

PACIFIC CURRENT GROUP

PACIFIC CURRENT GROUP LIMITED (“PAC” or “Company”)

ABN 39 006 708 792

Minutes of the 2020 Annual General Meeting of Members held virtually on Friday, 20 November 2020

Present: Tony Robinson, Chair
Paul Greenwood, MD & CEO and CIO
Jeremiah (Jerry) Chafkin, Non-executive Director
Melda Donnelly, Non-executive Director
Gilles Guérin, Non-executive Director
Peter Kennedy, Non-executive Director

Attending: David Griswold, General Counsel
Ashley Killick, Chief Financial Officer
Clare Craven, Company Secretary
Jon Corbett, Deloitte

1. Welcome, present and apologies

The Chair welcomed all attendees to the Company’s virtual 2020 Annual General Meeting and having confirmed that a quorum was present participating via webcast or by Proxy in accordance with Section 6.4c (1), declared the meeting open at 10:00am AEDT.

2. Details of attendees

3 voting shareholders; 2 proxy holders representing a total of 126 shareholders (Chair of the Meeting representing 122 shareholders and ASA representing 4 shareholders), 0 corporate representatives, 11 non-voting shareholders and 20 visitors attended the meeting virtually. The attendance report is attached to and forms part of these minutes as Attachment A.

3. Chair’s Introduction

The Chair noted the Meeting Presentation Slides titled ‘Pacific Current Group 2020 AGM Presentation’ had been released to the ASX prior to the commencement of today’s meeting.

4. Business Overview

Mr Greenwood and Mr Killick spoke to the Meeting Presentation Slides which provided an overview of business operations, financial performance and strategic outlook. The Meeting Slides are attached to and form part of these minutes as Attachment B.

5. Notice of Meeting

The Chair reported that the Notice of Meeting (**Notice**) outlining the business to be dealt with at the Meeting, was dispatched to all shareholders on 16 October 2020. A copy of the Notice was tabled and was taken as read and is attached to and forms part of these minutes at Attachment C.

6. Meeting and Voting Procedure

The Chair explained the Meeting and Voting procedures. He advised that voting on all resolutions set out in the Notice would be decided by poll. He advised all open proxy votes held by him as Chair would be voted in favour of all Resolutions

PACIFIC CURRENT GROUP

7. Consideration of Reports

The Chair tabled the 2020 Annual Report which was taken as **READ** and is attached to and forms part of these minutes at Attachment D.

The Chair reported that no written questions for the Auditor had been received from shareholders prior to the meeting, pursuant to section 250PA(1) of the Corporations Act 2001 (Cth) (**Corporations Act**).

The Chair provided shareholders with a reasonable opportunity to ask questions about, or comment on, the Reports, the management of the Company, the content of the auditor's report to be considered at the Meeting or the conduct of the audit of the annual financial report to be considered at the Meeting. The Chair read out relevant questions received from Shareholders prior to the meeting and the Chair and Mr Greenwood answered those questions and other questions raised by shareholders present online.

8. Resolutions

The Chair passed the Chair of the Meeting to Peter Kennedy.

9.1 Resolution 1 – Re-election of Antony (Tony) Robinson

The Chair introduced Resolution 1 and advised that the directors, with Tony Robinson abstaining, unanimously recommended shareholders vote in favour of this resolution.

The Chair provided shareholders with a reasonable opportunity to ask questions about or comment on Resolution 1. There were no questions from the shareholders present.

The Chair put the following resolution to the meeting.

“That Antony (Tony) Robinson, a Non-Executive Director retiring in accordance with rule 7.1(d) of the Constitution, being eligible, is re-elected as a Non-Executive Director of Pacific Current Group Limited.”

For the purposes of section 251AA of the Corporations Act, the results of the Meeting are set out in **Attachment E**, which is attached to and form part of these minutes, and includes a summary of the poll voting results and votes by proxies on each resolution considered at the Meeting.

Passed on a poll as an ordinary resolution.

Mr Kennedy passed the Chair of the Meeting to Mr Robinson.

9.2 Resolution 2 – Re-election of Peter Kennedy

The Chair introduced Resolution 2 and advised that the directors, with Peter Kennedy abstaining, unanimously recommended shareholders vote in favour of this resolution.

The Chair provided shareholders with a reasonable opportunity to ask questions about or comment on Resolution 2. There were no questions from the shareholders present.

The Chair put the following resolution to the meeting.

“That Peter Kennedy, a Non-Executive Director retiring in accordance with rule 7.1(d) of the Constitution, being eligible, is re-elected as a Non-Executive Director of Pacific Current Group Limited.”

For the purposes of section 251AA of the Corporations Act, the results of the Meeting are set out in Attachment E, which is attached to and form part of these minutes, and includes a summary of the poll voting results and votes by proxies on each resolution considered at the Meeting.

Passed on a poll as an ordinary resolution.

PACIFIC CURRENT GROUP

9.3 Resolution 3 – Remuneration Report

The Chair introduced Resolution 3 and advised that:

- a) in accordance with section 250R(3) of the Corporations Act, the vote on this resolution is advisory only and does not bind the Directors or the Company; and
- b) the Board unanimously recommended shareholders vote in favour of this resolution.

The Chair provided shareholders with a reasonable opportunity to ask questions about or comment on Resolution 3. The Chair noted that a large number of questions on the Remuneration Report had been received from one shareholder prior to the AGM. The Chair responded to the key themes raised by those questions. There were no questions from the shareholders present.

The Chair put the following resolution to the meeting.

“That the Remuneration Report for the year ended 30 June 2020 (set out in the Directors’ Report), is adopted.”

For the purposes of section 251AA of the Corporations Act, the results of the Meeting are set out in Attachment E, which is attached to and form part of these minutes, and includes a summary of the poll voting results and votes by proxies on each resolution considered at the Meeting.

Passed on a poll as an advisory resolution.

9.4 Resolution 4 – Increase in Non-Executive Director’s Fee Pool

The Chair introduced Resolution 4 and advised that as the Directors have an interest in this resolution, the Directors have not made a recommendation on this resolution.

The Chair provided shareholders with a reasonable opportunity to ask questions about or comment on Resolution 4. There were no questions from the shareholders present.

The Chair put the following resolution to the meeting.

“To approve, in accordance with ASX Listing Rule 10.17 and article 7.3(b) of the Company’s Constitution, the increase in total aggregate maximum annual remuneration payable to Non-Executive Directors of the Company by way of Directors’ fees from \$650,000 to a maximum of \$750,000.”

For the purposes of section 251AA of the Corporations Act, the results of the Meeting are set out in Attachment E, which is attached to and form part of these minutes, and includes a summary of the poll voting results and votes by proxies on each resolution considered at the Meeting.

Passed on a poll as an ordinary resolution.

9.5 Resolution 5 – Adoption of new Constitution

The Chair introduced Resolution 5 and advised that the directors, unanimously recommended shareholders vote in favour of this resolution.

The Chair provided shareholders with a reasonable opportunity to ask questions about or comment on Resolution 5. There were no questions from the shareholders present.

The Chair put the following resolution to the meeting.

“That in accordance with section 139 of the Corporations Act, and for all other purposes, the existing constitution of the company be repealed and, in its place, a constitution in the form presented to the meeting, and signed by the Chair for the purposes of identification, be adopted as a new constitution of the Company.”

For the purposes of section 251AA of the Corporations Act, the results of the Meeting are set out in Attachment E, which is attached to and form part of these minutes, and includes a

PACIFIC CURRENT GROUP

summary of the poll voting results and votes by proxies on each resolution considered at the Meeting.

Passed on a poll as a special resolution.

9. OTHER BUSINESS

There was no further business discussed.

10. MEETING CLOSE

There being no further business, the Chair closed the meeting at **11.20am** (AEDT).

Signed by the Chair on behalf of the Board as a true and correct record of the meeting for entry in the Minute Book.



Chair

Date: 10.12.20

ASX ANNOUNCEMENT

20 November 2020

2020 Annual General Meeting Presentation

Pacific Current Group Limited (**ASX:PAC**), a global multi-boutique asset management firm, is pleased to provide its 2020 Annual General Meeting Presentation for release to the market.

AUTHORISED FOR LODGEMENT BY:

Paul Greenwood

Managing Director & Chief Executive Officer and Chief Investment Officer

CONTACT

For Investor Enquiries:

- Paul Greenwood - Managing Director & CEO and CIO - (+1) 253 617 7815

For Media Inquiries in the US:

- Jessica Hedden - jhedden@paccurrent.com – (+1) 720 398 6711

-ENDS-

ABOUT PACIFIC CURRENT GROUP

Pacific Current Group Limited is a multi-boutique asset management firm dedicated to providing exceptional value to shareholders, investors and partners. We apply our strategic resources, including capital, institutional distribution capabilities and operational expertise to help our partners excel. Following the sale of Seizert, Pacific Current Group has investments in 14 boutique asset managers globally.



PACIFIC CURRENT GROUP

ANNUAL GENERAL MEETING

20 November 2020

DISCLAIMER

The information in this presentation is general information about Pacific Current Group ('Pacific Current' or 'PAC') and is current only at the date of this presentation. In particular, this presentation:

- is not an offer or recommendation to purchase or subscribe for securities in Pacific Current, nor is it an invitation to any person to acquire securities in Pacific Current;
- is not personal advice and does not take into account the potential and current individual investment objectives or the financial situation of investors; and
- contains information in summary form and does not purport to be complete.

Note that the relationship between FUM and the economic benefits received by Pacific Current can vary dramatically based on each boutique's fee levels, PAC's ownership stakes, and the specific economic features of each relationship. Accordingly, management cautions against simple extrapolation based on FUM updates/ trends.

Certain statements in this presentation may constitute 'forward-looking statements.' Forward-looking statements are neither promises nor guarantees and involve known and unknown risks, uncertainties and other factors which may cause actual results to vary materially from any projection, future results or performance expressed or implied by such forward-looking statements.



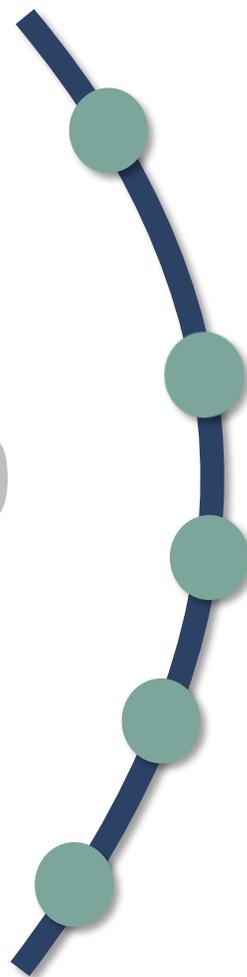
BUSINESS OVERVIEW

Paul Greenwood, CEO & CIO

REVIEW OF FY20 HIGHLIGHTS

After significant change in the portfolio in FY19, FY20 was one of reinforcement and growth in contrast with the chaotic external environment.

FY20



Investment Activity

- » Proterra Investment Partners (US\$20.5 million) - a private equity firm focused on natural resources
- » Pennybacker Capital (US\$20 million) - a private equity firm focused on real estate
- » Roc Partners (A\$6.8 million) – increased position from 18% to 30%
- » Freehold Investment Management – very small contributor, sold upon receiving an attractive offer
- » AlphaShares - closed down after losing its sole source of revenue

Portfolio Growth

- » Funds Under Management grew 62% from A\$57 billion in FY19 to A\$93 billion in FY20*
- » GQG was the biggest contributor to FUM growth, though growth across boutiques was widespread
- » Despite progress of many companies, COVID had a significant impact on boutique fundraising

Capital Raising

- » Institutional placement for A\$12 million ex-costs in December

Unsolicited Takeover Offer

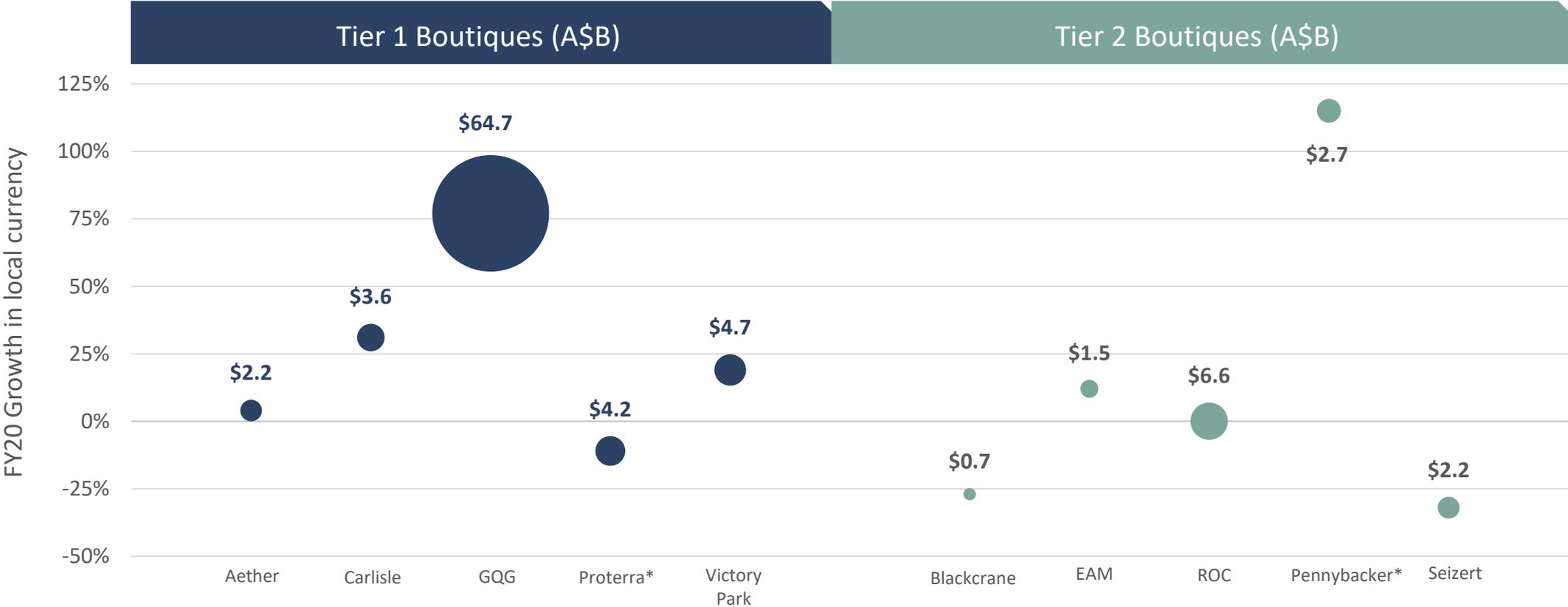
- » The board believed that the proposal was not sufficiently attractive to bring to shareholders for approval

Boutique Investment Performance

- » Active managers performed very well on average. Most, but not all, private capital strategies have performed well post COVID

FUM GROWTH BY MANAGER IN FY20

A number of boutiques grew well but were overshadowed by the spectacular results of GQG which grew at 77% off an already large base.



* PAC invested in Proterra in September 2019 and Pennybacker in December 2019, thus some of the growth shown here occurred in the months leading up to PAC's investment. June 2020 FUM for these two represents FUM from one quarter in arrears.

FY21 UPDATES

Since 30 June there has been a variety of noteworthy developments at PAC and within the PAC portfolio:

FY21

Sale of Seizert Capital

- » Sold for US\$5m (A\$6.85m)
- » Crystallized loss allows PAC to apply for US\$6.1M (A\$8.4m) tax refund
- » Absence of Seizert will reduce FY21 revenues by an estimated A\$1m

New Investments

- » PAC expects to announce a new investment in the A\$6m - A\$8m range in the short term, though not yet certain
- » The pipeline of new investment opportunities remains large, with additional investments expected in 2H21

Portfolio Company Developments

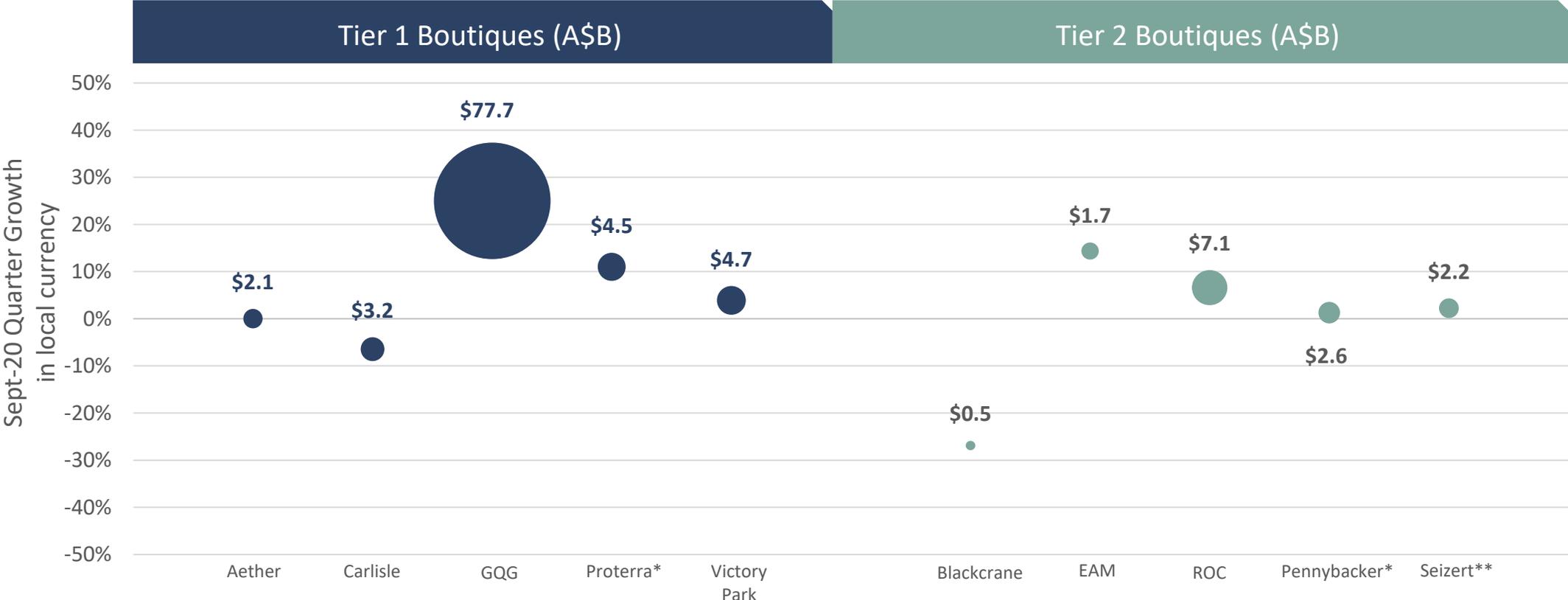
- » Continued rapid growth at GQG
- » Carlisle loss of open-end FUM and increase in closed-end FUM
- » Victory Park launched two new Special Purpose Acquisition Companies (SPACs), which while not increasing FUM, serves to increase projected future performance fees

New Fund Launch

- » PAC making progress toward launching a PAC sponsored fund (or separate account)

FUM GROWTH BY MANAGER IN SEPTEMBER 2020 QUARTER

Growth has continued in the quarter ending 30 September 2020, led once again by GQG



* FUM for Proterra and Pennybacker represents FUM from one quarter in arrears.
 ** Seizert Capital was sold as at 30 October 2020

COVID-19 IMPACT ON BOUTIQUES

Existing Business

- Performance fees have been delayed because poor environment to sell underlying assets
- No health related issues at boutiques or PAC
- Changing allocator appetite for different investment products offered by PAC boutiques

Fundraising Prospects

- Inability to travel for fundraising and reduced allocator activity are biggest impediments to portfolio growth, though allocator activity seems to be steadily improving
- Private capital strategies hurt the most, with most reducing fundraising efforts or changing product offering (Proterra, Pennybacker, Aether and CAMG most impacted, though making progress now)
- Despite difficult environment PAC has visibility into significant new commitments at multiple boutiques

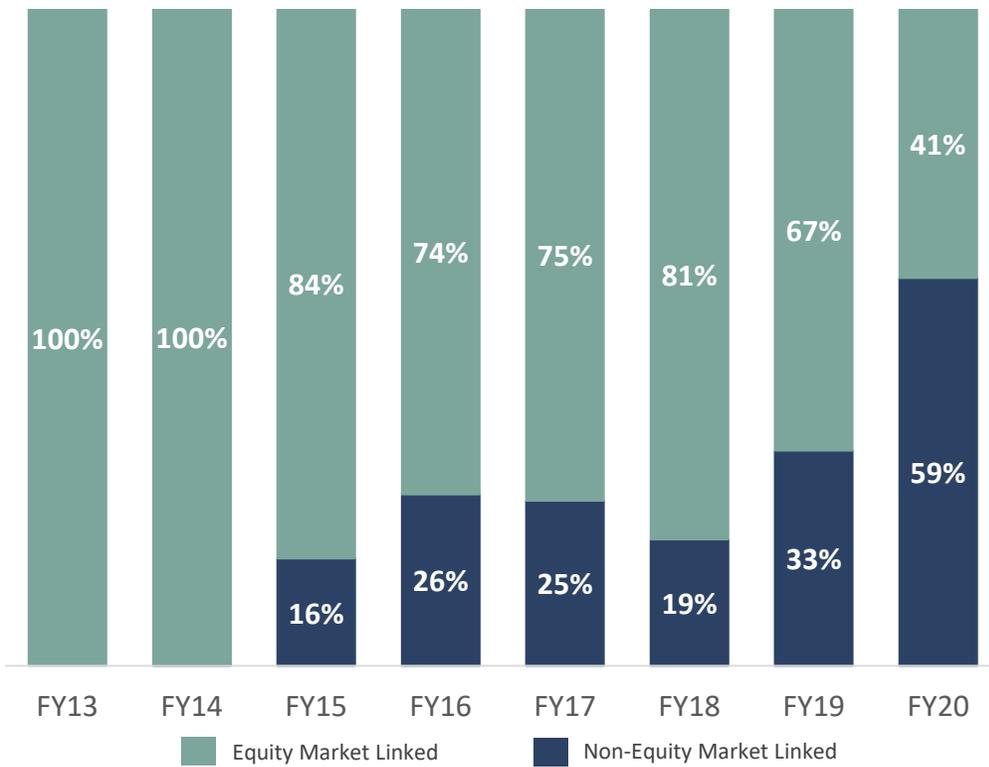
Investment Performance

- Active managers (GQG, EAM and Blackcrane) have performed exceptionally well through 30 September
- Most private capital strategies faring reasonably well, though Aether's funds most impacted by economic turmoil and decline in energy prices

REVENUE DIVERSIFICATION

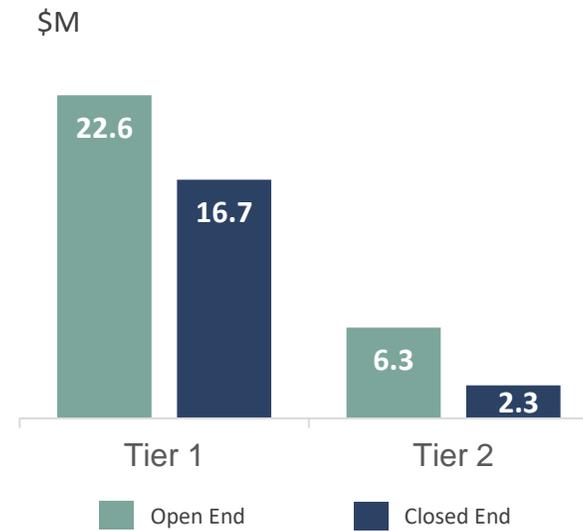
PAC's underlying revenue shift away from equity market dominance underscores the increased diversification across boutiques, investment classes, geographies, and industry sectors.

Share of Revenue[^] Linked to Equity Markets*



- » In FY20 revenues continued to shift away from active equity managers and toward closed-end vehicles
- » Proportion of public equity-oriented revenues likely to decline further in FY21, as closed-end revenues increase

FY20 Revenue by Fund Type[^]



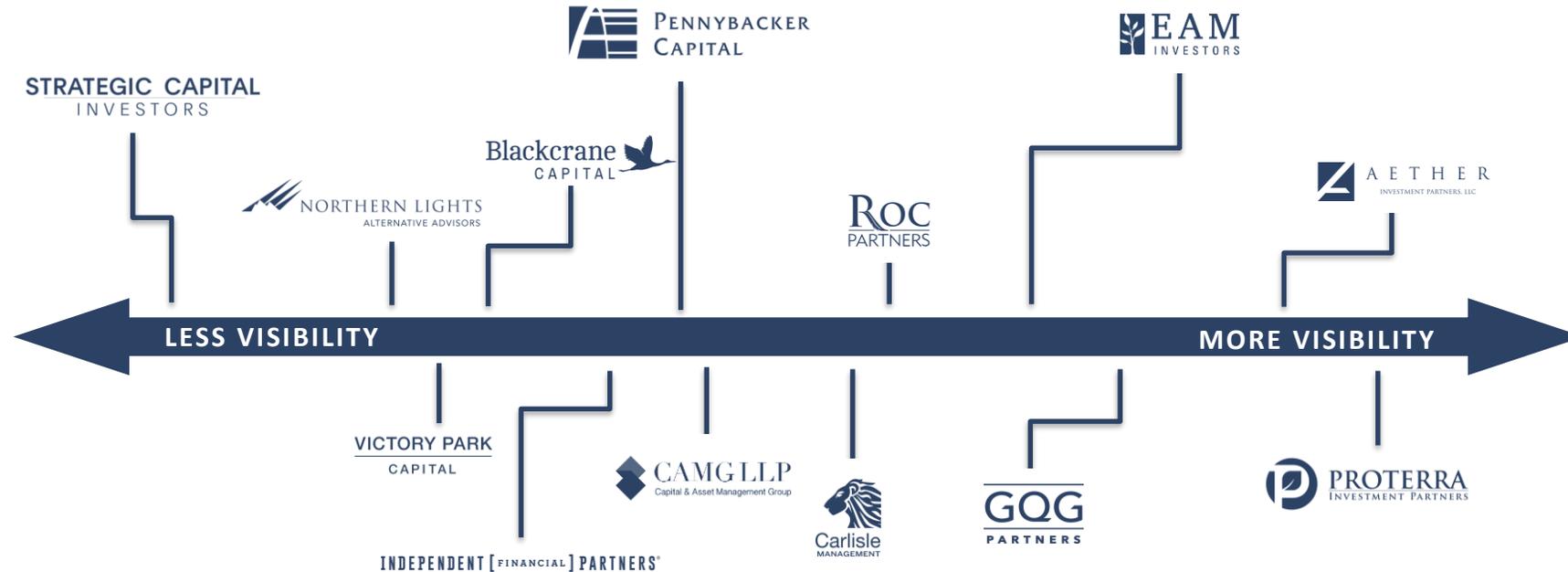
* Definition of "equity" linked includes revenues from SCI and FIM, that may invest in securities beyond public equities as well as IFP, an advisory firm whose clients have portfolios that include other asset classes beyond equities.

[^] Definition of "Revenue" includes share of profit from boutiques as well as commission and retainer revenues earned from those boutiques.

Note: FY18 results show restated amounts.

EARNINGS PREDICTABILITY BY PORTFOLIO COMPANY

The short-term visibility of each boutique's contribution varies considerably based on the factors noted below.

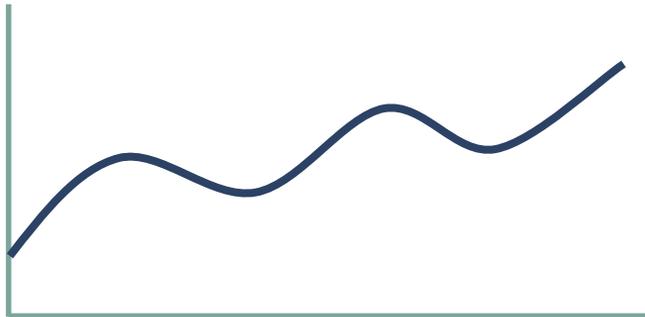


BOTTOM LINE
 PERFORMANCE FEES
 OPEN-END FUNDS
 PUBLIC SECURITIES
 TRANSACTIONAL

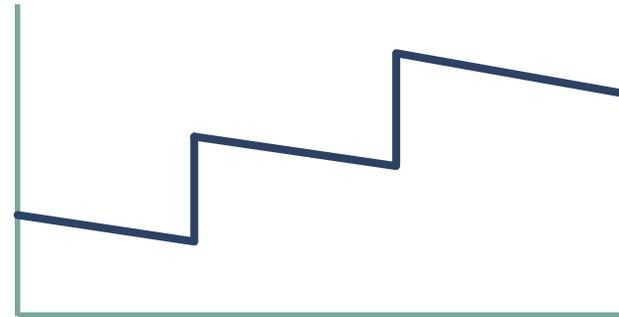
REVENUE SHARE
 PREFERRED SECURITIES
 CLOSED-END FUNDS
 PRIVATE SECURITIES
 CONTRACTUAL REVENUES

COMBINING THE PIECES

- › PAC's portfolio represents a broad collection of different risks, each with different return potential. The individual pieces can be challenging to forecast because of their different business models (see below), varying economic arrangements, and differing fundraising cycles



Typical long only growth profile



Typical private capital growth profile

- › Aggregate management fee revenues are not particularly volatile
- › However, aggregate performance fees are more difficult to predict because of the nature of the underlying investment strategies and the episodic nature of when they are realized
- › The most important long-term drivers of PAC revenue growth are whether the boutiques are (1) producing attractive performance, and (2) capable of securing new clients



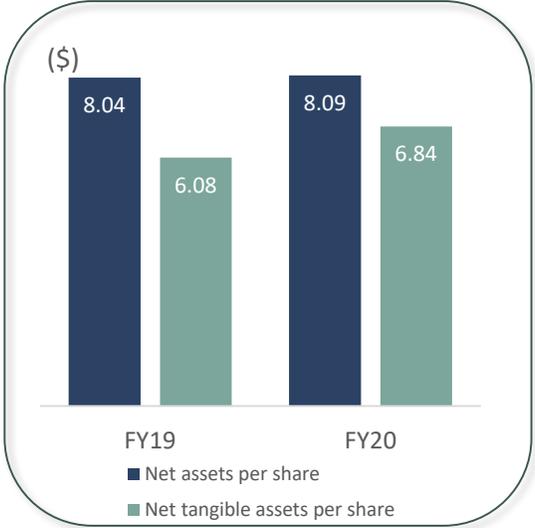
FY20 FINANCIAL RESULTS

Ashley Killick, CFO

FY20 FINANCIAL PERFORMANCE SNAPSHOT

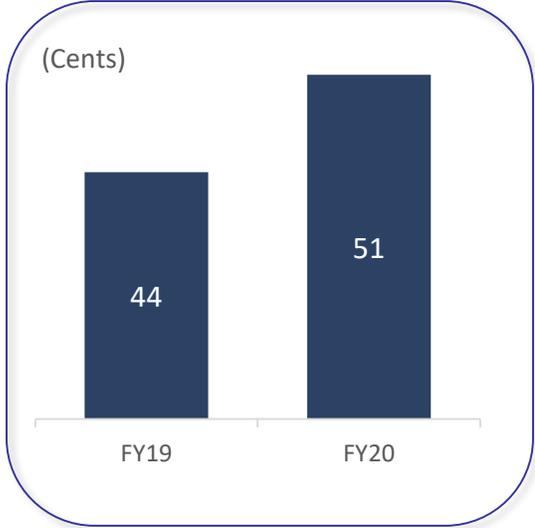
The business achieved record underlying profit, a 40% increase in fully franked dividend, and substantial growth in funds under management.

▲ **13%**
on pcp



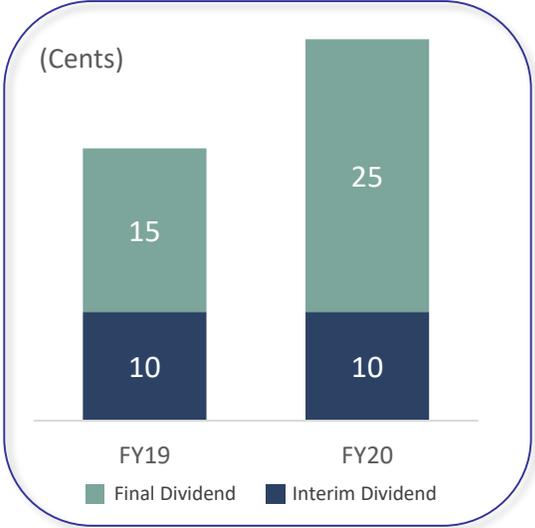
Net Tangible Assets per Share

▲ **18%**
on pcp



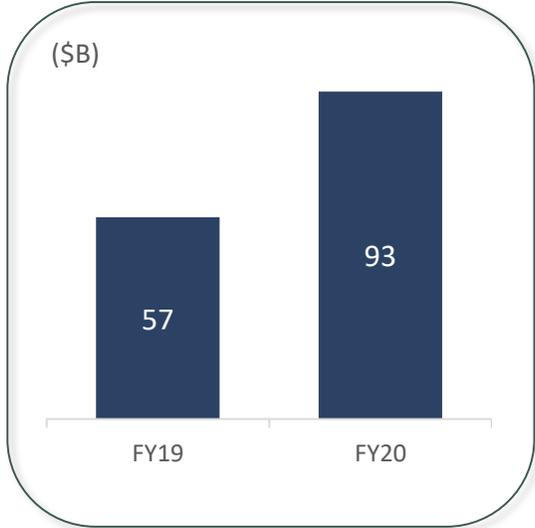
Underlying EPS

▲ **40%**
on pcp



Dividend Declared (Fully Franked)

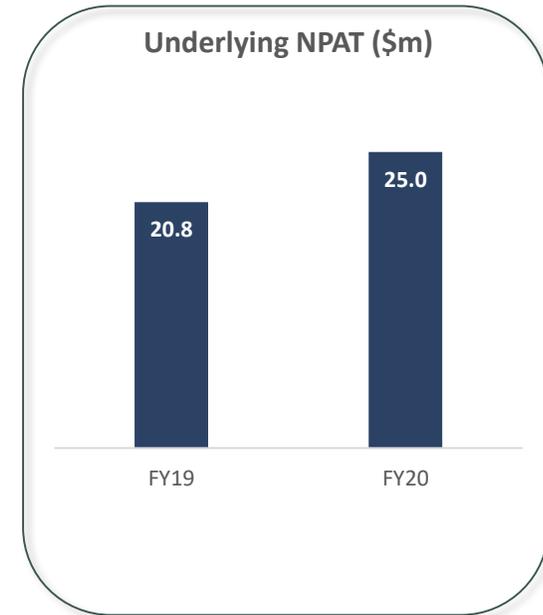
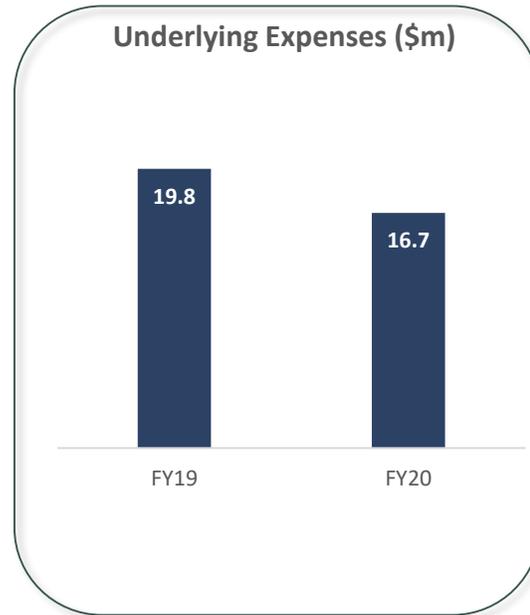
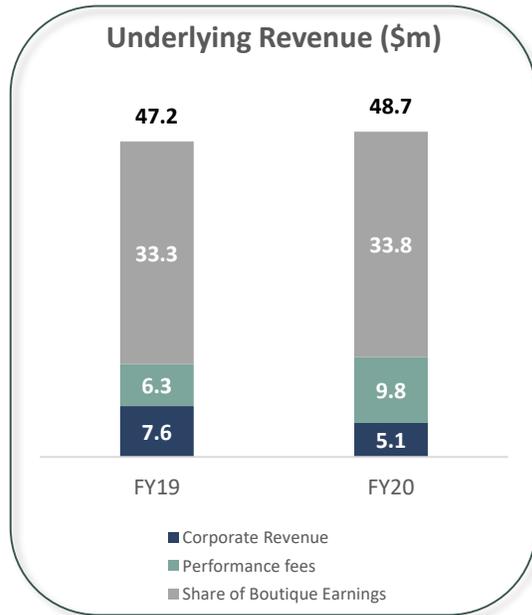
▲ **62%**
on pcp



FUM

UNDERLYING PROFIT DRIVERS

Growth in underlying profit was driven by increases in boutique contributions and active expense management.



- » Share of boutique earnings rose 10% due to:
 - » contributions from new investments (Pennybacker and Proterra)
 - » increased contributions from Aether, GQG, VPC, and ROC
 - » growth in performance fees (VPC, Carlisle, & SCI)
- » Corporate revenues declined due to multi-year commissions running off

- » Underlying expenses decreased due to:
 - » COVID-related travel restrictions
 - » reduced commission expenses
 - » sharp drop in tax/accounting expenses, partly due to simplified structure

- » Statutory results include the consolidation of Aether, Seizert, and SCI
- » Non-recurring income or expenses are reflected in statutory results but not underlying results. For example, gains or losses on disposition and impairment and certain fair value adjustments are stripped out of underlying results.



STRATEGY AND OUTLOOK

STRATEGY

PAC is focused on growing the existing business and diversifying the portfolio, while also seeking new revenue sources

Invest and Diversify

- » Continue pursuing private capital strategies
- » Focus on firms with innovative business models
- » Act opportunistically whenever we can invest in a compelling investor

Enhance Distribution

- » Increase breadth of PAC's distribution engagement
- » Work with boutiques to facilitate access to other distribution channels or resources

Explore New Revenue Sources

- » PAC has the ability to deploy far more capital than it can access
- » Considering raising a private fund to invest alongside PAC
- » PAC would receive management fee revenues from fund and co-investment rights

Outlook

- › Pipeline of attractive investments is strong, with PAC expecting to make at least two investments in FY21
- › FY21 earnings visibility is clouded by impact of COVID on realization of performance fees, and timing of new boutique fundraising
- › Expect acceleration of new commitments to PAC boutiques over the next 18 months due to (1) increased allocator activity, and (2) where boutiques stand in their respective fundraising cycles
- › Outcome of US elections generally positive given prospect of "divided government," which should keep US corporate tax levels at current rates
- › Should know within 6 months whether raising external capital for PAC to manage will gain traction



QUESTIONS



PACIFIC CURRENT GROUP

ANNUAL GENERAL MEETING

20 November 2020



ASX ANNOUNCEMENT

16 October 2020

2020 Annual General Meeting

Pacific Current Group Limited (**ASX:PAC**), advises that the attached documents in relation to PAC's 2020 Annual General Meeting, to be held virtually on Friday 20 November 2020 at 10.00am (AEDT), have been amended as follows:

- the effective date of the increase in the Non-Executive Directors' fee pool (subject to shareholder approval) was incorrectly stated as 1 July 2022, and has been amended to 1 July 2021 (Explanatory Notes, page 8 – Resolution 4).

AUTHORISED FOR LODGEMENT BY:

Tony Robinson
Chair

-ENDS-

CONTACT

For Investor enquiries:

- Paul Greenwood - Managing Director & CEO and CIO
E: pgreenwood@paccurrent.com
T: (+1) 253 617 7815

For Media enquiries in the US:

- Jessica Rettig - Director Marketing
E: jrettig@paccurrent.com
T: (+1) 720 398 6711

ABOUT PACIFIC CURRENT GROUP

Pacific Current Group Limited is a multi-boutique asset management firm dedicated to providing exceptional value to shareholders, investors and partners. We apply our strategic resources, including capital, institutional distribution capabilities and operational expertise to help our partners excel. As of 16 October 2020, Pacific Current Group has investments in 15 boutique asset managers globally.

PACIFIC CURRENT GROUP

Pacific Current Group Limited
Notice of Annual General Meeting
2020

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2020 Annual General Meeting (**AGM or Meeting**) of Pacific Current Group Limited ACN 006 708 792 (**Pacific Current**) will be held virtually:

Date: Friday, 20 November 2020
Time: 10:00am AEDT
Venue: ZOOM Webcast at:
https://paccurrent.zoom.us/webinar/register/WN_J2PM4cU6Qcyx17EcdryUVw

Pre-registration is required.

Online Facility: Shareholders may also participate in the AGM and vote using the Online Voting Facility at:
web.lumiagm.com/322957646

Meeting ID: 322957646

The Explanatory Memorandum provides additional information on matters to be considered at the AGM. The Explanatory Memorandum and the Proxy Form are part of this Notice of Meeting.

ITEMS OF BUSINESS**1. CONSIDERATION OF REPORTS**

To receive and consider the Financial Report, the Directors' Report and the Independent Auditor's Report of Pacific Current Group Limited for the financial year ended 30 June 2020.

2. ELECTION OF DIRECTORS**RESOLUTION 1 - RE-ELECTION OF ANTONY (TONY) ROBINSON**

To consider and, if considered appropriate, pass the following Ordinary Resolution:

"That Antony (Tony) Robinson, a Non-Executive Director retiring in accordance with rule 7.1(f) of the Constitution, being eligible, is re-elected as a Non-Executive Director of Pacific Current Group Limited."

RESOLUTION 2 - RE-ELECTION OF PETER KENNEDY

To consider and, if considered appropriate, pass the following Ordinary Resolution:

"That Peter Kennedy, a Non-Executive Director retiring in accordance with rule 7.1(f) of the Constitution, being eligible, is re-elected as Non-Executive Director of Pacific Current Group Limited."

3. REMUNERATION REPORT**RESOLUTION 3 - ADOPTION OF REMUNERATION REPORT**

To consider and if considered appropriate, pass the following Advisory Resolution:

"That the Remuneration Report for the year ended 30 June 2020 (set out in the Directors' Report), is adopted."

4. INCREASE IN NON-EXECUTIVE DIRECTOR'S FEE POOL**RESOLUTION 4 – INCREASE IN NON-EXECUTIVE DIRECTORS' FEE POOL**

To consider and, if considered appropriate, pass the following Ordinary Resolution:

"To approve, in accordance with ASX Listing Rule 10.17 and article 7.3(b) of the Company's Constitution, the increase in total aggregate maximum annual remuneration payable to Non-Executive Directors of the Company by way of Directors' fees from \$650,000 to a maximum of \$750,000."

5. ADOPTION OF NEW CONSTITUTION**RESOLUTION 5 – ADOPTION OF NEW CONSTITUTION**

To consider and, if considered appropriate, pass the following Special Resolution:

"That for the purposes of section 139 of the Corporations Act, and for all other purposes, the existing constitution of the Company be repealed and, in its place, a constitution in the form presented to the meeting, and signed by the Chair for the purposes of identification, be adopted as the new constitution of the Company."

BY ORDER OF THE BOARD



Clare Craven
Company Secretary
 16 October 2020

IMPORTANT VOTING INFORMATION**VOTING EXCLUSIONS****Voting exclusion for Resolution 3 - Remuneration Report**

A vote on Resolution 3 must not be cast (in any capacity) by, or on behalf of, the following persons:

- a) a member of Pacific Current's Key Management Personnel (**KMP**) whose remuneration details are included in the 2020 Remuneration Report; or
- b) a closely related party of such a KMP (including close family members and companies the KMP controls).

However, a person described above may cast a vote on Resolution 3 as a proxy, if the vote is not cast on behalf of a person described above and either:

- a) the proxy appointment is in writing and specifies the way the proxy is to vote the resolution (e.g. for, against, abstain) on; or
- b) the vote is cast by the Chair of the AGM and the appointment of the Chair as proxy:
 - i) does not specify the way the proxy is to vote on the resolution; and
 - ii) expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

In accordance with section 250BD of the Corporations Act 2001 (Cth) (**Corporations Act**), a vote must not be cast on Resolution 3 as a proxy by a member of the KMP at the date of the AGM, or a closely related party of such a KMP, unless it is cast as proxy for a person entitled to vote in accordance with their directions. This restriction on voting undirected proxies does not apply to the Chair of the AGM where the proxy appointment expressly authorises the Chair of the AGM to exercise undirected proxies even if the resolution is connected, directly or indirectly, with the remuneration of the KMP.

KMP has the meaning as set out in the Corporations Act and refers to Directors of Pacific Current and those persons having authority and responsibility for planning, directing and controlling the activities of Pacific Current, directly or indirectly. Closely related party has the same meaning as set out in the Corporations Act.

Voting exclusion for Resolution 4 – Increase in Non-Executive Director's Fee Pool

The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of any Director of the Company or any of their respective Associates.

However, this does not apply to a vote cast in favour of Resolution 4 by:

- a person as proxy or attorney for a person who is entitled to vote on Item 4, in accordance with

the directions given to the proxy or attorney to vote on Item 4 in that way; or

- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Item 4, in accordance with a direction given to the Chair of the Meeting to vote on Item 4 as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Item; and
 - the holder votes on the Item in accordance with the directions given by the beneficiary to the holder to vote in that way.

In addition, a vote must not be cast on Resolution 4 by any person who is a KMP member at the time this item is voted on at the AGM, or by any of their Closely Related Parties, acting as proxy for a person entitled to vote, if their appointment does not specify the way the proxy is to vote on Item 4. This restriction on voting undirected proxies does not apply to the Chair of the Meeting acting as proxy for a person entitled to vote on Resolution 4 because the Company's proxy appointment expressly authorises the Chair of the Meeting to exercise undirected proxies even if the resolution is connected, directly or indirectly, with the remuneration of the KMP.

The Company will apply the above voting exclusions to persons appointed as an attorney by a shareholder to participate and vote at the AGM under a power of attorney, as if they were appointed as a proxy.

ENTITLEMENT TO ATTEND AND VOTE

In accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Board has determined that persons who are registered holders of Pacific Current shares as at 7:00pm AEDT on **Wednesday, 18 November 2020** will be entitled to attend and vote at the AGM as a shareholder.

If more than one joint holder of shares is present at the AGM (whether personally, by proxy, by attorney, or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

Appointment of Proxy

If you are a shareholder entitled to attend and vote, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the AGM.

A proxy need not be a shareholder of Pacific Current.

A shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the shareholder's votes.

To be effective, the proxy must be received at Pacific Current's Share Registry no later than **10:00am AEDT on Wednesday, 18 November 2020 (48 hours before AGM)**. Proxies must be received before that time by one of the following methods:

By mail:

Pacific Current Group Limited
C/- Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Victoria 3001
Australia

By facsimile:

1800 783 447 (within Australia)
+61 3 9473 2555 (from outside Australia)

By delivery in person:

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford Victoria 3067

Online:

For Intermediary Online subscribers only (custodians):

www.intermediaryonline.com

Lodge your vote online:

www.investorvote.com.au

To be valid, a proxy form must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

Given the current environment created by the coronavirus pandemic, the Company encourages all shareholders to lodge a proxy online prior to the Meeting and participate in the Meeting by ZOOM webcast.

Proxy forms are also available to download on Pacific Current's website at

<https://paccurrent.com/shareholders/document-library/annual-general-meeting/>

Proxies signed under Power of Attorney

If a proxy form is signed under a power of attorney then both the proxy form and the original power of attorney under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by Pacific Current's Share Registry no later than 10:00am AEDT on **Wednesday, 18 November 2020**, being 48 hours before the AGM.

IMPORTANT: If you appoint the Chair of the Meeting as your proxy, or the Chair becomes your proxy by default, and you do not direct your proxy how to vote on Resolution 3 or 4, then by submitting the proxy form you will be expressly authorising the Chair of the AGM to exercise your proxy on the relevant resolution, even though some of the resolutions are connected, directly or indirectly, with the remuneration of the KMP.

The Chair of the AGM intends to vote all undirected proxies in favour of each resolution.

Corporate Representatives

A body corporate which is a shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the AGM. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should bring to the AGM a properly executed letter or other document confirming its authority to act as the company's representative.

A *Certificate of Appointment of Corporate Representative* form may be obtained from Pacific Current's Share Registry or online at www.investorcentre.com under the help tab, "Printable Forms".

ENCLOSURES

The following documents are available on Pacific Current's website at:

<https://paccurrent.com/shareholders/document-library/annual-general-meeting/>

- proxy form to be completed if you would like to be represented at the AGM by proxy. Shareholders are encouraged to use the online proxy lodgement facility that can be accessed on Pacific Current's share registry's website www.investorvote.com.au to ensure the timely and cost effective receipt of your proxy;
- question form to be completed if you would like a specific question to be addressed by the Chair or Deloitte Touche Tohmatsu (our external auditor) at the AGM; and
- Online Voting Guide.

OTHER INFORMATION

Voting using the Online Platform during the Meeting

Due to the virtual nature of the event, Computershare will facilitate voting during the meeting by mobile device. If you wish to cast your vote during the meeting, please follow the steps below to register your interest as soon as possible.

Step 1: Visit web.lumiagm.com/322957646 on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Internet Explorer 11, Edge or Firefox.

Step 2: Enter username (SRN or HIN) and Password (Postcode or Country Code)

Appointed proxies: To receive your unique username and password, please contact Computershare Investor Services on +61 3 9415 4024 Monday to Friday during business hours.

Step 3: When the poll is open, the vote icon will be accessible by selecting the voting icon at the top of your screen.

Step 4: Select your voting option (For/Against/Abstain) for each resolution.

A message will appear at the top of the screen indicating the number of resolutions that you have voted on.

Voting will close 5 minutes after the close of the Meeting. At the close of the Meeting, any votes you have placed will automatically be submitted to the Registry.

The Online Voting Guide can be accessed on the Company's website and at: www.computershare.com.au/onlinevotingguide

ASKING A QUESTION

Shareholders who are unable to attend the Meeting or who would prefer to register their questions in advance are welcome to do so at www.investorvote.com.au

Alternatively, shareholders can submit a Shareholder Question Form, which is available on Pacific Current's website at

<https://paccurrent.com/shareholders/document-library/annual-general-meeting/>.

Written questions must be received by the Company or Computershare by **5.00pm (AEDT) on Friday 13 November 2020**, and can be submitted online, by mail, by fax or in person (as set out on the top of the Shareholder Question Form). Please note that individual responses will not be sent to shareholders.

Shareholders will also have a reasonable opportunity to ask questions during the meeting, including to ask questions of Pacific Current's External Auditor, Deloitte Touche Tohmatsu, using the online question function available during the ZOOM webcast.

To ensure that as many shareholders as possible have the opportunity to ask questions, shareholders are requested to observe the following guidelines:

- all shareholder questions should be stated clearly and should be relevant to the Business of the Meeting, including matters arising from the Financial Report, the Directors' Report (including the Remuneration Report) and the Auditor's Report, and general questions about the performance, business or management of the Company;
- if a shareholder has more than one question on an Item, all questions should be asked at the one time; and
- shareholders should not ask questions at the Meeting relating to any matters that are personal to the shareholder.

EXPLANATORY MEMORANDUM

INTRODUCTION

This Explanatory Memorandum has been prepared for the information of shareholders of Pacific Current (**Shareholders**) in relation to the business to be conducted at the virtual AGM to be held at on Friday, 20 November 2020, commencing at 10:00am AEDT.

This Explanatory Memorandum forms part of the Notice of Meeting, which should be read in its entirety. This Explanatory Memorandum contains the information, terms and conditions on which the Resolutions will be voted.

Subject to the abstentions noted below, the Directors unanimously recommend Shareholders vote in favour of all Resolutions.

Resolutions 1, 2 and 4 are ordinary resolutions, which require a simple majority of votes cast by Shareholders present and entitled to vote on the resolution. Resolution 3, relating to the Remuneration Report, is advisory and does not bind the Directors or the Company. Resolution 5, relating to the adoption of a new constitution, is a special resolution which requires a 75% majority of votes cast by Shareholders present and entitled to vote on the resolution.

Shareholders should read the Notice of Meeting including this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

1. CONSIDERATION OF REPORTS

In accordance with section 317(1) of the Corporations Act, the Financial Report, the Directors' Report and the Independent Auditor's Report for the year ended 30 June 2020 (which are contained in the 2020 Annual Report), will be presented for consideration.

A printed copy of the 2020 Annual Report, or an email advising that the 2020 Annual Report is available on Pacific Current's website at:

<https://paccurrent.com/shareholders/document-library/annual-report/>

has been sent to each shareholder who has requested a copy.

Following the Consideration of Reports, the Chair will give Shareholders a reasonable opportunity to ask questions about, or comment upon, the management of Pacific Current.

The Chair will also provide Shareholders a reasonable opportunity to ask Deloitte Touche Tohmatsu, the Company's Auditor, questions relevant to:

- the conduct of the audit;
- the preparation and content of the Independent Auditor's Report;

- the accounting policies adopted by Pacific Current in relation to the preparation of the financial statements; and
- the independence of the Auditor.

The Chair will also give the Auditor a reasonable opportunity to answer written questions submitted by Shareholders relating to the content of the Independent Auditor's Report or the conduct of the audit.

A list of written questions to the Auditor submitted by Shareholders, if any, will be made available to shareholders online at the start of the AGM, and any written answers tabled at the AGM by the Auditor will be made available as soon as practicable.

2. RE-ELECTION OF DIRECTORS

RESOLUTION 1 - RE-ELECTION OF ANTONY (TONY) ROBINSON

Mr Antony (Tony) Robinson was appointed as a non-executive director on 28 August 2015 and became an executive director on 20 April 2016 before returning to a non-executive director on 1 September 2018. Tony assumed the role of Chair of Pacific Current on 1 October 2018. In accordance with rule 7.1(f) of the Constitution, Tony Robinson retires from office at the conclusion of the AGM and is eligible for re-election as a Director of the Company. If Shareholders do not approve the re-election of Tony Robinson then he will cease to be a Director at the conclusion of the Meeting.

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is longer.

The Board considered whether Tony Robinson had any interest, position or relationship that may interfere with his independence as a Director, having regard to the relevant factors as set out in the ASX Corporate Governance Council Principles & Recommendations (4th edition) (ASX Principles). The Board considers that Tony Robinson (if re-elected), will continue to be an independent Director.

Tony 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. Tony is currently 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. Tony holds a Bachelor of Commerce and a Master of Business Administration from the University of Melbourne.

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

The Board supports the re-election of Tony Robinson as he contributes to the Board significant experience as set out above.

Directors' Recommendation

For the reasons set out above, the Directors (with Mr Robinson abstaining) recommend you vote **in favour** of Resolution 1.

RESOLUTION 2 - RE-ELECTION OF PETER KENNEDY

Mr Peter Kennedy was appointed as a non-executive director on 4 June 2003. In accordance with rule 7.1(f) of the Constitution, Peter Kennedy retires from office at the conclusion of the AGM and is eligible for re-election as a Director of the Company. If Shareholders do not approve the re-election of Peter Kennedy then he will cease to be a Director at the conclusion of the Meeting.

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is longer.

The Board considered whether Peter Kennedy had any interest, position or relationship that may interfere with his independence as a Director, having regard to the relevant factors as set out in the ASX ASX Principles. The Board considers that Peter Kennedy (if re-elected), will continue to be an independent Director.

Peter 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. Peter also sits on the boards of a number of companies in the manufacturing, property and retail industries. Peter is Chair of Treasury Group Investment Services Ltd, a wholly owned subsidiary of Pacific Current. Peter's formal qualifications include a B.Ec, LL.B., LL.M (Tax) from Monash University.

Peter is the Chair of the Remuneration, Nomination and Governance Committee and is a member of the Audit and Risk Committee.

The Board supports the re-election of Peter Kennedy as he contributes to the Board significant experience as set out above.

Directors' Recommendation

For the reasons set out above, the Directors (with Mr Kennedy abstaining) recommend you vote **in favour** of Resolution 2.

3. RESOLUTION 3 - REMUNERATION REPORT

Section 250R(2) of the Corporations Act requires that Pacific Current put to a shareholder vote, a resolution that the Remuneration Report dealing with the remuneration of directors and key management personnel (**KMP**) of the Company (**Remuneration Report**) be adopted. The vote is advisory only and does not bind the Directors or Pacific Current, although Pacific Current takes the outcome of the vote into consideration in determining remuneration policy going forward.

The Remuneration Report is contained in the Directors' Report set out at pages 20 to 37 of the 2020 Annual Report, which is available on Pacific Current's website:

<https://paccurrent.com/shareholders/document-library/annual-report/>.

The Remuneration Report:

- explains Pacific Current's executive remuneration framework and objectives, and the link between the remuneration of Executives and Pacific Current's performance;
- sets out remuneration details for each Director and for each executive with authority and responsibility for directing the affairs of the Company; and
- makes clear that the basis for remunerating Non-Executive Directors is distinct from the basis for remunerating Executives, including Executive Directors.

The Chair will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

An Advisory Resolution that the Remuneration Report for the year ended 30 June 2020 is adopted will then be put to a Shareholder vote.

Directors' Recommendation

The Directors recommend you vote **in favour** of Resolution 3.

4. RESOLUTION 4 – INCREASE IN NON-EXECUTIVE DIRECTOR'S FEE POOL

Under Article 7.3(b) of the Company's constitution and ASX Listing Rule 10.17, the maximum aggregate amount payable as remuneration to Non-Executive Directors in any year must not exceed an amount determined by the Company at a general meeting. Under ASX Listing Rule 10.17, the Company must not increase the total aggregate amount of directors' fees payable to all of its Non-Executive Directors without the approval of Shareholders. The current Fee Pool of \$650,000 has not

increased for 14 years, having been approved by Shareholders at the 2006 Annual General Meeting.

Directors are seeking approval from Shareholders to increase the Fee Pool by \$100,000 from \$650,000 to \$750,000.

The Board is seeking an increase to the Fee Pool at this time for the following reasons:

- the Board currently comprises five Non-Executive Directors and the Managing Director, reflecting the growth, scale and increasing complexity of the Company, as well as the increasing governance, legal and regulatory obligations on listed companies;
- consistent with the increase in governance, legal and regulatory obligations on listed companies, there has been a concomitant change in the role and responsibilities for Non-Executive Directors;
- to remunerate Non-Executive Directors appropriately for the expectations placed on them by the Company and the regulatory environment in which it operates, and thereby attract and retain high calibre people; and
- to allow for future changes in Board remuneration structures and quantum to reflect market practice and benchmarking movements.

The Directors are satisfied that the proposed Fee Pool is commensurate with the fee pool applying to peer companies and that the proposed increase is reasonable and appropriate for the reasons set out above.

Details of fees paid to Non-Executive Directors for the year ended 30 June 2020 are provided on pages 32 to 33 of the Company's 2020 Annual Report. If Shareholder approval is obtained for the increase of the Fee Pool, the increase of the fee pool will take effect on and from 1 July 2021. If Shareholder approval is not obtained, the Fee Pool will remain at \$650,000.

No securities have been issued to any Non-Executive Director of the Company under ASX Listing Rules 10.11 or 10.14 at any time within the last three years.

Directors' Recommendation

As Non-Executive Directors have an interest in resolution 4, the Directors have not made a recommendation on this resolution.

5. RESOLUTION 5 – ADOPTION OF NEW CONSTITUTION

Background and reasons for the proposal

The constitution of the Company was adopted on 17 December 1999 (**Constitution**). Since adoption, the only modification to the Constitution was on 15 October 2015

to reflect a change of the Company's name to Pacific Current Group Limited.

The Company has recently undertaken a review of the Constitution and proposes to repeal and replace the Constitution to make a number of modifications to reflect certain changes to corporate governance practice, the Corporations Act and Listing Rules of the ASX (Listing Rules), and also to generally update certain legacy provisions and outdated terminology. A number of the proposed changes also seek to achieve efficient and flexible administration of the Company and relations with Shareholders.

Under section 136 of the Corporations Act, amendments to the Constitution may only be made by a special resolution of Shareholders. If Shareholder approval is not obtained, the existing Constitution will remain in place.

Overview of proposed amendments to the Constitution

An overview of the key differences between the Constitution and the proposed new constitution are detailed in the table below. A copy of the proposed new constitution is attached at Annexure A and is available from the Company's website at:

<https://paccurrent.com/shareholders/document-library/annual-general-meeting/>

Summary of proposed change(s)

Dividends

- The new constitution makes clear (consistent with the Corporations Act) that directors may rescind or alter a determination to pay a dividend at any time before the payment is made.
- The new constitution reflects that one of the payment methods for a dividend (or any other payment to a Shareholder) can be by means of a direct credit or other method determined by the Directors, and to clarify that:
 - payments by cheque are at the risk of the Shareholder, and any cheque not presented for payment within 3 months may be cancelled by the Company; and
 - if a cheque is not presented for payment within 3 months or a direct credit is unsuccessful as a result of incorrect payment details being provided by or on behalf of a Shareholder, the money will be taken to be an unclaimed amount and may be invested or otherwise used by the directors for the benefit of the Company until claimed, or may be disposed of according to law.

Summary of proposed change(s)	Summary of proposed change(s)
<p>Small holdings</p> <ul style="list-style-type: none"> The new constitution provides for a mechanism for the Company to compulsorily offer for sale unmarketable parcels of shares, if notice of such an intention is given to the Shareholder holding the unmarketable parcel and the Shareholder does not otherwise inform the Company that it wishes to retain the shares. This will allow the Company to take steps to provide Shareholders holding unmarketable parcels of shares with an ability to exit their shareholding, when they may not otherwise be able to do so. 	<ul style="list-style-type: none"> To facilitate the direct voting arrangements, the Directors will be authorised to prescribe rules governing direct voting.
<p>General Meetings</p> <ul style="list-style-type: none"> In line with the current requirements under the Corporations Act, the new constitution provides that a single director is able to call a general meeting of the Company. The new constitution specifically provides, subject to any requirements of the Corporations Act, for a meeting to be held using one or more technologies that give Shareholders as a whole a reasonable opportunity to participate in the meeting and to ensure that persons participating using technology are counted for the purposes of determining a quorum and are entitled to exercise all rights as if they were attending the meeting in person. <p>Provisions have also been included to deal with the scenario whereby technical difficulties occur – including to allow the chair to adjourn the meeting to allow the technical difficulty to be rectified.</p> <p>These amendments are intended to enable greater participation by, and engagement with, Shareholders.</p>	<p>Directors</p> <ul style="list-style-type: none"> The period for nominations for election as a director will be extended from a least 30 business days prior to the meeting to at least 45 business days but no more than 90 business days prior to the meeting, in order to better align the new constitution with market practice and to facilitate adequate time for the Company to comply with its notice period requirements and to print and distribute the relevant materials to Shareholders after a nomination is received. Further, the provisions dealing with nominations for election as a director now require a nomination of a person who is not a current director, or who is not nominated by the board, to be signed by a member of the Company. The provisions dealing with director remuneration will be expanded to align with the Listing Rules by clarifying that the amount of remuneration payable to Directors (as determined by the Company in general meeting) does not include remuneration in the form of share, option or other equity plans approved separately by the Company in general meeting. The new constitution will also clarify that the amount of the total remuneration cap that is able to be paid to directors is inclusive of superannuation.
<p>Direct Voting</p> <ul style="list-style-type: none"> The new constitution will allow direct voting (whereby Shareholders may lodge a vote directly with the Company by way of post, fax or other electronic means, without having to attend a meeting or appoint a proxy or representative). A direct vote will have the same effect as a vote cast in person at a meeting. Direct voting addresses deficiencies in existing voting procedures by facilitating greater voting participation and minimises the potential risks of a proxy vote not being cast. 	<p>Consequential and Other Amendments</p> <ul style="list-style-type: none"> A number of additional minor changes are incorporated in the new constitution – including in order to give effect to the changes summarised above and updates to terminology and to ensure that the new constitution reflects current law and practice. The new constitution also provides that the Company is able to charge a reasonable fee in order to register a transfer of securities. The ASX listing rules generally prohibit charging such a fee, but do provide that a company may charge a fee in certain narrow circumstances with respect to registering paper-based transfers. This provision allows the Company to charge a fee in those circumstances in order to cover the additional administrative costs associated with such a registration.

Summary of proposed change(s)

- The provisions dealing with methods of service expand the methods by which the Company may communicate with Shareholders. In particular, the Company may give a document by notifying Shareholders (by electronic means) that the document is available and how and where the document may be accessed.
- This will enable the Company to realise efficiency gains and cost savings in the distribution of notices and will increase flexibility for Shareholders in the way they receive communications from the Company.

Directors' Recommendation

The Directors recommend you vote **in favour** of Resolution 5.

PACIFIC CURRENT GROUP LIMITED
ABN 39 006 708 792

NOTICE OF ANNUAL GENERAL MEETING

Registered Office:

Pacific Current Group Limited
Level 29, Suite 2, 259 George Street
Sydney NSW 2000

Telephone:

+61 2 8243 0400

Facsimile:

+61 2 8243 0410

Email:

info@paccurrent.com

Pacific Current Share Registry

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Victoria 3001

Telephone:

1300 850 505 (within Australia)

+61 3 9415 4000 (outside Australia)

Facsimile:

1800 783 447 (within Australia)

+61 3 9473 2555 (outside Australia)

Online:

For Intermediary Online subscribers only (custodians):

www.intermediaryonline.com

Lodge your vote online:

www.investorvote.com.au

OFFICES

SYDNEY

Level 29, 259 George Street
Sydney NSW 2000
Ph: +61 2 8243 0400

MELBOURNE

Level 2, 88 Collins Street
Melbourne VIC 3000
Ph: +61 2 8243 0400

DENVER

3300 E 1st Avenue, Suite 610
Denver, CO 80206
Ph: +1 303 321 9900

TACOMA

2323 North 30th Street, Suite 201
Tacoma, WA 98403
Ph: +1 253 238 0417

Constitution

Pacific Current Group Limited
ACN 006 708 792

A company limited by shares

This constitution was presented to the general meeting of the above company held on 20/11/2020 and is signed by me for the purpose of identification.

.....
Antony David Robinson
Chair of the meeting

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Pacific Current Group Limited ACN 006 708 792

1. Preliminary

1.1 Application of the Corporations Act

- (a) This constitution is subject to the Corporations Act.
- (b) The replaceable rules for a company under the Corporations Act do not apply to the company.
- (c) In this constitution, unless the context otherwise requires:
 - (1) a term in a rule about a matter dealt with by a provision of the Corporations Act has the same meaning as in that provision of the Corporations Act; and
 - (2) subject to paragraph (1) above, a term in a rule that is defined in section 9 of the Corporations Act has the same meaning as in that section.

1.2 Definitions

In this constitution, unless the context otherwise requires:

ASX means ASX Limited ABN 98 008 624 691 or the financial market operated by ASX Limited, as the context requires;

ASX Listing Rules means the listing rules made by ASX that deal with admitting entities to, or removing entities from, ASX's official list or the activities or conduct of entities that are included on that list;

ASX Settlement Operating Rules means the operating rules of the settlement facility provided by ASX Settlement Pty Ltd ABN 49 008 504 532;

business day has the same meaning as in the ASX Listing Rules;

CHESS has the same meaning as in the ASX Settlement Operating Rules;

Commonwealth means the Commonwealth of Australia and its external territories;

company means Pacific Current Group Limited ACN 006 708 792;

Corporations Act means the *Corporations Act 2001* (Cth);

dividend reinvestment plan means a plan whereby participating members, subject to the terms of the plan, elect in respect of some or all of their shares to apply the dividends payable on those shares to subscribe for additional shares in the company;

dividend selection plan means a plan whereby participating members, subject to the terms of the plan, elect in respect of some or all of their shares:

- (a) to receive the dividends payable on those shares wholly or partly by way of a payment out of any particular fund or reserve or out of profits derived from any particular source; or

- (b) not to receive the dividends payable on those shares, and in place of those dividends, to receive some other form of distribution from the company or another body corporate or a trust, including paid up shares or other securities of the company, other body corporate or trust;

employee share ownership plan means a plan or scheme whereby any officer, employee or consultant of the company or a related body corporate, or his or her nominated entity, subject to the terms of the plan, may acquire shares in the company, or options or other rights to acquire shares in the company, or rights that are convertible into shares in the company;

executive director means a director of the company who is an officer or holds an office referred to in rule 8 or is an employee of the company or a related body corporate;

non-executive director means a director of the company who is not an executive director;

representative means, for a body corporate, a representative under section 250D of the Corporations Act or a corresponding previous law;

restriction agreement has the same meaning as in the ASX Listing Rules;

restricted securities has the same meaning as in the ASX Listing Rules;

seal means any common seal, duplicate seal, certificate seal or share seal of the company;

transmission event means:

- (a) for an individual:
 - (1) the death of individual;
 - (2) the bankruptcy of the individual;
 - (3) the individual becoming of unsound mind; or
 - (4) the individual becoming a person who is, or whose estate is, liable to be dealt with under a law about mental health; and
- (b) for a body corporate:
 - (1) the dissolution of the body corporate; or
 - (2) the succession by another body corporate to the assets and liabilities of the body corporate.

1.3 Interpretation

In this constitution headings and bold typing are included for convenience only and do not affect interpretation and, unless the context otherwise requires:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a gender includes any gender;

- (c) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (d) a term which refers to a person includes a person in any capacity, a body corporate, an unincorporated body (for example a society or association), a trust, a partnership, a sovereign state, a government or a government department or agency;
- (e) a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;
- (f) a reference to a statute or regulation or a provision of a statute or regulation is a reference to that statute, regulation or provision as amended or a statute, regulation or provision replacing it, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws made or issued under that statute;
- (g) a reference to a document is a reference to a document of any kind including but not limited to an agreement in writing, a certificate, a notice, or an instrument;
- (h) a reference to an entity, other than the company or a member, which ceases to exist or whose powers or functions are transferred to another entity, is a reference to the entity which replaces it, or which substantially succeeds to its powers or functions;
- (i) the term 'including', 'e.g.', 'such as', 'particularly' or any similar expression is not used as, nor is intended to be interpreted as, a term of limitation;
- (j) a member is present at a general meeting if the member is present in person or by proxy, attorney, or representative;
- (k) a director is present at a meeting of directors if the director is present in person or by alternate director;
- (l) a reference in general terms to a person holding or occupying a particular office or position includes a reference to any person who occupies or performs the duties of that office or position;
- (m) a reference to:
 - (1) writing or a document includes writing or a document in electronic form;
 - (2) a person signing a document includes by a copy or facsimile of the person's signature being applied or otherwise affixed by or on behalf of the person to a paper copy of the document or an electronic copy of the person's signature or a signature otherwise made or adopted electronically by the person being applied or otherwise affixed by or on behalf of the person to an electronic copy of the document or by any other method (physical, mechanical or electronic) by which the person's assent to the document is indicated **provided that** the method is sufficient to identify both the person and the document to which the person assents; and
 - (3) creating, keeping or maintaining a book, minute, register, journal, record or other document or information includes by recording or storing the relevant information by electronic means;

- (n) a reference to a partly paid share is a reference to a share on which there is an amount unpaid; and
- (o) a reference in a rule about partly paid shares to a call or an amount called for a share includes but is not limited to a reference to a sum, that by the terms of issue of a share, becomes payable on issue or at a fixed date.

1.4 Powers under this constitution

- (a) The company may take any action or exercise any power which under the Corporations Act a company limited by shares may do if authorised by its constitution.
- (b) The company may do these things in any manner permitted by the Corporations Act.
- (c) If under this constitution a person may do a particular act or thing, then the person does the act or thing at that person's discretion.
- (d) Subject to an express term to the contrary:
 - (1) if this constitution confers a power on a person, then the person may exercise the power as necessary and for the period the person holds the office; and
 - (2) if this constitution imposes a duty on a person, then the person must perform the duty as necessary and for the period the person holds the office.
- (e) If this constitution confers power on a person to delegate a function or power, then the person may:
 - (1) delegate concurrently or to the exclusion of that person's performance or exercise of that function or power;
 - (2) delegate generally; or
 - (3) limit the delegation in the manner that the person sets out in the delegation.
- (f) The delegation need not be to a specified person, but may be to any person holding, occupying or performing the duties of, a specified office or position.
- (g) The delegation may include the power to delegate.
- (h) If the person's action depends upon the opinion, belief, or state of mind of that person, then the delegate has the same capacity to act upon the delegate's opinion, belief, or state of mind.
- (i) A delegate's action is taken as the act of the person who delegated the power or function.
- (j) Subject to an express term to the contrary, if this constitution confers a power to do a particular act or thing, then the power includes, but is not limited to, the power to repeal, rescind, revoke, amend, or vary that act or thing.
- (k) Subject to an express term to the contrary, if this constitution confers a power to do a particular act or thing about a particular matter, then the power includes, but is not limited to, a power to do that act or thing:

- (1) for some only of those matters;
 - (2) for a particular class or particular classes of those matters; and
 - (3) to make different provision for different matters or different classes of matters.
- (l) Subject to an express term to the contrary, if this constitution confers a power to appoint a person to an office or position, then the power includes, but is not limited to, a power:
- (1) to appoint a person to act in the office or position until another person is appointed;
 - (2) subject to any contract between the company and the person, to remove or suspend the person appointed; and
 - (3) to appoint another person temporarily in the place of:
 - (A) a person removed or suspended; or
 - (B) a sick or absent holder of an office or position.

1.5 Payments

- (a) A dividend, bonus, return of capital, or other distribution payable by the company in respect of a share may be paid by cheque drawn in favour of the intended recipient, by electronic funds transfer to an account nominated by the intended recipient, or in any other manner determined by the directors. Any such payment will be at the risk of the intended recipient. Without limiting the generality of the foregoing, a payment in respect of a share may be made to the member in whose name the share is registered despite the occurrence of a transmission event in relation to that member and whether or not the company has notice of it.
- (b) Payments in respect of a share by the company may be made in Australian dollars or any other currency determined by the directors. The directors may determine to pay in different currencies to different members and may determine the appropriate exchange rate and the time of calculation to calculate the amount payable in the relevant currency. The determinations of the directors are, in the absence of manifest error, final.
- (c) In addition to payments in different currencies, different payment methods may be used for different members.
- (d) Where a payment to a member is by cheque, the cheque may be posted to the member in the same way a notice may be sent to the member by post under rule 13.
- (e) Where:
 - (1) a cheque for an amount payable by the company is not presented for payment within 3 months, the cheque may be cancelled by the company; or
 - (2) an electronic funds transfer of an amount payable by the company is unsuccessful as a result of incorrect details being provided by or on behalf of the intended recipient;

the amount may be treated by the company as an unclaimed amount and, subject to the Corporations Act, invested or otherwise used by or for the benefit of the company until claimed or may be disposed of according to law.

1.6 ASX Listing Rules compliance

If the company is admitted to the official list of ASX, the following applies:

- (a) Nothing contained in this constitution prevents an act being done that the ASX Listing Rules require to be done.
- (b) If the ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- (c) Where at any time any shares in the capital of the company are restricted securities, then notwithstanding any other provision of this constitution or their terms of issue:
 - (1) the restricted securities cannot be sold, assigned, transferred or otherwise disposed of, and the company must not acknowledge, deal with, accept or register any sale, assignment, transfer or other disposal of the restricted securities, during the escrow period in relation to those securities except as permitted by the ASX Listing Rules, ASX or the restriction agreement in relation to those securities;
 - (2) in the event of a breach of the ASX Listing Rules relating to the restricted securities, or a restriction agreement in relation to the restricted securities, the member holding the restricted securities will cease to be entitled to any dividends or other distributions and to any voting rights in respect of the restricted securities for so long as the breach subsists;
 - (3) each member holding the restricted securities must enter into, and to the extent required under the ASX Listing Rules must procure each controller of the member to enter into, a restriction agreement with the company in relation to those securities on the terms and by the time required under the ASX Listing Rules; and
 - (4) each member required to enter into a restriction agreement with the company in relation to the member's restricted securities will be taken to have appointed the company and each officer of the company jointly and severally as the member's attorney in the member's name and on the member's behalf to execute and deliver the restriction agreement and all deeds, instruments, and other documents and to do all other acts and things which the company considers necessary or appropriate to effect or comply with the restrictions on disposal under the restriction agreement, the ASX Listing Rules or this rule 1.6(c) in relation to those securities.
- (d) Each director must disclose to the company the notifiable interests of the director and changes to those notifiable interests in sufficient time to allow the company to meet its disclosure obligations under rule 3.19A of the ASX Listing Rules. The company is authorised to give that information to ASX:
 - (1) for the purposes of meeting its disclosure obligations under rule 3.19A of the ASX Listing Rules; and

- (2) as agent for the director for the purposes of the director meeting his or her disclosure obligations under section 205G of the Corporations Act,

and the company must do so promptly after receiving the information so that, if possible, the time limits for giving the information to ASX are met.
- (e) In this constitution, unless the context otherwise requires, a term used in a rule about a matter dealt with by a provision of the ASX Listing Rules has the same meaning as in that provision.

2. Share capital

2.1 Shares

- (a) Without prejudice to any special right conferred on a holder of a share or class of shares, the directors may issue, grant options for, or otherwise dispose of, shares in the company as the directors think fit.
- (b) The directors' discretion includes, but is not limited to, terms on:
 - (1) price, conditions, and timing;
 - (2) a special right or restriction which may be preferred or deferred; and
 - (3) dividends, voting, return of capital, and participation in the property of the company on a winding up.
- (c) The directors may differentiate between each holder of a partly paid share on:
 - (1) the amount of a call that member must pay; and
 - (2) the time the member must pay that amount.

2.2 Preference shares

- (a) The directors may issue preference shares including preference shares which are liable to be redeemed.
- (b) A preference share may confer on its holder a right to receive a preferential dividend at the rate and on the basis decided by the directors under the terms of issue.
- (c) The preferential dividend is cumulative except to the extent the directors decide under the terms of issue.
- (d) A preference share confers on its holder the right to payment out of the profits of the company (or any other permitted source) of the preferential dividend in priority to the payment of any dividend on ordinary shares, and any other class of shares that the directors decide under the terms of issue.
- (e) A preference share confers on its holder the right in a winding up to payment in cash of:
 - (1) the amount of any dividend accrued at the date of the winding up but unpaid on the share; and

- (2) any amount paid on the share;

in priority to the payment of any amount on ordinary shares, and any other class of shares that the directors decide under the terms of issue.

- (f) If and to the extent that the directors decide under the terms of issue, a preference share may confer on its holder:
 - (1) in addition to or instead of any preferential dividend, a right to participate with the ordinary shares in any dividends payable on ordinary shares; and
 - (2) a right to a bonus issue or capitalisation of profits or any other amount otherwise available for distribution to members.
- (g) A preference share does not confer on its holder any right to participate in the profits or property of the company except as set out in this rule 2.2.
- (h) The holder of a preference share has the same right as the holder of an ordinary share to receive notice of, and a copy of any document to be laid before, a general meeting of the company at which a resolution is proposed on which the holder is entitled to vote, and to attend the general meeting, but has no right to receive notice of, or a copy of, any document to be laid before, or to attend, any other general meeting of the company except to the extent the terms of issue of the preference share otherwise provided.
- (i) A preference share does not entitle its holder to vote at a general meeting of the company except to the extent the terms of issue permit the holder to vote in the following circumstances
 - (1) During a period during which a dividend (or part of a dividend) in respect of the share is in arrears.
 - (2) On a proposal to reduce the company's share capital.
 - (3) On a resolution to approve the terms of a buy-back agreement.
 - (4) On a proposal that affects rights attached to the share.
 - (5) On a proposal to wind up the company.
 - (6) On a proposal for the disposal of the whole of the company's property, business and undertaking.
 - (7) During the winding up of the company.

Where the ASX Listing Rules require the holder of a preference share to be entitled to vote in any of the above circumstances, a preference share must not be issued on terms which preclude the holder from voting in that circumstance whilst the company is admitted to the official list.

- (j) Where a preference share does confer on its holder the right to vote at a general meeting, the voting right is the same, and determined in the same way, as the voting right attached to an ordinary share.

- (k) Preference shares may be convertible into ordinary shares on a basis decided by the directors under the terms of issue. Unless the terms of issue otherwise provide, a convertible preference share may be converted into an ordinary share by the company notifying the holder of the conversion. Upon the company giving the holder notification of the conversion, or if a later date is specified as the date of conversion, on that later date, the convertible preference share will be converted into, and will be reclassified and known as, an ordinary share. The conversion will be effected by, and will result in, the rights attached to the convertible preference share being varied to be the same as the rights attached to an ordinary share, not by redemption and new issue or any other cancellation of the share or creation of a new share. The holder of a convertible preference share that is to be converted must return the certificate for the share (if any) to the company for cancellation as soon as reasonably practicable after being requested to do so, but is not required to return the certificate earlier than 3 business days before the proposed date of conversion. The conversion may be deferred until the company receives the certificate.
- (l) A redeemable preference share may be redeemable on a basis decided by the directors under the terms of issue. The holder of a redeemable preference share that is to be redeemed must return the certificate for the share (if any) to the company for cancellation as soon as reasonably practicable after being requested to do so, but is not required to return the certificate earlier than 3 business days before the proposed date of redemption. Payment of the amount payable for redemption of the share may be deferred until the company receives the certificate.
- (m) Subject to the Corporations Act and this constitution, all rights and restrictions of a preference share issued by the company may be decided by the directors and will be governed by the terms of issue, and provided they have been disclosed to the subscriber for the share before its issue will bind the subscriber and all subsequent holders of the share.

2.3 Issue of shares of same class

Subject to any special right conferred on a holder of a share or class of shares, the directors may issue shares of the same class as an existing class of shares, and such an issue is not to be considered to constitute a variation of the rights of the holders of shares in the existing class.

2.4 Joint holders of shares

- (a) If 2 or more persons are registered as the holders of a share, then they hold it as joint tenants with rights of survivorship subject to this rule 2.4.
- (b) A joint holder of a share and that person's legal personal representative is liable severally as well as jointly for each payment, including a call, which ought to be made in respect of the share.
- (c) On the death of any 1 joint holder of a share, a survivor is the only person the company recognises as having any title to the share.
- (d) A dividend, bonus, return of capital or other distribution or payment in respect of a jointly held share may be made to the joint holder of the share first named in the register of members or another joint holder notified in writing to the company for this

purpose by all joint holders, and any 1 joint holder may give an effective receipt for any such distribution or payment.

- (e) Delivery of a certificate for a jointly held share to any 1 joint holder of the share is sufficient, and taken to be, delivery to all joint holders.
- (f) The company is not bound to register more than 3 persons as joint holders of a share except in the case of persons jointly entitled to be registered as the holders of a share following a transmission event.

2.5 Equitable and other claims

Subject to the law and an express rule in this constitution, the company is entitled to treat the registered holder of a share as the absolute owner of that share, and is not, even if the company has notice:

- (a) obliged to recognise a person as holding a share on any trust; or
- (b) obliged to recognise any equitable, contingent, future or partial claim to or interest in a share on the part of any other person.

2.6 Employee share ownership plans

The directors may:

- (a) adopt and implement any employee share ownership plan; and
- (b) amend, suspend or terminate any employee share ownership plan they implement.

3. Calls, forfeiture, indemnities, lien and surrender

3.1 Calls

- (a) Subject to this constitution and to the terms of issue of a share, the directors may call upon a member for any money unpaid on a share which is not by the terms of issue, payable at a fixed time.
- (b) The directors may require a member to pay a call by instalments.
- (c) The company must give the member at least 14 days notice to pay a call.
- (d) The notice must specify:
 - (1) the amount that the member must pay; and
 - (2) the time and the place of payment.
- (e) Each member must pay the amount stated in the notice in the manner set out in the notice.
- (f) A call is made when the directors pass the resolution authorising the call (or at such later time as the directors may determine).
- (g) The directors may revoke or postpone a call.

- (h) The directors may extend the time for payment.
- (i) A call is valid, even if:
 - (1) a member does not receive a notice of a call; or
 - (2) the company omits to give a member a notice of a call.
- (j) If a person does not pay a sum called for a share in full by the due date, then the person must pay:
 - (1) interest on the sum that is unpaid from and including the due date for payment to the date of actual payment; and
 - (2) any costs, expenses or damages, which the company incurs for the non-payment or late payment of the sum.
- (k) If under the terms of issue, a sum unpaid on a share becomes payable on issue or at a fixed date, then:
 - (1) the sum is payable as if the company has duly made and notified a call; and
 - (2) the person must pay the sum on the date on which it is payable under the terms of issue of the share.

3.2 Proceedings for recovery of calls

- (a) The following is conclusive evidence of a debt in any proceedings for the recovery of a call amount, interest, costs, or expenses that the company incurs following the non-payment or late payment of a call:
 - (1) the name of the defendant is entered in the register as the holder or one of the holders of the share for which the call is claimed;
 - (2) the resolution making the call is recorded in the minute book; and
 - (3) notice of the call was duly given to the defendant.
- (b) It is not necessary to prove any matter, including the appointment of the directors who made the call.
- (c) In this rule 3.2 a defendant may include, but is not limited to, a person against whom the company alleges a set-off or counter-claim.

3.3 Payments in advance of calls

- (a) The directors may accept from a member an amount unpaid on a share, even if the company has not called that amount.
- (b) The directors may authorise the company to pay interest on an amount accepted under rule 3.3(a):
 - (1) until the amount becomes payable; and

- (2) at a rate agreed between the directors and the member paying the amount.
- (c) The directors may repay to a member any of the amount accepted under rule 3.3(a).

3.4 Forfeiture of partly paid shares

- (a) If a member fails to pay the whole of a call or instalment of a call by the time appointed for payment, then the directors may serve a notice on that member requiring payment of:
 - (1) the amount which is unpaid;
 - (2) any interest that has accrued; and
 - (3) all costs, expenses, and damages that the company has incurred because of the non-payment or late payment of the call or instalment.
- (b) In the notice, the directors may:
 - (1) name a further day and a place at which the member must pay the amount payable; and
 - (2) state, that if the member does not pay the whole of the amount as required, then the member is liable to forfeit the shares for which the company made the call.
- (c) The directors must give a member at least 14 days after the date of service to pay.
- (d) If the member does not comply with the notice, then the directors may resolve to forfeit any share for which the notice was given:
 - (1) at any time after the day named in the notice; but
 - (2) before the member pays.
- (e) If a member forfeits a share, then the forfeiture includes all dividends, interest, and other money payable by the company for the forfeited share which is not paid before the forfeiture.
- (f) If the company forfeits a share, then it must:
 - (1) give notice of the resolution to the member in whose name the share stood immediately before the forfeiture; and
 - (2) enter the forfeiture and the date of forfeiture in the register of members.
- (g) The forfeiture is valid even if the company fails to give the notice or to make the entry.
- (h) A forfeited share becomes the property of the company.
- (i) The directors may sell, reissue, or otherwise dispose of the share as they think fit.
- (j) The directors may reissue or dispose of the share, with or without any money paid on the share by any former holder being credited as paid up.

- (k) A person whose share is forfeited:
 - (1) ceases to be a member for the forfeited share; but
 - (2) remains liable to pay, and must immediately pay, to the company:
 - (A) all calls, instalments, interest, costs, expenses, and damages owing for the share at the time of the forfeiture; and
 - (B) interest on any amount payable which is unpaid from and including the date of the forfeiture, to the date of actual payment.
- (l) Subject to an express provision in this constitution, the forfeiture of a share extinguishes for that share:
 - (1) all interest in the company;
 - (2) all claims and demands against the company; and
 - (3) all other rights attached to the share.

3.5 Indemnity for payments by the company

If the company becomes liable under any law to make any payment:

- (a) in respect of a share held solely or jointly by a member;
- (b) in respect of a transfer or transmission of a share by a member;
- (c) in respect of dividends, bonuses, or other money due or payable or which may become due and payable to a member; or
- (d) otherwise for or on account of a member, whether as a consequence of:
 - (1) the death of that member;
 - (2) the non-payment of any income tax, capital gains tax, wealth tax, or other tax by that member or the legal personal representative of that member;
 - (3) the non-payment of any estate, probate, succession, death, stamp, or other duty by that member or the legal personal representative of that member; or
 - (4) any other act or thing;

in addition to any right or remedy that a law may confer on the company the member or the member's legal personal representative must:
- (e) fully indemnify the company against that liability;
- (f) reimburse the company for any payment made under or as a consequence of that law immediately on demand by the company; and

- (g) pay interest on so much of the amount payable to the company under rule 3.5(f) as is unpaid from and including the date the company makes a payment under that law until the date the company is reimbursed in full for that payment.

3.6 Lien on shares

- (a) The company has a first and paramount lien on a share for:
 - (1) an amount of a call or instalment which is due but unpaid on the share;
 - (2) if the share were acquired under an employee incentive scheme, an amount which is owed to the company for acquiring it; and
 - (3) an amount that the company is required by law to pay (and has paid) in respect of the share or for or on account of a holder or deceased former holder of the share and which is owed to the company.
- (b) The company's lien on a share extends to all dividends, reasonable interest and other money payable by the company on or in respect of the share or for or on account or in respect of the holder of the share and to the proceeds of sale of the share.
- (c) The directors as they think fit may sell any share on which the company has a lien if:
 - (1) an amount for which a lien exists is presently payable; and
 - (2) not less than 14 days before the date of the sale, the company has given to the registered holder of the share a notice in writing:
 - (A) setting out each amount for which the lien exists which is presently payable; and
 - (B) demanding the payment before the date of the sale of that amount.
- (d) If the company registers a transfer of shares on which the company has a lien without giving to the transferee notice of its claim, then the company releases its lien in so far as it relates to sums owing by the transferor or any predecessor in title.

3.7 Surrender of shares

- (a) To the extent permitted by law, the directors may:
 - (1) exempt a share from all or any part of rules 3.4, 3.5 or 3.6;
 - (2) waive or compromise all or any part of any payment due to the company under the terms of issue of a share or this rule 2.6; and
 - (3) before a forfeited share has been sold, reissued or otherwise disposed of, annul the forfeiture on the conditions they think fit.
- (b) The directors may accept a surrender of a share by way of compromise:
 - (1) of any claim about whether or not that share has been validly issued; or
 - (2) in any other case, if the surrender is within the powers of the company.

- (c) The directors may sell, reissue, or otherwise dispose of a surrendered share in the same manner as they may for a forfeited share.

3.8 General provisions applicable to a disposal of shares under this constitution

- (a) If a forfeited share or a share on which the company has a lien is sold, re-issued, or otherwise disposed of under this constitution, then the directors may:
 - (1) receive the purchase money or consideration given for the shares on the disposal;
 - (2) effect a transfer of the shares;
 - (3) execute, or appoint a person to execute, on behalf of the former holder an instrument of transfer of the shares or any other instrument to give effect to the disposal; and
 - (4) register the person to whom they have transferred the shares as the holder of the shares.
- (b) A person to whom the directors transfer a share is not bound to consider:
 - (1) the regularity or validity of purchase money or consideration; or
 - (2) how the company applies the purchase money or consideration.
- (c) A person's title to a share is not affected by any irregularity or invalidity in:
 - (1) the forfeiture or surrender of a share; or
 - (2) the exercise of the company's lien on a share.
- (d) The remedy of a person aggrieved by a disposal of shares under this constitution:
 - (1) is limited to damages only; and
 - (2) is exclusively against the company.
- (e) The company must apply the proceeds of a disposal of a share in the payment of:
 - (1) the expenses of the disposal;
 - (2) all money presently payable by the former holder whose share has been disposed of; and
 - (3) subject to any lien that exists for money not presently payable, to the former holder.
- (f) If the holding is uncertificated, then the company must pay as soon as practicable after the disposal.
- (g) If the holding is certificated, then the company must pay as soon as practicable after the former holder delivers to the company the certificate for the share that has been disposed of or satisfies the company that the certificate has been lost or destroyed.

- (h) A director or secretary of the company may sign a statement stating that on the date in the statement any of the following occurred:
 - (1) a share was duly forfeited;
 - (2) a share was duly sold or reissued or otherwise disposed of.
- (i) This statement is conclusive evidence of:
 - (1) the facts stated in the statement as against all persons claiming to be entitled to the share; and
 - (2) the right of the company to forfeit, sell, reissue, or otherwise dispose of the share.

3.9 Interest payable by member

Where interest is payable to the company by a member under this rule 2.6, the rate of interest is 8% per annum, or such other rate as the directors fix and the interest accrues daily, and may be capitalised monthly or at such other intervals as the directors determine.

4. Distributions

4.1 Dividends

- (a) The directors may resolve that the company pay any interim and final dividend as the financial position of the company justifies.
- (b) The directors may resolve that the company pay any dividend payable under the terms of issue of a share.
- (c) The payment of a dividend does not require any confirmation by a general meeting.
- (d) Subject to this constitution and to any rights or restrictions attached to a share or class of shares, or to the terms of any dividend selection plan established by the directors, all dividends on shares are to be paid in proportion to the number of shares held by members except that:
 - (1) a partly paid share will only entitle the holder to a fraction of the dividend payable on a fully paid share equal to the proportion of the total amounts paid and payable on the share which have been paid; and
 - (2) if dividends are determined by the directors to be paid in respect of a specified period and if the directors also determine that the dividends on any shares are to be further apportioned according to when amounts are paid on those shares during the specified period, an amount which is paid on a relevant share during the specified period will only entitle the holder of the share to a fraction of the dividend that would otherwise be payable in respect of that amount equal to the proportion of the specified period remaining as at the date of payment of that amount.

- (e) For the purposes of determining the above fractions:
 - (1) an amount paid on a share in advance of a call or credited on a share otherwise than for value must be ignored; and
 - (2) if under the terms of issue of a share, the consideration for the share is or includes the provision of property or services or some other non-monetary consideration, the value of the non-monetary consideration provided or to be provided as determined by the directors will be taken to be the amount paid or payable (as the case may be) on the share.
- (f) The company must not pay interest on any dividend.
- (g) The directors may fix a record date for a dividend.
- (h) The company must pay a dividend to the person who is registered as the holder of the share on the record date or, if one has not been fixed, on the date payment of the dividend is to be sent to members.
- (i) The company must pay the dividend on the date fixed for payment of the dividend (if any).
- (j) The directors when determining a dividend is payable may:
 - (1) direct payment of the dividend wholly or partly by the distribution of specific assets, including paid-up shares or other securities of the company or of another body corporate, either generally or to particular shareholders or in respect of particular shares; and
 - (2) direct that the dividend be paid:
 - (A) to particular shareholders or in respect of particular shares, wholly or partly out of any particular fund or reserve or out of profits derived from any particular source; and
 - (B) to the remaining shareholders or in respect of the remaining shares, wholly or partly out of any other particular fund or reserve or out of profits derived from any other particular source or generally.
- (k) The company may deduct from any dividend payable to a member:
 - (1) all sums of money presently payable by the member to the company; and
 - (2) apply the amount deducted in or towards satisfaction of the money owing.
- (l) If a person is entitled to a share as a result of a transmission event, then the company may, but is not obliged to, retain any dividend payable in respect of that share until that person becomes registered as the holder of the share or transfers it.
- (m) The directors may rescind or alter a resolution in relation to payment of a dividend at any time prior to the payment being made.

4.2 Capitalisation of profits and other amounts

- (a) The directors may resolve that the company capitalise any amount:
- (1) forming part of the undivided profits of the company;
 - (2) representing profits arising from an ascertained accretion to capital or from a revaluation of the assets of the company;
 - (3) arising from the realisation of any assets of the company; or
 - (4) otherwise available for distribution to members
 - (5) and may also resolve that the capitalised amount be paid, applied or otherwise distributed to or for the benefit of members.
- (b) Subject to any rights or restrictions attached to a share or class of shares or to the terms of any dividend selection plan established by the directors, a capitalised amount under rule 4.2(a) which is to be distributed to or for the benefit of members, must be distributed in the same proportions in which members would be entitled to receive the amount were it a dividend.
- (c) The directors may resolve that all or part of the capitalised amount is to be applied:
- (1) to pay in full a share or security that the company intends to issue to a member;
 - (2) to pay an amount unpaid on a share or security of the company which a member holds; or
 - (3) a combination of these;
- and the member must accept this application in full satisfaction of the member's interest in the capitalised amount.
- (d) Rules 4.1(g) to (l) apply to the distribution of a capitalised amount as if it were a dividend.

4.3 Additional powers

- (a) To give effect to a resolution of directors or members authorising or approving the payment of a dividend or the making of any other distribution (whether of profits or capital or otherwise) or the capitalisation of any amount, the directors may:
- (1) settle any difficulty that may arise in making the distribution or capitalisation;
 - (2) fix the value for distribution of a specific asset;
 - (3) pay cash or issue a share or other security to a member to adjust the rights of all parties;
 - (4) vest a specific asset, cash, share, or other security in any trustee on trust for a person entitled to a dividend or capitalised amount; and

- (5) authorise a person to make, on behalf of all the members entitled to any further share or security following the distribution or capitalisation, an agreement with the company or another body corporate.
- (b) The authorised person may agree to:
 - (1) the issue of further shares or securities credited as fully paid up; or
 - (2) the company paying on behalf of the members an amount remaining unpaid on their existing shares or security by the application of their respective proportions of the sum distributed or capitalised.
- (c) Any agreement made between the directors and an authorised person is effective and binding on all members concerned.
- (d) If the company distributes securities in the company, or in another body corporate or trust, each member receiving a distribution appoints the company as that person's agent to do anything needed to give effect to that distribution, including but not limited to, becoming a member of that other body corporate.
- (e) Rule 4.3(d) applies whether the distribution:
 - (1) is generally to members or to specific members;
 - (2) is as a dividend or otherwise; and
 - (3) is for value or not.

4.4 Reserves

- (a) Subject to this constitution, the directors may set aside out of the profits of the company any reserves or provisions for any purpose.
- (b) The directors may appropriate to the profits of the company an amount previously set aside as a reserve or provision.
- (c) If the directors set aside an amount as a reserve or provision, they may:
 - (1) keep the amount together with other assets of the company;
 - (2) use the amount in the business of the company; and
 - (3) invest the amount in any investment.

4.5 Carry forward of profits

- (a) The directors may resolve to carry forward profits which the company does not distribute to members.
- (b) The directors are not required to resolve to transfer those profits to a reserve or provision.

4.6 Dividend reinvestment plans

The directors may:

- (a) implement a dividend reinvestment plan; and
- (b) amend, suspend, or terminate any dividend reinvestment plan they implement.

4.7 Dividend selection plans

The directors may:

- (a) implement a dividend selection plan; and
- (b) amend, suspend, or terminate any dividend selection plan they implement.

5. Transfer and transmission of shares

5.1 Transfer of shares

- (a) Subject to this constitution, and to the rights or restrictions attached to any share or class of shares, a member may transfer each of the member's shares by an instrument in writing.
- (b) The member must use an instrument in any usual form or in a form that the directors approve.
- (c) An instrument of transfer must be signed by or on behalf of both the transferor and the transferee, unless:
 - (1) the instrument of transfer relates only to fully paid shares and the directors dispense with the need for the transferee to sign; or
 - (2) the transfer of the shares is effected by a document or documents which together duly transfer those shares under the Corporations Act.
- (d) An instrument of transfer must be:
 - (1) left for registration at the registered office of the company or at another place as the directors determine;
 - (2) accompanied by:
 - (A) the certificate for each share to which it relates;
 - (B) any other evidence the directors require to prove the title of the transferor or the transferor's right to the shares; and
 - (C) any other evidence the directors require to prove the right of the transferee to be registered as the owner of the shares.
- (e) A transferor of shares remains the holder of the shares transferred until:
 - (1) the transfer is registered; and

- (2) the name of the transferee is entered in the register of members for the shares.
- (f) The company may charge a reasonable fee for the registration.
- (g) The company may retain any registered instrument of transfer for the period that the directors think fit.
- (h) Except in the case of fraud, the company must return any instrument of transfer which the directors decline to register to the person who deposited it with the company.
- (i) To the extent permitted by law, the directors may waive all or any of the requirements of this rule 5.1.

5.2 Registration of transfers

Subject to this constitution and to the rights and restrictions attached to any share or class of shares, the directors may decline to register a transfer of a share and, without limiting the generality of this, may also decline to register a transfer of a share on which the company has a lien.

5.3 Power to suspend registration of transfers

The directors may at any time suspend the registration of a transfer for any period not exceeding 30 days in a year.

5.4 Transmission of shares

- (a) If a member dies, the only persons the company recognises as having any title to the member's shares or any benefits accruing for those shares are:
 - (1) the legal personal representative of the deceased, if the deceased was a sole holder; and
 - (2) the survivor or survivors, if the deceased was a joint holder.
- (b) Nothing in rule 5.4(a) releases the estate of a deceased member from liability for a share, whether the deceased held that share solely or jointly.
- (c) A person who becomes entitled to a share because of a transmission event may:
 - (1) sign a written notice stating that the person wishes to register as a shareholder and serve it on the company; or
 - (2) execute a transfer of the share to another person.
- (d) Before making the election, the person must prove that person's entitlement by producing the certificate for the share or any other evidence that the directors require.
- (e) The rules about the right to transfer and register a share apply with the necessary changes to a transfer under rule 5.4(c)(2) as if:
 - (1) the relevant transmission event had not occurred; and

- (2) the registered holder of the share signed the transfer.
- (f) If 2 or more persons are jointly entitled to a share because of a transmission event, then upon being registered, they:
 - (1) hold the share as joint tenants; and
 - (2) rule 2.4 applies.
- (g) Despite rule 5.4(a), the directors may register a transfer of shares which a member signs prior to a transmission event, even though the company has notice of the transmission event.

5.5 Listed company

- (a) This rule 5.5 only applies whilst the company is admitted to the official list of ASX and rules 5.1 to 5.4 do not apply to the extent that they are inconsistent with this rule 5.5 or the ASX Listing Rules.
- (b) Subject to this constitution, a member may transfer a share:
 - (1) if the share is in a class of shares that are Approved Financial Products as defined in the ASX Settlement Operating Rules, through CHESS in accordance with the ASX Settlement Operating Rules;
 - (2) if another prescribed CS facility is approved by the directors to deal with the transfer of shares of the same class as the member's share, through that facility in accordance with its operating rules; or
 - (3) if another method of transfer is approved by the directors to deal with the transfer of shares of the same class as the member's share and under the Corporations Act or otherwise at law that method is valid and effective to transfer the share, in accordance with that method.
- (c) The company may only decline to register a transfer of shares (including by applying a holding lock, or requesting that a holding lock be applied, to prevent a transfer of the shares) if permitted to do so by the ASX Listing Rules.
- (d) The company must:
 - (1) decline to register a transfer of shares; or
 - (2) apply a holding lock, or request that a holding lock be applied, to prevent a transfer of the shares;if:
 - (3) the ASX Listing Rules require the company to do so; or
 - (4) the transfer is in breach of the ASX Listing Rules or a restriction agreement.
- (e) If in the exercise of its rights under this rule 5.5 the company refuses to register a transfer of shares or applies a holding lock, or requests that a holding lock be applied, to prevent a transfer of shares, the company must notify:

- (1) in the case of refusing to register a paper-based transfer, the person lodging the transfer with the company for registration; and
- (2) in the case of applying a holding lock, or requesting that a holding lock be applied, the holder of the shares;

in writing of the refusal or the holding lock (as the case may be) and the reason for it, within the time limit prescribed by the ASX Listing Rules. Failure to give such notice does not invalidate the decision of the company to refuse registration or otherwise prevent the transfer.

5.6 Small holdings¹

- (a) Subject to rule 5.6(b), if:
 - (1) a member holds less than a marketable parcel of shares;
 - (2) the company notifies the member in writing that it intends to sell the member's shares after a date (**Relevant Date**) which is at least 6 weeks from the date the notice of intention to sell is sent, unless the member before the Relevant Date tells the company in writing that the member wishes to retain the shares;
 - (3) the member does not before the Relevant Date tell the company in writing that the member wishes to retain the shares; and
 - (4) on the Relevant Date the member has not acquired more shares or otherwise increased the member's holding to a marketable parcel;
 - (5) the company may, and the member will be taken to have appointed the company as agent for and on behalf of the member to, sell the member's shares constituting less than a marketable parcel as soon as reasonably practicable after the Relevant Date at a price which the directors consider to be the best price reasonably obtainable for the shares at the time they are sold.
- (b) In relation to the procedure under rule 5.6(a):
 - (1) the company must not notify a member of its intention to sell the member's shares more than once in any 12-month period;
 - (2) following the announcement of a takeover bid for the shares in the company until the end of the offer period under the takeover bid or the date there is an announcement that the takeover bid will not proceed, the company's power to sell a member's shares lapses or ceases where the announcement is made before an agreement for the sale of the shares is entered into, but after the offer period under the takeover bid, a new notice of intention to sell may be given despite rule 5.6(b)(1);

¹ Rule 5.12 of the ASX Settlement Operating Rules requires shares in a CHESS Holding to be moved to an Issuer Sponsored Holding before divestment.

- (3) the costs of sale including, without limitation, brokerage and any stamp duty, must be payable by the buyer of the shares or, subject to the Corporations Act, the company; and
 - (4) the proceeds of sale must not be sent to the member until the company has received any certificate relating to the shares (or is satisfied that the certificate has been lost or destroyed).
- (c) In addition to the power of the company to sell a member's shares in rule 5.6(a) (and without complying with the procedure under that rule), if:
 - (1) a member holds shares in a new holding that is less than a marketable parcel of shares; and
 - (2) that holding was created by the transfer of a parcel of shares that was less than a marketable parcel at the time the transfer document was initiated or, in the case of a paper-based transfer document, was lodged with the company;
 - (3) the company may, and the member will be taken to have appointed the company as agent for and on behalf of the member to, sell the shares in that holding at a price which the directors consider to be the best price reasonably obtainable for the shares at the time they are sold.
- (d) Where the company has the power to sell a member's shares under rule 5.6(c):
 - (1) the proceeds of sale may be applied to pay the costs of sale including, without limitation, brokerage and any stamp duty; and
 - (2) the member's right to vote or to receive dividends in respect of those shares may be removed or changed to the extent determined by the directors, **provided that** any dividends that are withheld from payment to the member must be paid to the member when the balance of the proceeds of the sale of the shares are paid to the member.
- (e) Where the company has the power to sell a member's shares under this rule 5.6, the member will be taken to have appointed the company and each officer of the company jointly and severally as the member's attorney in the member's name and on the member's behalf to execute and deliver all deeds, instruments and other documents and do all other acts and things which the company considers necessary or appropriate to effect the sale or transfer of the shares.
- (f) The company is not bound to sell any shares which it is entitled to sell under this rule 5.6.
- (g) Subject to the ASX Listing Rules, rule 3.8 will apply (and with all necessary changes) so far as it is:
 - (1) consistent with; and
 - (2) capable of application to;the sale of shares under this rule 5.6. For the avoidance of doubt, rule 3.8(e)(1) does not apply.

6. General meetings

6.1 Calling general meetings

- (a) A general meeting may be called and arranged to be held by:
 - (1) the directors whenever the directors wish; or
 - (2) any director whenever the director wishes.
- (b) A general meeting may be called and arranged only as provided:
 - (1) by this rule 6.1; or
 - (2) under sections 249D, 249E, 249F or 249G of the Corporations Act.
- (c) The directors may change the venue for, postpone, or cancel a general meeting.
- (d) Rule 6.1(c) does not apply if the members or the court under the Corporations Act call and arrange the meeting.
- (e) If a general meeting is called and arranged under section 249D of the Corporations Act the directors:
 - (1) must hold it on or before the date by which section 249D requires it to be held; and
 - (2) may cancel it only with the consent of the requisitioning member or members.

6.2 Notice of general meetings

- (a) Subject to this constitution and to the rights or restrictions attached to a share or class of shares, the company must give notice of a general meeting:
 - (1) in accordance with the periods of notice and time limits prescribed by the Corporations Act; and
 - (2) in the manner authorised by rule 13.1.
- (b) The company must give a notice to each person, who is at the date of the notice a member, a director or an auditor of the company.
- (c) A notice of a general meeting must:
 - (1) specify the date, time, and place of the meeting; and
 - (2) state the general nature of the business to be transacted at the meeting.
- (d) A person may waive notice of any general meeting by a written notice to the company.
- (e) A valid action and a valid resolution remain valid even if a person entitled to receive a notice or proxy for a general meeting does not receive them, or is not sent one or both of them, and:

- (1) the failure occurred by accident or error; or
- (2) before or after the meeting, the person:
 - (A) waives notice of that meeting under rule 6.2(d); or
 - (B) gives written notice of the person's agreement to that action or resolution.
- (f) Subject to rules 6.2(g) and (h), a person's attendance at a general meeting waives any objection that person may have:
 - (1) to a failure to give notice or to a defective notice; and
 - (2) to the consideration of a matter which is not stated in the notice of the meeting.
- (g) Rule 6.2(f)(1) does not apply if the person at the beginning of the meeting objects to the holding of the meeting.
- (h) Rule 6.2(f)(2) does not apply if the person objects to considering the matter when it is presented.

6.3 Admission to general meetings

The chair of a general meeting may expel or refuse admission to a person who:

- (a) has a pictorial-recording or sound-recording device;
- (b) has a placard or banner;
- (c) has an article considered by the chair to be dangerous, offensive, or liable to cause disruption;
- (d) refuses to produce or to permit examination of any article, or the contents of any article, in the person's possession;
- (e) behaves or threatens to behave in a dangerous, offensive, or disruptive manner; or
- (f) is not:
 - (1) a member or proxy, attorney, or representative of a member; or
 - (2) a director, secretary, or auditor of the company.

6.4 Quorum at general meetings

- (a) Subject to rule 6.4(b), business may only be transacted at any general meeting if a quorum of members is present when the meeting proceeds to business.
- (b) Even if there is no quorum, the meeting may elect a chair and adjourn a meeting.
- (c) A quorum consists of:

(1) if the number of members entitled to vote is 2 or more - 2 of those members;
or

(2) if only 1 member is entitled to vote - that member;

present at the meeting.

(d) If a quorum is not present within 30 minutes after the time appointed for a general meeting and the meeting was convened on the requisition of members, then the meeting is dissolved.

(e) If a quorum is not present within 30 minutes after the time appointed for a general meeting in any other case, then the meeting stands adjourned:

(1) to the day, the time, and place, that the directors determine; or

(2) if no determination is made by the directors, to the same day in the next week and at the same time and place.

(f) If, at the adjourned meeting, a quorum is not present within 30 minutes after the time appointed for the meeting, then the meeting is dissolved.

6.5 Chair of general meetings

(a) The chair of directors, if present within 15 minutes after the time appointed for the holding of a general meeting and willing to act, must preside as chair of the meeting.

(b) If the directors have elected a deputy chair of directors, then the deputy chair of directors, if present within 15 minutes after the time appointed for the holding of a general meeting and willing to act, must preside as chair of the meeting if:

(1) there is no chair of directors; or

(2) the chair of directors is not present within 15 minutes after the time appointed for the holding of the meeting or is not willing to act as chair of the meeting.

(c) The members present at a general meeting must elect as chair of the meeting another director who is present and willing to act or, if no other director is present and willing to act, a member who is present and willing to act if:

(1) there is no chair or deputy chair of directors; or

(2) the chair or deputy chair of directors is not present within 15 minutes after the time appointed for the holding of the meeting or is not willing to act as chair of the meeting.

6.6 Conduct of general meetings

(a) The general conduct of a general meeting and the procedures to be adopted at the meeting will be as determined by the chair either before or during the meeting. At any time the chair considers it necessary or desirable for the proper and orderly conduct of the meeting, the chair may demand the cessation of debate or discussion on any matter and may require any resolution being considered by the meeting to be put to a

vote. A person must refer any question arising at a general meeting about the order of business, procedure or conduct of the meeting to the chair.

- (b) Any decision by the chair under this rule 6.6 is final.
- (c) The chair may adjourn the meeting from time to time and from place to place.
- (d) The meeting may direct the chair to adjourn a meeting.
- (e) An adjourned meeting may only transact business unfinished at the meeting from which the adjournment took place.
- (f) If a meeting is adjourned for 30 days or more, then the company must give notice of the adjourned meeting as if it is an original meeting.
- (g) Subject to rule 6.6(f), it is not necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

6.7 Meetings by technological means

- (a) This rule 6.7 applies despite anything else contained in this constitution to the contrary other than rule 1.1(a).
- (b) A general meeting may be held using one or more technologies that give members as a whole a reasonable opportunity to participate in the meeting without being physically present in the same place.
- (c) The directors may arrange to hold such a general meeting and may also make any arrangement and impose any requirement or restriction in connection with participation at the general meeting, including any that is necessary to ensure the identification of those taking part and the security of the facility through which members participate in the meeting.
- (d) Notice of the meeting instead of, or in addition to, specifying the place of the meeting must include information about how those entitled to attend can participate in the meeting (including how they can participate in a vote taken at the meeting, and speak at the meeting, to the extent they are entitled to do so).
- (e) All persons so participating in the meeting are taken for all purposes (including quorum requirements) to be present in person at the meeting while so participating.
- (f) The meeting is held at the multiple venues at which the chair of the meeting and members and representatives of members entitled to participate, and participating, in the meeting are located or at the place determined by the chair of the meeting at which the chair or at least one member or member's representative is located for the duration of the meeting.
- (g) A requirement to allow an opportunity for persons attending the meeting to vote or speak may be complied with by using one or more technologies that allow that opportunity (which may include by allowing a person's vote to be recorded in advance of the meeting and, in relation to speaking, may include by allowing a person to send messages or otherwise communicate by electronic means, either orally or in writing).

- (h) If a technical difficulty occurs which the chair of a general meeting considers prevents those participating or intending to participate in the meeting to have a reasonable opportunity to do so or prevents the chair from being aware of the proceedings at the meeting, the chair may:
 - (1) adjourn the meeting until the technical difficulty is resolved or otherwise addressed to the chair's satisfaction; or
 - (2) continue to hold the meeting in the place where the chair is present (and any other place which is not affected by such technical difficulty) and transact business, and no member may object to the meeting being held or continuing.
- (i) The inability of one or more members or their representatives to participate or continue to participate in a general meeting does not affect the validity of the meeting or the business conducted at the meeting provided that sufficient members or their representatives are able to participate in the meeting as are required to constitute a quorum.
- (j) All other rules relating to the convening or holding of a general meeting apply to the convening and holding of a general meeting in the way permitted under this rule 6.7 with any necessary changes.

6.8 Decisions at general meetings

- (a) Subject to a resolution which as a matter of law requires a special majority:
 - (1) a question arising at a general meeting is decided by a majority of votes cast by the members present; and
 - (2) a majority vote is for all purposes a decision of the members.
- (b) In the case of an equality of votes on any proposed resolution the chair of the meeting has a second or casting vote.
- (c) Subject to rule 6.8(d), a resolution put to the vote of a general meeting must be decided on a show of hands.
- (d) Either the chair or a member who is present and can vote on the resolution, may demand a poll:
 - (1) before the vote is taken; or
 - (2) before or immediately after the declaration of the result of the show of hands.
- (e) A demand for a poll does not prevent the continuance of a general meeting for the transaction of any business other than the question on which the poll has been demanded.
- (f) The chair may declare the result of a vote decided on a show of hands.
- (g) Unless a poll is duly demanded:
 - (1) the chair's declaration and an entry to that effect into the minute book is conclusive evidence of the result; and

- (2) further proof of the number or proportion of the votes recorded in favour of or against the resolution is not required.
- (h) If a poll is duly demanded at a general meeting, the meeting must conduct the poll as the chair directs.
- (i) Subject to rule 6.8(j), the chair may direct that the poll be taken in any manner and either at once, or after an interval or adjournment.
- (j) A poll demanded at a general meeting on the election of a chair or on a question of adjournment must be taken immediately.
- (k) The result of the poll is a resolution of the meeting at which the poll was demanded.
- (l) The demand for a poll may be withdrawn.

6.9 Voting rights

- (a) Subject to this constitution, and to any rights or restrictions attached to a share or class of shares, at a general meeting:
 - (1) on a show of hands, every person present who is a member or a proxy, attorney or representative of a member has one vote; and
 - (2) on a poll, every person present who is a member or a proxy, attorney, or representative of a member has one vote for each share the member holds and which entitles the member to vote, except for partly paid shares, each of which confers on a poll only a fraction of one vote equal to the proportion of the total amounts paid and payable on the share which have been paid.
- (b) For the purposes of determining the above fraction:
 - (1) an amount paid on a share in advance of a call or credited on a share otherwise than for value must be ignored; and
 - (2) if under the terms of issue of a share, the consideration for the share is or includes the provision of property or services or some other non-monetary consideration, the value of the non-monetary consideration provided or to be provided as determined by the directors will be taken to be the amount paid or payable (as the case may be) on the share.
- (c) If a person present at a general meeting represents more than one member:
 - (1) on a show of hands, the person is entitled to one vote only, despite the number of members the person represents;
 - (2) that vote is cast for all the members the person represents; and
 - (3) the person must not exercise that vote in a way which would contravene any directions given to the person in any instrument appointing the person as a proxy or attorney.
- (d) A joint holder may vote at any meeting in person or by proxy, attorney, or representative as if that person was the sole holder.

- (e) If more than one joint holder tenders a vote, then the vote of the holder named first in the register is accepted to the exclusion of any other.
- (f) The parent or guardian of an infant member may vote at any general meeting upon producing evidence of the relationship or of the appointment as the directors may require.
- (g) A vote by a parent or guardian of an infant member is accepted to the exclusion of the vote of the infant member.
- (h) A person entitled to a share as a result of a transmission event may vote at a general meeting as if that person were the registered holder of the share if, before the meeting, the directors:
 - (1) admit that person's right to vote at that meeting for the share; or
 - (2) are satisfied that person has a right to be registered as the holder of, or to transfer, the share under rule 5.4(c).
- (i) A vote tendered by a person under rule 6.9(h) is accepted to the exclusion of the vote of the registered holder of the share.
- (j) A member is entitled to vote at a general meeting only if all calls and other sums of money, presently payable by that member for shares in the company, are paid.
- (k) A person must raise an objection to the qualification of a person to vote at a general meeting:
 - (1) before or at the meeting at which the vote is given; and
 - (2) by referring it to the chair of the meeting.
- (l) The chair's decision about a person's qualification to vote is final.
- (m) A vote the chair allows under rule 6.9(h) is valid for all purposes.

6.10 Representation at general meeting

- (a) Subject to this constitution, each member entitled to vote at a meeting of members may vote:
 - (1) in person or if a member is a body corporate by its representative;
 - (2) by not more than 2 proxies; or
 - (3) by not more than 2 attorneys.
- (b) A proxy, attorney, or representative may, but need not be a member.
- (c) A proxy, attorney, or representative may be appointed for:
 - (1) all or any number of general meetings; or
 - (2) a particular general meeting.

- (d) Subject to the Corporations Act and to the terms of appointment, an appointment confers on a proxy, attorney, or representative the same rights as the appointor:
 - (1) to agree to a meeting to which the appointment applies, being convened by shorter notice than is required by the Corporations Act or by this constitution;
 - (2) to attend and speak at a meeting to which the appointment applies;
 - (3) to vote on any procedural motion at a meeting to which the appointment applies, including any motion to elect the chair, to vacate the chair or to adjourn the meeting;
 - (4) to vote on any other motion or resolution (but only to the extent allowed by the appointment); and
 - (5) to demand or join in demanding a poll at a meeting to which the appointment applies.
- (e) Subject to the Corporations Act and to the terms of appointment, if the proxy, attorney, or representative may vote on a proposed resolution, then the appointment also confers authority to vote on any amendment moved to the proposed resolution and on any motion that the proposed resolution not be put or any similar motion.
- (f) Subject to the Corporations Act and to the terms of appointment, if an appointment confers authority to attend, speak, vote, or do anything else at a meeting that is to be held at a specified time or venue and the meeting is rescheduled or adjourned or changed to another venue, then the appointment confers authority to do the same things at the rescheduled or adjourned meeting or meeting at the new venue.
- (g) If a member appoints 2 proxies or attorneys:
 - (1) and the appointment does not specify the proportion or number of the member's votes each proxy or attorney may exercise, each proxy or attorney may exercise half of the member's voting rights; and
 - (2) neither person may vote on a show of hands.
- (h) An appointment of a proxy or attorney may specify the way the proxy or attorney is to vote on a particular resolution.
- (i) If the appointment does specify the way the proxy or attorney is to vote on a particular resolution:
 - (1) the proxy or attorney need not vote on a show of hands, but if the proxy or attorney does so, the proxy or attorney must vote that way;
 - (2) if the proxy or attorney has 2 or more appointments that specify different ways to vote on the resolution, the proxy or attorney must not vote on a show of hands;
 - (3) if the proxy or attorney is the chair of the meeting at which the resolution is voted on, the proxy or attorney must vote on a poll, and must vote that way, and

- (4) if the proxy or attorney is not the chair, the proxy or attorney need not vote on a poll, but if the proxy or attorney does so, the proxy or attorney must vote that way.

provided that if the proxy or attorney is also a member, nothing in this rule affects the way the person can cast any votes the person has as a member.

- (j) An appointment of a proxy or attorney is valid if it is signed or otherwise authenticated in a manner approved by the directors by the member making the appointment, and contains such information and is in such form as may be required by the directors. Otherwise, the appointment is not required to contain any particular information or be in any particular form. For the avoidance of doubt, a proxy may be appointed using one or more technologies specified in the notice of meeting.

- (k) An appointment of a proxy or attorney for a meeting of members will only be effective if:

- (1) the appointment; and
- (2) if the appointment is signed or otherwise authenticated in a manner approved by the directors by the appointor's attorney, the authority under which the appointment is signed or authenticated or a certified copy of the authority;

are received by the company at least 48 hours before the meeting or any lesser period provided in the notice of meeting, unless the directors otherwise determine.

- (l) The appointment and any authority will be received by the company when received at:

- (1) the company's registered office;
- (2) a fax number at the company's registered office; or
- (3) a place, fax number or electronic address (if any) specified for the purpose in the notice of meeting.

If the notice of meeting specifies other electronic means approved by the directors by which a member may give to the company an appointment or authority, the document will also be received by the company when the document given by those means is received by the company in the manner approved by the directors.

- (m) The directors may accept upon the production of other evidence:

- (1) an oral appointment of a proxy or attorney;
- (2) an appointment of a proxy or attorney which is not signed by the appointor or the appointor's attorney; and
- (3) a copy of any document, including a copy sent by fax or email.

- (n) A vote at a meeting by a proxy or attorney is valid despite:

- (1) a transmission event having occurred in relation to the appointor;

- (2) the appointor revoking the instrument of appointment or the authority under which the instrument was executed; or
- (3) the transfer of the share for which the instrument was given not having been registered;

provided that the company does not receive written notice of such an event before the meeting commenced.

- (o) The appointment of a proxy or attorney is not revoked by the appointor attending and taking part in the general meeting.
- (p) The proxy or attorney must not vote as the appointor's proxy or attorney if the appointor votes on a resolution.
- (q) Where an instrument intended for the appointment of a proxy does not specify the name of a proxy the instrument is not for that reason invalid and is to be taken to be given in favour of the chair of the meeting.

6.11 Direct voting

- (a) This rule 6.11 applies despite anything else contained in this constitution to the contrary other than rule 1.1(a).
- (b) The directors may permit direct voting on resolutions proposed at a general meeting by allowing members entitled to vote on the resolution to cast their vote without being present (whether in person or by proxy or other representative) at the meeting.
- (c) The directors may determine rules and procedures for direct voting, including those members entitled to cast a direct vote, the manner in which a direct vote may be cast, the circumstances in which a direct vote will be valid and the effect of a member casting both a direct vote and a vote in any other manner.
- (d) Subject to rules 6.11(e) and (f), where notice of a general meeting specifies that direct voting on a resolution proposed for consideration at the meeting is permitted by members or particular members, a direct vote cast by or on behalf of such a member in accordance with the rules and procedures for direct voting determined by the directors (whether set out in the notice of meeting or otherwise) is taken to have been validly cast by that member at the meeting.
- (e) A direct vote cast by or on behalf of a member on a resolution proposed at a general meeting is of no effect and will be disregarded if the member is not entitled to vote on the resolution at the meeting or, had the vote been cast by or on behalf of the member at the meeting, the company would be required to disregard the vote:
- (f) Subject to the rules and procedures for direct voting determined by the directors, if a direct vote is cast by or on behalf of a member on a resolution proposed for consideration at a general meeting and a vote is also cast on the resolution by the member or the member's proxy or other representative present at the meeting, the company may:
 - (1) regard the direct vote as valid and effective and disregard the vote cast at the meeting; or

- (2) disregard the direct vote and regard the vote cast at the meeting as valid and effective.

6.12 Separate class meetings

If at any time a meeting of a class of members of the company is required or proposed, rules 6.1 to 6.11 will apply so far as they are capable of application (and with all necessary changes) to that meeting.

7. Directors

7.1 Appointment and removal of directors

- (a) Subject to the Corporations Act, there must be at least 3 directors and not more than 15 directors or such other minimum or maximum number of directors as the members by resolution determine.
- (b) The first directors are the persons who are specified with their consent as proposed directors in the application for registration of the company. Each such person is taken to have been elected as a director by resolution passed at a general meeting of the company.
- (c) Directors in office on the date that the company adopted this constitution continue in office on the terms and conditions set out in this constitution.
- (d) The members may by resolution appoint or elect any person as a director and may remove any director from office.
- (e) The directors may appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing directors.
- (f) The total number of directors must not at any time exceed the maximum number allowed under this constitution.
- (g) At each annual general meeting of the company, the following directors must retire from office:
 - (1) Each director who has held office past the third annual general meeting or three years since the director's last election (or re-election), whichever is longer.
 - (2) Each director appointed by the directors to fill a casual vacancy or as an addition to the existing directors since the last annual general meeting.
 - (3) If the ASX Listing Rules requires the company to hold an election of directors each year and there is no director required to retire under paragraph (1) or (2) above and/or standing for election at the annual general meeting, the director who has been longest in office since his or her last election. As between persons who were elected as directors on the same day, the director to retire must be determined by lot, unless they otherwise agree between themselves.
 - (4) Unless elected (or re-elected), a director due to retire at an annual general meeting retains office until the conclusion of the meeting.

- (h) Rule 7.1(g) does not apply to the managing director who is exempted from having to retire by rotation or otherwise at an annual general meeting (but if there is more than one managing director, only one is exempted from having to retire under rule 7.1(g)).
- (i) A retiring director is eligible for election (or re-election).
- (j) The company may, at a general meeting at which a director is due to retire, by resolution elect a person as a director to fill the office to be vacated.
- (k) A person is eligible for election as a director at a general meeting of the company only if:
 - (1) the person is in office as a director immediately before that meeting;
 - (2) the person has been nominated by the directors for election at that meeting;
or
 - (3) a nomination for election of the person as a director signed by a member (including the person) and a consent to nomination signed by the person has been lodged at the registered office of the company at least 45 business days, but no more than 90 business days before the general meeting.
- (l) Where a majority of all directors consider that the continuance in office of a director would be, or would be likely to be, prejudicial to the interests of the company, the director may be suspended by resolution passed by that majority at a meeting of directors specifically convened for the purpose of considering the suspension. The suspended director may not take part in the business or affairs of the company during the period of suspension. The suspension may be terminated at any time by a resolution passed by a majority of all directors at a meeting of directors specifically convened for the purpose of considering termination of the suspension. The suspension will terminate at the end of 14 days from the date of the suspension unless within that period notice of a general meeting of the company to consider a resolution to remove the director from office is despatched to members and the meeting is convened to be held within 35 days from the date of despatch. In that case, the suspension will terminate at the conclusion of the meeting.

7.2 Vacation of office

In addition to any circumstance provided for elsewhere in this constitution, a director ceases to be, and to hold office as, a director of the company:

- (a) in the circumstances prescribed by the Corporations Act;
- (b) if the director dies, on his or her death;
- (c) if the director becomes of unsound mind or a person who, or whose estate is, liable to be dealt with in any way under the law relating to mental health, when he or she becomes so mentally incapacitated;
- (d) if the director resigns by notice in writing to the company, when the resignation is stated to become effective in the notice or, if not so stated, on the date the company receives the notice; or

- (e) if the director is absent (and not represented by an alternate director) from meetings of directors for at least 4 consecutive months and the directors do not resolve to grant the director leave of absence from those meetings at or before the next meeting of directors after written notice of the absence has been given to the directors by the secretary, at the end of that meeting.

7.3 Remuneration and expenses

- (a) Each director is entitled to such remuneration out of the funds of the company (accruing from day to day if periodic) as the directors determine **provided that**:
 - (1) the director's remuneration must not include a commission on, or percentage of, operating revenue; and
 - (2) if the director is a non-executive director, the director's remuneration paid must be a fixed sum.
- (b) The aggregate remuneration paid to or for the benefit of the directors (including any payments made in respect of superannuation contributions) must not exceed in a financial year of the company \$650,000 or such other sum as the members may by resolution approve. This limitation does not apply to:
 - (1) any remuneration in the form of share, option or other incentive plans that involve the acquisition by the director of securities of the Company that are approved separately by the Company's members;
 - (2) any amount paid or payable under rule 7.3(d) or (e);
 - (3) any amount paid or payable under or in respect of any indemnification or insurance provided or procured in accordance with rule 9; or
 - (4) the remuneration to which a director may be entitled as an employee of the company or a related body corporate or in a capacity other than as a director of the company.
- (c) If the directors determine an aggregate annual remuneration to which they are entitled, they must divide it:
 - (1) in the amounts or proportions agreed between them; or
 - (2) failing agreement, equally among the non-executive directors only.
- (d) A director is entitled to be paid all reasonable travel, accommodation, and other expenses properly incurred by the director in attending meetings of, or relating to, the company or while engaged on the business or affairs of the company.
- (e) If a director performs an extra service or makes special exertion for the company, the directors may arrange for a special remuneration.
- (f) The directors may resolve that the company:
 - (1) at any time after a director dies, retires, or otherwise ceases to hold office as a director or a director or former director ceases to be gainfully employed, pay to the director or former director or a legal personal representative, spouse,

relative, or dependant of the director or former director a pension, lump sum, superannuation amount or other benefit;

- (2) establish, pay contributions or other amounts to, or otherwise support, a fund or other entity providing for any such benefit; and
- (3) enter into a contract with the director to provide for any of these benefits.

Any amount paid or payable under this rule 7.3(f) is not subject to the limitation under rule 7.3(b).

7.4 Share qualification

A director is not required to hold any shares in the company to qualify for appointment and is entitled to attend and speak at general meetings even if that director is not a member.

7.5 Interested directors

- (a) Subject to the Corporations Act, a director:
 - (1) may hold any other office, place of profit, position or interest in the company, any related body corporate or any body corporate the company promotes or holds an interest in;
 - (2) may do so on the terms that the director and the relevant body corporate agree; and
 - (3) is not accountable to the company for any remuneration or other benefit the director receives in connection with that office, place, position or interest.
- (b) A director may exercise the voting rights conferred by shares in any body corporate that the company holds or owns in any manner including, but not limited to, voting for a resolution:
 - (1) which provides for the appointment or remuneration of the director, or any other person, as a director or officer of that body corporate; or
 - (2) in which the director is otherwise interested.
- (c) Subject to the Corporations Act, a director is not disqualified, merely because that person is a director, from contracting with the company for any reason including, but not limited to:
 - (1) selling or purchasing property to or from the company;
 - (2) lending or borrowing money to or from, the company with or without interest or security;
 - (3) guaranteeing for a commission or profit money that the company borrows;
 - (4) underwriting or guaranteeing for a commission or profit the subscription for securities in the company, a related body corporate or a body corporate the company promotes or holds an interest in;

- (5) being employed by the company; or
 - (6) acting in a professional capacity for the company.
- (d) A contract or arrangement entered into by or on behalf of the company with a director or in which a director is or may be in any way interested is not void or voidable merely because the director is a director or because of the fiduciary obligations arising out of that office, and the director is not liable to account to the company for any profit realised by or under such a contract or arrangement.
- (e) Subject to the Corporations Act, a director is not excluded from:
- (1) being present, counted in a quorum, or voting at a meeting of directors; or
 - (2) signing any document;
- for or in relation to a contract or arrangement or proposed contract or arrangement in which the director is interested.

7.6 Powers and duties of directors

- (a) The directors are responsible for managing the business and affairs of the company. The directors may exercise to the exclusion of the members all the powers of the company which are not required, by the Corporations Act or by this constitution, to be exercised by the members in general meeting or by resolution of the members.
- (b) Without limiting the generality of rule 7.6(a), the directors may exercise all the powers of the company:
- (1) to borrow or otherwise raise money;
 - (2) to charge any property or business of the company or all or any of its uncalled capital; and
 - (3) to issue debentures or give any other security for a debt, liability or obligation of the company or of any other person.
- (c) The directors may determine how negotiable instruments, including but not limited to cheques, may be executed by or on behalf of the company.
- (d) The directors may pay out of the company's funds all expenses of:
- (1) the promotion, formation and registration of the company; and
 - (2) the vesting in it of the assets it requires.
- (e) The directors may appoint or employ any person to be an officer, agent or attorney of the company:
- (1) for any purpose and for any period;
 - (2) with any powers, discretions, and duties, including but not limited to those vested in the directors; and

- (3) on any conditions.
- (f) The directors may authorise an officer, agent, or attorney to delegate any powers, discretions and duties vested in that person.
- (g) Subject to any contract between the company and the relevant officer, agent or attorney, the directors may remove or dismiss that person at any time, with or without cause.
- (h) A power of attorney may contain any provision for the protection and convenience of the attorney or a person dealing with the attorney.

7.7 Proceedings of directors

- (a) The directors may meet together for the dispatch of business and adjourn and otherwise regulate their meetings as they think fit.
- (b) The contemporaneous linking together by telephone or other electronic means of a number of the directors sufficient to constitute a quorum, constitutes a meeting of the directors.
- (c) The rules relating to meetings of the directors apply with the necessary changes to meetings of the directors by telephone or other electronic means.
- (d) A director participating in a meeting by telephone or other electronic means is considered present in person at the meeting.
- (e) A meeting by telephone or other electronic means is held at the place determined by the chair of the meeting.

7.8 Convening of meetings of directors

- (a) A director may convene a meeting of the directors at any time.
- (b) On the requisition of a director, a secretary must convene a meeting of the directors.

7.9 Notice of meetings of directors

- (a) Subject to this constitution, notice of a meeting of directors must be given to each director other than a director on leave of absence approved by the directors.
- (b) A notice of a meeting of directors:
 - (1) must specify the time and place of the meeting;
 - (2) need not state the nature of the business to be transacted at the meeting;
 - (3) must be given at least 24 hours before the meeting, except where due to the urgency of the matter that is impractical, in which case it may be given at any time before the meeting; and
 - (4) may be oral or written and may be given in person or by post, telephone, fax or other electronic means.

- (c) A director waives notice of a meeting of directors if the director:
 - (1) gives written notice of waiver to the company before, at or after the meeting; or
 - (2) attends the meeting.
- (d) A resolution passed, or other act done, at a meeting of directors will not be invalid merely because a person to whom notice of the meeting is required to be given does not receive or is not given notice of the meeting if:
 - (1) the failure occurred by accident or error; or
 - (2) the person waives notice of the meeting.

7.10 Quorum at meetings of directors

- (a) The directors may transact business at a meeting of directors only if a quorum of directors is present at the time the business is dealt with.
- (b) A quorum of directors consists of:
 - (1) if the directors have fixed a number for the quorum, that number of directors; and
 - (2) in any other case 2 directors.
- (c) If the number of directors in office at any time is not sufficient to constitute a quorum at a meeting of directors or is less than the minimum number of directors fixed under this constitution, then the remaining director or directors must act as soon as possible:
 - (1) to increase the number of directors to a number sufficient to constitute a quorum and to satisfy the minimum number of directors required under this constitution; or
 - (2) to convene a general meeting of the company for that purpose.
- (d) Until the directors have complied with rule 7.10(c), they must only act if and to the extent that there is an emergency requiring them to act.

7.11 Chair and deputy chair of directors

- (a) The directors may:
 - (1) appoint one of the directors as chair of directors; and
 - (2) determine the period for which that director is to be chair of directors.
- (b) The directors may:
 - (1) appoint one of the directors as deputy chair of directors; and
 - (2) determine the period for which that director is to be deputy chair of directors.

- (c) The directors may resolve that the office of chair or deputy chair of directors is an extra service or special exertion performed by the director holding that office for the purposes of rule 7.3(e).
- (d) The chair of directors, if present within 10 minutes after the time appointed for the holding of a meeting of directors and willing to act, must preside as chair of the meeting.
- (e) If the directors have elected a deputy chair of directors, then the deputy chair of directors, if present within 10 minutes after the time appointed for the holding of a meeting of directors and willing to act, must preside as chair of the meeting if:
 - (1) there is no chair of directors; or
 - (2) the chair of directors is not present within 10 minutes after the time appointed for the holding of the meeting or is not willing to act as chair of the meeting.
- (f) The directors present must elect one of their number to be chair of the meeting if at a meeting of directors:
 - (1) there is no chair or deputy chair of directors; or
 - (2) the chair or deputy chair of directors is not present within 10 minutes after the time appointed for the holding of the meeting or is not willing to act as chair of the meeting.

7.12 Decisions of directors

- (a) A meeting of directors at which a quorum is present is competent to exercise each authority, power, and discretion vested in or exercisable by the directors under this constitution.
- (b) The directors must decide questions arising at a meeting of directors by a majority of votes cast by the directors present.
- (c) A decision under rule 7.12(b) is for all purposes a determination of the directors.
- (d) In the case of an equality of votes on any proposed resolution the chair of the meeting has a second or casting vote unless only 2 directors competent to vote on the proposed resolution are present at the meeting.

7.13 Written resolutions

- (a) A written resolution signed by:
 - (1) all directors entitled to vote on the resolution **provided that**, were the resolution considered at a meeting of directors, the directors who sign would have constituted a quorum at such a meeting; or
 - (2) a majority of the directors entitled to vote on the resolution where notice of the resolution was given in the same way it would have been required to have been given if it were a notice of a meeting of directors to consider the resolution, and the directors who sign would have constituted a quorum at such a meeting;

is as valid as if passed at a duly convened and held meeting of directors and is effective when signed by the last of all the directors or the last of the directors constituting the majority, as the case may be.

- (b) The resolution may consist of several documents in the same terms, each of which is signed by one or more directors.
- (c) A facsimile transmission or other document produced or transmitted electronically in the name, and with the authority of, a director will be taken to be a document in writing signed by the director.

7.14 Alternate directors

- (a) A director may appoint another director, or with approval of a majority of the other directors, any other person, to be the director's alternate director to act in his or her place at any meeting of directors or for any period where the director is unable to attend to his or her duties or exercise his or her powers as a director.
- (b) An alternate director may, subject to his or her terms of appointment, exercise all the powers (except the power to appoint an alternate director) and perform all the duties of the director who has appointed the alternate director to the extent the director has not exercised or performed them. Without limiting the foregoing, an alternate director may attend and vote at a meeting of directors if his or her appointor is not present. An alternate director is otherwise not entitled, and has no other power, to act as a director of the company.
- (c) An alternate director is not entitled to notice of meetings of directors unless his or her appointor is on leave of absence approved by the directors. In that case, the alternate director must be given notice of meetings of directors during the leave of absence.
- (d) An alternate director waives notice of a meeting of directors for the alternate director and his or her appointor if the alternate director:
 - (1) gives written notice of waiver to the company before, at or after the meeting; or
 - (2) attends the meeting.
- (e) A person may act as alternate director to more than one director and is entitled to a separate vote for each director the alternate director represents, in addition to any vote the alternate director may have as a director in that person's own right.
- (f) The office of an alternate director is vacated if and when the appointor vacates the office as a director.
- (g) The appointor may terminate the appointment of an alternate director at any time, even if the period of the appointment of the alternate director has not expired.
- (h) The appointor must appoint and terminate an appointment of an alternate director by a written, signed statement.
- (i) An appointment and termination are only effective after the company receives the appointor's signed written statement and, in the case of an appointment requiring the

approval of a majority of the directors of the company, after that approval has been given.

- (j) An alternate director is not to be taken into account in determining the minimum or maximum number of directors allowed under this constitution.
- (k) In determining whether a quorum is present at a meeting of directors, an alternate director, who attends the meeting is counted as a director for each director on whose behalf the alternate director is attending.
- (l) An alternate director is not to be taken into account in determining the number of directors or rotation of directors.
- (m) An alternate director is only entitled to be paid the remuneration that the directors think fit for his or her services as an alternate director, and any such remuneration must be in reduction of the remuneration payable to the director for whom the alternate director acts as alternate.
- (n) An alternate director is entitled to be paid all reasonable travel, accommodation and other expenses properly incurred by the alternate director in attending meetings of, or relating to, the company or while engaged on the business or affairs of the company.
- (o) An alternate director, while acting as a director:
 - (1) is responsible to the company for that person's own acts and defaults; and
 - (2) is not the agent of the director who appointed the alternate director.

7.15 Committees of directors

- (a) The directors may delegate any of their powers to a committee or committees of directors.
- (b) A committee to which a power is delegated, when exercising the power, must comply with any directions of the directors.
- (c) The rules applying to meetings and resolutions of directors with the changes necessary, apply to meetings and resolutions of a committee of directors.
- (d) The directors may resolve that membership of a committee of directors is an extra service or special exertion performed by the members for the purpose of rule 7.3(e).

7.16 Delegation to individual directors

- (a) The directors may delegate any of their powers to one or more director(s).
- (b) A director to whom any powers are delegated must exercise the powers delegated in accordance with any directions of the directors.
- (c) The directors may resolve to treat the acceptance of a delegation as an extra service or special exertion performed by the delegate for the purpose of rule 7.3(e).

7.17 Validity of acts

An act done by a person acting as a director, by a meeting of directors or by a committee of directors attended by a person acting as a director is not invalidated by reason only of:

- (a) a defect in the appointment of the person as a director;
- (b) the person being disqualified to be a director or having vacated office; or
- (c) the person not being entitled to vote.

8. Executive officers

8.1 Managing directors, deputy managing directors and executive directors

- (a) The directors may appoint one or more of the directors to be:
 - (1) a managing director;
 - (2) a deputy managing director; or
 - (3) an executive director employed by the company or a related body corporate in any other capacity.
- (b) The directors may confer on a managing director, deputy managing director or other executive director any title.
- (c) A person appointed to be an officer under rule 8.1(a) automatically ceases to hold that office if he or she ceases to be a director but, subject to any contract between the company and the person, he or she does not cease to be employed or otherwise engaged by the company by reason only of the person ceasing to be a director.
- (d) Unless the directors otherwise determine, a person appointed to be an officer under rule 8.1(a) automatically ceases to be a director if he or she ceases to be employed or otherwise engaged by the company to serve in that office.

8.2 Associate directors

- (a) The directors may appoint one or more associate directors.
- (b) The directors may confer on an associate director any title.
- (c) Even though the word 'director' may appear in an associate director's title an associate director is not a director of the company, and is not entitled:
 - (1) to attend a meeting of directors except by the invitation and with the consent of the directors; or
 - (2) to vote at any meeting of directors.

8.3 Secretaries

The directors:

- (a) must appoint at least one secretary;
- (b) may appoint additional secretaries; and
- (c) may appoint one or more assistant secretaries.

8.4 Terms of office

- (a) The appointment of a person to be an officer or to hold an office referred to in this rule 8 may be for a period, at a remuneration and on other terms to be decided by the directors.
- (b) Subject to any contract between the company and a person appointed to be an officer or to hold an office referred to in this rule 8, the directors may remove or dismiss the person from office at any time, with or without cause.
- (c) The directors may:
 - (1) confer on a person appointed to be an officer or to hold an office referred to in this rule 8 any power, discretion, and duty, including but not limited to any power, discretion, and duty vested in or exercisable by the directors;
 - (2) withdraw, suspend, or vary any power, discretion and duty conferred on the person; and
 - (3) authorise the person to delegate any power, discretion and duty conferred on him or her.
- (d) An act done by a person appointed to be an officer or to hold an office referred to in this rule 8 is not invalidated by reason only of:
 - (1) a defect in the person's appointment; or
 - (2) the person being disqualified to hold that office;if that circumstance was not known by the person when the act was done.

9. Indemnity and insurance

9.1 Indemnity

- (a) Subject to this rule 9.1, the company indemnifies:
 - (1) each person who is or has been an officer of the company against all liabilities incurred by the person as such an officer; and
 - (2) each person who is or has been an officer of a related body corporate of the company against those liabilities incurred by the person as such an officer which the directors determine to be indemnified under this rule 9.1.

For the purposes of this rule 9.1(a), liabilities incurred by a person as an officer of the company or a related body corporate are taken to include legal costs incurred by the person:

- (3) in defending, resisting, or otherwise responding to an action, proceeding, or investigation commenced or brought by another or others for a liability incurred by the person as an officer of the body corporate or otherwise concerning the person as an officer of the body corporate; or
- (4) in connection with a proceeding for relief to the person under the Corporations Act concerning the person as an officer of the body corporate;

but do not include any other legal costs incurred by the person in connection with an action, proceeding or investigation concerning the person.

- (b) The following liabilities of a person, except for a liability for legal costs, are excluded from the indemnities in rule 9.1(a):
 - (1) A liability owed to the company or a related body corporate.
 - (2) A liability for a pecuniary penalty order under section 1317G or a compensation order under section 961M, 1317H, 1317HA, 1317HB, 1317HC, or 1317HE of the Corporations Act.
 - (3) A liability owed to someone other than the company or a related body corporate and did not arise out of conduct in good faith.
 - (4) Any other liability against which the company is precluded by law from indemnifying the person.
- (c) The following legal costs of a person are excluded from the indemnities in rule 9.1(a):
 - (1) Legal costs incurred in defending or resisting a proceeding in which the person is found to have a liability for which he or she could not be indemnified.
 - (2) Legal costs incurred in defending or resisting a criminal proceeding in which the person is found guilty.
 - (3) Legal costs incurred in defending or resisting a proceeding brought by ASIC or a liquidator for a court order if the grounds for making the order are found by the court to have been established except for costs incurred in responding to actions taken by ASIC or a liquidator as part of an investigation before commencing the proceeding for the court order.
 - (4) Legal costs incurred in connection with a proceeding for relief to the person under the Corporations Act in which the court denies relief.
 - (5) Any other legal costs against which the company is precluded by law from indemnifying the person.
- (d) An indemnity in rule 9.1(a):
 - (1) is a continuing obligation and is enforceable by a person even though that person may have ceased to be an officer of the company or a related body corporate;

- (2) applies to liabilities incurred both before and after the date of adoption of this rule 9.1;
- (3) operates only to the extent and for the amount that the person is not otherwise entitled to be indemnified and is not actually indemnified by an insurer under an insurance policy or another person that is not a related body corporate of the company;
- (4) in respect of a liability incurred by a person as an officer of a related body corporate of the company, operates only to the extent and for the amount that the person is not actually indemnified by that related body corporate; and
- (5) is enforceable by a person only if the person notifies the company of any claim against the person that may give rise to the right to be indemnified as soon as reasonably practicable after becoming aware of the claim, takes such action as the company reasonably requests in respect of the claim, does not make any admission of liability in respect of or settle the claim without the prior written consent of the company, provides the company with all reasonable assistance and cooperation in defending, resisting or otherwise dealing with the claim and does anything reasonably requested by the company in order to enable the company to be subrogated to and enjoy the benefits of the person's rights in relation to the claim against any third party.

9.2 Insurance

The company may purchase and maintain insurance or pay or agree to pay a premium for insurance in respect of any liability incurred by a person who is or has been an officer of the company or a related body corporate except to the extent that the company is precluded by law from doing so.

9.3 Savings

Nothing in rules 9.1 and 9.2:

- (a) affects any other right or remedy that a person may have in respect of any liability referred to in those rules; or
- (b) limits the capacity of the company to indemnify any person or provide or pay for insurance in respect of any person, whether or not those rules already apply to the person and whether by way of deed executed by the company or otherwise.

9.4 Officer

In this rule 9, a reference to an officer of a body corporate is a reference to:

- (a) a director or secretary of the body corporate;
- (b) an executive officer of the body corporate as defined in section 9 of the Corporations Act; and
- (c) in the case of the company, a person appointed to be an officer or to hold an office referred to in rule 8.

10. Winding-up

10.1 Distribution of surplus

- (a) Subject to this constitution and any rights or restrictions attached to a share or class of shares, if the company is wound up and the property of the company is more than sufficient to pay all of:
 - (1) the debts and liabilities of the company; and
 - (2) the costs, charges, and expenses of the winding up;the excess must be divided among the members in proportion to the number of shares held by each of them, irrespective of the amounts paid or credited as paid on the shares.
- (b) To calculate the excess, any amount unpaid on a share is to be treated as property of the company.
- (c) The amount of the excess that would otherwise be distributed to the holder of a partly paid share must be reduced by the amount unpaid on that share at the date of the distribution.
- (d) If the effect of the reduction under rule 10.1(c) would be to reduce the distribution to the holder of a partly paid share to a negative amount, then the holder must contribute that amount to the company.

10.2 Division of property

- (a) If the company is wound up, the liquidator may, with the sanction of a special resolution:
 - (1) divide among the members the whole or any part of the property of the company; and
 - (2) determine how the division is to be carried out as between the members or different classes of members.
- (b) A division may be otherwise than in accordance with the legal rights of the members.
- (c) In a division, any class may be:
 - (1) given preferential or special rights; or
 - (2) excluded altogether or in part.
- (d) If a division is not in accordance with the legal rights of the members, a member is entitled to dissent and to exercise the same rights as if the special resolution sanctioning that division were a special resolution passed under section 507 of the Corporations Act.
- (e) If any of the property to be divided includes a security with a liability to calls, a person entitled under the division to a security may by notice in writing direct the liquidator to:

- (1) sell the person's proportion of the security; and
- (2) account for the net proceeds.
- (f) The liquidator must, if practicable, act accordingly.
- (g) The liquidator must act within 10 days after the passing of the special resolution referred to in rule 10.2(a).
- (h) Nothing in this rule 10.2 derogates from or affects any right to exercise any statutory or other power which would have existed if this rule were omitted.
- (i) Rule 4.3 applies with the necessary changes to a division by a liquidator under rule 10.2(a) as if the references in rule 4.3 to the directors and to a distribution or capitalisation were references to the liquidator and to the division under rule 10.2(a).

11. Minutes and records

11.1 Minute books

The company must keep minute books in which it records:

- (a) proceedings and resolutions of meetings of the company's members;
- (b) proceedings and resolutions of directors' meetings (including meetings of a committee of directors);
- (c) resolutions passed by members without a meeting; and
- (d) resolutions passed by directors without a meeting.

11.2 Minutes

- (a) The company must ensure that minutes of a meeting are signed within a reasonable time after the meeting by the chair of the meeting or the chair of the next meeting.
- (b) The company must ensure that minutes of the passing of a resolution without a meeting are signed by a director within a reasonable time after the resolution is passed.

11.3 Evidence

A minute that is so recorded and signed is evidence of the proceeding, resolution or declaration to which it relates, unless the contrary is proved.

11.4 Inspection of records

- (a) The directors must ensure the minute books for general meetings are open for inspection by members free of charge.
- (b) Subject to rule 11.4(a), the directors may determine whether and to what extent, and at what time and places and under what conditions, the minute books, accounting records and other documents of the company or any of them are open to the inspection of members, who are not directors.

- (c) Subject to the law and authorisation by the directors, a member, who is not a director, has no right to inspect any books, records or documents of the company.
-

12. Execution of documents

12.1 Manner of execution

The company may execute a document if the document is signed by:

- (a) 2 directors; or
- (b) a director and a secretary.

12.2 Common seal

- (a) The company may have a common seal.
- (b) Rules 12.2(b) to 12.8 only apply if the company has a common seal.

12.3 Safe custody of seal

The directors must provide for the safe custody of the seal.

12.4 Use of seal

- (a) The seal must be used only by the authority of the directors or of a committee of the directors authorised by the directors to authorise the use of the seal.
- (b) The directors may give the authority to use the seal before or after the seal is used.
- (c) Subject to rule 12.8, until the directors otherwise determine, every document to which the seal is fixed must be signed by:
 - (1) 2 directors;
 - (2) a director and a secretary; or
 - (3) a director and another person appointed by the directors to countersign that document or a class of documents in which that document is included.

12.5 Seal register

- (a) The company may keep a seal register.
- (b) If the company does keep a seal register, then it must enter in the register particulars of each document on which the seal is fixed giving in each case:
 - (1) the date of the document;
 - (2) the names of the parties to the document;
 - (3) a short description of the document; and
 - (4) the names of the persons signing the document under rule 12.4(c).

- (c) The register must be produced at meetings of directors for confirmation of the use of the seal since confirmation was last given under this rule 12.5.
- (d) Failure to comply with rule 12.5(b) or (c) does not invalidate any document to which the seal is properly affixed.
- (e) Rules 12.5(b) or (c) do not apply to a certificate for securities of the company.

12.6 Duplicate seal

- (a) The company may have for use in place of its common seal outside the state or territory where its common seal is kept, one or more duplicate seals.
- (b) A duplicate seal must be a facsimile of the common seal of the company with the addition on its face:
 - (1) of the words 'duplicate seal'; and
 - (2) the name of the place where it is to be used.
- (c) A document sealed with a duplicate seal is considered to be sealed with the common seal of the company.

12.7 Share seal or certificate seal

- (a) The company may have for use on certificates for securities of the company in place of its common seal, one or more share seals or certificate seals.
- (b) A share seal or certificate seal must be a facsimile of the common seal of the company with the addition on its face of the words 'share seal' or 'certificate seal'.
- (c) A certificate for securities of the company sealed with a share seal or certificate seal is considered to be sealed with the common seal of the company.

12.8 Sealing and signing of certificates

The directors may determine either generally or in a particular case that the seal and the signature of any director, secretary or other person is to be printed on or affixed to any certificates for securities in the company by some mechanical or other means.

13. Notices

13.1 Notices by the company to members

- (a) The company may give a notice to a member by:
 - (1) serving it personally at, or by sending it by post or courier to, the member's address as shown in the register of members or another address the member has supplied;
 - (2) sending it to the fax number or electronic address the member has supplied to the company for the giving of notices; or

- (3) giving to the member in a manner authorised by this rule 13.1(a) another notice containing details of an online location where the notice can be viewed or downloaded (and so giving those details will be taken to be giving the notice).²
- (b) The company may give a notice to joint holders of a share by serving it or sending it in the manner authorised by rule 13.1(a) to the joint holder first named in the register of members or another joint holder notified in writing to the company for this purpose by all joint holders.
- (c) The company may give a notice to a person entitled to a share as a result of a transmission event by serving it or sending it in the manner authorised by rule 13.1(a) and:
- (1) addressed to the name or title of the person, at or to the address, fax number or electronic address supplied to the company for the giving of notices to that person; or
- (2) if no address, fax number or electronic address has been supplied, then at or to the address, fax number or electronic address to which the notice would have been sent if the relevant transmission event had not occurred.
- (d) Despite the occurrence of a transmission event and whether or not the company has notice of it, a notice given in accordance with this rule 13.1 to a member is taken to be given to any person entitled to the member's share as a result of the transmission event.
- (e) A notice given in accordance with this rule 13.1 to a person who is entitled to a share as a result of a transmission event is taken to be given to the member in whose name the share is registered.
- (f) The fact that a person has supplied a fax number or an electronic address for the giving of notice does not require the company to give any notice to that person by fax or electronic means.
- (g) A person who, because of a transfer of shares becomes entitled to a share registered in the name of a member, is bound by every notice which, before that person's name and address is entered in the register of members for those shares, is given to the member under this rule 13.1.
- (h) The company may sign any notice given under this rule 13.1 in writing or as a facsimile printed or affixed by some mechanical, electronic or other means.
- (i) A certificate signed by a director or secretary of the company stating that the company has given notice under this constitution is conclusive evidence of that fact.

² For example, the company could send those members for whom it has email addresses an email setting out or attaching notice of a meeting, and other material relating to the meeting, or providing a link to where the notice and other material can be viewed or downloaded. To the other members the company could send a letter or postcard setting out a URL for viewing or downloading the notice and other material.

13.2 Notices by the company to the directors

Subject to this constitution, the company may give a notice to a director or alternate director either by:

- (a) serving it personally at, or by sending it by post or courier to, the director's or alternate director's usual residential or business address or to another address the director or alternate director has supplied to the company for the giving of notices;
- (b) by sending it to the fax number or electronic address which the director or alternate director has supplied to the company for the giving of notices; or
- (c) giving to the director or alternate director in a manner authorised by this rule 13.2 another notice containing details of an online location where the notice can be viewed or downloaded (and so giving those details will be taken to be giving the notice).

13.3 Notices posted to addresses outside the Commonwealth

A notice sent by post or courier to an address outside the Commonwealth must be sent by airmail or air-courier.

13.4 Time of service

- (a) If the company sends a notice by post or courier, then it is served on the day after the date a properly addressed envelope containing the notice is placed in the post or given to the courier for delivery, **provided that** the postage or courier delivery fee is prepaid or the company has an arrangement with the postal or courier service provider to pay after posting or delivery.
- (b) If the company sends a notice by fax or other electronic means, then it is served on the day it is sent.
- (c) If the company gives a notice by serving or sending another notice containing details of an online location where the notice can be viewed or downloaded, then:
 - (1) in the case of personal service, the notice is served when the other notice containing those details is personally served; and
 - (2) in any other case, the notice is served when the other notice containing those details is served under rule 13.4(a) or (b).

13.5 Other communications and documents

Rules 13.1 to 13.4 apply, with the necessary changes, to the service of any communication or document.

13.6 Notices in writing

A reference in this constitution to a notice in writing includes a notice given by fax or electronic means.

PACIFIC CURRENT GROUP

Pacific Current Group Limited
ABN 39 006 708 792

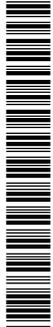
Need assistance?

**Phone:**

1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

**Online:**

www.investorcentre.com/contact



PAC

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:00 AM (AEDT) on Wednesday, 18 November 2020.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

**Control Number: 999999****SRN/HIN: I999999999****PIN: 99999**

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Pacific Current Group Limited hereby appoint

the Chair of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chair of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Pacific Current Group Limited to be held as a virtual meeting on Friday, 20 November 2020 at 10:00 AM (AEDT) and at any adjournment or postponement of that meeting.

Chair authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chair of the Meeting as my/our proxy (or the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 3 and 4 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 3 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chair.

Important Note: If the Chair of the Meeting is (or becomes) your proxy you can direct the Chair to vote for or against or abstain from voting on Resolutions 3 and 4 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Re-election of Director – Antony (Tony) Robinson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director – Peter Kennedy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Increase in Non-Executive Directors' Fee Pool	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Adoption of New Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chair of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chair of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1 Securityholder 2 Securityholder 3 / /
Sole Director & Sole Company Secretary Director Director/Company Secretary Date

Update your communication details (Optional)

Mobile Number Email Address By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically



PACIFIC CURRENT GROUP

Pacific Current Group Limited
ABN 39 006 708 792

Return Details:

By mail:

Pacific Current Group Limited
C/- Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Victoria 3001
Australia

By facsimile:

1800 783 447 (within Australia)
+61 3 9473 2555 (from outside Australia)

By delivery in person:

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford Victoria 3067

Questions from Shareholders

The Annual General Meeting (AGM) of Pacific Current Group Limited will be held virtually on Friday, 20 November 2020 at 10:00am AEDT. Shareholders are invited to register questions in advance of the AGM.

Written questions must be received by the Company or Computershare by 5.00pm (AEDT) on Friday 13 November 2020, and can be submitted online, by mail, by fax or in person. Please note that individual responses will not be sent to shareholders.

Shareholder's Name

Securityholder Reference Number (SRN)

Holder Identification Number (HIN)

Question/s

Please tick if it is a question directed to the Auditor

1.

2.

3.

4.

5.

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://pacurrent.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.

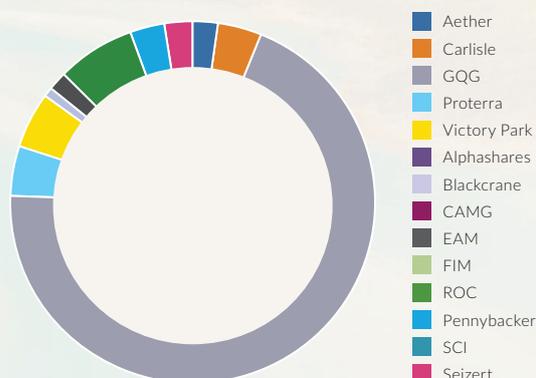
Results would have been even stronger if not for the disruption in equity markets and the near halt in boutique asset gathering efforts necessitated by COVID's arrival. Despite the second-half slowdown, our financial performance compares favorably to our peers, many of whom have struggled with portfolios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

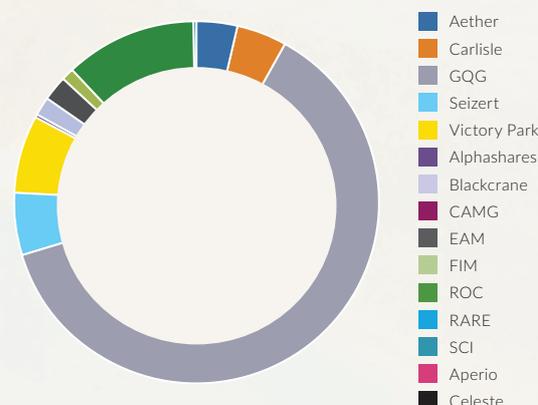
For what are fairly esoteric accounting reasons some of PAC's investments can be written both up and down, while others can only be written down but never up. Some valuation changes go through the income statement, others go through the balance sheet, and some increases in value cannot be reported at 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

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

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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

continued

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)

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2. Defined terms used in the Remuneration Report
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9. Share based remuneration
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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.

DIRECTORS' REPORT

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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: <ul style="list-style-type: none"> – 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?	<p>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.</p> <p>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.</p>
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	<p>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.</p> <p>Each TSR Hurdle compares the TSR performance of Company with the TSR performance of each of the entities in a comparator group described below.</p> <p>Hurdle 1 <i>S&P ASX 300 Comparator Group</i></p> <p>50% of the performance rights are subject to a TSR Hurdle that compares the TSR performance of 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.</p> <p>Hurdle 2 <i>Selected Comparator Group</i></p> <p>The other 50% of the performance rights are subject to a TSR Hurdle that compares the TSR performance of 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.</p>

DIRECTORS' REPORT

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Feature	Terms of the Old LTI Plan										
	<p>In determining the outcome of the TSR Hurdle for this group of performance rights, each company in the comparator group will be weighted equally. The companies comprising the comparator group have similar performance drivers to the Company and will be subject to review on the basis of relevance and may change at the Board's discretion.</p> <p>The comparator group at the time of this Remuneration Report is as follows:</p> <ul style="list-style-type: none"> – Affiliated Managers Group (NYSE: AMG) – Janus Henderson Group plc (ASX and NYSE: JHG) – Magellan Financial Group Limited (ASX: MFG) – Pandal Group Limited (ASX: PDL) – Perpetual Limited (ASX:PPT) – Platinum Asset Management Limited (ASX: PTM) <p>Together, Hurdle 1 and Hurdle 2 comprise the total performance conditions but act independently relative to their specific target component.</p> <p>The percentage of performance rights which vest (if any) will be determined by the Board by reference to the percentile ranking achieved by the Company over the performance period compared to the comparator group applying under the relevant TSR Hurdle for that group:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">TSR growth – percentile ranking</th> <th style="text-align: left;">Performance rights that vest (%)</th> </tr> </thead> <tbody> <tr> <td>75th percentile or above</td> <td>100%</td> </tr> <tr> <td>Between 50th and 75th percentile</td> <td>Progressive pro rata vesting from 50% at 2% for everyone percentile increase above the 50th percentile</td> </tr> <tr> <td>50th percentile</td> <td>50%</td> </tr> <tr> <td>Below 50th percentile</td> <td>Nil</td> </tr> </tbody> </table>	TSR growth – percentile ranking	Performance rights that vest (%)	75 th percentile or above	100%	Between 50 th and 75 th percentile	Progressive pro rata vesting from 50% at 2% for everyone percentile increase above the 50 th percentile	50 th percentile	50%	Below 50 th percentile	Nil
TSR growth – percentile ranking	Performance rights that vest (%)										
75 th percentile or above	100%										
Between 50 th and 75 th percentile	Progressive pro rata vesting from 50% at 2% for everyone percentile increase above the 50 th percentile										
50 th percentile	50%										
Below 50 th percentile	Nil										
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	<p>Performance rights will lapse for the following reasons:</p> <ul style="list-style-type: none"> – 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. <p><u>Good Leaver</u></p> <p>Any unvested performance rights will not lapse (unless the Board determines otherwise) if the participant's employment ceases due to death or total permanent disability. In these circumstances, performance rights will vest on the basis that the performance conditions applicable to those performance rights have been satisfied on a pro rata basis over the period from the grant date to the date of cessation of employment.</p> <p>The Board has discretion to allow vesting for other reasons, such as retirement or redundancy.</p> <p><u>Change of Control</u></p> <p>Generally, in the event of:</p> <ul style="list-style-type: none"> – 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	<p>Under the terms of the New LTI Plan:</p> <ul style="list-style-type: none"> (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?	<p>The objectives of the New LTI Plan are:</p> <ul style="list-style-type: none"> (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; <p>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.</p> <p>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.</p>
How are offers made?	<p>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.</p>
How are Securities acquired?	<p>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.</p>
What consideration is paid for the Securities?	<p>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.</p>
Terms of options	<p>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:</p> <ul style="list-style-type: none"> (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 an offer of those shares for sale within 12 months after their issue will not need disclosure to investors under part 6D.2 of the <i>Corporations Act</i>. (c) Subject to the <i>Corporations Act</i> 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

continued

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	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Set out below is a more detailed summary of the performance rights.</p>
1st tranche - 1 July 2018 to 30 June 2021	<p>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:</p> $\frac{375,000 \times (2021 \text{ VWAP} - \$6.75)}{2021 \text{ VWAP}}$ <p>PLUS</p> <p>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:</p> $\frac{437,500 \times (2021 \text{ VWAP} - \$6.75)}{2021 \text{ VWAP}}$ <p>PLUS</p> <p>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:</p> $\frac{437,500 \times (2021 \text{ VWAP} - \$6.75)}{2021 \text{ VWAP}}$

Feature	Terms of the MD & CEO LTI Plan
2nd tranche - 1 July 2018 to 30 June 2022	<p>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:</p> $\frac{375,000 \times (2022 \text{ VWAP} - \$6.75)}{2022 \text{ VWAP}}$ <p>PLUS</p> <p>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:</p> $\frac{437,500 \times (2022 \text{ VWAP} - \$6.75)}{2022 \text{ VWAP}}$ <p>PLUS</p> <p>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:</p> $\frac{437,500 \times (2022 \text{ VWAP} - \$6.75)}{2022 \text{ VWAP}}$ <p>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.</p>
Continuing employment	<p>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.</p>
Adjustment	<p>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.</p>
Cash alternative	<p>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.</p>

DIRECTORS' REPORT

continued

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.

DIRECTORS' REPORT

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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	<p>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.</p> <p>The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr. Ferragina is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause, any unvested performance rights will immediately be forfeited.</p> <p>Where employment is terminated with notice, no further payments will be paid by the Company except unpaid salary accrued to the date of termination and accrued annual leave. Where employment is terminated with notice, deferred short-term incentives will also be paid. However, the Board retains the discretion to determine that some or all unvested performance rights vest or lapse with effect from or after the cessation date.</p> <p>The employment contract of Mr. Ferragina ended on 2 July 2019.</p>

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

continued

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.

	Numbers granted	Numbers vested	% of grant vested	% of grant forfeited	% of compensation consisting of performance rights
2020					
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 rights 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

	Opening balance	Granted as remuneration	Received on vesting of performance rights	Net change other	Balance held nominally
2020					
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:

	Opening balance Number	Granted as compensation Number	Received on vesting Number	Net change other Number	Closing balance Number
2020					
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
	Balance Vested Number	Vested but not exercisable Number	Vested and exercisable Number	Rights vested Number	
2020					
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

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

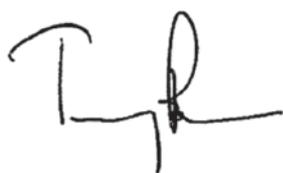
On 31 August 2020, the Directors of the Company declared a final dividend on ordinary shares in respect of the 2020 financial year. The total amount of the dividend is \$12,427,000 which represents a fully franked dividend of 25 cents per share. The dividend has not been provided for in the 30 June 2020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

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



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(ii))	-	(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
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			
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.

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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.

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:

- 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 Victory Park Capital GP Holdco, L.P. ("VPC-Holdco")	Tier 1	Tier 1
<i>Acquired during the year</i>		
Pennybacker Capital Management, LLC	Tier 2	–
Proterra Investment Partners, LP	Tier 1	–
<i>Disposed during the year/prior year</i>		
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 administra- tion \$'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		Segment liabilities	
	2020 \$'000	2019 \$'000	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		
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 administration \$'000	Total \$'000	Tier 1 boutiques \$'000	Tier 2 boutiques \$'000	Central administration \$'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		
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

	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
2020									
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

	Opening balance \$'000	Impact of application of AASB 9 ¹ \$'000	Additions \$'000	Collections/ disposals \$'000	Change in fair value \$'000	Reclassifications \$'000	Foreign currency movement \$'000	Closing balance \$'000
2020								
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

	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
2020							
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 its 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 its 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

	Office Leases \$'000	Equipment Leases \$'000	Total \$'000
2020			
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

	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
2020								
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 Hareon 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-out 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	Reclassifications \$'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:

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:

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 recognised¹:		
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 US\$5,000,000 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:

Name of subsidiaries	Country of incorporation	Ownership interest held by the Company	
		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		Place of incorporation and operation
		2020 %	2019 %	
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 interest 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		
<i>Revenue and other income transactions</i>		
- 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
<i>Investments in associates and joint venture transactions</i>		
- 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	-
<i>Balances at the end of the reporting period</i>		
- 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 handwritten signature in black ink, appearing to be 'A. Robinson', written over a horizontal line.

A. Robinson

Chairman

8 September 2020

INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2020

Deloitte.

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

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
<p>Assessment for impairment of the investments in associates and joint venture</p> <p>As at 30 June 2020, the carrying value of the investments in associates and joint venture totals \$133.6m, as disclosed in Note 22.</p> <p>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.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - 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. <p>We also assessed the appropriateness of the disclosures in the Notes to the financial statements.</p>
<p>Assessment for impairment of intangible assets, including goodwill</p> <p>As at 30 June 2020 the carrying value of goodwill and other identifiable intangible assets totals \$62.7m, as disclosed in Note 21.</p> <p>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.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - 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. <p>We also assessed the appropriateness of the disclosures in the Notes to the financial statements.</p>
<p>Valuation of Financial Assets recorded at fair value</p> <p>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</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - 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

Deloitte.

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:
 - o 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;
 - o Performing a retrospective review of the historic results to prior forecasts to assess whether forecasted cash flows are reasonable;
 - o 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.

Deloitte.

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



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
Facsimile +61 2 8243 0410
www.paccurrent.com

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.

SYDNEY

Level 29, 259 George Street
Sydney NSW 2000
Ph: +61 2 8243 0400

MELBOURNE

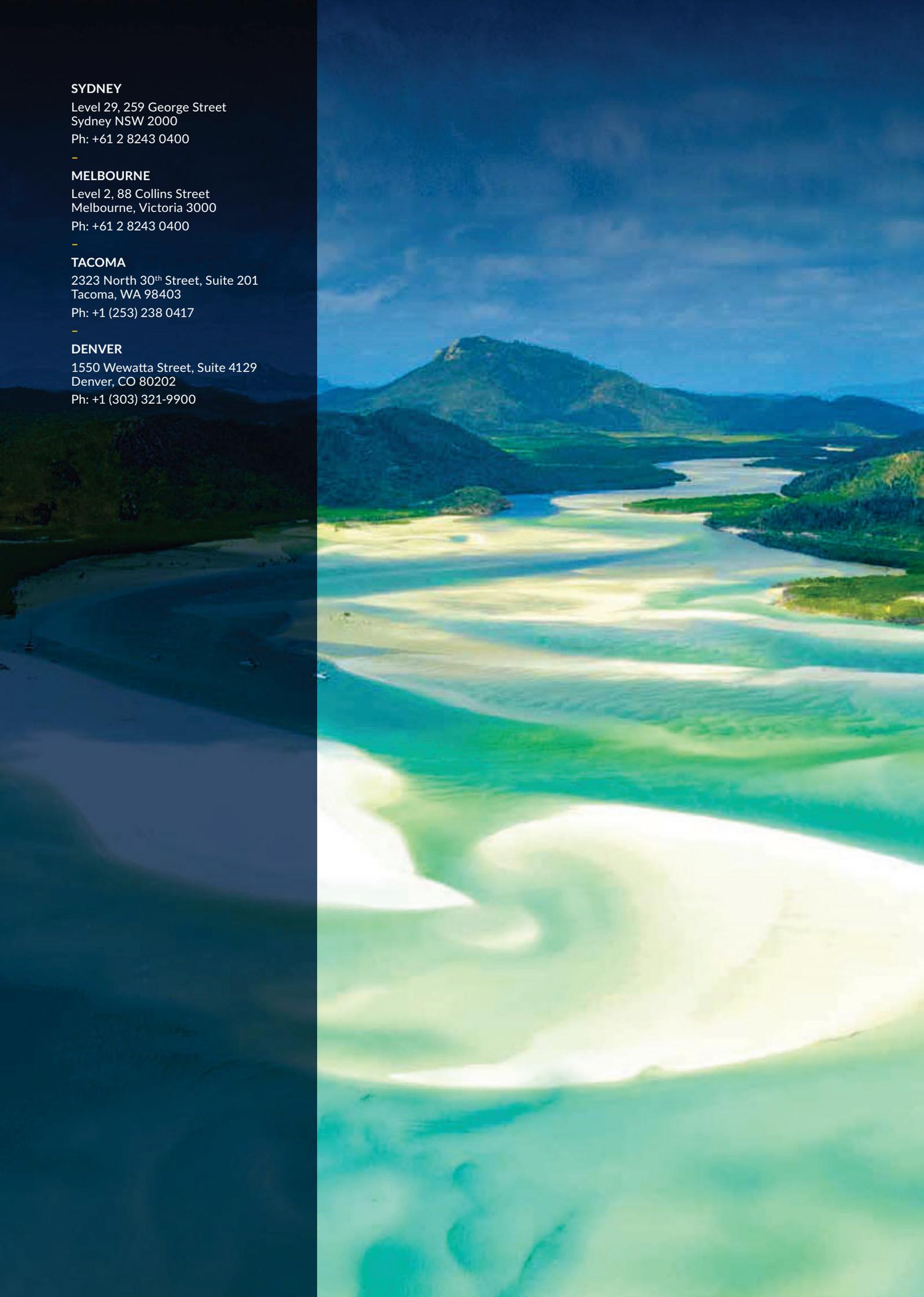
Level 2, 88 Collins Street
Melbourne, Victoria 3000
Ph: +61 2 8243 0400

TACOMA

2323 North 30th Street, Suite 201
Tacoma, WA 98403
Ph: +1 (253) 238 0417

DENVER

1550 Wewatta Street, Suite 4129
Denver, CO 80202
Ph: +1 (303) 321-9900





ASX ANNOUNCEMENT

20 November 2020

Results of 2020 Annual General Meeting

Pacific Current Group Limited (ASX:PAC, Pacific Current), a global multi-boutique asset management firm, announces that as required by ASX Listing Rule 3.13.2 and section 251AA(1) of the *Corporations Act 2001 (Cth)*, the results of the Annual General Meeting held today are set out in the attached report and includes a summary of the poll voting results and votes by proxies on each resolution considered at the Annual General Meeting.

AUTHORISED FOR LODGEMENT BY:

Paul Greenwood

Managing Director & Chief Executive Officer and Chief Investment Officer

CONTACT

For Investor Enquiries:

- Paul Greenwood - Managing Director & CEO and CIO - (+1) 253 617 7815

For Media Inquiries in the US:

- Jessica Hedden - jhedden@paccurrent.com - (+1) 720 398 6711

-ENDS-

ABOUT PACIFIC CURRENT GROUP

Pacific Current Group Limited is a multi-boutique asset management firm dedicated to providing exceptional value to shareholders, investors and partners. We apply our strategic resources, including capital, institutional distribution capabilities and operational expertise to help our partners excel. Following the sale of Seizert, Pacific Current Group has investments in 14 boutique asset managers globally.

PACIFIC CURRENT GROUP LIMITED
2020 Annual General Meeting
Friday, 20 November 2020
Results of the Meeting

The following information is provided in accordance with section 251AA(2) of the Corporations Act 2001 (Cth) and ASX Listing Rule 3.13.2

Resolution details		Instructions given to validly appointed proxies (as at proxy close)				Number of votes cast on the poll (where applicable)			Resolution Result
Resolution	Resolution Type	For	Against	Proxy's Discretion	Abstain	For	Against	Abstain*	Carried / Not Carried
1 Re-election of Director - Antony (Tony) Robinson	Ordinary	24,411,088 91.43%	2,220,672 8.32%	66,657 0.25%	528,232	24,553,540 91.70%	2,221,713 8.30%	528,232	Carried
2 Re-election of Director - Peter Kennedy	Ordinary	23,316,378 87.33%	3,315,382 12.42%	66,657 0.25%	528,232	23,458,830 87.62%	3,315,382 12.38%	529,273	Carried
3 Adoption of Remuneration Report	Ordinary	23,067,997 95.70%	969,778 4.02%	67,657 0.28%	84,866	23,135,654 95.98%	969,778 4.02%	85,907	Carried
4 Increase in Non- Executive Directors' Fee Pool	Ordinary	23,436,166 96.94%	672,416 2.78%	66,657 0.28%	75,059	23,502,823 97.22%	672,416 2.78%	131,895	Carried
5 Adoption of New Constitution	Ordinary	24,436,712 91.59%	2,177,263 8.16%	66,657 0.25%	546,017	24,579,164 91.86%	2,178,304 8.14%	546,017	Carried

* Votes cast by a person who abstains on an item are not counted in calculating the required majority on a poll.