted Cash Flow – Projected revenue from the new FUM of the business – Discount rate	 33.33% (2019: 33.33%) 6.84% (2019: 7.78%)	1% (2019: 1%) lower or higher discount rate while all the other variables were held constant, the fair value would increase by $40,000 and decrease by $39,000 (2019: increase by $59,000 and decrease by $57,000).
Financial assets at FVTOCI					
Investment in GQG	**95,214**	56,526	Discounted Cash Flow – Revenue growth derived from FUM growth – Compression fee – Discount rate – Terminal growth rate – Probability factor on: – discounted cash flow – control transaction value – call option value	 7.6% to 45% (2019: 10% to 22.3%) 0% (2019: 5%) 15% (2019: 15%) 3% (2019: 3%) 65% (2019: nil) 10% (2019: nil) 25% (2019: nil)	1% (2019: 1%) lower or higher terminal growth rate while all the other variables were held constant, the fair value would decrease by $2,772,000 and increase by $3,353,000 (2019: decrease by $2,563,000 and increase by $3,132,000).

Financial instruments	2020 $'000	2019 $'000	Valuation techniques and unobservable inputs	Range of inputs	Relationship of unobservable input to fair value
Investment in EAM Global	**7,547**	8,543	Discounted Cash Flow – Revenue growth derived from FUM growth – Discount rate – Terminal growth rate	(2%) to 10.1% (2019: 5% to 10.5%) 19% (2019: 18.5%) 3% (2019: 3%)	1% (2019: 1%) lower or higher terminal growth rate while all the other variables were held constant, the fair value would decrease by $145,000 and increase by $290,000 (2019: decrease by $285,000 and increase by $285,000).
Investment in IFP (classified as an associate on 31 December 2019)	**–**	1,531	Discounted Cash Flow – Discount rate	2019: 7.7%	2019: 1% lower or higher discount rate, while all the other variables were held constant, the fair value would increase by $70,000 and decrease by $65,000.
Financial liabilities at FVTPL					
Earn out liability - Aether	**4,244**	12,657	Discounted Cash Flow – Discount rate	7.% (2019: 8%)	1% (2019: 1%) lower or higher discount rate while all the other variables were held constant, the fair value would increase by $101,000 and decrease by $98,000 (2019: increase by $164,000 and decrease by $158,000).
Earn out liability – Pennybacker (acquired on 14 December 2019)	**4,737**	–	Discounted Cash Flow – Revenue growth derived from FUM growth – Earn-out factor to earn-out multiplier – Discount rate	$7,703,000 (2019: nil) 60% (2019: nil) 15% (2019: nil)	1% (2019: nil) lower or higher discount rate while all the other variables were held constant, the fair value would increase by $154,000 and decrease by $147,000 (2019: nil).
Deferred payment – former owners of EAM Global	**193**	165	Discounted Cash Flow – Projected gross revenues for the years ending 31 March 2022 and 2023 – Discount rate	2% and 1% (2019: 2% and 1%) 19% (2019: 18.5%)	1% (2019: 1%) lower or higher discount rate while all the other variables were held constant, the fair value would increase by $3,000 and decrease by $3,000 (2019: increase by $5,000 and decrease by $5,000)
Embedded derivatives					
CAMG put option	**269**	–	– Commitment amount – Probability factor that the put option will be exercised	$3,590,000 (2019: $4,520,000) 7.5% (2019: 0%)	1% (2019: nil) lower or higher probability factor while all the other variables were held constant, the fair value would decrease by $36,000 and increase by $36,000 (2019: nil)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

D. CAPITAL, FINANCING AND FINANCIAL RISK MANAGEMENT (continued)

18. Financial risk management (continued)

(ii) Transfers between levels and changes in valuation techniques

There were no transfers between the levels of fair value hierarchy during the financial year. There were also no changes made to any of the valuation techniques applied as at 30 June 2020.

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

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

	2020		2019	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets at amortised cost				
– Receivable from EAM Investors	2,092	2,206	2,600	2,587
– Loans receivable from IFP	679	691	–	–
Financial liabilities at amortised cost				
– Notes payable – Seizert	–	–	7,499	7,396

19. Capital commitments, operating lease commitments and contingencies

	2020 $'000	2019 $'000
(a) Capital commitments		
The Group has outstanding capital commitments as follows:		
– IFP subsequent capital calls (USDnil) (2019: USD1,500,000)	–	2,136
– CAMG further drawdowns until April 2021 (GBP1,500,000) (2019: GBP2,500,000)	2,693	4,520
– Additional Contribution to NCI (USD12,095,000) (2019: USD12,595,000)[1]	17,555	17,933
Total capital commitments	**20,248**	**24,589**

Notes:

1 Under the Aurora Subscription Deed and Shareholder's Deed referred in Note 13, Aurora agreed to make an Additional Contribution to NCI in the amount of USD13,500,000; reduced by the amount of Guarantee paid of USD1,405,000 (2019:USD905,000). The presentation of this disclosure was repositioned and the comparative was included to be consistent with the current year disclosure.

Earn-out payments for the future funds of Aether

This represents the potential commitment by the Group to the two founders of Aether, for marketing and offering interests for the set-up and successful launching of future Aether funds (ARA Fund VI and interim funds related to ARA Fund V and ARA Fund VI).

(b) Contingent liabilities

The Group has outstanding contingent liabilities as follows:

	2020 $'000	2019 $'000
– Guarantee to NCI (USD5,000,000)[1]	7,257	7,119
Total contingent liabilities	**7,257**	**7,119**

Notes:

[1] The Group agreed to provide a guarantee ("Guarantee") to NCI of up to US5,000,000 a year for each of the six years following the date of commission of the first solar project sponsored by NCI. This Guarantee is to cover any shortfall payments, which are basically the amounts that are drawn upon by NCI if and when certain prescribed thresholds in respect to annual revenues of NCI are not met.

The Shareholder's Deed requires that an escrow account ("Escrow Account") be funded to be used to satisfy the Guarantee. These shortfall payments are drawn from the Escrow Account. The Group shall contribute additional amounts to the Escrow Account equal to any amounts drawn down by Nereus so that the balance of the of the Escrow Account will be kept at USD5,000,000. To date, the Group does not maintain the Escrow Account. Nevertheless, the Group had been honouring any shortfall payments by funding USD1,405,000 (2019: USD905,000).

(c) Operating lease commitments

Commitments for short-term minimum lease payments (2019: minimum lease payments in relation to non-cancellable operating leases):

– not later than one year	–	779
– later than one year and not later than five years	–	2,092
– later than five years	–	336
Total lease commitments	**–**	**3,207**

From 1 July 2019, the Group adopted AASB 16 and recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB117 '*Leases*'. Refer to Note 28 for the impact of the adoption of AASB 16.

The prior year operating lease commitments predominantly represents the commercial property leases of the Group 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.

(d) Contingent assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

E. GROUP STRUCTURE

This section provides information regarding the group structure of the Group, including further details on interests in subsidiaries, intangible assets, investment in associates and joint venture, parent entity disclosure and related party transactions.

20. Interests in subsidiaries

The following are the Company's subsidiaries:

		Ownership interest held by the Company	
Name of subsidiaries	**Country of incorporation**	**2020 %**	**2019 %**
Aurora Investment Management Pty Ltd	Australia	100	100
The Aurora Trust	Australia	100	100
Treasury Evergreen Pty Ltd[1, 2]	Australia	–	100
Treasury Group Investment Services Pty Ltd	Australia	100	100
Treasury ROC Pty Ltd[1]	Australia	100	100
Northern Lights MidCo, LLC ("Midco")	USA	100	100
Carlisle Acquisition Vehicle, LLC ("CAV")[3]	USA	100	100
Northern Lights Capital Group, LLC	USA	100	100
NLCG Distributors, LLC	USA	100	100
Northern Lights Capital Partners (UK) Ltd ("NLCPUK")	UK	100	100
Strategic Capital Investments, LLP	UK	60	60
Northern Lights MidCo II, LLC	USA	100	100
Aether Investment Partners, LLC	USA	100	100
Seizert Capital Partners, LLC[4]	USA	25	50

Notes:

1 These subsidiaries are holding companies and non-operating.

2 At 30 June 2020, this subsidiary was deregistered.

3 CAV is a limited liability company established on 12 January 2019 to hold the Group's investment in Carlisle. Midco owns 1% and NLCPUK owns 99% of CAV (30 June 2019: Midco owned 95% and NLCPUK owned 5%).

4 On 2 January 2020, Seizert repurchased its 500 Class A Common Units from the Group for USD1 per unit as part of its equity restructuring. The restructure resulted in the Group holding preferred units only and changed its ownership interest from 54.55% to 25% on a fully diluted basis. However, the Group still retained its 54.55% voting rights, majority Board representation and preference in the distribution waterfall. This disposal of the share of the Group's equity did not result in losing its control in Seizert. Therefore, Seizert is still consolidated with the Group. The non-controlling interest from any residual share in Seizert arising after preferential distributions is immaterial.

Accounting policies

(i) 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.

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.

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/(loss) are attributed to the members of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the members 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 Group's accounting policies. The financial statements of the Australian and US subsidiaries are prepared for the same reporting period as the Company (30 June).

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

(ii) Foreign currency translations and balances

Functional and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in Australian dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollar using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

E. GROUP STRUCTURE (continued)

21. Intangible assets

a. Analysis of balances

	2020 $'000	2019 $'000
Goodwill, net of impairment	37,295	58,133
Other identifiable intangible assets, at carrying amount		
– Brand and trademark	10,373	18,055
– Management rights	15,064	17,906
	25,437	35,961
Total intangible assets	**62,732**	**94,094**

	Goodwill $'000	Brand and trademark $'000	Management rights $'000	Total $'000
Movement of intangible assets				
2020				
Opening balance	58,133	18,055	17,906	94,094
Impairment	(22,585)	(8,259)	–	(30,844)
Amortisation	–	–	(3,279)	(3,279)
Effect of foreign currency differences	1,747	577	437	2,761
Closing balance	**37,295**	**10,373**	**15,064**	**62,732**
2019				
Opening balance	79,977	17,126	7,723	104,826
Additions[1]	–	–	12,213	12,213
Impairment	(25,943)	–	–	(25,943)
Amortisation	–	–	(2,624)	(2,624)
Other movement	–	–	189	189
Effect of foreign currency differences	4,099	929	405	5,433
Closing balance	**58,133**	**18,055**	**17,906**	**94,094**
Cash generating units				
Goodwill and other identifiable intangible assets:				
2020				
– Aether	37,295	7,838	15,064	60,197
– Seizert	–	2,535	–	2,535
Closing balance	**37,295**	**10,373**	**15,064**	**62,732**
2019				
– Aether	44,414	7,689	17,906	70,009
– Seizert	13,719	10,366	–	24,085
Closing balance	**58,133**	**18,055**	**17,906**	**94,094**

Notes:

[1] The additions to the management rights refer to the Group's entitlement to receive the management fees to be generated from managing ARA Fund V. The cost to acquire this right was determined based on the 50% of the total revenues to be generated by ARA Fund V. Refer to Note 14 footnote 3 for details.

b. Accounting policies

(i) 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 accumulated impairment losses, if any.

(ii) Brand and trademark and management rights

Brand and trademark and management rights acquired as part of a business combination are recognised separately from goodwill. These are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

- Brand and trademark – Subsequent to initial recognition, brand and trademark which have indefinite lives are reported at cost less accumulated impairment losses.
- Management rights – Subsequent to initial recognition, management rights are reported at cost less accumulated amortisation and accumulated impairment losses. Management rights are amortised as follows:
  - Acquired in 2014 – based on a straight-line basis over their estimated remaining useful life of 6.33 years; and
  - Acquired in 2019 – based on 50% of the annual revenue to be earned from ARA Fund V over 12 years.

(iii) Impairment of goodwill, brand and trademark and management rights

For the purposes of impairment testing, goodwill, brand and trademark and management rights are allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill, brand and trademark and management rights have been specifically identified to the cash-generating unit is tested for impairment annually, or more frequently when there is an 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 to the unit, then to brand and trademark and management rights and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. A further impairment test is performed to the brand and trademark and management rights to determine individually there is an indication that these other identifiable intangible assets may be impaired. Any impairment loss for goodwill, brand and trademark and management rights are recognised directly in profit or loss. Any impairment loss recognised for goodwill are not reversed in subsequent periods. For brand and trademark and management rights, any impairment loss recognised are reversed in subsequent periods if a business recovers or exceeds previous levels of financial performance

c. Key estimates, judgments, and assumptions

Impairment of goodwill and other identifiable intangible assets

At the end of each reporting period, management assesses the level of goodwill and other identifiable intangible assets of each of the underlying assets of the Group. Should assets underperform or not meet expected growth targets from prior expectations, a resulting impairment of the goodwill and other identifiable intangible assets is recognised if that deterioration in performance is deemed not to be derived from short term factors such as market volatility. Factors that are considered in assessing possible impairment in addition to financial performance include changes to key investment staff, significant investment underperformance and litigation. Impairments of goodwill in relation to subsidiaries cannot be reversed if a business recovers or exceeds previous levels of financial performance.

Aether

The recoverable amount of Aether, a cash-generating unit, is determined based on a value in use calculation which uses cash flow projections. These cash flow projections include expected revenues from existing funds, which are largely certain, as well as anticipated new fund raising every two years. A five-year discrete period was applied as it is believed that it is sufficient time for the business to be in a steady state in terms of launching new funds based on the existing plan for the business. During the year, the goodwill and other identifiable intangible assets were assessed and tested for impairment. At 30 June 2020, impairment of the goodwill of $8,206,000 (2019: $1,590,000 impairment of goodwill) was recognised.

A weighted average discount rate of 9.0% (2019: 11.2%) were applied in the cash flow projections during the discrete period, tax rate of 21% (2019: 21%) and the terminal growth rate of 3% (2019: 3%) were applied.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

E. GROUP STRUCTURE (continued)

21. Intangible assets (continued)

Seizert

The recoverable amount of Seizert, a cash-generating unit, is determined based on a value in use calculation which uses cash flow projections. These cash flow projections include expected revenues from existing funds, which are largely certain, as well as anticipated new fund raising every two years. A five-year discrete period was applied as it is believed that it is sufficient time for the business to be in a steady state in terms of launching new funds based on the existing plan for the business. During the year, the goodwill and other identifiable intangible assets were assessed and tested for impairment. At 30 June 2020, full impairment of the goodwill of $14,379,000 and impairment of other identifiable intangibles of $8,259,000 (2019: $24,353,000 impairment of goodwill) were recognised.

A weighted average discount rate of 18% (2019: 13.5%) were applied in the cash flow projections during the discrete period, tax rate of 21% (2019: 21%) and the terminal growth rate of 3% (2019: 3%) were applied.

Impact of COVID-19

While the specific areas of judgement noted above did not change, the Group applied further judgement to consider the impact of COVID-19 within those identified areas. Refer to Section A(f) for details.

Sensitivity analysis

An analysis was conducted to determine the sensitivity of the impairment test to reasonable changes in the key assumptions used to determine the recoverable amount of the CGU. The sensitivities tested include a 5% reduction in the annual cash flow of the CGU, a 1% decrease in the terminal growth rate used to extrapolate cash flows beyond financial year 2021 and a 1% increase in the discount rate applied to cash flow projections.

The impact on the impairment as result of these sensitivities is shown below:

Sensitivity	Impact on impairment assessment	Impairment $'000
A 5% decrease in cash flows	Further impairment of Aether and Seizert	2,847
A 1% decrease in terminal growth rate	Further impairment of Aether and Seizert	3,808
A 1% increase in discount rate	Further impairment of impairment of Aether and Seizert	5,718

AASB 136 *'Impairment of Assets'* requires that where a reasonably possible change in a key assumption would cause the carrying amount of the CGU to exceed its recoverable amount, the value at which an impairment first arises shall be disclosed.

22. Investment in associates and joint venture

a. Analysis of balances

Investment in associates	2020 $'000	2019 $'000
Opening balance	110,143	46,023
Additional contribution to associates	8,867	127
Acquisition of associates	–	94,825
Subsequent reclassification from investment at FVTOCI	3,786	–
Conversion of loans receivable to associate	480	–
Share of net profits of associates	1,663	1,118
Dividends and distributions received/receivable	(4,929)	(5,716)
Sale of investment in associates	(459)	(30,185)
Impairment (Note 3)	(21,794)	(2,914)
Transferred to profit or loss	180	178
Foreign currency movement	2,510	6,687
Closing balance	**100,447**	**110,143**
Investment in joint venture		
Opening balance	–	–
Acquisition of a joint venture	29,017	–
Deferred consideration of an associate of the joint venture (refer to Note 14 footnote 4)	4,552	–
Share of net profits of a joint venture	88	–
Dividends and distributions received/receivable	(542)	–
Foreign currency movement	44	–
Closing balance	**33,159**	**–**
Total	**133,606**	**110,143**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

E. GROUP STRUCTURE (continued)

22. Investment in associates and joint venture (continued)

(i) Details of associates and joint venture

Associates	Principal activity	Ownership interest 2020 %	Ownership interest 2019 %	Place of incorporation and operation
Aether General Partners[1]	Funds Management	25.00	25.00	USA
AlphaShares, LLC[2]	Funds Management	–	36.53	USA
Blackcrane Capital, LLC[3]	Funds Management	25.00	25.00	USA
Capital & Asset Management Group, LLP[4]	Funds Management	32.50	20.00	USA/UK
Freehold Investment Management Limited[5]	Funds Management	–	30.89	Australia
IFP Group, LLC[6]	Investment Adviser	24.90	–	USA
Northern Lights Alternative Advisors LLP[7]	Placement Agent	23.00	23.00	UK
Roc Group[8]	Funds Management	30.00	17.59	Australia
Victory Park Capital Advisors, LLC[9]	Funds Management	24.90	24.90	USA
Victory Park Capital GP Holdco, L.P.[10]	Funds Management	24.90	24.90	USA
Joint venture				
Copper Funding, LLC[11]	Investment Entity	50.00	–	USA
Associate of the joint venture				
Pennybacker Capital Management, LLC[12]	Funds Management	16.50	–	USA

Notes:

[1] Aether Real Assets GP I, LLC, Aether Real Assets GP II, LLC, Aether Real Assets GP III, LLC and Aether Real Assets III Surplus GP, LLC (collectively the "Aether General Partners") are the General Partners of Aether Real Assets I, L.P., Aether Real Assets II, L.P., Aether Real Assets III, L.P. and Aether Real Assets III Surplus, L.P. (collectively the "Funds"). The General Partners are responsible for the operation of the Funds and the conduct and management of its business.

[2] AlphaShares, LLC provided investors with direct exposure to Chinese markets primarily through a series of China related equity indexes. During the financial year, AlphaShares, LLC was wound-up during the financial year.

[3] Blackcrane is a boutique asset management firm focusing on global and international equities.

[4] CAMG is a private infrastructure investment firm based in London and Washington DC.

[5] FIM is a specialist investment manager focusing on Australian and global real estate and infrastructure sectors. The investment was sold on 14 October 2019.

[6] IFP, founded in 2000, is a privately held, family-owned firm. IFP is a multi-custodial registered investment adviser focused on delivering personalised, concierge-level service to over 500 advisors in the US specialising in wealth management and retirement plan consulting

[7] NLAA is a strategic partner and placement agent focused on private equity and hedge funds based in London UK.

[8] Roc Partners is specialised investment firm offering both pooled and customised Asia Pacific private equity solutions. Roc Group includes Roc Partners Pty Ltd, Roc Management Services Trust and Roc Partners (Cayman) Limited. The Group holds stapled securities in Roc Group.

[9] VPC is a focused on private debt strategies- direct lending to financial service companies (Specialty Finance) with some investments in private equity. The investment was acquired on 3 July 2018.

[10] VPC-Holdco holds direct and indirect interest in VPC funds and their general partner entities. The investment was acquired on 3 July 2018.

[11] CFL is a limited liability company established on 23 November 2019 as a 50:50 joint venture of the Group with Kudu Investments Management, LLC ("Kudu") to hold the investment in Pennybacker.

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

(ii) Additional contributions and acquisitions of associates

On 2 July 2019, the Group acquired an additional 12.41% equity interest in Roc Group for $6,826,000 increasing the Group's equity interest to 30%. The acquisition for the increase in the equity intertest in Roc Group included other identifiable intangible assets and goodwill of $6,742,000.

On 26 August 2019, 5 November 2019 and 23 January 2020 and 19 May 2020 drawdowns to CAMG for a total of $1,881,000 (GBP1,000,000), respectively, were made. This resulted to the increase in the Group's equity interest in CAMG to 32.50%. The acquisition of CAMG included other identifiable intangible assets and goodwill of $4,654,000.

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

(iii) Acquisition of additional interest in IFP

On 24 January 2019, the Group acquired 10% interest in IFP for $1,531,000 (USD1,075,000) and was classified as a financial asset at FVTOCI.

On 14 October 2019, the Group provided a credit facility to IFP. The initial amount of the credit facility is $2,200,000 (USD1,500,000) and the credit facility bears interest of 13% per annum and will have to be fully repaid no later than 31 December 2022. On 14 October 2019, IFP made a drawdown of $1,327,000 (USD889,000) from the credit facility provided by the Group. This was classified as a financial asset at amortised cost (refer to Note 10(a)).

On 31 December 2019, the Group made an additional contribution of $895,000 (USD600,000) to IFP increasing the Group ownership to 16%. The accounting treatment of this investment in IFP was changed from financial asset at FVTOCI to an associate following the increase in equity ownership from 10% to 16%. The fair value of the investment that was reclassified from financial asset at FVTOCI to an investment in associate amounted to $3,786,000. As a result, the net fair value gain on financial asset at FVTOCI recognised in other comprehensive income amounting to $817,000 was transferred directly to retained earnings.

On 11 March 2020, the $1,327,000 (USD889,000) loan under the credit facility plus interest of $16,000 (USD11,000) was recharacterised into additional capital contributions resulting in a further increased equity from 16% at 31 December 2019 to 24.9%. The conversion of the loan receivable from IFP resulted in a loss of $863,000, recognised in profit or loss.

The acquisition of 24.90% interest in IFP included other identifiable intangible assets and goodwill of $5,831,000.

On 11 March 2020, the Group provided $1,194,000 (USD800,000) as operating capital contribution. This contribution did not give right to an increased equity ownership nor a return equivalent to the existing equity in IFP. The Group is entitled to a 10% annualised return to be collected upon IFP making initial distribution. This was classified as financial asset at FVTPL.

On 11 March 2020, IFP and the Group have amended the credit facility to provide an additional balance of $895,000 (USD600,000). All other terms of the credit facility remain unchanged. IFP made drawdowns of $322,000 (USD216,000) and $376,000 (USD252,000) on 13 March 2020 and 10 June 2020, respectively. This was classified as financial asset at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

E. GROUP STRUCTURE (continued)

22. Investment in associates and joint venture (continued)

(iv) Sale of investment in associates

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

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

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

	2020 $'000	2019 $'000
Considerations received	459	103,188
Less: Carrying amount of investments on the date of sale	(459)	(30,185)
Gains recognised on the sale	–	**73,003**

(v) Contributions to a joint venture

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

The Group and Kudu made combined contributions of $58,057,000 (USD40,000,000) to acquire a 33% equity interest in Pennybacker and the potential earn-out obligation with a maximum value of $21,772,000 (USD15,000,000).

The Group recognised its proportionate share of the earn-out obligation that CFL may have to pay to Pennybacker. The share of the potential earn-out obligation has been added to the acquisition cost of Pennybacker. It will be ultimately paid by CFL to Pennybacker (refer to Note 14 footnote 4 for details). At the date of acquisition, the fair value of its share in the earn-out payments was $4,552,000 (USD3,139,000).

CFL's investment in Pennybacker is accounted as investment in an associate. The acquisition of the interest in Pennybacker included other identifiable intangible assets and goodwill of $34,487,000.

b. Summarised financial information for associates

2020	Pennybacker[1] $'000	VPC $'000	VPC-Holdco $'000	Aggregate of immaterial associates $'000	Total $'000
Comprehensive income					
Revenue and other income for the year	5,783	44,821	782	73,080	124,766
Profit after tax for the year	4,723	2,553	11,274	1,883	20,432
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	**4,723**	**2,553**	**11,274**	**1,883**	**20,432**
Dividends/distributions received during the year	542	93	3,144	1,193	4,972
The above profit after tax includes the following:					
– Depreciation and amortisation	3	2,198	–	1,734	3,935
– Interest income	–	17	–	220	237
– Interest expense	16	1,554	–	618	2,188
– Income tax expense	–	–	–	1,335	1,335
Financial position					
Current assets	3,204	25,329	–	27,828	56,361
Non-current assets	4,199	16,802	14,837	24,099	59,937
Current liabilities	(5,390)	(42,769)	(536)	(20,948)	(69,643)
Non-current liabilities	–	(11,180)	–	(18,913)	(30,093)
Net assets/(liabilities)	**2,013**	**(11,818)**	**14,301**	**12,066**	**16,562**
Reconciliation of the summarised financial position to the carrying amount recognised by the Group:					
– Net assets/(liabilities) before determination of fair values	2,013	(11,818)	14,301	12,066	16,562
– Ownership interest in %	16.5%[2]	24.90%	24.90%	28.05%[3]	
– Proportion of the Group's ownership interest	332	(2,943)	3,561	3,384	4,334
– Acquired goodwill and other identifiable intangibles	32,595	73,362	23,876	18,123	147,956
– Impairment	–	(14,307)	(3,631)	(3,743)	(21,681)[4]
– Undistributed profits	238	1,170	–	1,033	2,441
– Foreign currency movement	(7)	361	100	102	556
Closing balance	**33,158**	**57,643**	**23,906**	**18,899**	**133,606**
The above assets and liabilities include the following:					
– Cash and cash equivalents	66	1,261	–	10,091	11,418
– Current financial liabilities (excluding trade and other payables and provisions)	–	(17,081)	–	(1,164)	(18,245)
– Non-current financial liabilities (excluding trade and other payables and provisions)	–	(11,180)	–	(17,715)	(28,895)

Notes:

1 Pennybacker was acquired on 14 December 2019, therefore the profit or loss information only covers the period from acquisition to 30 June 2020.

2 The effective ownership interest of the Group of 16.5% was used calculating the proportion of the Group's ownership at Pennybacker through the joint venture in CFL.

3 The rate relates to multiple different % across multiple entities.

4 Did not include the impairment of $115,000 attributable to FIM that was sold on 14 October 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

E. GROUP STRUCTURE (continued)

22. Investment in associates and joint venture (continued)

2019	Aperio[1] $'000	VPC $'000	VPC-Holdco $'000	Aggregate of immaterial associates $'000	Total $'000
Comprehensive income					
Revenue for the year	18,873	32,488	5,015	33,287	89,663
Profit after tax for the year	9,144	2,361	4,762	3,004	19,271
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	**9,144**	**2,361**	**4,762**	**3,004**	**19,271**
Dividends/distributions received during the year	3,878	–	971	867	5,716
The above profit after tax includes the following:					
– Depreciation and amortisation	48	960	–	1,206	2,214
– Interest income	–	10	–	38	48
– Interest expense	–	717	–	320	1,037
– Income tax expense	–	–	–	830	830
Financial position					
Current assets	–	39,229	8,981	17,702	65,912
Non-current assets	–	12,074	–	15,374	27,448
Current liabilities	–	(52,483)	(257)	(10,460)	(63,200)
Non-current liabilities	–	(3,795)	–	(5,899)	(9,694)
Net (liabilities)/assets	**–**	**(4,975)**	**8,724**	**16,717**	**20,466**
Reconciliation of the summarised financial position to the carrying amount recognised by the Group:					
– Net assets before determination of fair values	–	(4,975)	8,724	16,717	20,466
– Ownership interest in %	–	24.90%	24.90%	22.18%[2]	
– Proportion of the Group's ownership interest	–	(1,239)	2,172	3,708	4,641
– Acquired goodwill and intangibles	–	68,603	23,538	9,820	101,961
– Impairment	–	–	–	(2,914)	(2,914)
– Undistributed profits	–	588	216	(14)	790
– Foreign currency movement	–	3,508	1,313	844	5,665
Closing balance	**–**	**71,460**	**27,239**	**11,444**	**110,143**
The above assets and liabilities include the following:					
– Cash and cash equivalents	–	723	–	8,004	8,727
– Current financial liabilities (excluding trade and other payables and provisions)	–	15,697	–	35	15,732
– Non-current financial liabilities (excluding trade and other payables and provisions)	–	2,770	–	4,673	7,443

Notes:

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

[2] The rate relates to multiple different % across multiple entities.

c. Accounting policies

(i) Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not control or joint control over those policies. A joint venture is an entity over which the Group has joint control over its net assets. Joint control is the power to control in the financial and operating policy decisions of the investee.

The financial statements of the associates that are domiciled in Australia are prepared for the same reporting period as the Group (30 June). For the USA and the UK domiciled associates and joint venture, their reporting period vary between 31 December and 31 March. For equity accounting purposes, the Group takes up the proportionate share of the net profits/(losses) of these associates and joint venture based on their pro-rata financial statements as at 30 June, so as to align the proportionate share of their net profits/losses with the Group.

The results of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting from the date on which the investee becomes an associate or a joint venture. Under the equity method, an investment in an associate or joint venture is initially recognised in the statement of financial position at cost and deferred consideration and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income or loss of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group'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 associates or joint venture are reduced from the carrying value. Any excess of the Group'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.

(ii) Impairment

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

(iii) Disposal

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group 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 9. 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 Group 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 Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

E. GROUP STRUCTURE (continued)

22. Investment in associates and joint venture (continued)

d. Key estimates, judgments, and assumptions

Impairment of investments in associates and joint venture

At the end of each reporting period, management is required to assess the carrying values of each of the underlying investments in associates and joint venture of the Group. Should assets underperform or not meet expected growth targets from prior expectations, a resulting impairment of the investments is recognised if that deterioration in performance is deemed not to be derived from short term factors such as market volatility. Factors that are considered in assessing possible impairment in addition to financial performance include changes to key investment staff, significant investment underperformance and litigation. A significant or prolonged decline in the fair value of an associate or joint venture below its cost is also an objective evidence of impairment. During the year, the investments in associates and joint venture were tested for impairment. Blackcrane, FIM, VPC and VPC-Holdco were impaired for $21,794,000 (2019: $2,914,000 for AlphaShares, LLC, Blackcrane and FIM).

The following were the rates applied in the cash flow projections during the discrete period on associates with impairment:

Associates	Weighted average discount rate	Tax rate	Terminal growth rate
Blackcrane	17%	21%	3%
IFP	11%	25%	3%
VPC	12%	26.5%	3%
VPC-Holdco	18.5%	26.5%	N/A

FIM was impaired to bring down its carrying value to its selling price.

Impact of COVID-19

While the specific areas of judgement noted above did not change, the Group applied further judgement to consider the impact of COVID-19 within those identified areas. Refer to Section A(e) for details.

Sensitivity analysis

An analysis was conducted to determine the sensitivity of the impairment test to reasonable changes in the key assumptions used to determine the recoverable amount of the Group's investment in associates and joint venture. The sensitivities tested include a 5% reduction in the annual cash flow of the associates, a 1% decrease in the terminal growth rate used to extrapolate cash flows beyond financial year 2021 and a 1% increase in the discount rate applied to cash flow projections.

The impact on the impairment as result of these sensitivities is shown below:

Sensitivity	Impact on impairment assessment	Impairment $'000
A 5% decrease in cash flows	Further impairment of Blackcrane, IFP, VPC and VPC-Holdco	4,753
A 1% decrease in terminal growth rate	Further impairment of Blackcrane, IFP and VPC	4,790
A 1% increase in discount rate	Further Impairment of Blackcrane, IFP, VPC and VPC-Holdco	10,132

AASAB 136 requires that where a reasonably possible change in a key assumption would cause the carrying amount of the investment in associates to exceed its recoverable amount, the value at which an impairment first arises shall be disclosed.

23. Parent entity disclosures

Summarised presentation of the parent entity, Pacific Current Group Limited, financial statements:

	2020 $'000	2019 $'000
Summarised statement of financial position		
Assets		
Current assets	1,821	3,342
Non-current assets	225,886	225,112
Total assets	**227,707**	**228,454**
Liabilities		
Current liabilities	38,568	36,184
Non-current liabilities	1,362	1,609
Total liabilities	39,930	37,793
Net assets	**187,777**	**190,661**
Equity		
Share capital	178,424	166,279
Retained earnings	2,616	19,765
Reserves	6,737	4,617
Total equity	**187,777**	**190,661**
Summarised statement of profit or loss and other comprehensive income		
(Loss) for the year	(5,030)	(7,030)
Other comprehensive income for the year	–	–
Total comprehensive (loss) for the year	**(5,030)**	**(7,030)**

The accounting policies of the Company being the ultimate parent entity are consistent with the Group. The Company effectively provides commitments and guarantees to the Group as disclosed in Note 19.

24. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its related parties are disclosed below.

	2020 $	2019 $
Compensation paid to key management personnel (KMP) of the Company		
Short-term employee benefits	2,563,720	2,628,029
Post-employment benefits	43,765	79,191
Termination benefits	–	350,378
Share based payments	803,163	1,015,992
	3,410,648	**4,073,590**

Detailed remuneration disclosures are provided in the Remuneration Report.

Apart from the above, the Group had no other transactions with Directors, their related parties, or loans to KMP.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

E. GROUP STRUCTURE (continued)

24. Related party transactions (continued)

	2020 $	2019 $
Transactions with associates and affiliated entities		
Revenue and other income transactions		
– Commission income (Blackcrane, GQG and VPC)	3,875,287	5,076,630
– Retainer fees (Blackcrane, GQG and VPC)	312,828	751,483
– Service fees (AlphaShares, LLC and Blackcrane)	29,848	65,101
– Interest income (IFP)	30,776	–
– Dividends and distributions income (GQG)	10,087,868	11,146,488
– Other income – (Alphashares, LLC, Blackcrane and FIM)	250,144	2,500
Investments in associates and joint venture transactions		
– Investment in joint venture (CFL)	29,862,789	–
– Additional contributions	8,867,433	126,662
– Dividends and distributions	5,470,935	5,716,267
– Loans to associates (IFP)	2,024,439	–
– Conversion of loans receivable to associate (IFP)	480,440	–
– Conversion of investment in FA at FVTOCI to associate (IFP)	3,786,386	–
– Additional investments at FVTPL (IFP)	2,089,351	–
Balances at the end of the reporting period		
– Trade receivables (Blackcrane, GQG and VPC)	1,859,336	2,407,876
– Dividends receivable (FIM, GQG and ROC)	6,099,932	2,812,748
– Consulting fee receivable (Blackcrane)	14,514	–
– Interest receivable (IFP)	13,966	–
– Loans receivable (IFP)	678,553	–
– Financial assets at fair value (IFP)	1,213,690	1,530,614

The above transactions with related parties were on normal terms and conditions.

F. OTHER INFORMATION

This section provides other information of the Group, including further details share-based payments, auditor's remuneration, significant events subsequent to reporting date and adoption of new and revised Standards.

25. Share-based payments

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

(i) Performance rights of Mr. Greenwood

Under the MD & CEO LTI Plan

The performance rights to Mr. Greenwood granted on 21 June 2018 was approved by the shareholders on 30 November 2018 at the Annual General Meeting. The issue of performance rights to Mr. Greenwood as part of his new role effective 1 July 2018 was no more than 2,500,000 performance rights. One tranche covers the performance period 1 July 2018 to 30 June 2021 and the other tranche covers the performance period 1 July 2018 to 30 June 2022. Tranche 1 and Tranche 2 have vesting dates of 30 June 2021 and 30 June 2022, respectively. Each tranche is subdivided into three lots with different performance conditions, one requiring continuous employment and a share price hurdle and the other two requiring different total shareholder return hurdles to be satisfied. The share price hurdle pertained to the 30 day volume weighted average price ("VWAP") of a share ending on the last day of trading at 30 June 2021 for Tranche 1 and 30 June 2022 for Tranche 2 must exceed $6.75 per share adjusted for the target price. The first TSR hurdle pertained to the VWAP plus the aggregate dividends paid on a share during the relevant performance period which is more than the target price increased at the rate of 8.5% per annum compounded annually. The second TSR hurdle pertained to the VWAP plus the TSR during the relevant performance period which is more than the target price increased at the rate of 11% per annum compounded annually.

The average value of each right was $0.609. The total value at grant date of these outstanding performance rights was $1,520,506 (refer to section c below for the assumptions) for an equivalent number of shares of 871,398. The performance rights on issue were valued on 30 November 2018 by an independent adviser using a Monte Carlo pricing model.

Any securities to be allocated on vesting of the performance rights under this plan will be issued.

Under the Old LTI Plan

On 5 October 2017, the Company granted 250,000 performance rights to Mr. Greenwood as part of his employment package that was restructured in October 2016. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative TSR of the Company 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 Tranche 1 and 2 were $4.29 and $3.83, respectively. The total value of these outstanding performance rights as at 30 June 2018 was $1,014,107 (refer to section c below for the assumptions on the fair value) amortised over two years and nine months from the grant date. The performance rights on issue were valued on 26 October 2017 by an independent adviser using a Monte Carlo pricing model. The vesting date of these rights was 1 July 2020.

Any securities to be allocated on vesting of the performance rights will be purchased on the market under this plan and therefore shareholder approval is not required or at Board's discretion, shareholder approval may be sought.

AON Solutions Australia Limited ("AON") was commissioned to provide a report to determine whether the performance rights issued on 5 October 2017 have vested as at 1 July 2020. AON Solutions determined that 41% of the 250,000 performance rights vested as at 1 July 2020. On 21 August 2020, the Directors of the Company approved the purchase on market of 102,500 ordinary shares for Mr. Greenwood because of the vesting of his performance rights issued 5 October 2017.

On 5 October 2016, the Company granted 250,000 performance rights to Mr. Greenwood. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative TSR of the Company 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 $1.65 and $2.02, respectively. Total value of the outstanding performance rights is $458,765 amortised over two years and seven months from the grant date. The performance rights on issue were valued on 5 October 2016 by an independent adviser using a Monte Carlo pricing model. The vesting date of these rights is 1 July 2019.

AON was commissioned to provide a report to determine whether the performance rights issued on 5 October 2016 have vested as at 1 July 2019. AON Hewitt determined that 41% of the 250,000 performance rights vested as at 1 July 2019.

On 30 August 2019, the Directors of the Company approved the purchase on market of 102,500 ordinary shares for Mr. Greenwood because of the vesting of his performance rights issued 5 October 2016. This was completed on 28 November 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

F. OTHER INFORMATION (continued)

25. Share-based payments (continued)

(ii) Performance rights of Mr. Ferragina

Under the Old LTI Plan

On 26 October 2016, the Company granted 100,000 performance rights to Mr. Ferragina. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative TSR of the Company 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 $1.65 and $2.02, respectively. Total value of the outstanding performance rights is $184,000 amortised over two years and seven months from the grant date. The performance rights on issue were valued on 26 October 2016 by an independent adviser using a Monte-Carlo pricing model. The vesting date of these rights was 1 July 2019.

AON was commissioned to provide a report to determine whether the performance rights issued on 26 October 2016 have vested as at 1 July 2019. AON Hewitt determined that 41% of 100,000 performance rights vested as at 1 July 2019.

On 30 August 2019, the Directors of the Company approved the purchase on market of 41,000 ordinary shares for Mr. Ferragina because of the vesting of his performance rights issued on 26 October 2016. This was completed on 28 November 2019.

(iii) Performance rights of officers and employees

Under the Employee Share Ownership Plan 2018

On 25 June 2019, the Company granted no more than 750,000 performance rights to certain officers in accordance with the Employee Share Ownership Plan 2018 approved by shareholders on 30 November 2018 at the 2018 Annual General Meeting. Tranche 1 covers the performance period 1 July 2018 to 30 June 2021 and Tranche 2 covers the performance period 1 July 2018 to 30 June 2022. Tranche 1 and Tranche 2 have vesting dates of 30 June 2021 and 30 June 2022, respectively. Each tranche is subdivided into three lots with different performance conditions, one requiring continuous employment and a share price hurdle and the other two requiring different total shareholder return hurdles to be satisfied. The share price hurdle pertained to the 30-day VWAP of a share ending on the last day of trading at 30 June 2021 for Tranche 1 and 30 June 2022 for Tranche 2 must exceed $6.75 per share adjusted for the target price. The first TSR hurdle pertained to the VWAP plus the aggregate dividends paid on a share during the relevant performance period which is more than the target price increased at the rate of 8.5% per annum compounded annually. The second TSR hurdle pertained to the VWAP plus the TSR during the relevant performance period which is more than the target price increased at the rate of 11% per annum compounded annually.

The average value of each right was $0.183. The total value at grant date of these outstanding performance rights was $136,985 (refer to section c below for the assumptions on the fair value) for an equivalent number of shares of 222,913. The performance rights on issue were valued on 25 June 2019 by an independent adviser using a Monte Carlo pricing model.

Any securities to be allocated on vesting of the performance rights under this plan will be issued.

On 1 August 2019, the Company granted no more than 200,000 performance rights to certain officers in accordance with the existing Employee Share Ownership Plan 2018. Tranche 1 covers the performance period 1 July 2019 to 30 June 2021 and Tranche 2 covers the performance period 1 July 2019 to 30 June 2022. Tranche 1 and Tranche 2 have vesting dates of 30 June 2021 and 30 June 2022, respectively. Each tranche is subdivided into two lots with different performance conditions, one requiring continuous employment and a share price hurdle and the other requiring a TSR hurdle to be satisfied. The share price hurdle pertained to the 30-day VWAP of a share ending on the last day of trading at 30 June 2021 for Tranche 1 and 30 June 2022 for Tranche 2 must exceed $6.75 per share adjusted for the target price. The TSR hurdles pertained to the VWAP plus the aggregate dividends paid on a share which must be more than the target price increased at the rate of 8.5% per annum compounded annually and TSR must be more than the target price increased at 11% per annum over the relevant performance period compounded annually.

The average value of each right was $1.299. The total value at grant date of these outstanding performance rights was $259,750 (refer to section c below for the assumptions on the fair value) for an equivalent number of shares of 200,000. The performance rights on issue were valued on 1 August 2019 by an independent adviser using a Monte Carlo pricing model.

(iv) Performance rights recognised in the profit or loss

The amount of performance rights amortisation expense for the year was $961,000 (2019: $1,016,000).

(v) Shares bought on market to settle share-based payments

The shares bought on market to settle performance rights vested during the financial year amounted to $998,000 (2019: nil).

b. Accounting policies

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 Company's Long-Term Incentive plan is in place whereby the Company, 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 company share upon vesting.

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the vesting period based on the Group's estimate of equity instruments that will eventually vest.

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.

c. Key estimates, judgments, and assumptions

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using hybrid Monte-Carlo/binomial option pricing model with the assumptions.

The assumptions used in arriving at the valuations are as follows:

	Volatility of the underlying share price	Expected dividend yield per annum	Risk free rates per annum
Under the MD & CEO LTI Plan	30%	3.84%	2.07% and 2.15%
Under the Old LTI Plan	38.1% for the Company; 30.3% for funds management comparator group; and 35.6% for ASX 300 comparator group	3.2%	2.0%
Under the Employee Share Ownership Plan 2018 employees			
– 25 June 2019	30%	4.48%	0.89% and 0.90%
– 1 August 2019	30%	3.6%	0.87% and 0.83%

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 2020

F. OTHER INFORMATION (continued)

26. Auditors' remuneration

	2020 $	2019 $
Amounts received or due and receivable by Deloitte Touche Tohmatsu:		
– an audit or review of the financial report of the Group	870,000	955,000
– audit services related to additional scope in the prior year	100,000	–
– audit services related to the restatement of the Group's financial report	–	300,000
	970,000	1,255,000
Amounts received or due and receivable by related parties of Deloitte Touche Tohmatsu:		
– audit of subsidiary	116,481	109,264
– tax advisory and compliance services	7,340	648,059
	1,093,821	2,012,323
Other firms audit services		
– an audit or review of the financial report	281,095	299,917
– other non-audit services	5,756	6,624
– tax advisory and compliance services	–	6,696
	1,380,672	**2,325,560**

27. Significant events subsequent to reporting date

On 31 August 2020, the Directors of the Company declared a final dividend on ordinary shares in respect of the 2020 financial year. The total amount of the dividend is $12,427,000 which represents a fully franked dividend of 25 cents per share. The dividend has not been provided for in the 30 June 2020 consolidated financial statements.

On 27 August 2020, the Board approved a Dividend Reinvestment Plan ("DRP") for the Company. The final dividend for 2020 financial year will be subject to the DRP. Any shares issued under the DRP will be at a 5% discount to the average of the daily Volume Weighted Average Price calculated over a 10-day period commencing on the third trading day following the record date.

Other than the matters detailed above there has been no matter or circumstance, which has arisen since 30 June 2020 that has significantly affected or may significantly affect either the operations or the state of affairs, of the Group.

28. Adoption of new and revised Standards

a. New and amended AASB standards that are effective for the current year

(i) AASB 16 'Leases'

The Group adopted the modified retrospective approach on transition to AASB 16 from 1 July 2019. The reclassifications and the adjustments arising from the new leasing rules using a modified retrospective approach are recognised in the opening retained earnings on 1 July 2019 and comparative information were not restated.

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

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB117 *'Leases'*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 were 5.98%.

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

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

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

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

	1 July 2019 $'000
Properties	2,654[1]
Equipment	76
	2,730

Notes:

1 A correction was made to the right-of-use asset previously reported on 31 December 2019 half-year to offset the deferred rent balance at 1 July 2019 of $57,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

F. OTHER INFORMATION (continued)

28. Adoption of new and revised Standards (continued)

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

	$'000
Other financial assets: sub-lease receivable – increase by	62
Right-of-use assets – increase by	2,730
Trade and other payables - decrease by	56
Other financial liabilities: sublease payable – decrease by	502
Lease liabilities – (increase) by	(3,278)
Provisions: other – (increase) by	(67)
Gross impact on retained earnings on 1 July 2019	5
Income tax	(1)
Net impact on retained earnings on 1 July 2019 was an increase	4

(i.a.1) Impact on segment disclosures

Segment assets and segment liabilities for 30 June 2019 all increased because of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

	Segment Assets $'000	Segment liabilities $'000
Tier 1 boutiques	1,733	1,733
Tier 2 boutiques	–	–
Central administration	1,059	1,054
	2,792	**2,787**

(i.a.2) Practical expedients applied

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

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

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

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

(ii) Other accounting standards mandatorily effective for the current year

All other new and revised accounting standards relevant to the Group that are mandatorily effective for the current year have been adopted by the Group. Adoption of these other new and revised accounting standards did not result in a material financial impact to the consolidated financial statements of the Group.

b. Standards and interpretations in issue not yet adopted

The AASB has issued several new and amended accounting standards and Interpretations that have mandatory application dates for future reporting periods have not been early adopt by the Group.

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

DIRECTORS' DECLARATION

The Directors declare that:

a. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
b. in the Directors' opinion, the attached consolidated financial statements are in compliance with International Financial Reporting Standards, as stated in Section A in the notes to the financial statements;
c. in the Directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and
d. the Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

A. Robinson
Chairman
8 September 2020

INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2020

Deloitte.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pacific Current Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Assessment for impairment of the investments in associates and joint venture As at 30 June 2020, the carrying value of the investments in associates and joint venture totals $133.6m, as disclosed in Note 22. The Group performs an annual assessment to determine whether there is any objective evidence that they are impaired. The identification of indicators of impairment requires the application of significant judgement by management, in particular, around future cash flows, discount rates and terminal growth rates.	Our procedures included, but were not limited to: - Assessing the design and implementation of key controls over management's assessment; - Challenging management's assumptions applied in calculating the recoverable amount, including future cash flows, discount rates and terminal growth rates, in conjunction with our internal valuation specialists; - Performing a retrospective review of the historic results against prior forecasts to assess whether forecasted cash flows are reasonable; - Performing sensitivity analysis to determine whether reasonably foreseeable changes to the key assumptions would trigger a material impairment; and - Comparing management's assessment of the recoverable amount of the investments to the carrying value. We also assessed the appropriateness of the disclosures in the Notes to the financial statements.
Assessment for impairment of intangible assets, including goodwill As at 30 June 2020 the carrying value of goodwill and other identifiable intangible assets totals $62.7m, as disclosed in Note 21. Goodwill and other identifiable intangible assets are assessed for impairment on annual basis. The impairment testing for these assets is subject to significant judgement around the identification of key inputs and assumptions applied in measuring the recoverable amount of assets, including future cash flows, terminal growth rates, and discount rates.	Our procedures included, but were not limited to: - Assessing the design and implementation of key controls over management's assessment; - Challenging management's assumptions applied in calculating the recoverable amount of the identified cash generating units ("CGUs"), including future cash flows, terminal growth rates and discount rates, in conjunction with our valuation specialists; - Performing a retrospective review of the historic results against prior forecasts to assess whether forecasted cash flows are reasonable; - Performing an independent sensitivity analysis to determine whether reasonably foreseeable changes to the key inputs and assumptions would trigger a material impairment losses; - Assessing the appropriateness of the allocation of goodwill between CGUs; and - Comparing the recoverable amount of the CGUs to the carrying value. We also assessed the appropriateness of the disclosures in the Notes to the financial statements.
Valuation of Financial Assets recorded at fair value As at 30 June 2020 the Group's financial assets at fair value through profit or loss were valued at $94.3m and financial assets at fair value through other comprehensive	Our procedures included, but were not limited to: - Assessing the design and implementation of key controls over management's valuation assessment; - Where a recent market transaction has occurred, comparing the value of the market transaction to the proposed fair value as at 30 June and determining whether there are any indicators to suggest that this is not appropriate;

INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2020

income were valued at $102.8m as disclosed in Note 10. For the financial instruments classified as Level 3, the fair value measurement is based on unobservable inputs and has a high level of complexity. Significant judgement and high level of uncertainty is involved in developing unobservable inputs, including forecasted future cash flows, terminal growth rates, and discount rates.	- Where a recent transaction has not occurred: ○ challenging management's key assumptions in the fair value calculations including the future cash flows, terminal growth rates and discount rate, in conjunction with our internal specialists; ○ Performing a retrospective review of the historic results to prior forecasts to assess whether forecasted cash flows are reasonable; ○ Assessing the reasonableness of management's sensitivity analysis of the impact of reasonably foreseeable changes to the key inputs and assumptions on the fair value assessment. We also assessed the appropriateness of the disclosures in the Notes to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report and Corporate Directory, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Key Financial Highlights, Chairman's Report, Managing Director, Chief Executive Officer and Chief Investment Officer's Report, and ASX Additional Information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Key Financial Highlights, Chairman's Report, Managing Director, Chief Executive Officer and Chief Investment Officer's Report and ASX Additional Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2020

Deloitte.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 37 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Pacific Current Group Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jonathon Corbett
Partner
Chartered Accountants
Sydney, 08 September 2020

ASX ADDITIONAL INFORMATION

Corporate Governance

In accordance with ASX Listing Rule 4.10.3, the Group's Corporate Governance Statement can be found on its website at www.paccurrent.com/shareholders/corporate-governance/

The Directors approved the 2020 Corporate Governance Statement on 12 October 2020.

Shareholder Information as at 7 September 2020

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 7 September 2020)

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

Holding	Number of shareholders	Number of shares	%
1 – 1,000	1,261	559,118	1.13
1,001 – 5,000	1,143	2,926,686	5.89
5,001 – 10,000	273	2,005,390	4.03
10,001 – 100,000	183	4,791,815	9.64
100,001 and over	33	39,425,474	79.31
Total	**2,893**	**49,708,483**	**100.00**

The number of shareholders holding less than a marketable parcel of 84 shares is 245, a total of 3,474 shares.

b. Twenty largest shareholders (as at 7 September 2020)

The names of the 20 largest holders of quoted shares are:

Name		Number of shares	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,950,239	28.06
2	CITICORP NOMINEES PTY LIMITED	4,586,633	9.23
3	NATIONAL NOMINEES LIMITED	4,437,678	8.93
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,787,161	5.61
5	SQUITCHY LANE HOLDINGS PTY LTD	2,401,500	4.83
6	BOND STREET CUSTODIANS LIMITED <SALTER - D64848 A/C>	1,600,000	3.22
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,134,202	2.28
8	MRS ANTONIA CAROLINE COLLOPY	825,000	1.66
9	BELLWETHER INVESTMENTS PTY LTD <YORK STREET SETTLEMENT A/C>	700,000	1.41
10	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	644,787	1.30
11	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP A/C	642,950	1.29
12	PAUL GREENWOOD	593,281	1.19
13	BOND STREET CUSTODIANS LIMITED <RSALTE - D62375 A/C>	590,000	1.19
14	MR TIMOTHY GERARD RYAN	484,573	0.97
15	MR MICHAEL BRENDAN PATRICK DE TOCQUEVILLE	400,000	0.80
16	BANSON NOMINEES PTY LTD	370,854	0.75
17	BOND STREET CUSTODIANS LIMITED <RSALTE – D44396 A/C>	350,000	0.70
18	AMAZING INVESTMENTS LLC	308,013	0.62
19	BNP PARIBAS NOMINEES PTY LTD <IOOF INVMT MNGT LTD DRP>	290,000	0.58
20	MR BRYAN F SHORT <SHORT FAMILY S/F A/C>	270,000	0.54
Total 20 Holders		**37,366,871**	**75.17**
Balance of Register		**12,341,612**	**24.83**
Total Register		**49,708,483**	**100.00**

ASX ADDITIONAL INFORMATION

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 its related bodies corporate	7,426,151	14.94%
Paradice Investment Management Pty Ltd	4,655,009	9.36%
FIL Limited and its related bodies corporate	3,592,032	7.23%
Copia Investment Partners Ltd	3,317,000	6,67%
Michael Fitzpatrick	2,701,285	5.43%

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

ABN 39 006 708 792

Directors

Mr. Antony Robinson, Chairman

Mr. Paul Greenwood, Executive Managing Director

Mr. Peter Kennedy, Non-Executive Director

Ms. Melda Donnelly, Non-Executive Director

Mr. Gilles Guérin, Non-Executive Director

Mr. Jeremiah Chafkin, Non-Executive Director

Executive Management

Mr. Paul Greenwood, Chief Executive Officer and Chief Investment Officer

Mr. Ashley Killick, Interim Chief Financial Officer

Company Secretary

Ms. Clare Craven (Appointed - 26 December 2019)

Mr. Philip Mackey (Resigned - 26 December 2019)

Registered Office/Principal Place of Business

Level 29, 259 George Street, Sydney, NSW, 2000

Phone +61 2 8243 0400
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Share Register

Computershare Investor Services Pty Ltd

452 Johnston Street, Abbotsford, VIC, 3067

Phone +61 3 9415 5000

Bankers

Westpac Banking Corporation

Auditors

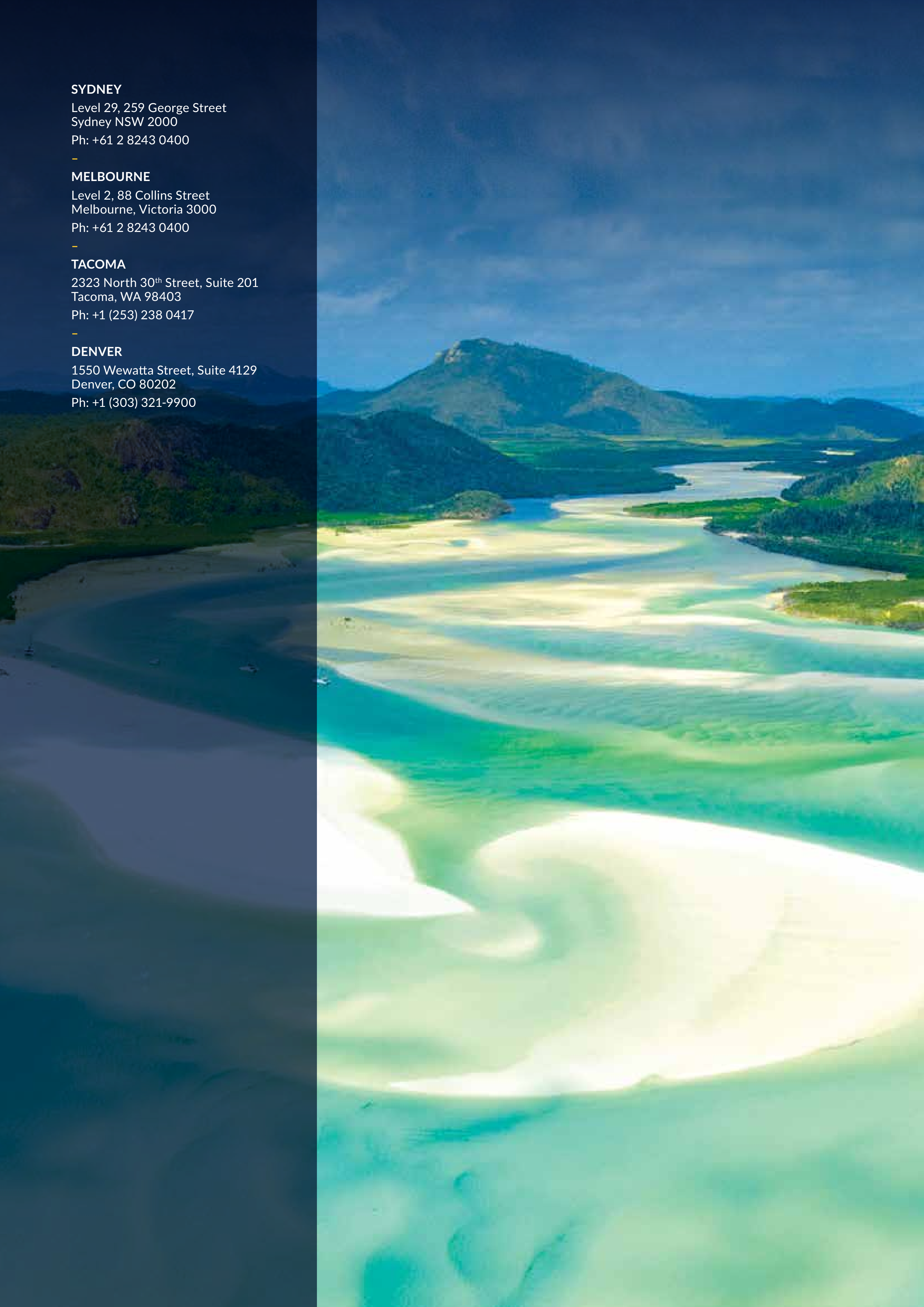
Deloitte Touche Tohmatsu

225 George Street, Sydney, NSW, 2000

Phone +61 2 9322 7000

Stock Exchange Listing

Pacific Current Group Limited shares are listed on the Australian Securities Exchange, code: PAC.



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