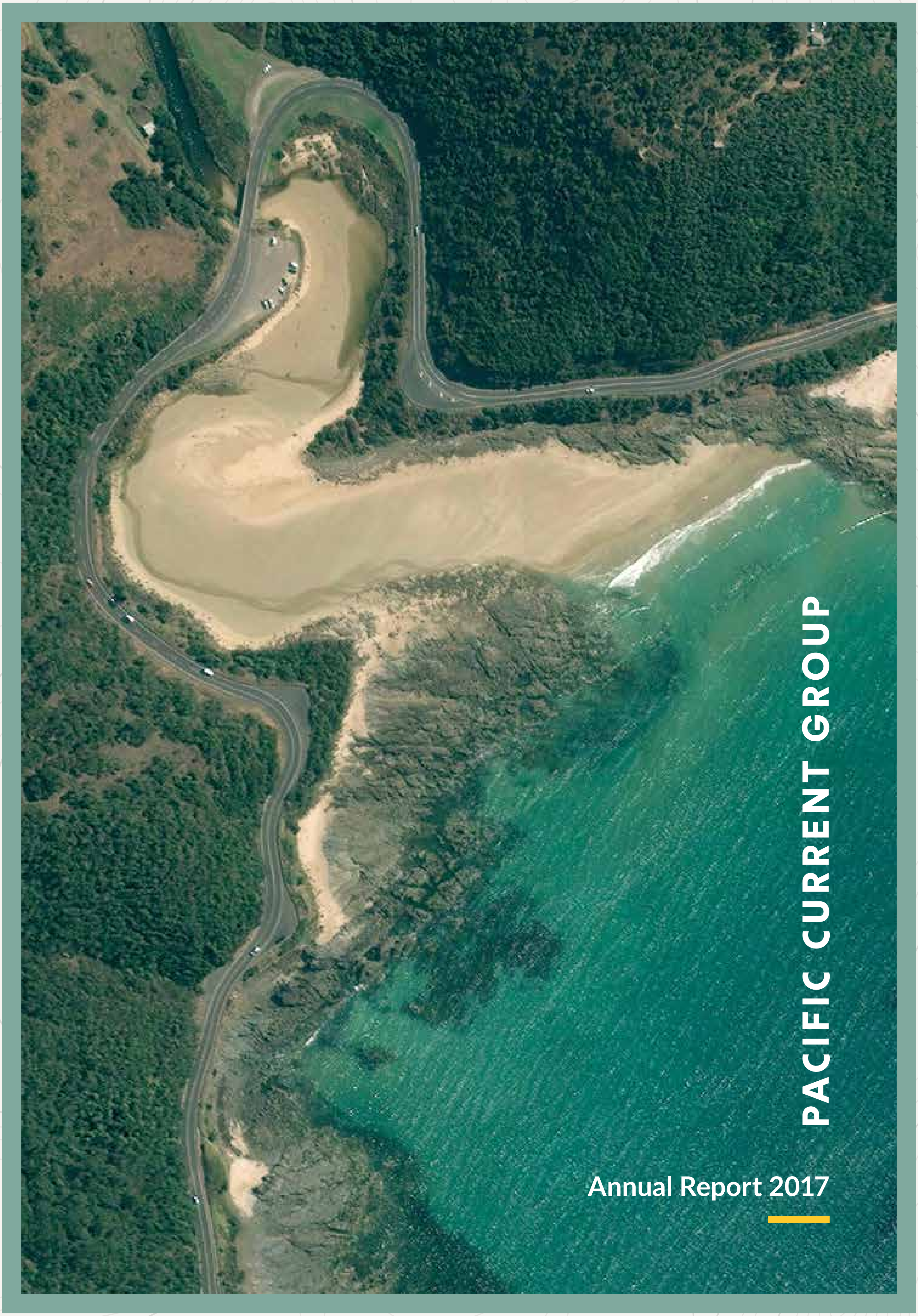

PACIFIC CURRENT GROUP

Annual Report 2017

PACIFIC CURRENT GROUP LIMITED

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

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

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.

Our philosophy

Each partnership is created with flexibility to create exceptional alignment with our boutique managers. We apply capital, strategic insight, and global distribution to support the growth and development of our partner boutiques. Our goal is to help 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 partners, so every partnership is uniquely tailored to fit the specific manager's needs
- Global distribution and marketing services to help grow underlying FUM at the boutique level – allowing portfolio managers to remain focused on investing
- Access to our global network and strategic insight – there are many ways we help support the development of our boutiques, specifically by providing intelligent insight and connecting them with the right people

RESULTS AT A GLANCE

Key Financial Highlights during the year:

Normalised net profit after tax (NPAT)

$16.6m

Total funds under management[1]

$62.0bn

Full year dividend (fully franked)

18cps

Aggregate boutique management fees

$193.5m

Final dividend (fully franked)

18cps

[1] Note that the relationship between the boutiques' FUM and the economic benefits received by Aurora can vary dramatically based on each boutique's fee levels, Aurora's ownership stakes, and the specific economic features of each relationship. Accordingly, management cautions against simple extrapolation based on FUM trends.

CHAIRMAN'S REPORT

I am pleased to be writing to you at the end of a year in which a lot has been achieved.

Dear Fellow Shareholders,

I am pleased to be writing to you at the end of a year in which a lot has been achieved.

We have seen many of the businesses in which we have invested both continue to deliver strong investment returns for their clients and also grow their funds under management. Of particular importance to us is the recent success seen at our two newest investments, Aperio Group, LLC and GQG Partners LLC. Both have achieved tremendous growth in funds under management and sound investment returns, strongly suggesting that our decisions to invest in them was correct.

Given that both of these investments occurred post the merger with Northern Lights and both are opportunities that would not have been available to Pacific Current Group without the merger, they also confirm that the underlying premises of the merger remains sound.

Getting to the point where we can see the benefits flowing from the merger has been an arduous road to travel. The journey of our share price since the merger is a testament to the challenges of that journey. We thank the shareholders who have waited patiently for that journey to become a smoother one.

We believe that the work done over the last year has pushed the company to a position where its focus can be on managing the existing portfolio of investments and pursuing new opportunities - that is looking forward. I am delighted to say that the management team continue to identify attractive opportunities on a very regular basis. We are confident that we can continue to invest in new opportunities that will be of a similar calibre to our existing portfolio of assets.

The work done over the last year has materially altered the structure and alignment of the business. The Simplification that shareholders supported and management implemented means that all stakeholders now have a common interest because all parties now hold ordinary shares in Pacific Current Group. The Simplification also means that the liabilities were reduced through changes to the remaining redeemable preference unit. Unfortunately, the existence of these preference units unexpectedly stops us from moving to a single tax consolidated group which was one of the initial benefits we hoped to achieve via Simplification. We are continuing to work to achieve that goal.

Post Simplification we have raised new capital which has allowed us to further reduce liabilities and so improve the strength of the balance sheet. This has reduced the risk of investing in Pacific Current Group and we believe has been an important component of the recent improvement in the share price.

As we start the 2018 Financial Year, we are optimistic about the outlook, with a sound group of existing investments, a strong capability to find and assess and if appropriate invest in new opportunities, and a team of people who are capable and aligned to the goal of creating value for Pacific Current Group shareholders.

M. Fitzpatrick
Chairman

PRESIDENT NORTH AMERICA, AND GLOBAL CIO'S REPORT

Pacific Current Group finished FY2017 in a much better place than we started it.

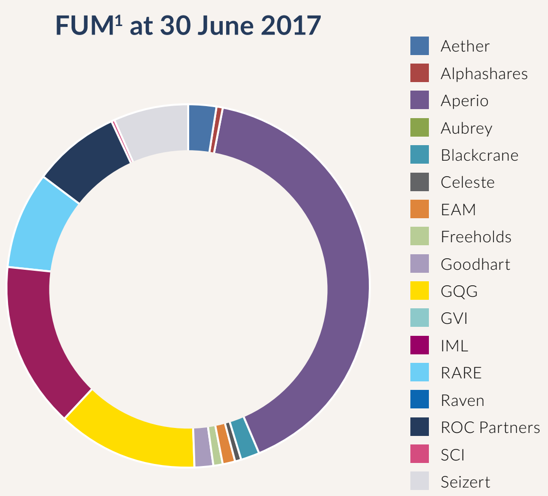
Business Performance

After two challenging transitional years, FY17 marked a year of substantial, visible progress for Pacific Current Group. The most noteworthy accomplishments were (1) simplification of our legal structure, (2) strengthening of our balance sheet, (3) continued cost reductions, and (4) rapid growth of numerous Pacific Current Group portfolio companies. This progress was the result of exceptional effort and dedication on behalf of the Pacific Current Group team and its affiliates, and while our business is in a dynamic industry where fortunes can change rapidly, we are confident in saying that today our business is simpler, stronger, and better positioned than it was one year ago.

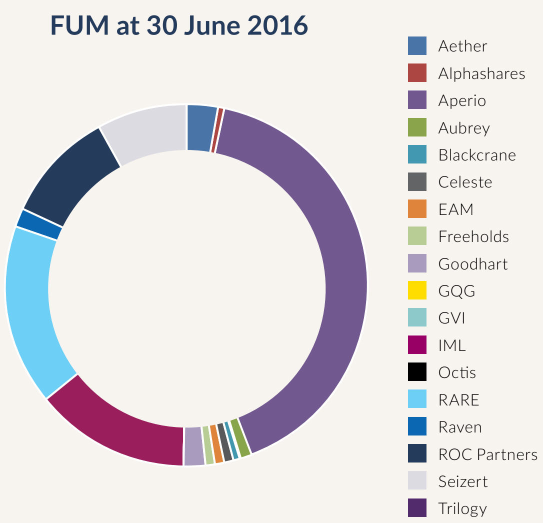
In last year's CIO Report, we highlighted the prospects of a new investment we had made in GQG Partners LLC (**GQG**). It may have seemed strange to focus so much attention on a start-up investment manager, given that GQG was just a few months old and had no clients. Our optimism for GQG stemmed from our confidence in how the firm's investment capabilities would resonate with prospective clients. The net result has been perhaps the fastest growing long-only start-up in the investment industry, with GQG's FUM growing from roughly A$90m to A$7.81bn during FY17.

Another manager we discussed in last year's Annual Report was Aperio Group, LLC (**Aperio**). The initial rationale for investing in Aperio was that the firm was exceptionally well positioned to benefit from multiple powerful secular trends (i.e., active management to passive, tax management, "smart beta", Environmental, Social and Governance (**ESG**) criteria, and growth in ultra-high net worth investors), and it had a top-notch management team overseeing a business that is more operationally complex than those of traditional active equity managers. While the areas in which Aperio focuses are drawing increased attention from competitors, the firm continues to execute as expected, and as a result FUM has grown from A$20.5bn to A$25.3bn during FY17.

After the merger of Treasury Group Limited and Northern Lights, one of our key boutiques, Seizert Capital Partners, LLP (**Seizert**), experienced an untimely downturn in performance. By our estimation, this was a typical performance cycle, common among managers of highly concentrated portfolios. Nevertheless, it was severe, and the firm experienced significant FUM attrition. Thankfully, the team adhered to its longstanding disciplines, and beginning in mid-2016 Seizert began experiencing a powerful performance rebound. With improved results the firm is better positioned for the future, though fund flows out of US active equity strategies continue to represent a material headwind, and are one reason Seizert is working to expand the distribution channels for its product offerings.



FUM[1] at 30 June 2017



FUM at 30 June 2016

[1] Note that the relationship between the boutiques' FUM and the economic benefits received by Aurora can vary dramatically based on each boutique's fee levels, Aurora's ownership stakes, and the specific economic features of each relationship. Accordingly, management cautions against simple extrapolation based on FUM trends.

As shareholders are aware, Pacific Current Group sold 75% of its stake in RARE Infrastructure Ltd (**RARE**) in late 2015, taking our stake from 40% down to 10%. Unfortunately, RARE has seen a notable decline in FUM since this transaction, which has had an adverse impact on the value of our remaining stake. We remain confident in RARE management and its investment process but are nevertheless disappointed by the reduction in FUM.

Future Investments

While many of our portfolio companies have benefitted from both rising markets and significant inflows, we recognize that markets are not always so hospitable, and that Pacific Current Group's fortunes are certainly tied to global equity markets. Accordingly, as we consider new investments we are placing a heightened emphasis on finding companies with strong diversification properties.

In particular, we are seeking to invest in companies with revenue streams that are not as directly exposed to equity market performance. We believe the best place to find this attribute is through private capital strategies, such as private equity, private credit, private infrastructure, and private real estate. The contractual revenues these firms receive makes them less vulnerable to market gyrations, and thus a powerful diversifier for our existing portfolio. Of course, our business is inherently opportunistic, and Pacific Current Group shareholders should always expect us to act if we uncover an opportunity that has a compelling risk/return profile.

Selling Investments

It is worth revisiting how we think about selling the investments we make. To begin with, we almost always initiate an investment with the intent of holding it indefinitely. This "permanent capital" approach is a major competitive differentiator for us in the marketplace. Of course, there are times when it makes sense to sell an investment. We generally sell for one of two reasons. The first is that the investment has been unsuccessful and unlikely to grow in value. Such investments are frequently earlier stage investments that didn't reach profitability and have insufficiently attractive prospects to warrant additional investments from us. In these situations we will work with management to sell our stake or wind the business down to recover as much capital as possible.

A more positive situation where we are inclined to sell is when the investment has been successful, the firm is relatively mature, and the portfolio company management has decided it makes sense to monetize some or all of its ownership stake. This was essentially the case with our investment in RARE. In these circumstances we are inclined to be supportive of management even if we are a reluctant seller, because we cannot force management to remain active in the business indefinitely nor is it unreasonable for them to want to realize some of the value they have created. The unpredictability of such transactions is a major reason that we are constantly seeking attractive ways to recycle capital into faster growing companies, as when we reinvested proceeds from the sale of RARE into Aperio.

PRESIDENT NORTH AMERICA, AND GLOBAL CIO'S REPORT

continued

Simplification

Over the last year we have attempted to heed the input from many shareholders that the complexity of our legal structure made our business too difficult to analyze and evaluate. While the structure was initially designed to preserve favorable tax treatment for Australian investors, we concluded that it had become unwieldy and that ultimately its costs outweighed its benefits. After months of negotiations between representatives of the two pre-merger investor groups, we arrived at a simplification plan that has all our equity investors holding Pacific Current Group shares, and provides absolute clarity around the size of the merger related liability. This project was costly and very complex, but allows us to now move forward with a simple, more transparent, and less expensive structure.

Financial Strength

With greater clarity around the X-Redeemable Preference Units (**X-RPUs**) obligation and the proceeds from a June 2017 capital raise of A$33m, Pacific Current Group's balance sheet is much stronger than it was one year ago. Contributing to the enhanced financial strength has been further reductions in the costs of managing the business. Headcount is approximately half of it was at the time of the merger. We have also achieved significant savings by relocating offices and reducing unnecessary travel. By contrast, legal and audit expenses remained high because of our former complexity. Going forward we expect reductions in these line items as a result of our simplified structure.

The statutory results for FY2017 reflect a blend of reporting due to the simplification of the corporate structure being implemented nine months into the financial year. The Profit and Loss includes nine months of The Aurora Trust (**Aurora** or the **Trust**) as a joint controlled entity and three months as a subsidiary of Pacific Current Group. The pleasing aspect of the result is the increase in underlying earnings and the reduction of the level of gearing and complexity.

The underlying earnings for the year were $16.6 million and the Board declared a fully franked dividend of 18 cents per share. In addition to the renegotiation of the X-RPUs, the Group drew down and repaid US$10 million to fund the second installment of the Aperio purchase. The company also paid $9.7 million in tax due to the liability that arose on the capital gain on the sale of RARE Infrastructure.

Conclusion

Pacific Current Group finished FY2017 in a much better place than we started it. Our high expectations for our portfolio were generally met, and we managed to simplify our structure, reduce our costs, and enhance our balance sheet. With a lot of that heavy lifting behind us, we are beginning to move back to a "business as usual" mode, which to us means working on growing our existing investments, managing the challenges that inevitably arise, and seeking attractive, diversifying investments for our portfolio.

On behalf of the management team and employees of Pacific Current Group, I would like to thank our shareholders for their patience and support and reiterate our entire organization's commitment to enhancing shareholder value.

P. Greenwood
President, North America
& Global Chief Investment Officer

DIRECTORS' REPORT

Your directors submit their Report For the year ended 30 June 2017

Directors

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

Names, qualifications, experience and special responsibilities

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

Mr Fitzpatrick joined the Board on 5 October 2004. He has over 39 years experience in the financial services sector. After a career in investment banking in Australia and the United States, Mr Fitzpatrick founded Hastings Funds Management Ltd (Hastings) which became one of the largest managers of infrastructure and alternative assets in Australia. Hastings was a pioneering infrastructure asset management company where Mr Fitzpatrick was Managing Director until he sold his interest to Westpac Banking Corporation. Mr Fitzpatrick is a non-executive director of Infrastructure Capital Group, a boutique manager of $1.8 billion of energy and infrastructure assets. He also holds a number of other Non-executive directorships, including Latam Autos Limited and Carnegie Wave Energy Limited. Mr Fitzpatrick was also the Chairman of the Australian Football League until March 2017.

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

Mr Fitzpatrick is a member of the Board's Audit and Risk Committee, Remuneration and Nomination Committee, and Governance Committee.

M. Donnelly OAM B.C. (Non-executive director)

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

Ms Donnelly currently serves as a member of the Investment Committee of HESTA Super Fund . Ms Donnelly's previous work experience includes CEO of the Queensland Investment Corporation, deputy managing director of ANZ Funds Management and managing director of ANZ Trustees.

Ms Donnelly 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 assumed the role of Chair of the Audit and Risk Committee from 1 July 2017 and is a member of the Governance Committee.

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

Mr Guérin joined the Board on 10 December 2014. Mr Guérin is CEO of BNP Paribas Capital Partners, where he has worked for the past five years developing the alternative investment capabilities of the BNP Paribas Group. Mr. Guérin served as CEO and President of Natixis Global Associates, Executive of Natixis AM North America and held Executive and senior leadership roles at HDF Finance, AlphaSimplex, IXIS AM and Commerz Financial Products. Mr Guérin has over 20 years experience in capital markets and investment management. This includes cross asset class experience spanning the equities fixed income and commodities markets, with a specific focus on alternative strategies and hedge funds.

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

Mr Guérin is Chairman of the Governance Commitee and a member of the Remuneration Committee.

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

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

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

Mr Kennedy was the Chairman of the Audit and Risk Committee until 30 June 2017 and has assumed the role of Chairman of the Remuneration Committee from 14 June 2017.

DIRECTORS' REPORT

continued

P. Greenwood CFA, BA (Executive director; President, North America and Global CIO)

Mr Greenwood joined the Board on 10 December 2014 as an Executive director. Mr Greenwood co-founded Northern Lights Capital Group, LLC (Northern Lights) in 2006. Prior to Northern Lights, Mr Greenwood 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. Mr Greenwood also served as a Russell spokesperson and authored many articles and research commentaries related to investment manager evaluation.

T. Robinson BCom, MBA, CFA (Executive director)

Mr Robinson joined the Board on 28 August 2015, in the capacity of Non-executive director and became an Executive director on 20 April 2016. Mr Robinson has significant expertise and experience across a number of industries including banking, financial services, telecommunications, and transport. Mr Robinson is an experienced company director and CEO.

Mr Robinson is also a director of Bendigo and Adelaide Bank Limited, Tasfoods Limited and Primary Opinion Ltd.

Mr Robinson's previous executive roles include Managing director of IOOF Ltd and OAMPS Limited. Mr Robinson is also the Chairman of Investors Mutual Limited.

T. Carver BA (Non-executive director, resigned 24 October 2016)

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

J. Ferragina BCom, M App Fin, CA, FFin, GAICD (CFO and COO; resigned as Finance director 24 October 2016)

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

Mr Ferragina sits on the boards of Celeste Funds Management Limited (Celeste), Freehold Investment Management, ROC Partners Pty Ltd and Treasury Group Investment Services Limited.

J. Vincent MBA, BSBA (Non-executive director, resigned 13 April 2017)

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

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

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

Mr Vincent was chairman of the remuneration committee up until the date of his resignation.

Company secretary

P. Mackey, appointed 26 May 2017

Mr Mackey has over three decades of 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 strong corporate governance skills. Previously, Mr Mackey served as Company Secretary of ASX & SGX dual listed Australand Group Limited and Deputy Company Secretary of AMP. Mr Mackey's commercial experience includes appointment as Chief Operating Officer (Specialised Funds) of Babcock & Brown and at Bressan Group and he is a Fellow of the Governance Institute Australia and a Graduate Member of the Australian Institute of Company Directors.

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

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

	Ordinary shares	Options/ performance rights over ordinary shares
M. Fitzpatrick	2,701,285	–
M. Donnelly	20,000	–
P. Kennedy	242,628	–
P. Greenwood	531,781	750,000
J. Ferragina	140,547	405,000

Earnings Per Share	Note	Cents
Basic earnings per share	10	34.10
Diluted earnings per share	10	34.10
Underlying earnings per share		53.30

Dividends	Cents per share	$
Final dividend declared:		
on ordinary shares (fully franked)	18	8,575,619
Dividends paid in the year:		
Interim for the year		
on ordinary shares (fully franked)	–	–
Final for 2016 shown as declared in the 2016 report		
on ordinary shares (fully franked) paid on 30 September 2016	5	1,406,298

DIRECTORS' REPORT

continued

Corporate Information

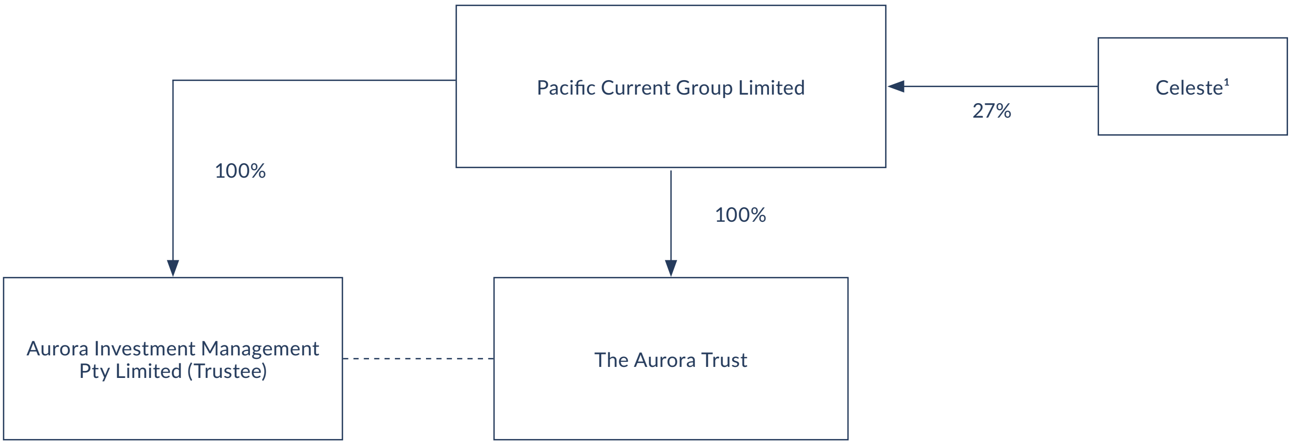
Corporate Structure

Pacific Current Group Limited is a company limited by shares and is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled and jointly controlled during the financial year.

During the second half of the year, Pacific Current Group undertook the Simplification as a result of extensive discussions with various stakeholders in the Trust. The Simplification involved two transactions as follows: 1) exchange of the Trust's Class B and vested B-1 units for 13,675,667 shares **(PAC Shares) (Exchange Transaction)**; and 2) amending the terms of the X-RPUs so that the redemption price is fixed at US$21.0 million and the X-RPUs are required to be redeemed on or before 31 March 2018 **(Settlement Transaction)**. The Exchange and Settlement Transactions were approved by the Company's shareholders at the Extraordinary General Meeting held on 15 March 2017 in Sydney, Australia **(EGM)**. The X-RPU holders, Class B and Class B-1 unitholders also approved these transactions on the same date. The primary driver of the Simplification was for the Trust to become wholly-owned by the Company, without materially shifting value among current unitholders in the Trust. The Simplification is expected to yield greater alignment of all stakeholders and a partial deleveraging of the Trust. The Company issued the PAC Shares on 13 April 2017. The Trust became a wholly owned subsidiary of the Company and thus consolidated as at that date.

Prior to Simplification, the Company owned 65.15% in the Trust (2016: 65.15%). Since its inception through Simplification, the Trust was referred to as a joint venture arrangement among Pacific Current Group, Northern Lights Capital Partners, LLC and Fund BNP Paribas Capital Partners Participations represented by BNP Paribas Capital Partners **(BNP Paribas)** and the principles of equity method of accounting were applied by the Company.

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


Pacific Current Group Limited
Celeste[1]
27%
100%
100%
Aurora Investment Management Pty Limited (Trustee)
The Aurora Trust

[1] The Company is the legal owner of the shares held in Celeste Funds Management (**Celeste**) but the economic benefits flow in Aurora.

Operating and Financial Review

Review of Operations

Nature of operations and principal activities

The Group invests in global asset managers through its investment in the Trust. The Trust continued its overall business of managing its investments in the asset managers in accordance with the Trust Deed. The Trust is a global multi-boutique asset management enity. Its key function and the overall business is investment in asset managers.

On 23 June 2017, the Company completed a placement of ordinary shares to institutional investors **(Institutional Placement)** to raise approximately $33 million at $5.65 per fully paid ordinary share. A total of 5,840,708 new shares were issued. The issue was fully underwritten and the new shares rank equally with existing shares and entitled to the final dividend for 2017. The proceeds of the placement were used to strengthen the balance sheet with the repayment of debt that was originally sourced to finance the second tranche of Aperio and to satisfy obligations on the deferred settlement with respect to Seizert. In addition, an accelerated payment was made with respect to the tax liability that had arisen due to the capital gain crystallised on the sale of RARE in October 2015.

The overall ownership in the Trust changed materially during the year as a result of Simplification. On 15 March 2017, a resolution was passed at the EGM to undertake the simplification of the corporate structure involving an Exchange Transaction and a Settlement Transaction (together as the **Transactions**). On 13 April 2017, the Company issued 13,675,667 shares in exchange for the Class B and vested B-1 units of the Trust. The underlying Governing Documents of the Trust were amended to give effect to the terms of the Transactions with the Exchange Transaction occurring on 13 April 2017. The primary driver of the Simplification was for the Trust to become wholly-owned by the Company, without materially shifting value between current unitholders in the Trust. As at 30 June 2017, the Trust is a wholly owned subsidiary by the Company (2016: 65.15%, Northern Lights Capital Partners, LLC at 27.19% and BNP Paribas at 7.66%).

On 23 December 2016, the Trust sold its interest in Aubrey Capital Management **(Aubrey)** to Treetop Asset Management S.A. for US$1.14 million. The proceeds were received in the first quarter of 2017 following regulatory approvals in the United Kingdom.

On 16 December 2016, the Trust made its second and final payment of US$16.3 million for its investment in Aperio. The second and final payment was funded out of existing cash balances and a US$10.0 million US Prime +3.5% interest rate, two-year short-term secured debt facility entered into by the Trust.

On 14 October 2016, the Trust sold its interest in Raven Capital Management LLC **(Raven)** to Raven's founder and current management team. In exchange for selling its 25% interest in Raven, the Trust received US$6.5 million in upfront cash consideration and US$3.5 million deferred cash consideration based upon future FUM growth. The Trust retained its interest in the general partnerships, which have a small investment in Raven's first two private credit funds, and thus retain the right for any performance bonuses earned by the two private credit funds.

Employees

The Group employed 21 full time equivalent employees as at 30 June 2017.

Funds management/business performance

As at 30 June 2017, the FUM[1] of the Group was $62.0bn (2016:$50.4bn). The increase in FUM was due to positive inflows from investment managers; Aperio, Investors Mutual Limited **(IML)**, GQG and Blackcrane Capital Partners, LLC **(Blackcrane)** offset by outflows at RARE.

[1] Note that the relationship between the boutiques' FUM and the economic benefits received by Aurora can vary dramatically based on each boutique's fee levels, Aurora's ownership stakes, and the specific economic features of each relationship. Accordingly, management cautions against simple extrapolation based on FUM trends.

DIRECTORS' REPORT

continued

Operating results for the year

The Company generated net profits attributable to members of the Group of $10.6m for the year ended 30 June 2017 (2016: loss of $48.2m). The net profit after tax of the Company as reported in the current year compared to the 30 June 2016 results is shown in the table below reconciling the underlying profit.

	Consolidated	
	2017 $	2016 $
Net profit/(loss) after tax	10,584,997	(48,240,448)
Add/(deduct): Items that are non-recurring/non-cash		
– Impairment of AFS investments, associates and goodwill	8,121,787	77,498,371
– Gain on disposal of a joint venture	(4,496,157)	–
– Gain on sale of investments	(740,239)	(8,650,287)
– Gain on non-cash acquisition of additional shares/units in associates	(12,305)	(1,177,425)
– Loss/(gain) on revaluation of investment held at FVTPL	5,001,823	(466,356)
– Net (gain)/loss recognised on X and Y-RPUs	(11,688,796)	4,198,398
– Amortisation of identifiable intangibles	2,131,814	1,903,881
– Prepayment penalty on loan debts including loan origination costs write off	1,289,160	1,528,714
– Deal costs	39,147	440,487
– Loss on lease abandonment	224,131	–
– Long term incentives amortisation	1,121,655	228,025
– Transaction costs at the Trust for simplification	1,202,463	–
– Adjustment in deferred commitments	(1,498,567)	–
– Employee restructuring	98,000	887,460
– Costs in relation to responsible entity and other legals	255,427	–
– Write off of receivables	–	2,363,977
– Transaction costs at the Trust for RARE	–	4,653,797
– Back out income tax expense/(benefit) for non-recurring/non-cash items	4,984,499	(23,546,053)
Total	6,033,842	59,862,989
Underlying profit	**16,618,839**	**11,622,541**
Underlying earnings per share	53.3	41.5
Statutory earnings/(losses) per share	34.1	(172.1)

Earnings/(Losses) Per Share

The earnings/(losses) for the year reflect the operations, including the impact of Simplification restructuring for the full year to 30 June 2017.

	2017	2016
Basic earnings/(losses) per share (cents)	34.10	(172.1)
Diluted earnings/(losses) per share (cents)	34.10	(172.1)
Underlying earnings per share (cents)	53.30	41.5

In the opinion of the management performance rights do not have a dilutive effect on the earnings per share calculation as any securities to be allocated on vesting of the performance rights will be purchased on market.

Financial Position

The financial position of the Group was strengthened during the year. Prior to Simplification, the Company recorded its net share of the net assets of the Trust. The Trust is the entity through which investments are held and the operation of Group conducted. Post Simplification in April, the Company consolidated all the Trust's assets and liabilities. The position of the Group was improved with the reduction in the notional value of the X-RPUs from US$ 42.0 million to US$ 21.0 million and the Institutional Placement injected a further $31.3m of equity capital net of transaction costs in June 2017. Proceeds from the Institutional Placement were used to pay debt that was originally sourced to finance the second tranche of Aperio and to satisfy obligations of the deferred settlement with respect to Seizert. In addition, an accelerated payment of $5.0m was made with respect to the tax liability that had arisen due to the capital gain crystallised on the sale of RARE in October 2015.

The Board has declared a dividend of 18 cents per share for the year 2017 payable on 28 September 2017.

Cash flow from operations

Cash flows from operations fell from being a positive of $15.3m to a negative of $7.2m. This was mainly due to the payment of tax liabilities of $9.7m. The consolidated cash flows reflect three months of consolidation of the Trust including payments to suppliers and employees across the Company, Midco, Seizert and Aether.

Cash flow from financing

During the year, the Group raised $31.3m of equity capital net of transaction costs. On 29 June 2017, the debt facility that was originally sourced to finance the second tranche of Aperio was paid.

Business strategy

Simplification restructuring

The directors expect Simplification to yield greater alignment of all stakeholders and a partial deleveraging of the Trust.

Material business risks

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 Company manages these risks include:

Global market risks

With a diversified global portfolio, the Group is exposed to a variety of risks related to global capital markets. Specifically, political, geographical and economic factors impact the performance of different capital markets in ways that are difficult to predict. Equity market declines represents perhaps the largest risk to the Group because many 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 person 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.

Foreign currency risks

The Group is exposed to an Australian (**A$**)/US dollar (**US$**) exchange rate risk through its investment in the Trust that holds US and other foreign currency denominated investments. The Group has adopted hedge accounting such that the impact of foreign currency translation of its hedged investment being the US denominated investment in Midco is taken up through the foreign currency translation reserve of the Trust. The investment in Midco is the only hedged item of the Group.

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 exposed to changes in the regulatory conditions under which it and its boutique fund managers operate in Australia, the US, the UK 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. Other measures include the establishment of the risk committee composed of executives to ensure that risk management is monitored, managed and controlled.

Significant Change in State of Affairs

The significant change in state of the affairs during the year was the change in the ownership in the Trust due to Simplification. The Trust became a wholly owned subsidiary of the Company and thus its operation are consolidated within the accounts of the Group effective 13 April 2017.

Significant Events after the Balance Date

On 31 August 2017, the directors of the Group declared a final dividend on ordinary shares in respect of the 2017 financial year. The total amount of the dividend is $8,575,619 which represents a fully franked dividend of 18 cents per share. The dividend has not been provided for in the 30 June 2017 consolidated financial statements.

DIRECTORS' REPORT

continued

On 25 August 2017, the Company received notice from shareholders, Mr Michael de Tocqueville and Advocate Partners, Pty Ltd an entity controlled by Mr de Tocqueville, has made application under section 247A of the Corporations Act 2001, for the inspection of certain documents in relation to the establishment of the joint venture between Treasury Group Limited and Northern Lights Capital Partners, LLC.

The stated purpose for the application is to obtain the information to allow or assist in the determination of whether the de Tocqueville interests should continue to hold PAC shares and whether there may be claims to be brought against the Company's directors related to the creation of that joint venture.

The Company previously offered to provide the documents requested under an industry standard confidentiality agreement. This offer was rejected by Mr de Tocqueville.

On 12 August 2017, the restricted cash held in escrow amounting to US$6,083,938 was released and paid to the holders of Notes payable – Seizert as an intial payment.

Apart from the above, there has been no matter or circumstance, which has arisen since 30 June 2017 that has significantly affected or may significantly affect:

a. the operations, in financial years subsequent to 30 June 2017, of the Group, or
b. the results of those operations, or
c. the state of affairs, in financial years subsequent to 30 June 2017, of the Group.

Performance Rights

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 total shareholder return **(TSR)** of the Company compared to a ASX 300 comparator group (Tranche 1) and funds management comparator group (Tranche 2). The value of each right for Tranche 1 and 2 were $1.65 and $2.02, respectively. The total value of these outstanding performance rights as at 30 June 2017 is $184,000 amortised over two years and nine months from the grant date. The vesting date of these rights is 1 July 2019.

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 Tranche 1 and Tranche 2. The value of each right for Tranche 1 and 2 were $1.65 and $2.02, respectively. The total value of these outstanding performance rights as at 30 June 2017 is $458,765 amortised over two years and nine months from the grant date. The vesting date of these rights is 1 July 2019.

Any securities to be allocated on vesting of the performance rights will be purchased on the market under the Long Term Incentive Plan and therefore shareholder approval is not required.

Indemnification and Insurance of Directors and Officers

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

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

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

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

Letter from the Remuneration and Nomination Committee Chairman

Dear Shareholders

On behalf of the Board, I am pleased to present to you the Remuneration Report for the financial year ended 30 June 2017 **(FY2017)**.

The Board acknowledges the concerns of shareholders in relation to the remuneration paid in the financial year ended 30 June 2016 **(FY2016)**. The Board proposes to meet with investors and proxy advisers prior to the 2017 AGM to confirm the steps the Company has taken to address the concerns of the shareholders.

In the 2017 Remuneration Report, the quantum of remuneration paid to key management personnel is significantly lower than prior years, due in the main to the following factors:

- the legacy arrangements that were largely responsible for the significant remuneration payments to senior executives, are now largely behind us; and
- the benefits and advantages of the Simplification Transaction approved by shareholders in March this year and the consequential downsizing of the operational structure.

In addition, shareholders will note that in FY2017, salaries of key management personnel have remained flat, short-term incentives (bonuses) are significantly lower than those paid in FY2016. Additionally, the Remuneration and Nomination Committee has recommended to the Board that no long-term incentive bonuses in the form of performance rights be awarded at 30 June 2017.

The Committee is confident that the Company now has the appropriate management structure and remuneration policies in place.

On behalf of the Board, I invite you to review the full Remuneration Report. Thank you for your continued support of Pacific Current Group.

Yours sincerely

P. Kennedy

P. Kennedy
Chairman, Remuneration and Nomination Committee

Remuneration Report (Audited)

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1. About this Report

The Remuneration Report has been prepared and audited against the disclosure requirements of the Corporations Act 2001 **(Act)** and its Regulations, Australian Accounting Standards and IFRS.

The Remuneration Report forms part of the Directors' Report, and outlines the Company's remuneration framework and remuneration outcomes for FY2017 for the Company's KMP.

For the purposes of this report, KMP include the Company's Non-executive directors, Executive directors and senior executives, who have the authority and responsibility for planning, directing and controlling the activities of the Group's businesses.

2. Defined Terms used in the Remuneration Report

TERM	MEANING
EPS	Earnings per share, for the purpose of determining performance against LTI performance targets. When measuring the growth in EPS to determine the vesting of the long-term incentive awards, we define EPS as net profit after tax divided by the weighted average number of issued shares during the year.
Fixed Remuneration	Generally comprises cash salary, superannuation contribution benefits in Australia (superannuation guarantee contribution) and in the USA (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. KMP disclosed in the remuneration report are Non-executive directors, Executive directors, Chief Investment Officer **(CIO)** and Chief Operating Officer **(COO)**.
LTI	Long Term Incentive. It is awarded in the form of share performance rights to executives and employees for the purpose of retention and to align the interests of employees with shareholders.
STI	Short Term Incentive. The purpose of the STI is to provide financial rewards to executives in recognition of performance aligned with business and personal objectives. The STI is a cash based incentive paid on an annual basis and at the discretion of the Board with reference to agreed outcomes and goals and company performance.

3. Key Management Personnel (KMP)

The Group's KMP during or since the end of the financial year were:

Name	Position	Term as KMP
Non-executive directors		
M. Fitzpatrick	Non-executive Chairman	Full financial year
M. Donnelly	Non-executive director	Full financial year
G. Guérin	Non-executive director	Full financial year
P. Kennedy	Non-executive director	Full financial year
J. Vincent (resigned 13 April 2017)	Non-executive director	Ceased 13 April 2017
T. Carver (resigned 21 October 2016)	Non-executive director	Ceased 21 October 2016
Executive directors		
T. Robinson	Executive director	Full financial year
P. Greenwood	President, North America and Global Chief Investment Officer	Full financial year
J. Ferragina	Finance director	Resigned 24 October 2016
Senior executives		
J. Ferragina	CFO and COO Australia	Full financial year

4. Executive KMP remuneration in FY2017

4.1 Changes to Executive KMP remuneration in FY2017

During FY2017, there were no changes in Executive KMP remuneration other than for Paul Greenwood, President, North America and Global Chief Investment Officer, whose remuneration was amended on a change in his role, which was announced to the ASX on 7 October 2016.

The changes in the key engagement terms for Paul Greenwood as Executive director are set out below, with all other engagement terms remaining the same:

Title: President North America and Global Chief Investment Officer

Base Salary: US$675,000 per annum.

Participation in incentives: for FY2017, a short term incentive of up to 100% of his base salary is available with the percentage payable determined by assessing performance against a set of pre-determined key performance indicators.

Payment of short term incentive: Payment of 50% of Mr. Greenwood's STI for his performance in FY2015 was in October 2016. 50% of his STI in FY2016 was also paid.

Performance Rights: Mr. Greenwood became entitled to the issue of 250,000 performance rights on 5 October 2016 and will become entitled to the issue of another 250,000 performance rights on 5 October 2017, provided that he is still employed on that date, subject to vesting conditions. Any securities to be allocated on vesting of the performance rights will either be purchased on market under the LTI plan and therefore shareholder approval is not required or at the Board's discretion, shareholder approval may be sought.

4.2 Is FY2017 business performance reflected in Executive KPM remuneration?

The Group's FY2017 business performance is reflected in the outcome of the variable component of Executive KMP's total remuneration. Details of Executive KMP FY2017 remuneration is set out in section 7.

5. Remuneration Philosophy and Structure

5.1 Remuneration philosophy

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

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

Competitive: provide competitive rewards to attract high calibre executives.

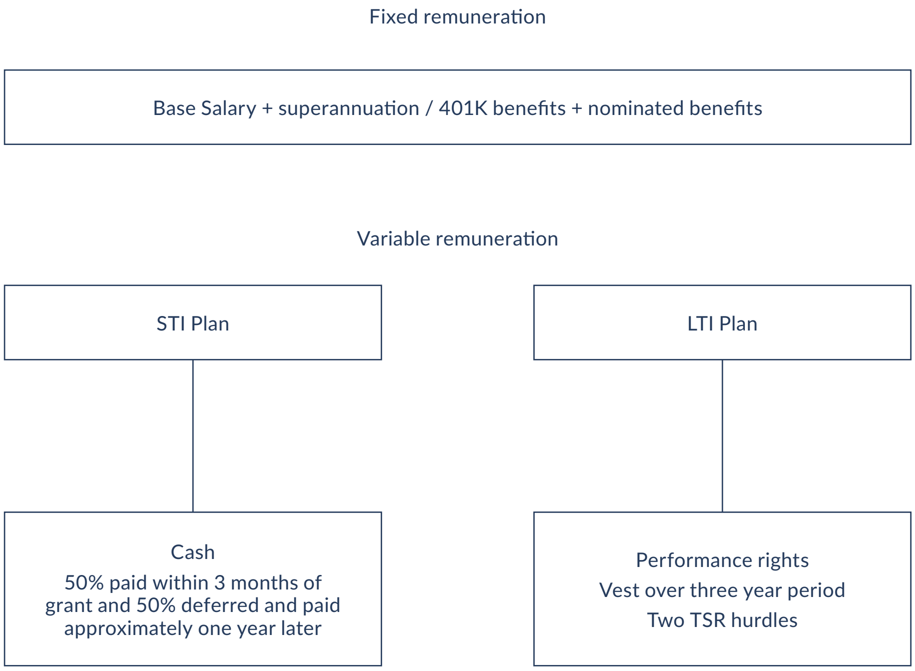
Alignment: link executive remuneration to company performance and enhancing shareholder value year on year.

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

5.2 Remuneration structure

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 and Nomination 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.

The chart below provides a summary of the structure of Executive KMP remuneration in FY2017:



Fixed remuneration

Base Salary + superannuation / 401K benefits + nominated benefits

Variable remuneration

STI Plan

Cash
50% paid within 3 months of grant and 50% deferred and paid approximately one year later

LTI Plan

Performance rights
Vest over three year period
Two TSR hurdles

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. In Australia, variable remuneration is considered at risk until granted whereas in the USA, variable remuneration is a contractual right and is considered earned and therefore not necessarily at risk.

5.2.1 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 (401k defined contribution), and the remainder as nominated benefits. The level of fixed remuneration is set to provide a base level of remuneration that is both appropriate to the position and is competitive in the market.

Variable remuneration

a) STI

Under the 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 Remuneration and Nomination Committee.

How is the STI paid?	Any STI award is generally paid in two equal instalments with 50% paid after the assessment of annual performance and within three months of the grant. The remaining 50% is deferred and paid approximately one year later. This arrangement can be varied at the discretion of the Board for Australian employees. Any deferred elements are contractural rights for US employees.
How much can each Executive KMP earn?	Executive KMP have a target STI opportunity of up to 100% of base salary. Each year, on recommendation from the Remuneration Committee, the Board determines a total amount available for the payment of STIs, based on the performance of the Group for the year. For FY2017, the total amount available for the payment of STIs to KMPs was $249,015 ($2016: $1,049,421), approx. 76% lower than the FY2016 payment of STIs to KMP.
Outcomes and goals	The Board, on recommendation from the Remuneration Committee, establishes outcomes and goals which it expects the Executive KMPs to achieve and against which performance is measured. The outcomes and goals are based on financial targets, growth and business development targets as well as operational management. The Board creates its 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.
How is performance measured?	The Board, on recommendation from the Remuneration Committee, assesses the individual performance of each Executive KMP. The Board base their assessment of the Executive KMP's performance against a number of financial and non-financial outcomes and goals for each Executive KMP and Group and business unit performance.
When is it paid?	The STI award is determined after the end of the financial year, following a review of the Executive KMP's performance over the year. The Board, on recommendation from the Remuneration Committee, approve the grant of the STI award and 50% of the STI award is paid within three months after the grant. The remaining 50% is deferred and paid approximately one year later.
What happens if an Executive KMP leaves?	If an Australian Executive KMP resigns or is terminated for cause before the end of the financial year, no STI is awarded for that year. Similarly, any deferred STI awards are forfeited, unless otherwise determined by the Board on recommendation from the Remuneration Committee. 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 and any deferred STI awards for Australian employees will be paid, subject to approval by the Board.
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 Committee's recommended assessment of performance during the financial year up to the date of the change of control and any deferred STI awards will vest, subject to approval by the Board.

b) LTI

What is the LTI Plan?	The LTI plan allows for grants to be in the form of performance rights, options or shares.
What is the objective of the LTI Plan?	The Board established the Pacific Current Group Employee Share Plan **(LTI Plan)**, with the objective 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 Committee.
How do the share performance rights vest?	The share performance rights vest subject to two different TSR performance hurdles, namely: the achievement of TSR performance of the Company compared with the growth in TSR over a three-year period of the S&P ASX 300 companies (Hurdle 1) and separately compared with the growth in TSR over a three-year period of a selected comparator group of companies (Hurdle 2) - see 'Performance Conditions' in table below for further details.
Is shareholder approval required?	Any securities to be allocated on vesting of the performance rights will either be purchased on market under the LTI plan and therefore shareholder approval is not required, or at the Board's discretion, shareholder approval may be sought The Board, based on a recommendation from the Remuneration 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 LTI Plan and to determine whether LTI grants will be made in future years.
What are the terms of the LTI Plan?	The structure of LTI Plan is set out below. No grants have been awarded under the LTI Plan for FY2017.

Feature	Terms of the LTI Plan
Type of security	Performance rights, which are an entitlement to receive fully, paid ordinary PAC Shares (as traded on the ASX) on a one-for-one basis.
Valuation	An independent valuation was conducted using a monte-carlo simulation as well as binomial option pricing methodology.
Performance Period	The performance period is the three-year period following the grant date.
Performance Conditions	The performance rights are split into two equal groups and each group are subject to a different TSR performance hurdle as described below. Broadly, TSR measures the return to a shareholder over the performance period in terms of changes in the market value of the shares plus the value of any dividends paid on the shares. Each TSR Hurdle compares the TSR performance of Company with the TSR performance of each of the entities in a comparator group described below. Hurdle 1 *S&P ASX 300 Comparator Group* 50% of the performance rights are subject to a TSR Hurdle that compares the TSR performance of the Company at the end of the performance period with the growth in TSR over the same period of the S&P ASX 300 companies. Hurdle 2 *Selected Comparator Group* The other 50% of the performance rights are subject to a TSR Hurdle that compares the TSR performance of the Company at the end of the performance period with the growth in TSR over the same period of a selected comparator group of companies. 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.

<table>
<tr><th>Feature</th><th>Terms of the LTI Plan</th></tr>
<tr><td></td><td>The comparator group at the time of this Remuneration Report is as follows:
a. BT Investment Management Limited (ASX:BTT)
b. Perpetual Limited (ASX:PPT)
c. Platinum Asset Management Limited (ASX:PTM)
d. Magellan Financial Group Limited (ASX:MFG)
e. Henderson Group (ASX:HGG)
f. Affiliated Managers Group (NYSE:AMG)
g. Fortress Investment Group (NYSE:FIG)
Together, Hurdle 1 and Hurdle 2 comprise the total performance conditions but act independently relative to their specific target component.
The percentage of performance rights which vest (if any) will be determined by the Board by reference to the percentile ranking achieved by the Company over the performance period compared to the comparator group applying under the relevant TSR Hurdle for that group:
<table>
<tr><th>TSR growth – percentile ranking</th><th>Performance rights that vest (%)</th></tr>
<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 every one 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>
</table>
</td></tr>
<tr><td>Re-testing</td><td>There is no re-testing. Any unvested LTI after the test at the end of the performance period will lapse immediately.</td></tr>
<tr><td>Allocation of shares</td><td>Any securities to be allocated on vesting of the performance rights will either be purchased on market under the LTI plan and therefore shareholder approval is not required or at the Board's discretion, shareholder approval may be sought.</td></tr>
<tr><td>Forfeiture</td><td>Performance rights will lapse for the following reasons:
a. upon cessation of employment, except in a good leaver scenario detailed below;
b. if the employee acts fraudulently, dishonestly or in breach of obligations;
c. in connection with a change of control event as detailed below; or
d. if the dealing restrictions are contravened.
Good Leaver
Any unvested performance rights will not lapse (unless the Board determines otherwise) if the participant's employment ceases due to death or total permanent disability. In these circumstances performance rights will vest on the basis that the performance conditions applicable to those performance rights have been satisfied on a pro-rata basis over the period from the grant date to the date of cessation of employment.
The Board has discretion to allow vesting for other reasons, such as retirement or redundancy.
Change of Control
Generally, in the event of:
– a takeover bid being made, recommended by the Board or becoming unconditional;
– a scheme of arrangement, reconstruction or winding up of the Company being put to members; or
– any other transaction, event or state of affairs that the Board in its discretion determines is likely to result in a change in control of the Company, the performance rights may vest at the Board's discretion in accordance with the LTI Plan rules.</td></tr>
<tr><td>Clawback</td><td>The Board has "clawback" powers if, amongst other things, the participant has acted fraudulently or dishonestly.</td></tr>
</table>

No grants were made under the LTI Plan for FY2017. The following performance rights were awarded to the following KMP under the LTI Plan in relation to FY2016 on the same terms and conditions as set out above:

Mr. Ferragina:	100,000 performance rights issued on 26 October 2016
Mr. Greenwood:	250,000 performance rights issued on 5 October 2016

5.3 Remuneration committee

The Remuneration Committee is a committee of the Board. The objective of the committee is to assist the Board in the establishment of remuneration and incentive policies and practices for, and in discharging the Board's responsibilities relative to the remuneration setting and review of, the Company's executive directors and other senior executives and directors. The list of responsibilities of the committee is set out in its charter, which is available on the Group's website at http://paccurrent.com/shareholders/corporate-governance.

During the year, the Board reviewed the committee's charter and resolved that with effect from 1 July 2017, to expand the committee's responsibilities to include the responsibilities normally reserved for a nomination committee of the Board and to rename the committee as the Remuneration & Nomination Committee.

5.4 External remuneration consultants

It is the Group's current intention to engage qualified external consultants every second year to ensure that its remuneration structure and framework remains current. This was last done in FY2016 when, the Group engaged AON Hewitt **(AON)** as an external remuneration consultant to provide guidance on several key executive and long-term incentive plan matters, including recommendations in relation to KMP.

6. 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 2017. STI and/or LTI awards are paid based on individual and Company performance. The Board, based on a recommendation from the Remuneration Committee, has ultimate discretion in determining the amount of the bonus pool.

	2017 $	2016 $	2015 (restated) $	2014 $	2013 $
Revenue	20,557,207	5,602,651	6,714,712	2,323,656	4,303,143
Net profit/(loss) before tax	16,286,314	(78,041,766)	193,627,443[1]	15,187,652	10,803,395
Net profit/(loss) after tax	10,584,997	(48,240,448)	135,702,179	13,061,814	10,390,514
Share price at start of year ($)	4.31	9.50	9.57	7.07	4.09
Share price at end of year ($)	6.65	4.31	9.50	9.57	7.07
Interim dividend (cps)[2]	–	20	24	23	17
Final dividend (cps)[2]	18	5	28	27	23
EPS/(loss)	34.1	(172.1)	529.7	56.6	45
Diluted EPS/(loss)	34.1	(172.1)	529.7	55	45.3
KMP bonuses ($)	249,015	1,049,421[3]	576,185*	629,500	539,200

[1] FY2015 performance was driven by the gain on the sale of business to the Trust and is non-recurring.

[2] Franked to 100% at 30% corporate income tax.

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

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

Nature and amount of each element of KMP Remuneration in FY2017

Details of the nature and amount of each element of the remuneration of each director of the Company and each of the KMP of the Company and the consolidated entity for the financial year are set out below:

	Short term		Post-employment	Share based payments		Others	Total	Performance related
	Salary & fees $	Cash bonus $	Super-annuation / 401K $	Shares $	Options/ performance rights * $	Others $	$	
Non-executive Directors								
M. Fitzpatrick - Chairman								
2017	118,722	–	11,278	–	–	–	130,000	–
2016	118,722	–	11,278	–	–	–	130,000	–
P. Kennedy - Non-executive director								
2017	120,000	–	–	–	–	–	120,000	–
2016	120,000	–	–	–	–	–	120,000	–
M. Donnelly - Non-executive director								
2017	77,626	–	7,374	–	–	–	85,000	–
2016	103,472[3]	–	9,828	–	–	–	113,300	–
G. Guérin - Non-executive director								
2017	75,000	–	–	–	–	–	75,000	–
2016	75,000	–	–	–	–	–	75,000	–
J. Vincent - Non-executive director (resigned 13 April 2017)								
2017	66,777	–	–	–	–	–	66,777	–
2016	85,000	–	–	–	–	–	85,000	–
T. Robinson - Non-executive director (resigned 30 April 2016)								
2017	–	–	–	–	–	–	–	–
2016	72,300	–	6,868	–	–	–	79,168	–
T. Carver - Non-executive director (resigned 21 October 2016)								
2017	–	–	–	–	–	–	–	–
2016	–	–	–	–	–	–	–	–
Executive Directors								
T. Robinson - Executive director, appointed 30 April 2016								
2017	280,384	–	19,616	–	–	–	300,000	–
2016	48,003	–	1,608	–	–	–	49,611	–
P. Greenwood[1] - President, North America and Global CIO, appointed 30 April 2016								
2017	895,565	199,015	14,716	–	556,670	–	1,665,966	12%
2016	824,421	824,421	16,425	–	132,607	–	1,797,874	46%
J. Ferragina - Finance director, CFO and COO (resigned as Finance director on 24 October 2016)								
2017	430,384	50,000	19,616	–	307,879	–	807,879	6%
2016	430,693	225,000	19,307	–	80,890	–	755,890	30%
T. Carver[1] - Managing director and CEO (resigned 30 April 2016)								
2017	–	–	–	–	–	–	–	–
2016	882,157	–	13,725	–	–	824,421[2]	1,720,303	–
Total remuneration: KMP								
2017	2,064,458	249,015	72,600	–	864,549	–	3,250,622	8%
2016	2,759,768	1,049,421	79,039	–	213,497	824,421	4,926,146	21%

[1] The compensation of these KMP were paid by the US subsidiary of the Trust. The remuneration table is reported in Australian Dollars except where noted. No KMP appointed during the year received a payment as part of their consideration for agreeing to hold the position.

[2] Refer to Note 31 for details.

[3] During the 2016 reporting period, there were additional fees paid attributable to affiliated entity board of directors.

* The amortisation of the value of LTI's differs from 2016 to 2017 due to the fact that the first tranche of performance rights were issued in February 2016 accounting for only 4 months of amortisation and 2017 includes a full twelve months of amortisation expense for this tranche in addition to the amortisation for the tranche issued in October 2016.

DIRECTORS' REPORT

continued

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[1]		Maximum potential of long-term incentive based on fixed remuneration[3]		Actual long-term incentive based on fixed remuneration linked to performance[3]	
Executives	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
T. Robinson[2]	100%	100%	–	–[2]	N/A	N/A	N/A	N/A
P. Greenwood	100%	100%	22%	100%	100%	100%	62%	16%
J. Ferragina	100%	100%	12%	50%	100%	100%	77%	17%
Former executive KMP								
T. Carver	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

[1] Each year, KMP STI are paid in two instalments being 50% within three months of the grant and 50% is deferred and paid approximately one year later. For FY2017, only the 50% payable in August 2017 is provided for as at 30 June 2017. Payment of 50% of Mr. Greenwood's STI for his performance in FY2015 was paid in October 2016.

[2] T. Robinson was appointed Executive director on 30 April 2016.

[3] Valuation based on fair-value at grant date using a monte-carlo simulation as well as binomial option pricing methodology.

8. Key Terms of Employment Contracts of KMP

8.1 Key Terms of Employment Contract of Tony Robinson

Contract Details	Tony Robinson, Executive director
Term of Contract	Ongoing until notice is given by either party
Base Salary	$300,000
STI	Mr. Robinson is eligible for a short-term incentive of up to 100% of his base salary, with the percentage payable determined by assessing performance against a set of pre-determined key performance indicators. The STI will be assessable and payable at the end of the period in which he fulfills an executive director role or early by agreement.
LTI	There is no LTI component in Mr. Robinson's contract.
Termination of Employment	Under the terms of the contract, Mr. Robinson or the Company may terminate the contract giving one month written notice with no termination benefits. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr. Robinson is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. Where employment is terminated with notice, no further payments will be paid by the Company except unpaid salary accrued to the date of termination and accrued annual leave.

8.2 Key Terms of Employment Contract of Paul Greenwood

Contract Details Paul Greenwood, President, North America and Global Chief Investment Officer

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.

Base Salary US$675,000

STI Mr. Greenwood is eligible for a short-term incentive of up to 100% of his base salary, with the percentage payable determined by assessing performance against a set of pre-determined key performance indicators.

LTI Mr. Greenwood's employment agreement **(Contract)** was amended, and the changes were announced to the ASX on 7 October 2016, arising from the change in his role from Exceutive director to his current role. As part of those contract changes, Mr. Greenwood was issued 250,000 performance rights as at 5 October 2016, and will be eligible for the issue a further 250,000 performance rights on 5 October 2017, provided that Mr. Greenwood is still employed on that date, subject to vesting conditions. Any securities to be allocated on vesting of the performance rights will be purchased on market under the LTI Plan and therefore shareholder approval is not required.

Termination of Employment

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, (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 Plan Benefits, (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 under which Executive and his dependents participated immediately prior to his date of termination.

8.3 Key Terms of Employment Contract of Joseph Ferragina

Contract Details	Joseph Ferragina, CFO and COO Australia. Resigned as Finance director on 24 October 2016
Term of Contract	Ongoing until notice is given by either party
Base Salary	$450,000
STI	Mr. Ferragina is eligible for a STI. The STI is for up to 100% of base salary and paid in two equal instalments over a two-year period. See further detail in section 5.2.1 above.
LTI	Mr. Ferragina is eligible to participate in the Company's LTI Plan and the offers each year (if any) will be disclosed in the Remuneration Report and will be subject to shareholder approval if required.
Termination of Employment	Under the terms of the contract, Mr. Ferragina or the Company may terminate the contract giving three months written notice with no termination benefits. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr. Ferragina is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause, any unvested performance rights will immediately be forfeited. Where employment is terminated with notice, no further payments will be paid by the Company except unpaid salary accrued to the date of termination and accrued annual leave. Where employment is terminated with notice, deferred short-term incentives will also be paid. However, the Board retains the discretion to determine that some or all unvested performance rights vest or lapse with effect from or after the cessation date.

9. 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 caliber, 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.

There is no intent to seek to increase the Non-executive director fee pool at the 2017 AGM.

Following is the schedule of Non-executive directors' fees:

	2017 $	2016 $
Chairman	100,000	100,000
Non-executive director	60,000	60,000
Audit and risk committee chair	20,000	20,000
Audit and risk committee member	15,000	15,000
Remuneration committee member (includes chair, no fee difference between member and chair)	10,000	10,000
Governance committee chair	10,000	10,000
Governance committee member	5,000	5,000

The fees above are inclusive of superannuation contributions, except for the director fees paid to Mr. Guérin. Total fees paid to Non-executive directors in FY2017 were $476,777 (FY2016: $602,468). Refer to section 7 for details of remuneration paid to Non-executive directors in FY2017.

In FY2016, there was an increase in fees paid to the governance committee chair and members due to the increased workload for that committee during that year.

Directors are not required under the constitution or any other Board policy to hold any shares in the Company. The shareholding level of directors is detailed in the tables set out in section 10 below.

10. Share Based Remuneration

Bonuses and share-based payments granted as a compensation for the current financial year

As detailed in section 5.2.1 above, the Group operates an LTI Plan for eligible employees. The number of performance rights granted under the LTI Plan in 2017 are as detailed in the table below and further described in section 5.2.1 above.

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

	During the financial year					
	Rights issues	Numbers granted	Numbers vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of performance rights
Executive KMP						
P. Greenwood	2017[1]	250,000[2]	–	–	–	17%
	2016	500,000				45%
T. Robinson	2017[1]	–	–	–	–	–
	2016	–	–	–	–	–
J. Ferragina	2017[1]	100,000[3]	–	–	–	14%
	2016	305,000	–	–	–	57%

[1] No grants were made under the LTI Plan in FY2017.

[2] Arising from the amendments to his remuneration on a change in his role, Mr. Greenwood became entitled to the issue of 250,000 performance rights on 5 October 2016 and will become entitled to the issue of another 250,000 performance rights on 5 October 2017, provided that he is still employed on that date, subject to vesting conditions.

[3] The grant of 100,000 performance rights to Mr. Ferragina was made on 26 October 2016 in relation to his performance in FY2016.

11. KMP Equity Holdings

Fully paid ordinary shares of Pacific Current Group Limited

30 June 2017	Balance 1 July 2016	Granted as remuneration	Received on vesting of performance rights	Net change other	Balance held nominally
Non-executive directors					
M. Fitzpatrick	2,701,285	–	–	–	2,701,285
P. Kennedy	242,628	–	–	–	242,628
M. Donnelly	20,000	–	–	–	20,000
G. Guérin[1]	–	–	–	–	–
J. Vincent[1] (resigned 13 April 2017)	–	–	–	–	–
T. Carver (resigned 21 October 2016)	–	–	–	–	–
Executive KMP					
P. Greenwood[2]	–	–	–	531,781	531,781
T. Robinson	–	–	–	–	–
J. Ferragina	141,400	–	–	(853)	140,547

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

[1] Both Mr. Vincent and Mr. Guérin represented stakeholders who were Class B and B-1 unitholders in the Trust. Pursuant to Simplification, Exchange Shares were issued as consideration for the acquisition of all Class B and vested Class B-1 Units in the Aurora Trust, as announced to the ASX on 13 February 2017 and as approved by existing shareholders at the extraordinary general meeting held on 15 March 2017

[2] Pursuant to Simplification and the exchange of class B units in Aurora Trust (Class B Units) and the approval of the issue of shares in accordance with resolution 1(b) at an extraordinary general meeting held on 15 March 2017, Mr. Greenwood was issued on 13 April 2017, 1 share for every 1.1 Class B Unit and/or vested Class B-1 Unit.

12. Performance rights

Total performance rights outstanding as at 30 June 2017 were 1,549,000 (2016: 1,299,000) with a value of $2,888,710 (2016: $2,389,945).

Details of performance rights on issue are as follows:

	Balance at 1 July 2016	Granted as compensation	Received on vesting of performance rights/options	Net change other	Balance 30 June 2017	Balance Vested at 30 June 2016	Vested but not exercisable	Vested and exercisable	Performance rights vested 30 June 2017
30 June 2017	Number	Number	Number	Number	Number	Number	Number	Number	Number
Executive KMP									
P. Greenwood	500,000	250,000	–	–	750,000	–	–	–	–
J. Ferragina	305,000	100,000	–	–	405,000	–	–	–	–
Officers and employees	494,000	–	–	(100,000)	394,000	–	–	–	–
Total	1,299,000	350,000	–	(100,000)	1,549,000	–	–	–	–

	Balance at 1 July 2015	Granted as compensation	Received on vesting of performance rights/ options	Net change other	Balance 30 June 2016	Balance Vested at 30 June 2016	Vested but not exercisable	Vested and exercisable	Performance rights vested 30 June 2016
30 June 2016	Number	Number	Number	Number	Number	Number	Number	Number	Number
Executive KMP									
P. Greenwood	–	500,000	–	–	500,000	–	–	–	–
J. Ferragina	–	305,000	–	–	305,000	–	–	–	–
Officers and employees	100,000	394,000	–	–	494,000	–	–	–	–
Total	100,000	1,199,000	–	–	1,299,000	–	–	–	–

The performance rights issued on 15 February 2016 were issued in two tranches 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 2 were $1.26 and $2.46, respectively and the performance rights are amortised over two years and four months from the grant date.

The performance rights on issue were valued based on the valuation made by an independent adviser using a monte-carlo pricing model.

As at 13 August 2016, AON Hewitt was commissioned to provide a report to determine if the performance rights issued on 7 August 2013 had met the required performance hurdles to vest. The calculation determined that the performance hurdles had not been met and therefore the rights did not vest.

The amount of performance rights amortisation expense for FY2017 was $1,121,655 (2016: $372,659).

Grant and vesting dates and the valuation of performance rights on issue are as follows:

30 June 2017

Issued to	Number issued	Grant Date[1]	Share price on Grant Date	Vesting Date	Valuation
P. Greenwood	500,000	15 February 2016	$5.90	1 July 2018	$1.86
	250,000	5 October 2016	$4.00	1 July 2019	$1.84
J. Ferragina	305,000	15 February 2016	$5.90	1 July 2018	$1.86
	100,000	26 October 2016	$4.58	1 July 2019	$1.84
Officers & employees	394,000	15 February 2016	$5.90	1 July 2018	$1.86
Total	1,549,000				

30 June 2016

Issued to	Number issued	Grant Date	Share price on Grant Date	Vesting Date	Valuation
P. Greenwood	500,000	15 February 2016	$5.90	1 July 2018	$1.86
J. Ferragina	305,000	15 February 2016	$5.90	1 July 2018	$1.86
Officers & employees	394,000	15 February 2016	$5.90	1 July 2018	$1.86
Officers & employees	100,000	7 August 2013	N/A	7 August 2016	$1.64
Total	1,299,000				

[1] The rights granted on 15 February 2016 have a performance period from 1 July 2015 to 1 July 2018. The rights issued on 5 and 26 October 2016 have a performance period from 1 July 2016 to 1 July 2019.

See section 5.2.1 above for applicable performance criteria and further details.

Loans to directors and executives

No loans were made to directors and executives of the Company including their close family and entities related to them during FY2017.

Shares under option

There were no unissued ordinary shares of the Company under option outstanding at the date of this remuneration report.

Signed in accordance with a resolution of directors.

P. Kennedy

P. Kennedy

Remuneration and Nomination Committee Chairman

31 August 2017

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:

						Meetings of committees			
		Directors' Meetings		Audit & Risk Committee		Remuneration Committee		Governance Committee	
	Resigned	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
M. Fitzpatrick		13	13	4	4	2	2	3	3
M. Donnelly		13	10	4	3	0	0	3	3
G. Guérin		13	13	0	0	2	2	3	3
P. Kennedy		13	12	4	4	2	2	0	0
P. Greenwood		13	13	0	0	0	0	0	0
T. Robinson		13	13	0	0	0	0	0	0
T. Carver*	21-Oct-16	5	2	0	0	0	0	0	0
J. Ferragina*	04-Oct-16	5	5	0	0	0	0	0	0
J. Vincent*	13-Apr-17	12	11	3	1	1	1	0	0

* They were not directors for the full year.

Committee Membership

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

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

Audit & Risk	Remuneration and Nomination	Governance
M. Donnelly (Chairperson)	P. Kennedy (Chairman)	G. Guérin (Chairman)
M. Fitzpatrick	M. Fitzpatrick	M. Fitzpatrick
P. Kennedy	G. Guérin	M. Donnelly
J Vincent (resigned 13 April 2017)	J. Vincent (resigned 13 April 2017)	

Tax Consolidation

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

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

The Trust and its eligible wholly owned subsidiaries can only join the tax consolidated group at the point in time when all of the Trust's "membership interests" are held by the Company. Membership interests include any unit in the Trust, unless the unit also constitutes a debt interest for purposes of the provisions of the Tax Act. Given that all units in the Trust other than X-RPUs are held by the Company, it follows that if the X-RPUS constitute debt interests, the Company should own 100% of the existing membership interests in the Trust, and therefore the Trust should join the consolidated tax Company. At inception the X-RPUs were classed as equity due to the level of contingencies with respect to the Trust's obligations to repay the maximum redemption value of the US$42.0m. The X-RPUs were varied in 15 March 2017 such that they now became a fixed liability of US$21.0m. The variation did not rescind the original instrument and as such whilst the X-RPU have debt like features without the contingencies, they are still classed as equity for tax purposes.

While the Trust was a 100% owned and controlled subsidiary of the Company as at 30 June 2017, the Trust can only join the tax consolidated group upon the redemption of the X-RPUs.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Group support the principles of corporate governance. The Company's corporate governance statement is available on the Group's website www.paccurrent.com.

Environmental Regulation and Performance

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

Non-audit Services

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

Auditor Independence

The Directors received an independence declaration from the auditors of the Group. A copy of the declaration is set out on page 32.

Signed in accordance with a resolution of the Directors.

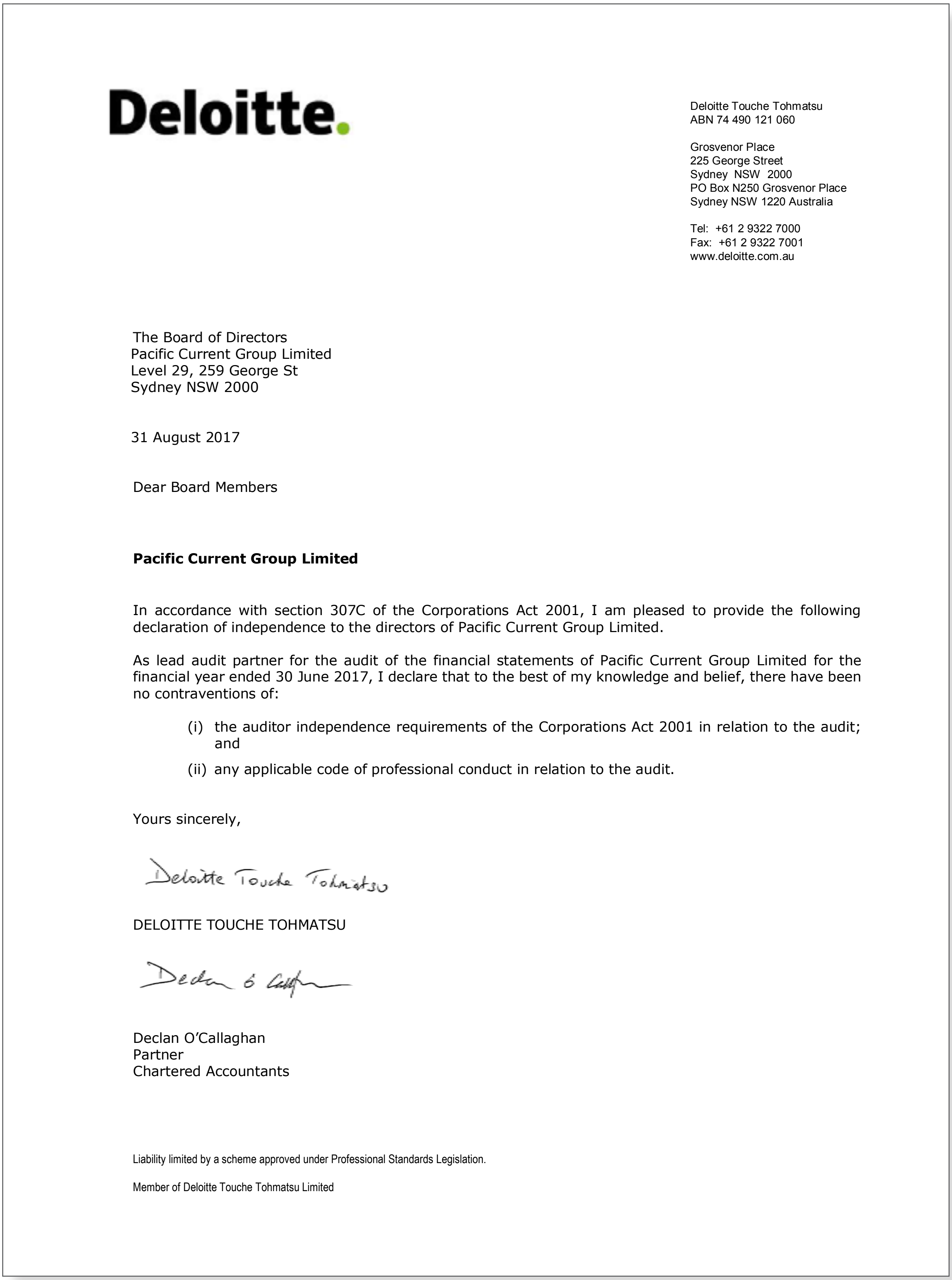
M. Fitzpatrick

Chairman

31 August 2017

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Pacific Current Group Limited



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

31 August 2017

Dear Board Members

Pacific Current Group Limited

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

As lead audit partner for the audit of the financial statements of Pacific Current Group Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Declan O'Callaghan
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2017

	Note	2017 $	2016 $
Revenues			
Revenue	6	16,040,058	5,602,651
Net gains on investments	6	4,517,149	–
		20,557,207	**5,602,651**
Expenses			
Salaries and employee benefits	7	(7,356,851)	(4,051,766)
Other expenses	7	(5,279,481)	(1,105,809)
Depreciation and amortisation expenses	7	(858,737)	–
Interest expenses	7	(2,169,719)	–
		(15,664,788)	**(5,157,575)**
Share of net profits/(losses) of associates and joint venture accounted for using the equity method	7	11,393,895	(78,486,842)
Profit/(loss) before income tax expense		16,286,314	(78,041,766)
Income tax (expense)/benefit	8	(5,701,317)	29,801,318
Profit(loss) for the year		**10,584,997**	**(48,240,448)**
Attributable to:			
The members of the parent		10,628,889	(48,240,448)
Non-controlling interests	27	(43,892)	–
		10,584,997	**(48,240,448)**
Earnings/(losses) per share (cents per share):			
– basic for profit/(loss) for the year attributable to ordinary equity holders of the parent	10	34.1	(172.1)
– diluted for profit/(loss) for the year attributable to ordinary equity holders of the parent	10	34.1	(172.1)
Franked dividends paid per share (cents per share) for the financial year	9	5	48

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note	2017 $	2016 $
Profit/(loss) for the year		10,584,997	(48,240,448)
Other comprehensive income/(loss):			
Items that were reclassified to profit or loss			
Reversal of the share on translating foreign operations of a joint venture derecognised during the year (after tax)	25	(12,745,725)	–
Reversal of the share on net fair value gain on AFS financial assets of a joint venture derecognised during the year (after tax)	25	(5,467,897)	–
Total items that were reclassified to profit or loss		(18,213,622)	–
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations of a subsidiary	25	233,378	–
Change in fair value of available-for-sale (AFS) financial assets	25	3,299,722	–
Share of net fair value gain on AFS financial assets of an associate (after tax)	25	48,101	–
Share of exchange differences on translating foreign operations of a joint venture (after tax)	25	(3,943,260)	6,965,730
Share of net fair value gain on AFS financial assets of a joint venture (after tax)	25	4,010,591	(112,125)
Total items that may be reclassified to profit or loss		**3,648,532**	**6,853,605**
Other comprehensive (loss)/income for the year		(14,565,090)	6,853,605
Total comprehensive (loss)		**(3,980,093)**	**(41,386,843)**
Attributable to:			
The members of the parent		(3,936,201)	(41,386,843)
Non-controlling interests	27	(43,892)	–
		(3,980,093)	**(41,386,843)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	2017 $	2016 $
Current assets			
Cash and cash equivalents	13	40,248,286	2,997,744
Trade and other receivables	14	6,846,038	11,906,851
Loans and other receivables	15	303,682	–
Other assets	16	2,374,603	–
Total current assets		**49,772,609**	**14,904,595**
Non-current assets			
Loans and other receivables	15	3,292,247	–
Other financial assets	17	52,874,277	–
Investments in associates	18	188,974,745	–
Investment in joint venture	19	–	210,056,666
Intangible assets	20	64,846,258	–
Plant and equipment		561,720	–
Other assets	16	11,763,771	–
Total non-current assets		**322,313,018**	**210,056,666**
Total assets		**372,085,627**	**224,961,261**
Current liabilities			
Trade and other payables	21	4,821,961	2,000,884
Financial liabilities	22	27,981,577	–
Provisions	23	345,102	236,468
Current tax liabilities	8	5,069,098	14,157,614
Total current liabilities		**38,217,738**	**16,394,966**
Non-current liabilities			
Financial liabilities	22	28,710,254	–
Provisions	23	150,614	175,268
Deferred tax liabilities	8	29,822,845	20,961,430
Total non-current liabilities		**58,683,713**	**21,136,698**
Total liabilities		**96,901,451**	**37,531,664**
Net assets		**275,184,176**	**187,429,597**
Equity			
Share capital	24	166,278,319	74,556,705
Reserves	25	7,958,207	21,401,642
Retained earnings	26	100,693,841	91,471,250
Total equity attributable to owners of the company		274,930,367	187,429,597
Non-controlling interests	27	253,809	–
Total equity		**275,184,176**	**187,429,597**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Share capital $	Reserves $	Retained earnings $	Non-controlling interests $	Total equity $
Balance as at 1 July 2015	69,500,943	14,231,149	153,075,571	–	236,807,663
(Loss) for the year	–	–	(48,240,448)	–	(48,240,448)
Other comprehensive income/(loss):					
(i) Net movement in foreign currency translation reserve (after tax)	–	6,965,730	–	–	6,965,730
(ii) Net movement in investment revaluation reserve (after tax)	–	(112,125)	–	–	(112,125)
Total comprehensive income/(loss) for the year	–	6,853,605	(48,240,448)	–	(41,386,843)
Transactions with owners in their capacity as owners:					
(i) Issuance of ordinary shares (Note 24)	4,999,991	–	–	–	4,999,991
(ii) Dividends paid (Note 9)	–	–	(13,363,873)	–	(13,363,873)
(iii) Share based payments expensed (Note 29)	–	372,659	–	–	372,659
(iv) Issuance of shares due to vesting of performance rights (Notes 24 and 25)	55,771	(55,771)	–	–	–
Total transactions with owners in their capacity as owners	5,055,762	316,888	(13,363,873)	–	(7,991,223)
Balance as at 30 June 2016	74,556,705	21,401,642	91,471,250	–	187,429,597

	Share capital $	Reserves $	Retained earnings $	Non-controlling interests $	Total equity $
Balance as at 1 July 2016	74,556,705	21,401,642	91,471,250	–	187,429,597
Profit for the year	–	–	10,628,889	(43,892)	10,584,997
Other comprehensive income/(loss):					
(i) Net movement in foreign currency translation reserve (after tax)	–	(16,455,607)	–	–	(16,455,607)
(ii) Net movement in investment revaluation reserve (after tax)	–	1,890,517	–	–	1,890,517
Total comprehensive income/(loss) for the year	–	(14,565,090)	10,628,889	(43,892)	(3,980,093)
Transactions with owners in their capacity as owners:					
(i) Issuance of ordinary shares (Note 24)	91,721,614	–	–	–	91,721,614
(ii) Dividends paid (Note 9)	–	–	(1,406,298)	–	(1,406,298)
(iii) Recognition of non-controlling interests acquired through business combination (Note 27)	–	–	–	297,701	297,701
(iv) Share based payments expensed (Note 29)	–	1,121,655	–	–	1,121,655
Total transactions with owners in their capacity as owners	91,721,614	1,121,655	(1,406,298)	297,701	91,734,672
Balance as at 30 June 2017	166,278,319	7,958,207	100,693,841	253,809	275,184,176

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Note	2017 $	2016 $
Cash flow from operating activities			
Receipts from customers		13,757,592	3,702,852
Payments to suppliers and employees		(15,211,539)	(4,910,718)
Dividends and distributions received		4,203,893	16,474,272
Interest received		244,525	38,968
Interest paid		(457,351)	–
Income tax paid		(9,717,511)	38,968
Net cash (used in)/provided by operating activities	13(b)	**(7,180,391)**	**15,305,374**
Cash flow from investing activities			
Repayment of loans by associates		2,160,601	–
Investments in AFS financial assets		(667,651)	–
Additional contributions to associates		(92,301)	–
Net cash provided by investing activities		1,400,649	**–**
Cash flow from financing activities			
Repayments of financial liabilities		(13,422,000)	–
Dividends paid		(1,406,298)	(13,363,873)
Issuance of shares (net of transaction costs)		31,275,166	–
Net cash provided by/(used in) financing activities		**16,446,868**	**(13,363,873)**
Net increase in cash and cash equivalents held		10,667,126	1,941,501
Cash at beginning of the financial year		2,997,744	1,056,243
Cash and cash equivalents from the acquired subsidiary through business combination	11(c)	26,399,375	–
Unrealised foreign exchange difference in cash		160,545	–
Cash at end of financial year	13(a)	**40,248,286**	**2,997,744**
Non-cash investing and financing activities			
Investing activities	13(c)	(71,274,334)	(60,381,631)
Financing activities	13(c)	60,446,448	4,999,991
		10,827,886	**55,381,640**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

1. Corporate Information

The consolidated financial report of Pacific Current Group Limited (the Company) and its controlled entities (the Group) for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 31 August 2017.

The Company is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

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

2. Application of New and Revised Accounting Standards

(a) Amendments to Accounting Standards and the new Interpretation that are mandatorily effective for the current year

The following new and revised accounting standards that are mandatorily effective for the current year have been adopted by the Group:

- *AASB 2014–3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations;*
- *AASB 2014–4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation;*
- *AASB 2014–9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements;*
- *AASB 2015–1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle;*
- *AASB 2015–2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101;* and
- *AASB 2015–5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception*

Adoption of the above new and revised accounting standards had no material impact on the Group.

(b) Standards and Interpretations in issue not yet Adopted

The Australian Accounting Standards Board (AASB) has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments'	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' 2014–5 'Amendments to Australian Accounting Standards arising from AASB 15, 2015–8 Amendments to Australian Accounting Standards – Effective date of AASB 15', 2016–3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2014–10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', AASB 2015–10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2017	30 June 2018
AASB 2015–10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2018	30 June 2019
AASB 2016–1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2016–5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions'	1 January 2018	30 June 2019
AASB 2017–1 'Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments'	1 January 2018	30 June 2019
AASB 2017–2 'Amendments to Australian Accounting Standards – Further Annual Improvements 2014–2016 Cycle'	1 January 2017	30 June 2018
Interpretation 22 'Foreign Currency Transactions and Advance Consideration'	1 January 2018	30 June 2019

The Group is in the process of completing the assessment for the impact of AASBs 9, 15 and 16 which are not expected to be material. At the date of authorisation of the consolidated financial statements, there have been no IASB Standards and IFRIC Interpretations that are issued but not yet effective that could impact the Group.

The Group is also in the process of completing the impact of the new or amended accounting standards and interpretations other than the above aforementioned accounting standards.

3. Accounting Policies

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

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

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

The following is a summary of the material accounting policies adopted by the Group in the preparation and presentation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

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 revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise stated.

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 117 'Leases' and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 'Inventories' or value in use in AASB 136 'Impairment of Assets'.

3. Accounting Policies (continued)

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

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

(b) Basis of Consolidation

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

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

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

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

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

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 owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

(c) Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value that is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities assumed and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139 'Financial Instruments: Recognition and Measurement', or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income or loss are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of. On 13 April 2017, the Company acquired the remaining 34.85% of the Trust by virtue of the Simplification as discussed in Note 11. Accordingly, the Trust became a 100% subsidiary of the Company. The acquisition of the 100% in the Trust qualified as a business combination achieved in stages and the principles of purchase price accounting in accordance with the AASB 3 'Business Combinations' were applied. Refer to Note 11 for details.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill acquired in business combination

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.

For the purposes of impairment testing, goodwill is allocated to each of the Company'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 has been allocated 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 allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described in Note 3(l).

3. Accounting Policies (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Other identifiable intangible assets (with finite lives) acquired in a business combination

Other identifiable intangible assets with finite lives acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, other identifiable intangible assets with finite lives acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. These are amortised on straight line basis over their estimated useful life.

(d) Revenue

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

Service fees

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

Management fees

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

Interest income

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

Distributions and dividends

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

Carried interest

(i) Realised carried interest

Carried Interest may be realised by the Group in situations where the General Partner (GP) investment income (and corresponding cash) is generated and it is determined that the cumulative profits of the Fund provide enough cash to exceed performance thresholds (return of capital and preferred return).

(ii) Unrealised carried interest

The Group does not book any carried interest income until it is more certain and more reliably measurable. The point that performance can be reasonably measured, as being when the Fund has reached seventy-five percent of its expected life. Deferring this income recognition until later in a Fund's existence minimises the time horizon where underlying asset values may fluctuate broadly enough to erode the unrealised carried interest allocable to the GP entity. It also reduces the amount of additional returns needed to satisfy preferred returns to limited partners.

(e) Recognition of gain or loss on sale of investments

Gain or loss is recognised in the consolidated profit or loss which is determined as the difference between the carrying amount of the assets and liabilities being transferred or deemed sold and the fair value of the consideration received.

(f) Leases

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

Operating leases

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

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition of investment assets are capitalised as part of the loan and amortised over the term of the loan.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(h) Income tax

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

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

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

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

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

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

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

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

Tax Consolidation

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

(i) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position 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 and cash equivalents consist of cash and cash equivalents as defined above.

(j) Trade, other and loan receivables

(i) Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt. Financial difficulties of the debtor or default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. The Group did not have any impaired trade receivables (2016: Nil).

(ii) Loans and other receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and other receivables'. Loans and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the effect of discounting is immaterial.

3. Accounting Policies (continued)

(k) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities [other than financial assets and financial liabilities at fair value through profit or loss (FTVPL)] are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Other Financial assets

Financial assets are classified into the following specified categories: 'loans and receivables', financial assets 'at FVTPL, 'held-to-maturity' investments, and available-for sale (AFS) financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial assets at FVTPL

A financial asset other than a financial asset held for trading may be designated as an FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset 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 Trust'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 AASB 139 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividends on FVTPL investments are recognised in profit or loss when the Group's right to receive the dividends is established.

(ii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The Group has investments in unlisted shares that are not traded in an active market but are classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in Note 3(a). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

Dividends on AFS financial assets are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the financial asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

(iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS financial assets, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be an objective evidence of impairment for unlisted shares classified as available-for-sale.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal repayments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS financial assets, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(iv) 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 also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset 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 accumulated in 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.

3. Accounting Policies (continued)

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(i) Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

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 exactly 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) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(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 profit or loss.

Hedges of net investments in foreign operations

Debt instruments such as X-RPUs and Notes payable - Seizert are designated as hedged instruments in respect of foreign currency risk as hedge of net investments in foreign operation.

At the inception of the hedge relationship, the relationship between the hedged instruments (Notes payable- Seizert and X RPUs) and the hedged item (net investment in Northern Lights MidCo, LLC (Midco)), a US-based subsidiary with a reporting currency all of which are based in US dollar, along with its risk management objectives and the strategy for undertaking various hedge transactions are documented. Furthermore, at the inception of the hedge and on an ongoing basis, the documentation shows whether the hedged instruments are highly effective in offsetting the changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation. Refer to Note 4 (d) for the hedge effectiveness of the Group.

(l) Investments in associates and joint venture

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 is not control or joint control over those policies.

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

As at 30 June 2016 and up to 12 April 2017, the Company owned 65.15% of the Trust. Whilst the ownership exceeded 50% and resulted in a presumption of control, the Trust was considered a joint venture arrangement among the Company, Northern Lights and BNP Paribas and accounted for using the equity method. The Company and Northern Lights contributed their businesses to the Trust to conduct investment activities, and BNP Paribas was an investor in Northern Lights prior to the merger between the Company and Northern Lights. The key function of the Trust and the overall business is investment in asset managers. The Board of the Trustee of Aurora has been of the opinion that the investment decision making process is the key function in creating value for shareholders. Former Northern Lights executives, led by the Executive Director and CIO, were principally responsible for investment analysis, due diligence and investment recommendations to the Board of the Trustee and filled the role of an investment committee. These executives were B class unitholders or holders of interests related to the B class units. Investment decisions were then approved by majority vote of the Trustee board. It was therefore appropriate that the Trust was reflected as a joint controlled vehicle.

The Company acquired the remaining 34.85% of the Trust by virtue of Simplification the Group had completed on 13 April 2017. The Trust became a wholly owned subsidiary of the Company. Accordingly, the Company discontinued the use of equity method of accounting and the 65.15% in the Trust was treated as if it was disposed of. All amounts previously recognised in other comprehensive income in relation to the Company's share in the Trust's foreign currency and investment revaluation reserve was reclassified to profit or loss. Subsequently, the acquisition of 100% in the Trust qualified as a business combination achieved in stages and the principles of purchase price accounting in accordance with the AASB 3 'Business Combinations' were applied as per Note 3(c) and Note 11.

The financial statements of the equity accounted investments that are domiciled in Australia are prepared for in the same reporting period as the Group (30 June). For the US domiciled equity accounted investments, 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 US domiciled investments based on their pro-rata financial statements to align the period covered of the proportionate share of their net profits/losses to be the same as the Group.

The results of associates or joint venture are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income or loss of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the 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 equity accounted investments in joint ventures and associates are reduced from the investments' 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.

The requirements of AASB 139 'Financial Instruments: Recognition and Measurement' are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment.

Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the 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 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the 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.

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

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

(m) Plant and equipment

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

Major depreciation methods and periods are:

Class of plant and equipment	Period	Depreciation basis
Furniture and fittings	5 – 10 years	Straight line
Office equipment	3 – 5 years	Straight line
Leasehold improvements	1 – 5 years	Straight line

3. Accounting Policies (continued)

Plant and equipment are depreciated based on the cost of the assets over their useful lives, which range from three to ten years, with the exception of leasehold improvements that are depreciated using straight-line methods over the shorter of their useful lives or the lease term.

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

Disposal

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss in the year the asset is derecognised.

(n) Impairment

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is equal to the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

(o) Trade and other payables

Trade payables and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the 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.

(p) Goods and services tax

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

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

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

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

(q) 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, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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.

(r) Employee benefits

Short term and long term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave 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.

(s) Share-based payments

Equity-settled transactions

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

The 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.

In the opinion of the management performance rights do not have a dilutive effect on the earnings per share calculation as any securities to be allocated on vesting of the performance rights will be purchased on market.

(t) X-redeemable Preference Units (X-RPUs)

A liability is initially measured at fair value. 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 exactly 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.

(u) Interest bearing liabilities

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest rate method.

(v) Issued capital

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

(w) Earnings/(loss) per share

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

3. Accounting Policies (continued)

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for costs of servicing equity (other than dividends), if any:

- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus if any.

(x) Foreign currency translations and balances

(i) 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 entity'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 foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- 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 period, 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).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

For partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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.

(y) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(z) Rounding of amounts to nearest dollar

In accordance with ASIC Corporations (Rounding of Financial/Directors' Reports) Instrument 2016/191, the amount in the Directors' Report and in the financial report have been rounded to the nearest dollar.

4. Financial Risk Management

The Group is exposed to a variety of financial risks comprising:

a. Interest rate risk
b. Credit risk
c. Liquidity risk
d. Foreign currency risk
e. Price risk

The Board of Directors 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 Note 3 to the consolidated financial statements.

The Group holds the following financial instruments:

	2017 $	2016 $
Financial assets		
Cash and cash equivalents	40,248,286	2,997,744
Trade and other receivables	6,846,038	11,906,851
Loans and other receivables – current	303,682	–
Loans and other receivables – non-current	3,292,247	–
Other receivables	3,917,420	–
AFS investments	30,174,277	–
Investment held at FVTPL	22,700,000	–
	107,481,950	**14,904,595**
Financial liabilities		
Trade and other payables	4,821,961	2,000,884
Financial liabilities – current	27,981,577	–
Financial liabilities – non-current	28,710,254	–
	61,513,792	**2,000,884**

(a) Interest rate risk

The Group's direct exposure to market interest rates relates primarily to the Group's cash and cash equivalents and the Notes payable - Seizert.

At the balance date, the Group had the following financial assets and liabilities exposed to global variable interest rate risk:

	Interest bearing	
Financial instruments	2017 $	2016 $
Financial assets		
Cash and cash equivalents	40,248,286	2,997,744
Financial liabilities		
Notes payable – Seizert	26,240,639	–

4. Financial Risk Management (continued)

Sensitivity

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

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

	2017 $	2016 $
Net impact on profit/(loss) after tax		
+0.75% [2016:0.75%]/(75 basis points), [2016:75 basis points]	17,114	11,837
-0.75% [2016:0.75%]/(75 basis points), [2016:75 basis points]	(17,114)	(11,837)

The movements in profit/(loss) are due to higher/(lower) interest income from cash and cash equivalents net of interest expense in Notes payable - Seizert.

(b) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade, loans and other receivables. 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 balance date is addressed in each applicable note.

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

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

Receivables 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.

It is a core part of the Company's policy to extend loans to new companies in the Group to provide them financing until they reach profitability. As with all new start-ups there is a risk that a new venture will fail, in which case the Company would have to write the loan off. All loans made to new ventures are monitored on an ongoing basis at Board level to minimise the risk of a write off occurring. The maximum exposure to credit risk is the carrying value of loans.

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and banking 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 non-derivative 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 non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

2017	Weighted average effective interest rate	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Total
Advances to other related party	8.00%	–	315,829	–	–	315,829
Loans receivables due from associates	8.00%	–	–	188,824	3,496,871	3,685,695
Other receivables	–	–	–	–	4,559,639	4,559,639
		–	315,829	188,824	8,056,510	8,561,163

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table 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 interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

2017	Weighted average effective interest rate	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Total
X-RPUs	–	–	27,460,440	–	–	27,460,440
Notes payable - Seizert	5.56%	7,867,251	–	11,000,648	10,029,235	28,897,134
Deferred commitments	–	1,500,000	–	2,340,000	–	3,840,000
Sublease liability	–	–	–	208,744	755,294	964,038
	–	**9,367,251**	**27,460,440**	**13,549,392**	**10,784,529**	**61,161,612**

(d) Foreign currency risk

During the year, the Group hedged its dollar net assets for its Investment in Midco for foreign exchange exposure arising between the A$ and US$. The Group's designated external borrowings denominated in US$ (X-RPUs and Note payable - Seizert held by the Trustee with a total fair value of US$40.1m) as hedging instruments to hedge a designated portion of the Trust's net investment in Midco. For the period of the hedge relationship, foreign exchange movements on the US$ hedging instruments (being the US$ external borrowings) are recognised in other comprehensive income as part of the foreign currency translation reserve, offsetting the exchange differences, recognised in other comprehensive income arising on the translation of the designated dollar net assets of Midco to AU$. The cumulative foreign exchange movement recognised in other comprehensive income will only be reclassified to profit or loss upon loss of control over Midco. There was no hedge ineffectiveness recognised in profit or loss during the year.

	2017 $	2016 $
X-RPUs	26,040,479	–
Notes payable - Seizert	26,240,639	–
	52,281,118	–

Consolidated statement of financial position

The Group is an international multi boutique business with operations primarily attributable to Australia and the US and the impact of foreign currency translations are taken up in the equity reserves of the Group as disclosed in Note 3(x) to the consolidated financial statements.

Consolidated statement of profit or loss

Profits and losses are translated at an average exchange rate. A falling A$ relative to the US$ results in a higher net profit in the Group. The day to day expenses in Australia and US operations are funded with cash flows from the local operations.

At year end, the carrying amounts of the Group's foreign currency denominated financial assets and liabilities are as follows:

	2017 $	2016 $
Financial assets		
Cash including restricted cash – USD	33,806,879	–
AFS financial assets – USD	30,174,277	–
	63,981,156	–
Financial liabilities		
X-RPUs - USD	26,040,479	–
Notes payable - Seizert - USD	26,240,639	–
	52,281,118	–

Sensitivity

As at year end, the Group's exposure in foreign currency is mitigated by hedging its debt instruments against its net investment in Midco.

4. Financial Risk Management (continued)

(e) Price risk

The Group is exposed to price risk on financial instruments held at fair value.

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

	Fair values at					
Financial assets	2017 $	2016 $	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable input
AFS - Investment in EAM Global Investors, LLC (EAM)	9,200,000	–	Level 3	Discounted cash flow. Future cash flows are determined based on current and projected FUM of the business using various growth rates discounted at 16.5%.	16.5% discount rate Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value.
AFS - Investment in Nereus Holdings LP (Nereus)	–	–	Level 3	Discounted cash flow. Future cash flow are determined from expected cash available for distribution to shareholders. Net cash flows are based on revenues and expenses generated by the two solar projects discounted at 10.5%.	10.5% discount rate Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value.
AFS - Investment in GQG Partners, LLC (GQG)	20,974,277	–	Level 3	Discounted cash flow. Future cash flows are determined based on current and projected FUM of the business using various growth rates discounted at 16.5%.	16.5% discount rate Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value.
FVTPL - Investment in RARE Infrastructure Ltd (RARE)	22,700,000	–	Level 3	Discounted cash flow. Future cash flows are determined based on current and projected FUM of the business using various growth rates discounted at 12% to 14%.	12% to 14% discount rate Long term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the discount rate, the lower the fair value. The higher the growth rate, the higher the fair value.

The fair values of the financial assets and financial liability included in the Level 3 category have been determined in accordance with generally accepted pricing models based a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The financial assets and financial liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 on the degree to which the fair value is observable.

There were no transfers between any levels.

Significant assumptions in determining fair value of financial assets

The fair values of the AFS investments are estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

GQG

In determining the fair value of the investment in GQG, a revenue growth derived from FUM growth factors ranging from 10% to 50% has been used with appropriate probabilities assigned to each, applying an average revenue rate based on the expected, weighted average fees across all funds. In addition, 5% fee compression has been used, discount factor of 16.5% and 3% terminal growth have been applied. If the terminal growth was 1% lower or 2% higher, while all the other variables were held constant, the carrying amount of the equity would increase by $2,344,957 and decrease by $911,928.

Nereus

In determining the fair value of the investment in Nereus, revenues were derived from applying terms of long-term power purchase agreements to the expected output of the solar pv power projects owned by Nereus. Power output was determined using PVSyst, the standard in solar output forecasting. Expenses are based on executed long-term operating and maintenance contracts for the service of the solar projects. With output/revenues and expenses effectively stable, varying the cost of capital demands of a potential acquirer is the primary variable for determining the value of Nereus. Applying a 10.5% cost of capital to the projected earnings of the projects, the total value of the Nereus is approximately US$20M. After redemption of the preferred Class H Shares (US$19.75M) the net proceeds available would be approximately US$250,000. The first US$1.25M of any net proceeds are payable to Nereus management, if net proceeds are less than US$1.25M then Nerues management would receive only the net proceeds. Any net proceeds above $1.25M will then go to the Company. Thus the value of Nereus to the Company is nil at 10.5% cost of capital. Applying 9% cost of capital would result in value in Nereus of approximately US$22M. The proceeds after redemption of the preferred Class H Shares (US$19.75M) would be $2.25M. Of these proceeds, Nereus management would receive the full value of the US$1.25M and the Company would receive the remaining US$1M.

Conversely, an assumed increase in cost of capital of a potential acquirer would reduce the net proceeds of a sale of the Nereus projects, and the value to the Company. For example, an 11% cost of capital would result in a value in Nereus of approximately US$19.6M with the redemption of the preferred Class H Shares remaining at $US19.75M the Company would have an obligation to fund an approximate US$150,000 to redeem the Class H Shares.

EAM

In determining the fair value of the investment in EAM, a revenue growth derived from FUM growth factors ranging from 5% to 175% based on current fund maturity profile and know fund raising activities. Significant growth of potentially 175% in FY 2018 was based on the expectation of a large mandate being awarded which had been assigned a 50% probability weighting to. This mandate is yet to be awarded. The 5% to 20% growth is assumed to normalised in the next four years to FY 2022. In addition, 5% fee compression has been used and a discount factor of 16.5% has been applied. If these revenue inputs to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the equity would increase by $700,930 and decrease by $732,099.

RARE

The fair value of the FVTPL investment in RARE is estimated using a discount cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. In determining the fair value, a revenue growth derived from FUM growth factors ranging from -5% to 10% has been used with appropriate probabilities assigned to each. In addition, 5% fee compression has been used and a discount factor of 12% to 14% has been applied. The nature of the instrument entitles the Group to receive a revenue share based on a sliding scale proportion of the net revenues of RARE that if these revenue inputs to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the equity would increase by $1,300,000 or decrease by $3,000,000.

4. Financial Risk Management (continued)

Sensitivity

As at year end, if the key inputs have moved as per the above, post tax profit/(loss) and reserves would have been affected as follows:

	2017 $	2016 $
Investment held at FVTPL		
10% increase in variable inputs - impact on profit/(loss) after tax	910,000	–
10% decrease variable inputs - impact on profit/(loss) after tax	(2,100,000)	–
AFS investments		
Increase in variable inputs - impact on equity after tax	2,132,122	–
Decrease in variable inputs - impact on equity after tax	(1,150,818)	–

Reconciliation of recurring level 3 fair value movements

For each asset and liability categorised as recurring level 3 fair value measurements, the following table presents the reconciliation of fair value from opening balances to the closing balances.

	2017 $	2016 $
AFS investments		
Acquired through business combination	27,200,000	–
Contributions	667,651	–
Impairment	(667,651)	–
Total gains and losses recognised in other comprehensive income	2,974,277	–
Closing balance	**30,174,277**	**–**
Investment held at FVTPL (RARE)		
Acquired through business combination	22,700,000	–
Total gains and losses recognised in profit or loss	–	–
Closing balance	**22,700,000**	**–**

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

Significant accounting judgments, estimates and assumptions

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

Purchase price allocation

During the year and in any subsequent acquisition of assets by the Group, management ensures that the investments are originally accounted as required under Purchase Price Allocation (PPA), as detailed in Note 11. Typically, management will engage an independent expert to assist in determining the fair value of identifiable intangible assets such as customer relationships, brand and trademarks and intellectual property in addition to goodwill.

Useful lives of other identifiable intangibles

The estimated useful lives of other identifiable intangibles that have finite lives as detailed in Note 20 are determined at acquisition through an independent valuation process. Useful lives are reassessed at each reporting period.

Valuation of investments

In preparing the consolidated financial statements of the Group, management needs to exercise significant judgement in areas that are highly subjective (refer to Note 4(e)). The valuation of assets and the assessment of carrying values as per Note 17 require that a detailed valuation be undertaken which reflects assumptions on markets, manager performance and expected growth to project future cash flows that are discounted at a rate that imputes relative risk and cost of capital considerations.

Impairment of investments

At the end of each reporting period, management is required to assess the carrying values of each of the underlying assets of the Group. Should assets underperform or not meet expected growth targets, a resulting impairment of the investments is recognised if that deterioration in performance is deemed not 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 equity accounted associate below its cost is also an objective evidence of impairment. During the first half year, the Trust impaired its AFS investment in Nereus, and further goodwill attributable to the Trust's subsidiaries. These impairment charges were accounted within Aurora and the Company took its share in these losses through its share in the profits/losses of Aurora. As at 30 June 2017, the AFS investment in Nereus was impaired, refer to Notes 7 (b) and 17.

Impairment of goodwill

At the end of each reporting period, management is required to assess the level of goodwill 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 is recognised if that deterioration in performance is deemed not 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. As at the end of the year, the goodwill was assessed for impairment and it was deemed not to be impaired.

Share based payment transactions

The Company measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using hybrid Monte Carlo/binomial option pricing model with the assumptions detailed in Note 29. 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. In the opinion of the management performance rights do not have a dilutive effect on the earnings per share calculation as the vesting of these rights is uncertain.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

6. Revenues

	2017 $	2016 $
Revenue		
– Fund management fee	7,763,745	–
– Service fees	3,208,638	5,563,683
	10,972,383	**5,563,683**
Other revenue		
Dividends and distributions		
– Dividends	1,096,798	–
	1,096,798	**–**
Interest income		
– Related parties – associates	91,464	–
– Other persons/corporations	153,061	38,968
	244,525	**38,968**
Other income		
– Commission revenue	246,226	–
– Retainer revenue	1,255,093	–
– Rental income	77,906	–
– Adjustment in deferred commitments (Note 22)	1,498,567	–
– Sundry income from other consolidated entities	648,560	–
	3,726,352	**–**
Total revenues	**16,040,058**	**5,602,651**
Net gains on investments		
– Gain on disposal of a joint venture (Note 11 (g))	4,496,157	–
– Net gain on winding up a subsidiary	20,992	–
Total net gains on investments	**4,517,149**	**–**
	20,557,207	**5,602,651**

7. Expenses and Share in Profits/(Losses)

	2017 $	2016 $
Profit/(loss) before income tax has been determined after:		
(a) Salaries and employee benefits:		
– Salaries and employee benefits	6,235,196	3,679,107
– Share based payment expense arising from equity-settled share-based payment transactions	1,121,655	372,659
Total salaries and employee benefits	7,356,851	4,051,766
(b) Other expenses:		
– Accounting and audit fees	365,778	–
– Directors' fees	454,277	574,829
– Insurance expenses	392,631	1,014
– Legal and compliance fees	248,808	–
– Net foreign exchange loss	1,205,290	–
– Operating lease rental – minimum lease payments	507,056	358,514
– Payroll tax	83,435	163,631
– Share registry and ASX fees	118,583	–
– Travel and accommodation costs	856,498	–
– Impairment expense (Note 4(e))	667,651	–
– Other expenses	379,474	7,821
Total other expenses	5,279,481	1,105,809
(c) Depreciation and amortisation expenses:		
– Leasehold improvements	16,518	–
– Furniture and fittings	3,193	–
– Office equipment	26,466	–
– Software	7,980	–
– Client relationships	85,938	–
– Management rights	718,642	–
Total depreciation and amortisation expenses	858,737	–
(d) Interest expenses:		
– East West debt facility	1,289,161	–
– Notes payable - Seizert	427,494	–
– X-RPUs	469,915	–
– Adjustment of deferred commitments	(33,334)	–
– Other	16,483	–
Total interest expenses	2,169,719	–
Total expenses	15,664,788	5,157,575
(e) Share of net profits/(losses) of equity accounted investments:		
– Share in net profits from associates	4,713,122	–
– Share in net profit/(loss) of a joint venture (until 12 April 2017)	6,680,773	(78,486,842)
Total share of net profits/(losses) of equity accounted investments	11,393,895	(78,486,842)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

8. Income Tax

	2017 $	2016 $
(a) Income tax expense/(benefit) recognised in profit or loss		
The major components of income tax expense/(benefit) are:		
Current tax	–	14,157,614
Deferred tax	5,664,967	(43,516,985)
Under/(over) provision in prior years	36,350	(441,947)
Total income tax expense/(benefit) recognised in the current year	**5,701,317**	**(29,801,318)**
(b) Reconciliation between aggregate tax expense/(benefit) recognised in the consolidated statement of profit or loss and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense/(benefit) and the product of accounting profit/(loss) before income tax multiplied by the Company's applicable income tax rate is as follows:		
Prima facie income tax expense on profit before income tax at 30% (2016: 30%)	**4,885,894**	**(23,412,530)**
Add tax effect of:		
– Share-based payments	336,497	111,797
– Uplift of deferred tax on pre-existing 65.15% ownership in the Trust	5,510,620	–
– Trust's non-assessable income	63,266	–
– Under provision of income tax from prior years	36,350	–
– Others	494,399	–
	6,441,132	**111,797**
Less tax effect of:		
– Accounting elimination of Trust's expenses	2,622,284	–
– Franking credits received net of tax	2,924,612	6,058,638
– Capital losses recognised	78,813	–
– Over provision of income tax in prior years	–	441,947
	5,625,709	**6,500,585**
Income tax expense/(benefit) attributable to profit	**5,701,317**	**(29,801,318)**
(c) Provision for income tax		
Provision for income tax	**5,069,098**	**14,157,614**

This represents the balance of unpaid income tax liability that arose as a result of the prior year's capital gains distributions from the Trust.

	2017 $	2016 $
(d) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Tax losses carried forward	3,339,441	–
Impairment of investment in AR Capital Management Pty Ltd (ARCM)	–	217,017
Accruals and provisions	284,536	351,106
Deductible capital expenditures	258,100	100,220
	3,882,077	**668,343**
Deferred tax liabilities		
The balance comprises:		
Investment in the Trust[1]	33,704,922	21,629,773
	33,704,922	21,629,773
Net deferred tax	**29,822,845**	**20,961,430**
(e) Deferred income tax (revenue)/expense included in income tax expense comprises		
Tax losses	3,339,441	(1,531,938)
Deductible capital expenditures	157,880	–
Impairment of investment in ARCM	(217,017)	–
Accruals and provisions and deductible capital expenditures	(81,571)	(53,902)
Investment in the Trust	(8,863,700)	45,102,825
	(5,664,967)	**43,516,985**
(f) Deferred income tax related to items charged or credited directly to equity		
Share of the movement of the Trust's investment revaluation reserve*	–	29,142
Share of the movement of the Trust's foreign currency translation reserve*	–	(2,985,314)
	–	**(2,956,172)**

[1] The increase in the deferred tax was due to the uplift of deferred tax attributable to Aurora as a subsidiary. Refer to Note 11 for the take up of the deferred tax on the 34.85% acquired. The uplift of the deferred tax on the existing equity ownership was taken up in the profit or loss for $5.5m.

* The Trust was treated as an investment in joint venture of which the principles of equity accounting were applied up to the period it was consolidated in the accounts of the Company. The Company took the origination of deferred tax through equity. The Company's share of the Trust's investment revaluation reserve and foreign currency translation reserve ($97,139 and $9,951,045, respectively) was recognised from the prior years. Upon derecognition of the previously equity accounted investment in the Trust, the share of reserve balances in the Trust were also derecognised and treated as addition or reduction in the gain on derecognition of a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

8. Income Tax (continued)

(g) Tax consolidation

As at the date of this report, the Company and Aurora Investment Management Pty Limited are the members of the tax consolidated entity.

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

The Trust and its eligible wholly owned subsidiaries can only join the tax consolidated group at the point in time when all of the Trust's "membership interests" are held by the Company. Membership interests include any unit in the Trust, unless the unit also constitutes a debt interest for purposes of the provisions of the Tax Act. Given that all units in the Trust other than X-RPUs are held by the Company, it follows that if the X-RPUS constitute debt interests, the Company should own 100% of the existing membership interests in the Trust, and therefore the Trust should join the consolidated tax Company. As the X-RPUs are not classified as debt interests for Australian tax purposes due to the existence of contingencies with respect of the Trust's obligation to repay the maximum redemption price of US$42.0 million, instead the X-RPUs are likely to constitute equity interests from inception.

While the Trust was a 100% owned and controlled subsidiary of the Company as at 30 June 2017, the Trust can only join the tax consolidated group upon the redemption of the X-RPUs.

9. Dividends Paid and Proposed

	2017 $	2016 $
Current year interim:		
Fully franked dividend (nil cents per share) (2016: 20 cents per share)	–	5,625,191
Previous year final:		
Fully franked dividend (5 cents per share) (2016: 28 cents per share)	1,406,298	7,738,682
Total paid during the year (5 cents per share) (2016: 48 cents per share)	**1,406,298**	**13,363,873**
Dividends declared after the reporting period and not recognised*		
Since the end of the reporting period the directors have recommended/declared a dividend at $18 cents per share (2016: 5 cents) fully franked at 30%	8,575,619	1,406,298

* Calculation based on the ordinary shares on issue as at 31 July 2017

	2017 $	2016 $
Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
– franking account balance as at the end of the financial year at 30% (2016: 30%)[1]	22,057,878	4,524,639
– franking credits that will arise from the receipt of distributions recognised as receivables by the parent entity at the reporting date	4,178,017	8,655,199
	26,235,895	**13,179,838**
Franking credits that will arise on payment of current tax liability	4,912,287	–
The amounts of franking credits available for future reporting periods:		
– impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the year	(3,675,265)	(602,699)
	27,472,917	**12,577,139**

[1] The increase in franking credits arose from the payment of current tax liabilities.

The tax rate at which paid dividends have been franked is 30% (2016: 30%).

Dividends proposed will be franked at the rate of 30% (2016: 30%).

10. Earnings Per Share

	2017 $	2016 $
The following reflects the income and share data used in the calculations of basic and diluted earnings/(losses) per share:		
Net profit/(loss) attributable to the members of the parent	10,628,889	(48,240,448)

	Weighted average number of shares	
Weighted average number of ordinary shares used in calculating basic earnings/(losses) per share:	31,192,444	28,031,112
Effect of dilutive securities:		
Adjusted weighted average number of ordinary shares used in calculating diluted earnings/(losses) per share	–	–
	31,192,444	28,031,112
Earnings/(losses) per share (cents per share):		
Basic profit/(loss) for the year attributable to the members of the parent	34.1	(172.1)
Diluted profit/(loss) for the year attributable to the members of the parent	34.1	(172.1)

In the opinion of the management performance rights do not have a dilutive effect on the earnings per share calculation as any securities to be allocated on vesting of the performance rights will be purchased on market.

11. Business Combination

During the second half of the year, the Group undertook a simplification of its corporate structure (Simplification) as a result of extensive discussions with various stakeholders in the Trust. The Simplification involved two transactions as follows: 1) exchange of the Trust's Class B and vested B-1 units for 13,675,667 shares (PAC Shares) (Exchange Transaction); and 2) amending the terms of the X-redeemable preference units (X-RPUs) so that the redemption price is fixed at US$21.0 million and the X-RPUs are required to be redeemed on or before 31 March 2018 (Settlement Transaction). The Exchange and Settlement Transactions were approved by the Company shareholders (PAC Shareholders) at the Extraordinary General Meeting held on 15 March 2017 in Sydney, Australia (EGM). The X-RPU holders, Class B and Class B-1 unitholders also approved these transactions on the same date. The primary driver of the Simplification was for the Trust to become wholly-owned by the Company, without materially shifting value among current unitholders in the Trust.

On 13 April 2017, the Company issued the PAC Shares. Accordingly, the Trust became a wholly owned subsidiary of the Company and thus its operations were consolidated as at that date. The acquisition of the remaining 34.85% in the Trust qualified as a business combination achieved in stages and the principles of purchase price accounting in accordance with the AASB 3 as per Note 3(c) were applied. As at 30 June 2016 and up to 12 April 2017, the Company owned 65.15% of the Trust.

Details of the acquisition including consideration transferred and the related gain on acquisition are as follows:

(a) Subsidiary acquired

Aurora Trust is a global multi boutique asset management firm. Its key function and the overall business is investment in asset managers.

Subsidiary	Principal activity	Date of acquisition	Proportion of units acquired %
Aurora Trust	Investment management	13 April 2017	34.85

11. Business Combination (continued)

(b) Consideration transferred

	$
13,675,667 ordinary shares issued on 13 April 2017	**60,446,448**

(c) Fair values of the assets and liabilities of the Trust at the date of acquisition

	Recognised on acquisition at fair value $
Current assets	
Cash and cash equivalents	26,399,375
Trade and other receivables	6,303,505
Loans and other receivables	610,356
Other assets	1,660,454
	34,973,690
Non-current assets	
Loans and other receivables	7,567,808
Other financial assets	49,900,000
Investments in associates	187,952,326
Intangible assets	26,442,548
Plant and equipment	547,571
Other assets	12,279,858
	284,690,111
Current liabilities	
Trade and other payables	(9,762,849)
X-RPUs	(25,860,661)
Financial liabilities	(7,822,280)
	(43,445,790)
Non-current liabilities	
Financial liabilities	(38,047,664)
	(38,047,664)
Fair value of 100% net identifiable assets acquired in the Trust	**238,170,346**

The fair values of the underlying assets and liabilities of the Trust have been determined by an external party.

(d) Goodwill on acquisition

Consideration transferred, 13,675,667 ordinary shares	60,446,448
Fair value of pre-existing 65.15% interest in the Trust	206,138,212
Non-controlling interests	297,701
Fair value of 100% net identifiable assets acquired	(238,170,346)
Deferred tax on the 34.85% interest acquired in the Trust	11,358,873
Goodwill on acquisition of 100% in the Trust	**40,070,888**

(e) Net cash inflow on acquisition

Consideration paid in cash	–
Add: cash and cash equivalents balances acquired	26,399,375
	26,399,375

(f) Impact to revenues and net profit before tax

	Revenues $	Net profit/(loss) before tax $
Amount of revenue and profit or loss of the Trust included in Group accounts since acquisition	12,192,270	8,740,947
Amount of revenue and profit or loss of the Trust that would have been included in Group accounts had acquisition occurred at the beginning of the reporting period	45,592,956	(58,512,039)

(g) Net gain on disposal of the 65.15% equity (Note 6)

The gain on derecognition of a joint venture is composed of:

– Excess of fair value over carrying value of the joint venture being derecognised	(21,523,304)
– Reversal of the share on translating foreign operations of a joint venture derecognised during the year (after tax)	12,745,725
– Reversal of the share on net fair value gain on AFS financial assets of a joint venture derecognised during the year (after tax)	5,467,897
– Reversal of the deferred tax on the share of reserves of a joint venture	7,805,839
	4,496,157

(h) Impact of acquisition on the results of the Group

The Company has prepared a consolidated financial report incorporating the entities that it controlled and jointly controlled during the financial year. As the Trust is owned 100% and controlled by the Company, it is thus consolidated in the accounts of the Company.

12. Segment Information

(a) Reportable segments

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

As at 30 June 2017, the Group's reportable segments under AASB 8 'Operating Segments' are as follows:

- Core boutiques (include Seizert and Aether which are being consolidated; Aperio and IML as equity accounted investments and RARE as FVTPL investment)
- Growth boutiques (include ROC Group and Blackcrane as equity accounted investments and EAM and GQG as AFS investments)
- Other boutiques (Strategic Capital Investments, LLP (SCI)) which is consolidated and all other equity accounted investments)

Core boutiques include holdings in larger strategic partnerships with well established businesses with a relatively stable/growing earnings contribution.

Growth boutiques include smaller capital commitments compared to core boutiques. These are highly scalable opportunities. Emerging managers offer the ability for rapid growth and value creation.

Other boutiques are the ones that are in very early stages of business cycle or contribute smaller portion of earnings compared to Core and Growth boutiques.

As at 30 June 2016, the Company had identified the Trust as the sole operating segment. The Trust was equity accounted by the Company. All the operational and investment activities were undertaken by the Trust. It was the financial performance of the Trust that impacted on the financial performance of the Group as no other significant operations were undertaken by the Company.

12. Segment Information (continued)

(b) Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segments:

	Segment revenue for the year		Segment profit/(loss) after tax for the year	
	2017 $	2016 $	2017 $	2016 $
Core boutiques	14,712,101	–	7,876,917	–
Growth boutiques	(50,831)	–	(50,831)	–
Other boutiques	454,888	–	(922,273)	–
Australian unlisted trust	14,379,416	5,602,651	9,570,327	(54,940,789)
	29,495,574	5,602,651	16,474,140	(54,940,789)
Central administration	2,455,528	–	(5,889,143)	6,700,341
Total per consolidated statement of profit or loss	**31,951,102**	**5,602,651**	**10,584,997**	**(48,240,448)**
Central administration consists of:				
Retainer revenue	1,255,093	–	1,255,093	–
Commission and distribution income	246,226	–	246,226	–
Interest income from other persons/corporations	139,803	–	139,803	–
Fund management fees	102,650	–	102,650	–
Rental income	77,906	–	77,906	–
Sundry	633,851	–	633,851	–
Employee costs	–	–	(2,092,391)	–
Interest expense on X-RPUs and subleases	–	–	(480,165)	–
Depreciation expense	–	–	(43,280)	–
Other operational expenses	–	–	(1,661,308)	–
Income tax expense	–	–	(4,067,528)	–
	2,455,528	**–**	**(5,889,143)**	**–**

As at 30 June 2017, the Australian unlisted trust above includes the equity accounted investment in the Trust from 1 July 2016 until 12 April 2017.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. 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 the purposes of resource allocation and assessment of segment performance.

(c) Segment assets and liabilities

	Segment assets at end of the financial year		Segment liabilities at end of the financial year	
	2017 $	2016 $	2017 $	2016 $
Core boutiques	279,521,261	–	65,878,074	–
Growth boutiques	41,203,557	–	485,246	–
Other boutiques	19,669,980	–	580,527	–
Australian unlisted trust	–	–	–	–
	340,394,798	**–**	**66,943,847**	**–**
Central administration	31,690,829	–	29,957,604	–
Total per consolidated statement of financial position	**372,085,627**	**–**	**96,901,451**	**–**
Central administration consists of:				
Cash and cash equivalents	23,221,622	–	–	–
Trade and other receivables	1,571,583	–	–	–
Prepayments	1,209,530	–	–	–
Other receivables	3,917,420	–	–	–
Other current and non-current assets	1,304,143	–	–	–
Plant and equipment	466,531	–	–	–
Trade creditors, provisions and other payables	–	–	2,187,468	–
X-RPUs	–	–	26,040,479	–
Provision for income tax	–	–	5,069,098	–
Deferred tax asset	–	–	(3,339,441)	–
	31,690,829	**–**	**29,957,604**	**–**

	2017 $	2016 $
Segment net assets at end of the financial year		
Core boutiques	213,643,187	–
Growth boutiques	40,718,311	–
Other boutiques	19,089,453	–
Australian unlisted trust	–	185,765,507
	273,450,951	**185,765,507**
Central administration	1,733,225	1,664,090
Total per consolidated statement of financial position	**275,184,176**	**187,429,597**

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For the year ended 30 June 2017

12. Segment Information (continued)

(d) Other segment information

	2017 $	2016 $
Depreciation and amortisation of segment		
Core boutiques	756,445	–
Growth boutiques	–	–
Other boutiques	59,012	–
Australian unlisted trust	–	–
	815,457	**–**
Central administration	43,280	–
Total per consolidated statement of profit or loss	**858,737**	**–**

(e) Geographical information

2017	Core boutiques $	Growth boutiques $	Other boutiques $	Unallocated $	Total $
Revenues					
Australia	5,397,733	(86,364)	125,846	685,868	6,123,083
US	9,314,368	35,533	329,042	1,769,660	11,448,603
Australian unlisted trust	–	–	–	14,379,416	14,379,416
	14,712,101	**(50,831)**	**454,888**	**16,834,944**	**31,951,102**
Profit/(loss) after tax					
Australia	5,431,066	(86,364)	125,846	(6,057,373)[1]	(586,825)
US	2,445,851	35,533	(1,048,119)	168,230	1,601,495
Australian unlisted trust	–	–	–	9,570,327	9,570,327
	7,876,917	**(50,831)**	**(922,273)**	**3,681,184**	**10,584,997**

Other than Australia and US, no other country represents more than 10% of revenue for the Group and its associates.

[1] This includes the income tax expense during the year.

(f) Information about major customers

No individual customer represents more than 10% of revenue for the Group and its associates.

13. Cash and Cash Equivalents

	2017 $	2016 $
Cash at bank and on hand	32,322,411	2,997,744
Restricted cash	7,925,875	–
	40,248,286	2,997,744

The restricted cash refers to the cash held in escrow for the benefit of the Trust as part of the agreement when the Trustee issued the notes (Notes payable – Seizert) to the former owners of Seizert as part of the consideration for the acquisition by Midco for the equity interest in Seizert as per Note 22 (c).

Under the promissory note, in the event the Trustee sells a material asset, or strategy or receives a distribution with respect to a sale of a material asset or strategy, then the Trustee will deposit the lesser of 1) Cash Obligations or (2) 10% of the net proceeds from such sale, up to the total amount of cash obligations, into an interest bearing separate account held for the benefit of the Trust. Cash obligations means all obligations at the applicable time, less the amount of securities obligations, at the applicable time, in all cases minus any amounts set-off. The sale of the 75% of the equity previously held by the Trust in RARE in October of 2015 is considered a sale of a material asset.

On 12 August 2017, the restricted cash held in escrow amounting to US$6,083,938 was released and paid to the holders of notes payable - Seizert as an initial payment on the notes.

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	2017	2016
Cash and cash equivalents	40,248,286	2,997,744
	40,248,286	2,997,744

(b) Reconciliation of cash flow from operations with profit after income tax

	2017	2016
Profit/(loss) from ordinary activities after income tax	10,584,997	(48,240,448)
Adjustments and non-cash items:		
Dividends and distributions received from equity accounted investments	3,107,095	71,855,912
Elimination of intercompany advances	2,421,634	–
Non-cash interest expense	1,712,368	–
Share-based payments	1,121,655	372,659
Depreciation and amortisation expenses	858,737	–
Impairment of AFS financial assets	667,651	–
Reinvestment of distributions in the Trust	(10,827,886)	(55,381,640)
Share of net (profit)/losses from joint venture	(6,680,773)	78,486,842
Share of net profit from associates	(4,713,122)	–
Net gains on derecognition of joint venture	(4,496,157)	–
Adjustment in deferred commitments	(1,498,567)	–
Other	62,507	(944,219)

13. Cash and Cash Equivalents (continued)

	2017 $	2016 $
Changes in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	11,364,318	(1,860,832)
(Increase) in other assets	(198,062)	–
(Decrease) in trade and other payables	(6,941,772)	(1,327)
(Decrease)/increase in current tax liabilities	(9,088,516)	14,065,317
Net decrease/(increase) in deferred taxes	5,279,522	(43,014,713)
Increase/(decrease) in provisions	83,980	(32,177)
Cash flows (used in)/from operating activities	**(7,180,391)**	**15,305,374**

(c) Non-cash investing and financing activities

Investing activities		
Reinvestment of distributions received from the Trust	(71,274,334)	(60,381,631)
	(71,274,334)	**60,381,631**
Financing activities		
Issuance of ordinary shares in exchange for the units of the Trust	60,446,448	4,999,991
	60,446,448	**4,999,991**

14. Trade and Other Receivables

	2017 $	2016 $
Current		
Trade receivables	6,668,575	1,017,762
Sundry receivables	177,463	61,203
Related party receivables:		
– Joint venture – distributions	–	10,827,886
	6,846,038	**11,906,851**

Trade receivables are non-interest bearing and generally on 30 day terms.

(a) Allowance for impairment loss

Trade and other receivables ageing analysis at 30 June is:

	Gross 2017 $	Gross 2016 $
Not past due	6,846,038	11,480,367
Past due 31-60 days	–	–
Past due 61-90 days	–	237,183
Past due more than 91 days	–	189,301
	6,846,038	**11,906,851**

Receivables past due but not impaired is $nil (2016: $426,484). Management is satisfied that payment will be received in full.

Bad debts written off during the financial year were $4,763 (2016: $nil) and there were no provisions for bad debts as at year end (2016: $nil).

An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No allowance for impairment losses has been made.

(b) Related party receivables

For terms and conditions of related party receivables refer to Note 34.

(c) Fair value and credit risk

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

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

15. Loans and Other Receivables

	2017 $	2016 $
Current		
Advances to other related party	303,682	–
Non Current		
Loans receivable due from associates	3,292,247	–

All amounts are receivable in Australian dollars and are not considered past due or impaired.

The advances to other related party of $303,682 has a maturity date of 31 December 2017. Interest rate on the advances is 8%. The loans receivable due from associates represent the loans to ROC Partners (2016: $nil). Maturity date is five (5) years from first drawdown date which was 29 May 2014. Interest rate on the loan is 8%.

16. Other Assets

	2017 $	2016 $
Current		
Prepayments	2,359,907	–
Other current assets	14,696	–
	2,374,603	**–**
Non Current		
Security deposit – HSBC escrow account[1]	6,513,770	–
Receivable from Raven[2]	3,917,420	–
Other security deposits and assets	1,332,581	–
	11,763,771	**–**

[1] Pursuant to and in connection with the Aurora Share Subscription and Assignment Deed, dated 28 July 2015, by and between Hareon Solar Singapore Private Limited (Hareon), the Trustee, Nereus Capital Investments (Singapore) Pte. Ltd (NCI), and Nereus, Holdings LP, (Nereus), the Trust agreed to make a contingent "Additional Contribution" to NCI of up to US$25,000,000. 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. The exercise of the put option and the potential $25.0m contingent additional contribution have been factored in the fair value calculation. Pursuant to the Shareholders' 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. The Trust further agreed to place US$5,000,000 in an escrow account with the Hong Kong and Shanghai Banking Corporation Limited Singapore (the Escrow Account). The amounts can be drawn upon by NCI if and when certain prescribed thresholds with regard to annual revenues of NCI are not achieved. The Trust shall contribute additional amounts to the Escrow Account equal to any amounts drawn down by NCI pursuant to the previous sentence, so that the balance of the Escrow Account will be US$5,000,000. The account will be closed and all funds distributed to the Trust at the redemption of the Class H Shares of NCI, which are held by Hareon. NCI currently expects to redeem all Class H Shares in the next twelve months through the proceeds of a sale of the solar assets held by NCI. Nereus was accounted as AFS investment. As at 30 June 2017, the fair value is $nil. Refer to Note 4(e) and Note 17.

[2] This is the earn out component as part of the consideration on the sale of the Investment in Raven. The earn out is based upon new FUM received. Payments will be calculated quarterly until the US$3,500,000 earn out cap is met. The earn-out was discounted by using an 8% rate to determine the net present value of the future payments from Raven.

17. Other Financial Assets

	2017 $	2016 $
Non Current		
Financial assets at FVTPL		
Investment in RARE Infrastructure Ltd (RARE)[1]	22,700,000	–
AFS investments		
Investment in EAM[2]	9,200,000	–
Investment in Nereus[3]	–	–
Investment in GQG[4]	20,974,277	–
Total available-for-sale financial assets	**30,174,277**	**–**
Total other financial assets	**52,874,277**	**–**

[1] Investment held at FVTPL represents 10% interest in RARE subject to a two year differentiated option pricing: call option by Legg Mason at a fixed multiple of RARE revenues or put option by the Trust at 'fair market value' and an earn-out arrangement. The earn-out payments are contingent to the achievement of growth by RARE and are recognised only when they are reliably measured and it is probable that the economic benefits will flow to Aurora. The fair value as at 30 June 2017 was based on net present value of the discounted cash flows of this investment. Refer to Note 4 (e) for details.

[2] EAM Investors, LLC (EAM), founded in July 2007 is organised as a California Limited Liability Company. EAM Global Investors LLC (EAM Global), founded in March 2014 is organised as a Delaware Limited Liability Company. EAM and EAM Global collectively (the EAM) comprise a privately owned investment advisor with EAM and EAM Global each individually being registered with the U.S. Securities and Exchange Commission. EAM offers investment advisory services on a discretionary basis to mutual funds, private pools, pension and profit sharing plans, trusts, estates, and charitable organisations. Client relationship asset levels generally range between $5 million and $150 million. The Company generates the majority of its revenues by providing advisory services to domestic customers. Fees for such services are asset based and as a result the Company's revenues are variable and subject to market volatility.

[3] The Trust and MidCo own interests in Nereus, a private equity firm based in India focused on renewable energy assets, and in NCI. During the period, the investment in Nereus of $667,651 was fully impaired.

[4] GQG was formed on April 4, 2016 in the state of Delaware as a limited liability company. GQG is registered with the Securities and Exchange Commission as an investment advisor and provides investment advisory and asset management services to a number of investment funds and managed accounts for US and Non-US investors. The Company acts as investment manager for GQG Partners International Equity Fund, GQG Partners Global Equity Fund, GQG Partners Emerging Markets Equity Fund as well as two mutual funds that invest in global and emerging markets equities.

The fair values of the AFS investments as at 30 June 2017 were based on net present value of the discounted cash flows of these investments. Refer to Note 4 (e) for details.

18. Investments in Associates

	2017 $	2016 $
Non Current		
Investments in associates	188,974,745	–

(a) Name of associates

Associates	Reportable segments	Principal activity	Ownership interest 2017 %	Ownership interest 2016 %	Place of incorporation and operation
Investors Mutual Ltd – ordinary shares	Core	Funds Management	45.44	–	Australia
ROC Group (see below)	Growth	Funds Management	17.59	–	Australia
Celeste Funds Management Limited – ordinary shares	Other	Funds Management	27.48	–	Australia
Freehold Investment Management Limited – ordinary shares	Other	Funds Management	30.89	–	Australia
AlphaShares, LLC	Other	Funds Management	31.03	–	USA
Aperio Group, LLC	Core	Funds Management	23.38	–	USA
Blackcrane Capital, LLC	Growth	Funds Management	25.00	–	USA
Goodhart Partners, LLP (UK)	Other	Funds Management	18.81	–	UK
Northern Lights Alternative Advisors Ltd	Other	Funds Management	20.00	–	UK
Aether GPs	Core	Funds Management	25.00	–	USA

The Trust was consolidated to the Company on 13 April 2017 therefore, these associates effectively became associates of the Company on 13 April 2017.

Investors Mutual Ltd provides a funds management capability specialising in Australian equities to both institutional and retail investors.

ROC Group includes ROC Partners Pty Ltd, ROC Management Services Trust and ROC Partners (Cayman) Limited. Ownership in ROC Group constitutes shares or units held in these three entities. The Trust's ownership interest changed to 17.59% effective February 2017. Prior year ownership in the three entities were 31.10%; 15.03% and 15.03% respectively.

Celeste Funds Management Limited is an Australian equity manager with smaller company focus. The equity holding in Celeste is legally owned by the Company, but the economic benefits flow to the Trust and therefore the investment carrying value and the share of net profits/ (losses) of Celeste are reflected in the Trust.

Freehold Investment Management Limited is a specialist investment manager focusing on Australian and global real estate and infrastructure sectors.

AlphaShares, LLC provides investors with direct exposure to Chinese markets primarily through a series of China indexes.

18. Investments in Associates (continued)

Aperio, based in Sausalito, California is an investment management firm with highly customised index based portfolios using Aperio's expertise in tax management, factor tilts and passive investments. It is a pioneer in designing and managing custom portfolios to track index benchmarks or deliver targeted risk, factor, geographic, or industry exposures, customised to a client's specific tax situation, values and/ or desired economic exposure. Aperio works with both taxable and tax exempt investors to track a broad range of USA and international indexes. The Trust holds two of six board seats at Aperio.

Blackcrane Capital, LLC is boutique asset management firm focusing on global and international equities.

Goodhart Partners, LLP (UK) is a multi boutique manager with investment strategies across global equities, Japan equities and emerging markets.

Northern Lights Alternative Advisors Ltd is a strategic partner and financial advisory business for private companies, hedge funds and private equity.

Aether Real Assets GP I, LLC, Aether Real Assets GP II, LLC, Aether Real Assets GP III, LLC, Aether Real Assets III Surplus GP, LLC (collectively the Aether GPs) 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 Aether GPs are responsible for the operation of the Funds and the conduct and management of its business.

(b) Carrying amount of investments in associates

	2017 $	2016 $
Acquired through business combination	187,952,326	–
Acquisition/contribution	92,301	–
Share of net profits/(losses) of associates	4,713,122	–
Share of unrealised gains reserve of an associate	48,101	–
Dividends and distributions received/receivable	(3,107,095)	–
Foreign currency movement	(724,010)	–
Balance at the end of the year	**188,974,745**	**–**

(c) Summarised financial information for associates

2017	Aperio Group, LLC $	Investors Mutual Group $	Aggregate of other associates which are not deemed material $	Total $
Current assets	10,308,829	24,465,316	20,557,797	55,331,942
Non-current assets	541,735	19,212,947	24,468,908	44,223,590
Current liabilities	(4,182,204)	(9,495,753)	(7,308,303)	(20,986,260)
Non-current liabilities	(1,476,522)	(661,317)	(12,814,262)	(14,952,101)
Net assets	**5,191,838**	**33,521,193**	**24,904,140**	**63,617,171**
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	9,855,102	16,681,987	10,991,668	37,528,757
Current financial liabilities (excluding trade and other payables and provisions)	(1,472,112)	–	(2,074,411)	(3,546,523)
Non-current financial liabilities (excluding trade and other payables and provisions)	–	–	(7,341,805)	(7,341,805)
13 April to 30 June 2017				
Revenue for the period	13,310,918	14,044,161	9,796,755	37,151,834
Profit after tax for the period	6,677,372	6,783,995	1,765,384	15,226,751
Other comprehensive income for the period	–	48,101	–	48,101
Total comprehensive income for the period	6,677,372	6,832,096	1,765,384	15,274,852
Dividends/distributions received during the period	1,006,981	2,045,267	54,847	3,107,095
The above profit after tax for the period includes the following:				
Depreciation and amortisation	20,226	65,518	264,123	349,867
Interest income	–	47,857	5,762	53,619
Interest expense	–	–	211,067	211,067
Income tax expense	–	3,308,244	84,279	3,392,523
Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements:				
Net assets of the associates before determination of fair values	5,191,838	33,521,193	24,904,140	63,617,171
Ownership interest in %	23.38%	45.44%		
Proportion of the Group's ownership interest in the associates	1,213,852	15,232,030	5,674,130	22,120,012
Goodwill	63,106,175	88,426,506	15,604,515	167,137,196
Amortisation of other identifiable assets of the associates as per PPA	(158,947)	(95,000)	(28,516)	(282,463)
Balance at the end of the year	64,161,080	103,563,536	21,250,129	188,974,745

19. Investment in Joint Venture

	2017 $	2016 $
Non Current		
Investment in joint venture	–	210,056,666

(a) Interest in joint venture

		Ownership interest		
Joint venture	**Principal activity**	**2017 %**	**2016 %**	**Place of registration and operation**
Aurora Trust – units	Funds Management	–	65.15	Australia

(b) Change in the Group's ownership interest in the joint venture

On 13 April 2017, the Company acquired the remaining 34.85% of the Trust by virtue of the Simplification as discussed in Note 11. Accordingly, the Trust became a wholly owned subsidiary of the Company effective as at that date. The acquisition of the Trust qualified as a business combination achieved in stages and the principles of purchase price accounting in accordance with the AASB 3 as per Note 3(c) were applied.

As at 30 June 2016 and up to 12 April 2017, the Company owned 65.15% of the Trust. Whilst the ownership exceeded 50% and resulted in a presumption of control, the Trust was considered a joint venture arrangement between the Company, Northern Lights and BNP Paribas and accounted for using the equity method. The Company and Northern Lights contributed their businesses to the Trust to conduct investment activities, and BNP Paribas was an investor in Northern Lights prior to the merger between the Company and Northern Lights. The key function of the Trust and the overall business is investment in asset managers. Former Northern Lights executives were responsible for investment analyses and recommendations as investment due diligence and recommendations were undertaken by the majority Northern Lights controlled investment committee. Investment decisions require approval by a majority vote of the Trustee board. The decision-making process leading to execution required all parties to agree. It was therefore deemed appropriate that the Trust be reflected as a joint venture investment.

(c) Carrying amount of investment in joint venture accounted for using the equity method

	2017 $	2016 $
Balance at the beginning of the year	210,056,666	290,163,883
Reinvestment of distribution payable by Trust	10,827,886	60,381,631
Share of net profits/(losses) of investment in joint venture	6,680,772	(78,486,842)
Share of unrealised gains reserve of investment in joint venture	5,729,417	(97,139)
Share in unrealised foreign currency translation reserve	(5,633,224)	9,951,045
Distributions received/receivable	–	(71,855,912)
Disposal of investment in joint venture	(227,661,517)	–
Balance at the end of the year	**–**	**210,056,666**

(d) Summarised financial information in respect of the Group's investment in joint venture

The summarised financial information below represents amount shown in the joint venture's consolidated financial statements in accordance with AASB 128 ('Investments in Associates and Joint Ventures').

	2017 $	2016 $
Current assets	–	30,890,115
Non-current assets	–	411,833,098
Current liabilities	–	(45,982,007)
Non-current liabilities	–	(73,939,097)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents (including restricted cash)	–	20,784,134
Current financial liabilities (excluding trade and other payables and provisions)	–	(21,874,929)
Non-current financial liabilities (excluding trade and other payables and provisions)	–	(73,939,097)
Revenue	–	38,400,404
Profit/(loss) for the year	–	(120,484,314)
Other comprehensive (loss)/income for the year	–	14,693,516
Total comprehensive profit/(loss) for the year	–	(105,790,798)
Distributions received/receivable from the joint venture during the year	–	71,855,912
The above income/(loss) for the year includes the following:		
Depreciation and amortisation	–	2,496,045
Interest income	–	613,470
Interest expense	–	10,718,834
Income tax expense[1]	–	1,975,742
Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture derecognised in the consolidated financial statements:		
Net assets of the joint venture before determination of fair values	–	322,802,109
Ownership interest in %	–	65.15
Proportion of the Company's ownership interest in the joint venture	–	210,305,574
Carrying amount of the Company's interest in the joint venture[2]	–	210,056,666

[1] This is the income tax expense of the joint venture's subsidiaries.

[2] The discrepancy between the Company's share of net assets of the Trust and the carrying value of the investment in the Trust before derecognition is due to the impact of equity accounting the share in losses of the Trust which is based on ownership at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

20. Intangible Assets

	2017 $	2016 $
Goodwill		
Goodwill at cost	39,591,536	–
Provision for impairment loss	–	–
Net goodwill	**39,591,536**	**–**
Other identifiable assets, at carrying amount		
Management rights	12,700,801	–
Brand and trademark	7,238,587	–
Customer relationships	5,315,334	–
Total other identifiable assets	**25,254,722**	**–**
Total intangible assets	**64,846,258**	**–**

(a) Cash-Generating Units (CGUs)

As at 13 April 2017, the Goodwill had been allocated to the following CGUs:

Goodwill (Note 11)	40,070,888
Allocation:	
Aether	21,865,236
Seizert	18,205,652
	40,070,888

Aether

The recoverable amount of Aether as a cash-generating unit is determined based on a value in use calculation which uses cash flow projections by Aether for the business which includes expected revenues from existing funds which are largely certain and anticipated new fund raising every two years. A ten-year discrete period was applied as it is believed that it is sufficient time for the business to be in steady state in terms of launching new funds based on the existing plan for the business. A weighted average discount rate of 16% was applied in the cash flow projections during the discrete period. In addition, a tax rate of 35% is applied. The tax benefits associated with the tax deductible amortisation of acquired intangibles in the assessed value was also included in the cash flow projections. The terminal growth rate of 3% was applied.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Seizert

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections by Seizert for the business which includes expected revenues from existing funds (which are largely certain), as well as expectation of timing and size of funds to be launched covering a five-year period. A market growth rate of 5% per annum based on a relatively conservative estimate of prospective returns from the underlying asset classes. No new inflows until FY 2019 is assumed that is reflecting the stabilization of the funds and improved performance which has stemmed from recent inflows. Once stabilized, the fund is projected to have inflows of 6% based on its previous track record and further diversification of distribution sources from defined benefit funds into retail and other channels. A weighted average discount rate of 13.5 was applied in the cash flow projections during the discrete period. The terminal growth rate of 3% was applied.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

The goodwill is assessed for impairment every reporting period.

The following useful lives are used in the calculation of amortisation:

	Management rights	Customer relationships
Aether	5 years	Not applicable
Seizert	Not applicable	16 years
SCI	1.5 years	Not applicable

(b) Reconciliation

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year:

2017	Goodwill $	Management rights $	Brand and trademark[1] $	Customer relationships $	Total $
Acquired through business combination	40,070,888	13,649,848	7,326,020	5,466,679	66,513,435
Amortisation expense	–	(718,642)	–	(85,938)	(804,580)
Effect of foreign currency differences	(479,352)	(230,405)	(87,433)	(65,407)	(862,597)
Balance at end of the year	**39,591,536**	**12,700,801**	**7,238,587**	**5,315,334**	**64,846,258**

[1] These intangibles have no definite lives.

21. Trade and Other Payables

	2017 $	2016 $
Current		
Trade creditors	214,429	27,590
Other payables	4,607,532	1,858,030
Related parties other payables – Trust	–	115,264
	4,821,961	**2,000,884**

(a) Fair value

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

(b) Related party payables

For terms and conditions relating to related party payables please refer to Note 34.

(c) Interest rate and liquidity risks

Trade and other payables are non-interest bearing. Liquidity risk exposure is not regarded as significant. Trade, other and related party payables are all due within less than 90 days.

22. Financial Liabilities

		2017 $	2016 $
Current			
X-RPUs	(a)	26,040,479	–
Share of deferred commitments	(b)	1,732,353	–
Sublease liability		208,745	–
		27,981,577	**–**
Non Current			
Notes payable – Seizert	(c)	26,240,639	–
Share of deferred commitments	(b)	1,857,567	–
Sublease liability		612,048	–
		28,710,254	**–**

(a) X-RPUs

As at 15 March 2017, the Trust resettled its X-PRUs. Before resettlement, full payment of the US$42m face value of the X-RPUs was contingent on the performance of six previously held Northern Lights asset management firms, relative to two asset management firms previously owned by PAC before forming the Aurora Trust. The Settlement Transaction resulted in the new face value of this debt being a fixed amount of US$21m, to be repaid on or before 31 March 2018, and will bear interest at a rate beginning at 10% per annum if not repaid by that date. A 7.25% discount rate was applied to determine the net present value of this liability as at 15 March 2017. The gain on revaluation of the instrument of $2,538,069 which was the difference between the fair value of the instrument as at 31 December 2016 and the net present value of $25,789,371 was recorded by the Trust on 15 March 2017 before the Trust was consolidated to the Company's accounts.

(b) Share of deferred commitments

This represents the 40% share of the Trust for the deferred commitments to RARE in accordance with the side agreement amongst the former owners of RARE to lock in the employment of the investment team with RARE for a certain number of years. An 8% discount rate was applied to determine the net present value of this liability as at 21 October 2015. The current portion is due in September 2017.

(c) Notes payable – Seizert

In November 2015, the Trust issued notes for A$20,226,070 (US$17,500,000) to the former owners of Seizert as part of the consideration for the acquisition by Midco for the equity interest in Seizert. The interest rate associated with the note equals the twelve-month LIBOR rate plus 5%. The note is subject to two repayment dates, 50% of the total outstanding due and payable on 24 November 2018 and the remaining 50% due and payable on 24 November 2019.

On 12 August 2017, the restricted cash held in escrow amounting to US$6,083,938 was released and paid to the holders of Notes payable - Seizert as an initial payment. Refer to Note 13 for details.

(d) Movement of financial liabilities

2017	Acquired through business combination $	Amortisation of loan fees $	Interest accrued/ Imputed interest $	Repayment/ (Adjustment) $	Foreign currency movement $	Total $
Current						
East West debt facility[1]	5,938,387	662,585	451,117	(7,127,630)	75,541	–
X-RPUs	25,860,661	–	469,915	–	(290,097)	26,040,479
Share of deferred commitments	1,675,400	–	–	56,953	–	1,732,353
Sublease liability	208,493	–	2,815	–	(2,563)	208,745
Balance	**33,682,941**	**662,585**	**923,847**	**(7,070,677)**	**(217,119)**	**27,981,577**
Non-current						
East West debt facility[1]	6,419,396	175,458	–	(6,676,513)	81,659	–
Notes payable-Seizert	27,501,622	–	427,494	–	(1,688,477)	26,240,639
Share of deferred commitments	3,446,421	–	(33,334)	(1,555,520)	–	1,857,567
Sublease liability	680,225	–	7,435	(68,974)	(6,638)	612,048
Balance	**38,047,664**	**175,458**	**401,595**	**(8,301,007)**	**(1,613,456)**	**28,710,254**

[1] On 14 December 2016, the Group secured a debt facility of US$10m from East West Bank with a US Prime plus 3.50% interest rate secured over a two-year period to fund the second and final payment of US$16.3 million for the Group's investment in Aperio. The balance of the repayment for the investment in Aperio was funded out of existing cash. The debt facility was fully paid in 29 June 2017.

23. Provisions

	2017 $	2015 $
Current		
Provision for annual leave, beginning balance	236,468	328,765
Provisions during the year	219,712	70,713
Annual leave taken	(111,078)	(163,010)
Provision for annual leave, closing balance	**345,102**	**236,468**
Non Current		
Provision for long service leave, beginning balance	175,268	207,445
Provisions during the year	(24,654)	(32,177)
Long service leave taken	–	–
Provision for long service leave, closing balance	**150,614**	**175,268**

24. Share Capital

(a) Issued capital

	2017 $	2015 $
Issued and fully paid ordinary shares	166,278,319	74,556,705

(b) Movements in ordinary shares on issue

	2017		2016	
	No of shares	$	No of shares	$
Opening balance	28,125,955	74,556,705	27,604,144	69,500,943
Shares issued:				
31 July 2015	–	–	34,007	55,771
7 September 2015	–	–	487,804	4,999,991
13 April 2017	13,675,667	60,446,448	–	–
21 June 2017	5,840,708	31,275,166	–	–
	19,516,375	91,721,614	521,811	5,055,762
Balance at end of the year	**47,642,330**	**166,278,319**	**28,125,955**	**74,556,705**

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

On 23 June 2017, the Company completed an Institutional Placement to raise approximately $33 million at $5.65 per fully paid ordinary share. A total of 5,840,708 new shares were issued. Total transaction costs of $1,724,835 were deducted from the proceeds and capitalized against the share issue. The issue was fully underwritten and the new shares rank equally with existing shares and entitled to the final dividend for 2017. The proceeds of the placement were used to strengthen the balance sheet with the repayment of debt that was originally sourced to finance the second tranche of Aperio and to satisfy obligations on the deferred settlement with respect to Seizert. In addition, an accelerated payment was made with respect to the tax liability that had arisen due to the capital gain crystallised on the sale of RARE in October 2015.

On 13 April 2017, the Company issued 13,675,667 fully paid ordinary shares in exchange for Class B units and vested Class B 1 units in the Trust by virtue of the Simplification discussed on Note 11.

Rights of each type of share

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

Long-term incentives – performance rights

Refer to Note 29 for the issue of performance rights.

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 2017, the Company paid dividends of $1,406,298 (2016: $13,363,873) and repaid bank debt of US$10.0m. The Board anticipates that the payout ratio is 60-80% of the underlying earnings of the Company. 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.

25. Reserves

	2017 $	2016 $
Foreign currency translation reserve	233,378	16,688,985
Equity-settled employee benefits reserve	4,377,006	3,255,351
Investment revaluation reserve	3,347,823	1,457,306
	7,958,207	**21,401,642**

(a) Foreign currency translation reserve

The reserve records the Group's foreign currency translation reserve which is derived from foreign exchange differences arising on translation of the Trust's foreign operations. The comparative is the Company's share of after tax foreign currency translation reserve of the Trust which was transferred to the current profit or loss when the equity accounted investment in the Trust was derecognised.

Movements in reserve		
Opening balance	16,688,985	9,723,255
Exchange differences on translating foreign operations of a subsidiary	233,378	–
Share on exchange differences on translating foreign operations of a joint venture (after tax)	(3,943,260)	6,965,730
Reversal of the share on translating foreign operations of a joint venture derecognised during the year	(12,745,725)	–
Closing balance	**233,378**	**16,688,985**

(b) 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 29 for further details of these plans.

	2017 $	2016 $
Movements in reserve		
Opening balance	3,255,351	2,938,463
Share based payments expensed	1,121,655	372,659
Issuance of shares due to vesting of performance rights	–	(55,771)
Closing balance	**4,377,006**	**3,255,351**

(c) Investment revaluation reserve

This reserve records the Group's gain on its AFS investments and the share on the after tax gain of an associate's AFS investments. The comparative is the Company's share of after tax gain on AFS investments of the Trust which was transferred to the current profit or loss when the equity accounted investment in the Trust was derecognised.

	2017 $	2016 $
Movements in reserve		
Opening balance	1,457,306	1,569,431
Share of net fair value gain on AFS financial assets of a joint venture (after tax)	4,010,591	(112,125)
Reversal of the share on net fair value gain on AFS financial assets of a joint venture derecognised during the year (after tax)	(5,467,897)	–
Share of net fair value gain on AFS financial asset of an associate (after tax)	48,101	–
Net fair value gain on AFS financial assets	3,299,722	–
Closing balance	**3,347,823**	**1,457,306**

26. Retained Earnings

	2017 $	2016 $
Retained earnings at beginning of year	91,471,250	153,075,571
Net profit/(loss)	10,628,889	(48,240,448)
Dividends provided for or paid	(1,406,298)	(13,363,873)
	100,693,841	**91,471,250**

27. Non-Controlling Interests

	2017 $	2016 $
Balance at beginning of year	–	–
Recognition of non-controlling interests acquired through business combination, Note 11	297,701	–
Share of profit attributable to the non-controlling interests	(43,892)	–
Balance at end of the year	**253,809**	**–**

The non-controlling interest represents 46% in SCI.

28. Operating Lease Commitments

The Company has entered into commercial property leases to meet its office accommodation requirements. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals payable under non cancellable operating leases as at 30 June are as follows:

	2017 $	2016 $
Future minimum rentals:		
Minimum lease payments		
– not later than one year	922,075	234,386
– later than one year and not later than five years	2,230,246	–
– later than five years	232,082	–
Aggregate lease expenditure contracted for at reporting date	**3,384,403**	**234,386**
Amounts not provided for:		
– rental commitments	3,384,403	234,386
Aggregate lease expenditure contracted for at reporting date	**3,384,403**	**234,386**

29. Employee Benefits and Superannuation Commitments

The Group Long Term Incentive 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 is 1 July 2019.

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.

Mr Greenwood will become entitled to the issue of another 250,000 performance rights on 5 October 2017 provided that he is still employed on that date, subject to vesting conditions.

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

On 7 August 2016, the 100,000 performance rights that were issued to an officer on 7 August 2013 did not vest.

In the opinion of the management performance rights do not have a dilutive effect on the earnings per share calculation as any securities to be allocated on vesting of the performance rights will be purchased on market.

The amount of performance rights amortisation expense for the period was $1,121,655 (2016: $372,659).

30. Events Subsequent To Reporting Date

On 31 August 2017, the directors of the Group declared a final dividend on ordinary shares in respect of the 2017 financial year. The total amount of the dividend is $8,575,619 which represents a fully franked dividend of 18 cents per share. The dividend has not been provided for in the 30 June 2017 consolidated financial statements.

On 25 August 2017, the Company received notice from shareholders, Mr Michael de Tocqueville and Advocate Partners Pty Ltd, an entity controlled by Mr de Tocqueville, has made application under section 247A of the Corporations Act 2001, for the inspection of certain documents in relation to the establishment of the joint venture between Treasury Group Limited and Northern Lights Capital Partners, LLC.

The stated purpose for the application is to obtain the information to allow or assist in the determination of whether the de Tocqueville interests should continue to hold Pacific Current Group shares and whether there may be claims to be brought against the Company's directors related to the creation of that joint venture.

The Company previously offered to provide the documents requested under an industry standard confidentiality agreement. This offer was rejected by Mr de Tocqueville.

On 12 August 2017, the restricted cash held in escrow amounting to US$6,083,938 was released and paid to the holders of Notes payable - Seizert as an initial payment to the notes. Refer to Note 13 for details.

Apart from the above, there has been no matter or circumstance, which has arisen since 30 June 2017 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2017, of the Group, or

(b) the results of those operations, or

(c) the state of affairs, in financial years subsequent to 30 June 2017, of the Group.

31. Key Management Personnel Disclosures

	2017 $	2016 $
(a) Compensation received by key management personnel of the company		
– short term employee benefits	2,313,473	3,809,189
– post employment benefits	72,600	79,039
– share based payments	864,549	213,497
– others[1]	–	824,421
	3,250,622	4,926,146

[1] This was a special arrangement for Mr Carver in the prior year. Mr Carver's employment contract was renegotiated as part of Mr Carver's stepping up as a Chief Executive Officer (CEO) following Mr Andrew McGill's departure as CEO of the Group on 31 August 2015. Mr Carver agreed to relinquish certain rights and entitlements to which he was previously entitled under his prior arrangement with Northern Lights and agreed to include non-compete provisions in his contract, in exchange for a one-time payment of US$600,000 at signing of the contract subject to remaining employed through to 30 September 2016. On 30 April 2016, Mr Carver resigned as CEO and transitioned from being an Executive director to being a Non-executive director. Mr Carver resigned as Non-executive director on 21 October 2016.

(b) The names of key management personnel during the year are:

Name	Position	Term as KMP
(i) Non-executive directors		
M. Fitzpatrick	Chairman, non executive	Full financial year
M. Donnelly	Non executive director	Full financial year
G. Guérin	Non executive director	Full financial year
P. Kennedy	Non executive director	Full financial year
T. Carver	Non executive director	Ceased 21 October 2016
J. Vincent	Non executive director	Ceased 13 April 2017
(ii) Executive directors		
P. Greenwood	Global CIO and President, North America	Full financial year
T. Robinson	Executive director	Full financial year
J. Ferragina	Finance director	Resigned 24 October 2016
(iii) Senior executive		
J. Ferragina	COO and CFO Australia	Full financial year

Each year, KMP STI are paid in two instalments being 50% following the performance year in August and 50% in June the following year. For the current year, only the 50% payable in August is provided for as at 30 June 2017. For the comparative period, only the 50% payable in August was provided for as at 30 June 2016.

(c) Transactions with directors and director related entities

Mr Greenwood was a Class B and B 1 unitholder in the Trust. As a result of the Exchange Transaction discussed on Note 11, Mr Greenwood received 531,781 PAC shares.

Both Mr Vincent and Mr Guerin represent stakeholders who were Class B and B 1 unitholders in the Trust. As a result of the Exchange Transaction discussed on Note 11, the stakeholders whom they represent received 3,004,887 and 3,399,252 PAC shares respectively

(d) Loans to KMP

No loans have been advanced to KMP at any stage during the financial year ended 30 June 2017 (2016: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

32. Auditors' Remuneration

	2017* $	2016** $
Amounts received or due and receivable by Deloitte Touche Tohmatsu:		
– an audit or review of the financial report of the entity	68,250	66,150
– an audit or review of the financial report of any other entity in the consolidated group	206,063	–
– tax advisory and compliance services	231,234	–
– other non-audit services	20,000	489,990
Network firm of the parent entity auditor:		
– an audit or review of the financial report of the entity and any other entity in the consolidated group	25,623	–
Other firms:		
– amount received or due receivable by other audit firms	234,762	–
	785,932	556,140

* Auditor's remuneration in the current year includes amounts attributable to the Company for the whole year and borne by the Group from the date of acquisition of the Trust on 13 April 2017. Amounts attributable to the audit of the Trust for the period from 30 June 2016 to 12 April 2017 is recognised by the Group as part of share of net profits/(losses) of a joint venture.

** Auditor's remuneration and non audit services in the prior year was borne by the Trust on behalf of the Company.

33. Interests In Subsidiaries

(a) Subsidiaries

The following are the Company's subsidiaries:

		Ownership interest held by the Company	
	Country of incorporation	2017 %	2016 %
Subsidiaries of Pacific Current Group Limited:			
Aurora Investment Management Pty Ltd, the Trustee of the Trust	Australia	100	100
Aurora Trust (b)	Australia	100	65.15
AR Capital Management Pty Ltd	Australia	-	100
Treasury Group Investment Services Ltd	Australia	100	-
Global Value Investors Ltd	Australia	100	-
Northern Lights MidCo, LLC (Midco)	US	100	-
Northern Lights Capital Group, LLC	US	100	-
NLCG Distributors, LLC	US	100	-
Northern Lights Capital Partners (UK) Ltd	UK	100	-
Aether Investment Partners, LLC (Aether)	US	100	-
Seizert Capital Partners, LLC (Seizert)[1]	US	50	-
Strategic Capital Investments, LLP (SCI)	UK	54	-

[1] The Trust owns 50% of the common units which are entitled to the 50% voting rights and the 100% of the preferential units which have a preference in the allocation of income and the majority of Board seats which are the basis of control and therefore the treatment of Seizert as a subsidiary.

(b) Changes in a parent's ownership interest in a subsidiary

On 13 April 2017, the Company acquired 100% of the units in the Trust. As at 30 June 2017, the Trust is wholly owned by the Company.

As at 30 June 2016 and up to 12 April 2017, the Company owned 65.15% of the Trust. Whilst the ownership exceeded 50% and resulted in a presumption of control, the Trust was considered a joint venture arrangement between the Group, Northern Lights Capital Partners, LLC and BNP Paribas and accounted for using the equity method. Refer Note 19 for other details.

34. Related Party Transactions

The following transactions with related parties were on normal terms and conditions. Bad debts written off during the financial year were $4,763 (2016: Nil) and there were no provisions for bad debts as at year end (2016: Nil).

Transactions between Pacific Current Group Limited and subsidiaries

AURORA TRUST

Service fees

During the period 1 July 2016 to 31 March 2017, the Company provided management and administrative services to the Trust and received fees of $660,849 (2016: $1,142,451).

Receivables, payables and advances

As at 30 June 2017, the Company has $nil outstanding receivables (2016: $849,146) and $1,522,092 outstanding payables (2016: $nil) relating to the Trust.

During the year, the Company made advances of $17,036,856 to the Trust.

All intercompany receivables, payables and advances are eliminated on consolidation.

AURORA INVESTMENT MANAGEMENT PTY LTD

During the year, there were intercompany transactions comprising expense recharges and intercompany receivables and payables. These are eliminated upon consolidation.

Transactions between subsidiaries of the Company

Service fees

During the year, the Trustee provided management and administrative services to the Trust and received fees of $2,492,768 (2016: $4,007,802).

Receivables and payables

As at 30 June 2017, the Trustee has $nil outstanding receivables (2016: $125,920) and $815,165 outstanding payables (2016: $nil) relating to the Trust.

As at 30 June 2017, the Trustee has outstanding receivables of $100,477 (2016: $23,711) relating to Treasury Group Investment Services Ltd.

Loans

During the year, the Trust made advances to Midco of $18,512,074 (2016: $97,964,899).

Transactions with associates

Service fees

During the period 1 April to 31 May 2017, distribution services were provided to Investors Mutual Limited and fees of $16,667 were received (2016: Nil).

Dividends and distributions

During the year, dividends and distributions of $3,107,095 (2016: $nil) were received or receivable from the associates. These are disclosed in Note 18 of the financial report.

Loans and other receivables

As at 30 June 2017, the total loans to associates were $3,595,930. On 27 April 2017, a loan amount of $1,927,265 including interest were repaid by ROC Partners Pty Ltd and on 5 May 2017, a loan amount of $324,800 including interest was repaid by Freehold Investment Management Pty Ltd.

Transactions with directors

Transactions with the directors are disclosed in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

35. Parent Entity Disclosure

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

	2017* $	2016 $
(a) Summarised statement of financial position		
Assets		
Current assets	6,162,912	14,258,907
Non-current assets	333,442,501	356,162,682
Total assets	**339,605,413**	**370,421,589**
Liabilities		
Current liabilities	6,608,897	16,695,161
Non-current liabilities	16,598,713	16,958,123
Total liabilities	23,207,610	33,653,284
Net assets	**316,397,803**	**336,768,305**
Equity		
Share capital	166,278,319	74,556,705
Retained earnings	147,297,015	259,389,131
Reserves		
Share based payments reserve	2,822,469	2,822,469
Total equity	**316,397,803**	**336,768,305**
(b) Summarised consolidated statement of profit or loss and other comprehensive income		
(Loss)/Profit for the year	(110,347,541)	101,854,471
Other comprehensive income for the year	–	–
Total comprehensive (loss)/income for the year	**(110,347,541)**	**101,854,471**

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

DIRECTORS' DECLARATION

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

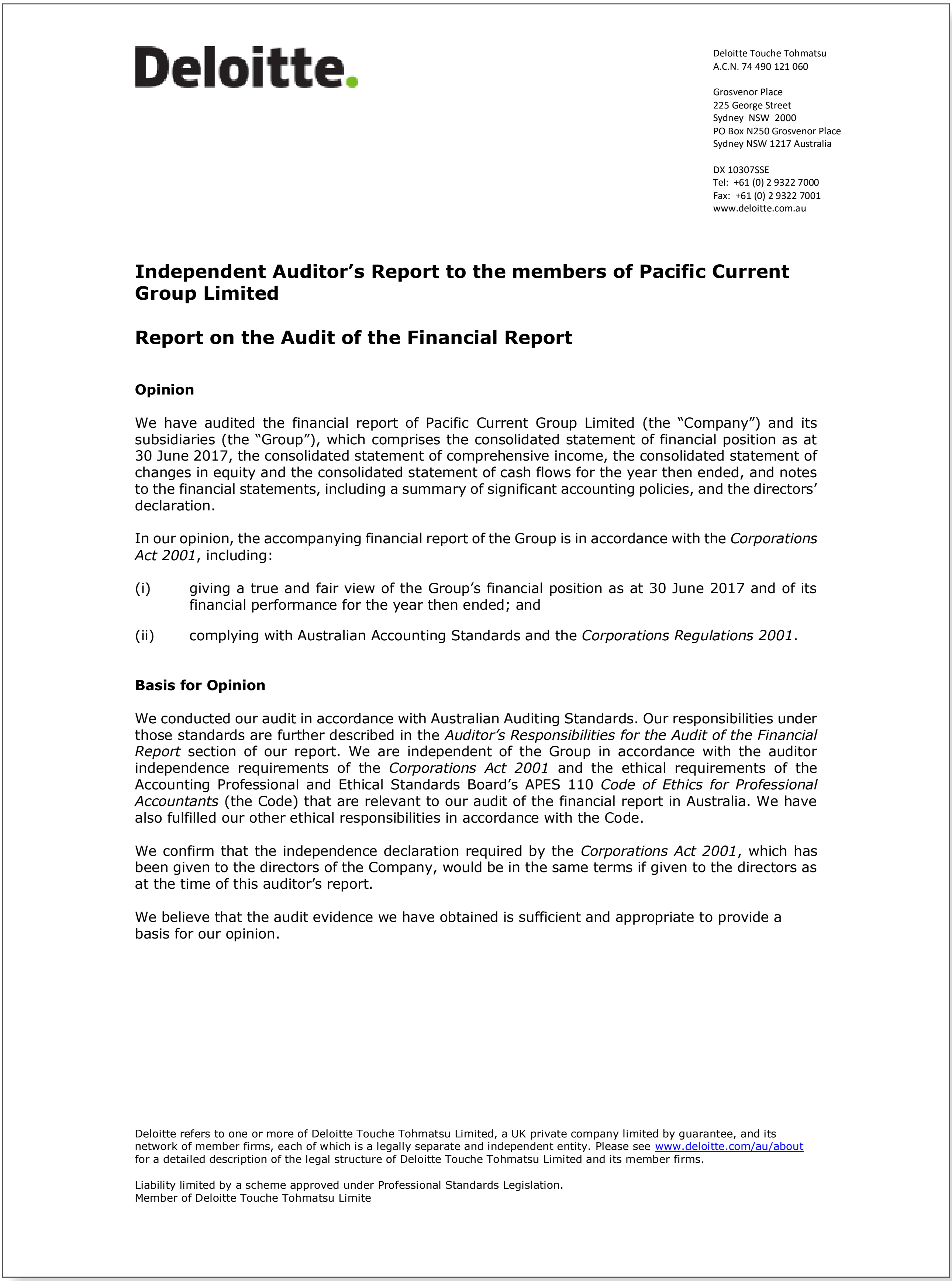
1. In the opinion of the Directors:
   a. the consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:
      i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date;
      ii. complying with Accounting Standards and Corporations Regulations 2001; and
      iii. complying with International Financial Reporting Standards, as stated in Note 3 to the consolidated financial statements;
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2017.

On behalf of the Board

M. Fitzpatrick
Chairman
31 August 2017

INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2017



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pacific Current Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017, 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 2017 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* (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.

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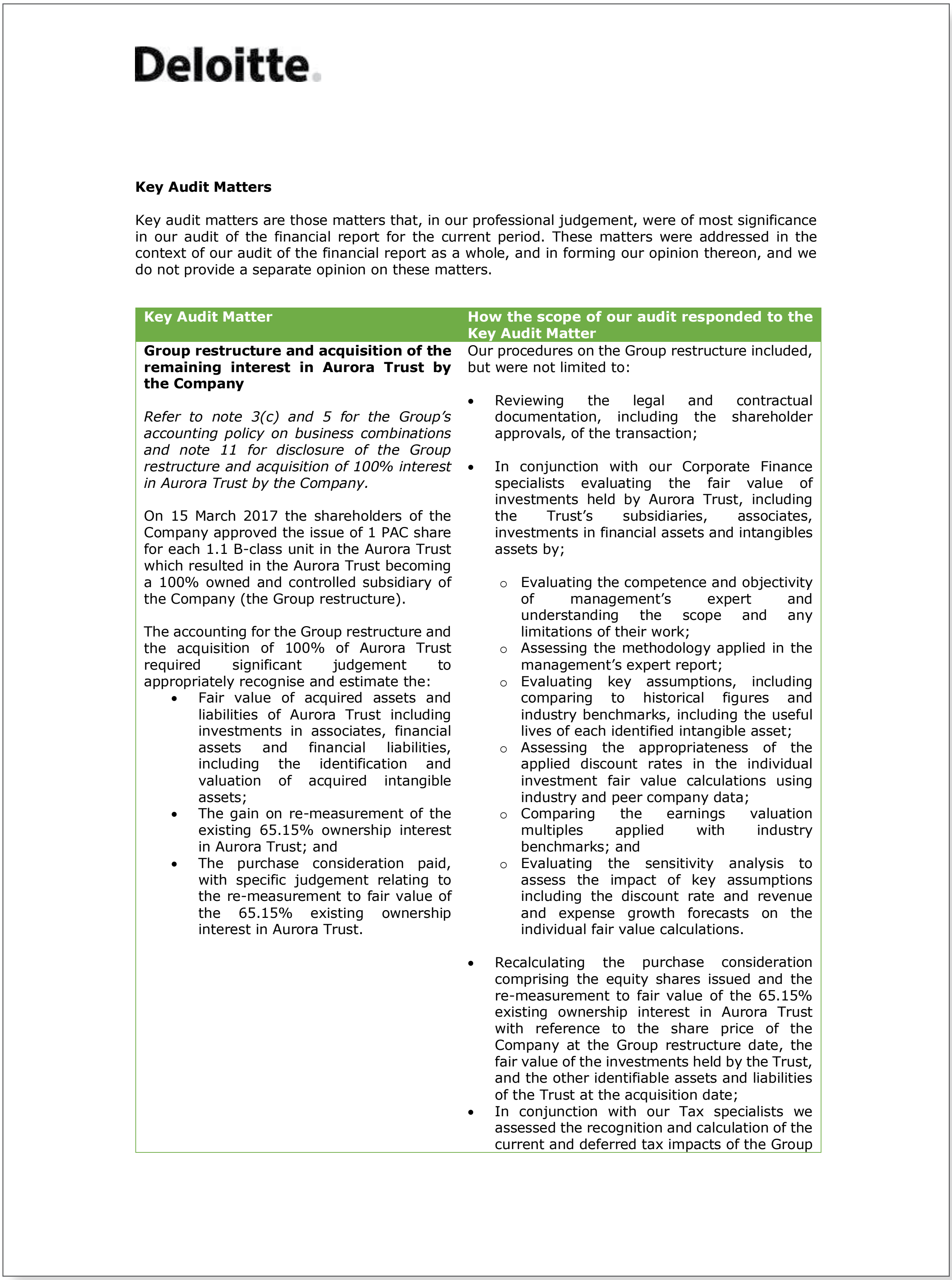

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Key Audit Matters

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
Group restructure and acquisition of the remaining interest in Aurora Trust by the Company *Refer to note 3(c) and 5 for the Group's accounting policy on business combinations and note 11 for disclosure of the Group restructure and acquisition of 100% interest in Aurora Trust by the Company.* On 15 March 2017 the shareholders of the Company approved the issue of 1 PAC share for each 1.1 B-class unit in the Aurora Trust which resulted in the Aurora Trust becoming a 100% owned and controlled subsidiary of the Company (the Group restructure). The accounting for the Group restructure and the acquisition of 100% of Aurora Trust required significant judgement to appropriately recognise and estimate the: • Fair value of acquired assets and liabilities of Aurora Trust including investments in associates, financial assets and financial liabilities, including the identification and valuation of acquired intangible assets; • The gain on re-measurement of the existing 65.15% ownership interest in Aurora Trust; and • The purchase consideration paid, with specific judgement relating to the re-measurement to fair value of the 65.15% existing ownership interest in Aurora Trust.	Our procedures on the Group restructure included, but were not limited to: • Reviewing the legal and contractual documentation, including the shareholder approvals, of the transaction; • In conjunction with our Corporate Finance specialists evaluating the fair value of investments held by Aurora Trust, including the Trust's subsidiaries, associates, investments in financial assets and intangibles assets by; ○ Evaluating the competence and objectivity of management's expert and understanding the scope and any limitations of their work; ○ Assessing the methodology applied in the management's expert report; ○ Evaluating key assumptions, including comparing to historical figures and industry benchmarks, including the useful lives of each identified intangible asset; ○ Assessing the appropriateness of the applied discount rates in the individual investment fair value calculations using industry and peer company data; ○ Comparing the earnings valuation multiples applied with industry benchmarks; and ○ Evaluating the sensitivity analysis to assess the impact of key assumptions including the discount rate and revenue and expense growth forecasts on the individual fair value calculations. • Recalculating the purchase consideration comprising the equity shares issued and the re-measurement to fair value of the 65.15% existing ownership interest in Aurora Trust with reference to the share price of the Company at the Group restructure date, the fair value of the investments held by the Trust, and the other identifiable assets and liabilities of the Trust at the acquisition date; • In conjunction with our Tax specialists we assessed the recognition and calculation of the current and deferred tax impacts of the Group

INDEPENDENT AUDITOR'S REPORT

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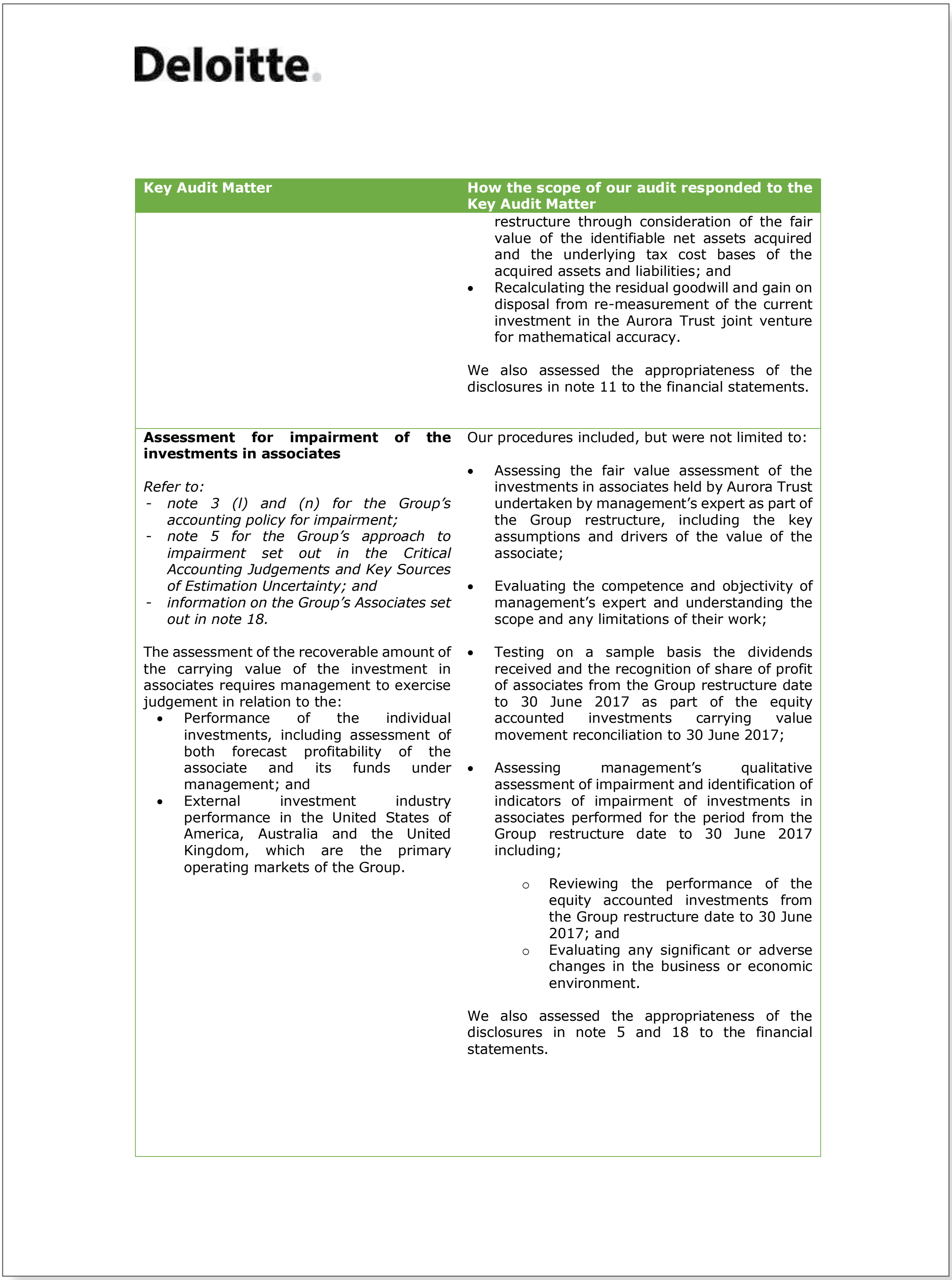

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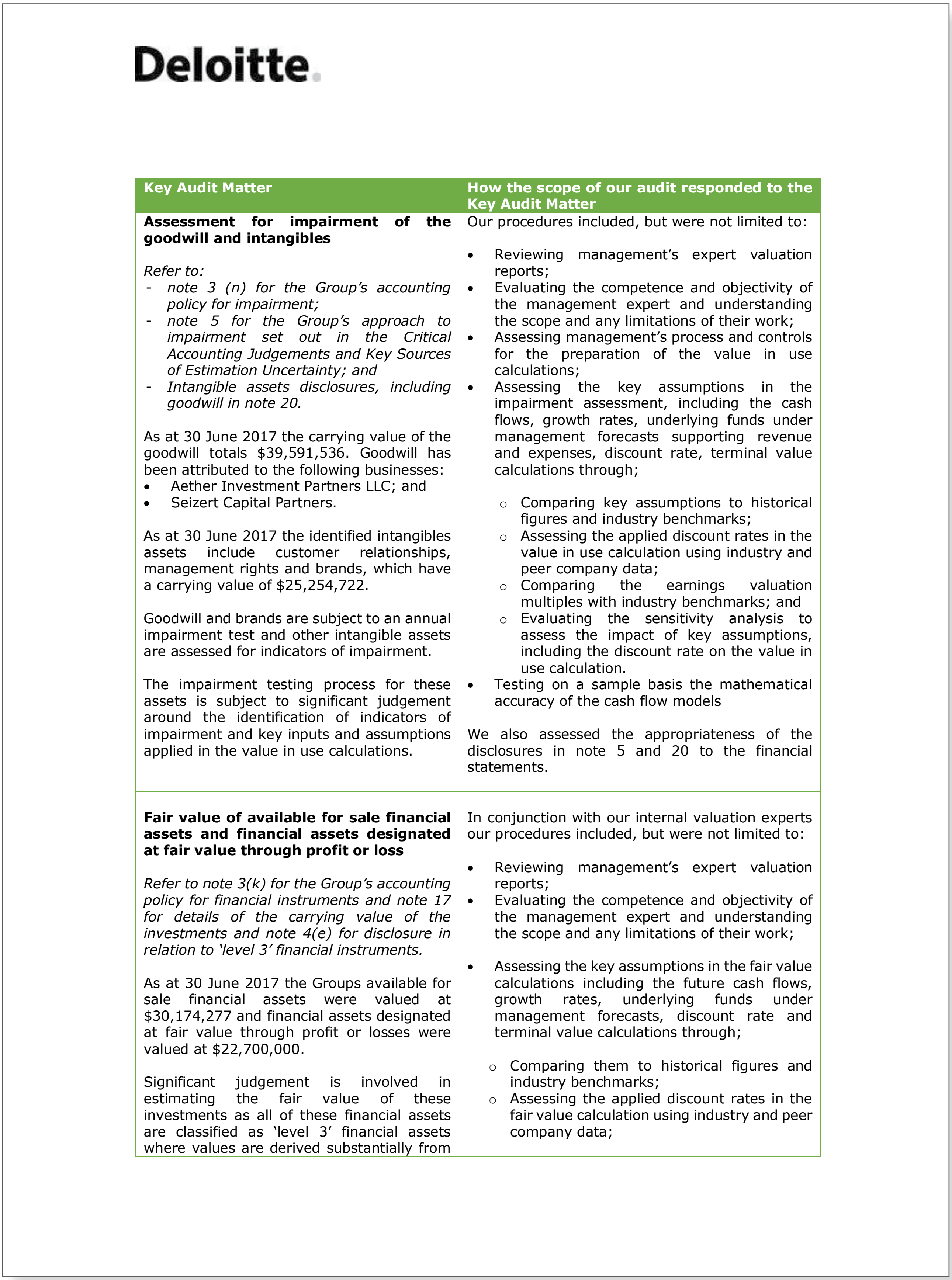
Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
	restructure through consideration of the fair value of the identifiable net assets acquired and the underlying tax cost bases of the acquired assets and liabilities; and • Recalculating the residual goodwill and gain on disposal from re-measurement of the current investment in the Aurora Trust joint venture for mathematical accuracy. We also assessed the appropriateness of the disclosures in note 11 to the financial statements.
Assessment for impairment of the investments in associates *Refer to:* - *note 3 (l) and (n) for the Group's accounting policy for impairment;* - *note 5 for the Group's approach to impairment set out in the Critical Accounting Judgements and Key Sources of Estimation Uncertainty; and* - *information on the Group's Associates set out in note 18.* The assessment of the recoverable amount of the carrying value of the investment in associates requires management to exercise judgement in relation to the: • Performance of the individual investments, including assessment of both forecast profitability of the associate and its funds under management; and • External investment industry performance in the United States of America, Australia and the United Kingdom, which are the primary operating markets of the Group.	Our procedures included, but were not limited to: • Assessing the fair value assessment of the investments in associates held by Aurora Trust undertaken by management's expert as part of the Group restructure, including the key assumptions and drivers of the value of the associate; • Evaluating the competence and objectivity of management's expert and understanding the scope and any limitations of their work; • Testing on a sample basis the dividends received and the recognition of share of profit of associates from the Group restructure date to 30 June 2017 as part of the equity accounted investments carrying value movement reconciliation to 30 June 2017; • Assessing management's qualitative assessment of impairment and identification of indicators of impairment of investments in associates performed for the period from the Group restructure date to 30 June 2017 including; ○ Reviewing the performance of the equity accounted investments from the Group restructure date to 30 June 2017; and ○ Evaluating any significant or adverse changes in the business or economic environment. We also assessed the appropriateness of the disclosures in note 5 and 18 to the financial statements.



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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Assessment for impairment of the goodwill and intangibles *Refer to:* - *note 3 (n) for the Group's accounting policy for impairment;* - *note 5 for the Group's approach to impairment set out in the Critical Accounting Judgements and Key Sources of Estimation Uncertainty; and* - *Intangible assets disclosures, including goodwill in note 20.* As at 30 June 2017 the carrying value of the goodwill totals $39,591,536. Goodwill has been attributed to the following businesses: • Aether Investment Partners LLC; and • Seizert Capital Partners. As at 30 June 2017 the identified intangibles assets include customer relationships, management rights and brands, which have a carrying value of $25,254,722. Goodwill and brands are subject to an annual impairment test and other intangible assets are assessed for indicators of impairment. The impairment testing process for these assets is subject to significant judgement around the identification of indicators of impairment and key inputs and assumptions applied in the value in use calculations.	Our procedures included, but were not limited to: • Reviewing management's expert valuation reports; • Evaluating the competence and objectivity of the management expert and understanding the scope and any limitations of their work; • Assessing management's process and controls for the preparation of the value in use calculations; • Assessing the key assumptions in the impairment assessment, including the cash flows, growth rates, underlying funds under management forecasts supporting revenue and expenses, discount rate, terminal value calculations through; ○ Comparing key assumptions to historical figures and industry benchmarks; ○ Assessing the applied discount rates in the value in use calculation using industry and peer company data; ○ Comparing the earnings valuation multiples with industry benchmarks; and ○ Evaluating the sensitivity analysis to assess the impact of key assumptions, including the discount rate on the value in use calculation. • Testing on a sample basis the mathematical accuracy of the cash flow models We also assessed the appropriateness of the disclosures in note 5 and 20 to the financial statements.
Fair value of available for sale financial assets and financial assets designated at fair value through profit or loss *Refer to note 3(k) for the Group's accounting policy for financial instruments and note 17 for details of the carrying value of the investments and note 4(e) for disclosure in relation to 'level 3' financial instruments.* As at 30 June 2017 the Groups available for sale financial assets were valued at $30,174,277 and financial assets designated at fair value through profit or losses were valued at $22,700,000. Significant judgement is involved in estimating the fair value of these investments as all of these financial assets are classified as 'level 3' financial assets where values are derived substantially from	In conjunction with our internal valuation experts our procedures included, but were not limited to: • Reviewing management's expert valuation reports; • Evaluating the competence and objectivity of the management expert and understanding the scope and any limitations of their work; • Assessing the key assumptions in the fair value calculations including the future cash flows, growth rates, underlying funds under management forecasts, discount rate and terminal value calculations through; ○ Comparing them to historical figures and industry benchmarks; ○ Assessing the applied discount rates in the fair value calculation using industry and peer company data;

INDEPENDENT AUDITOR'S REPORT

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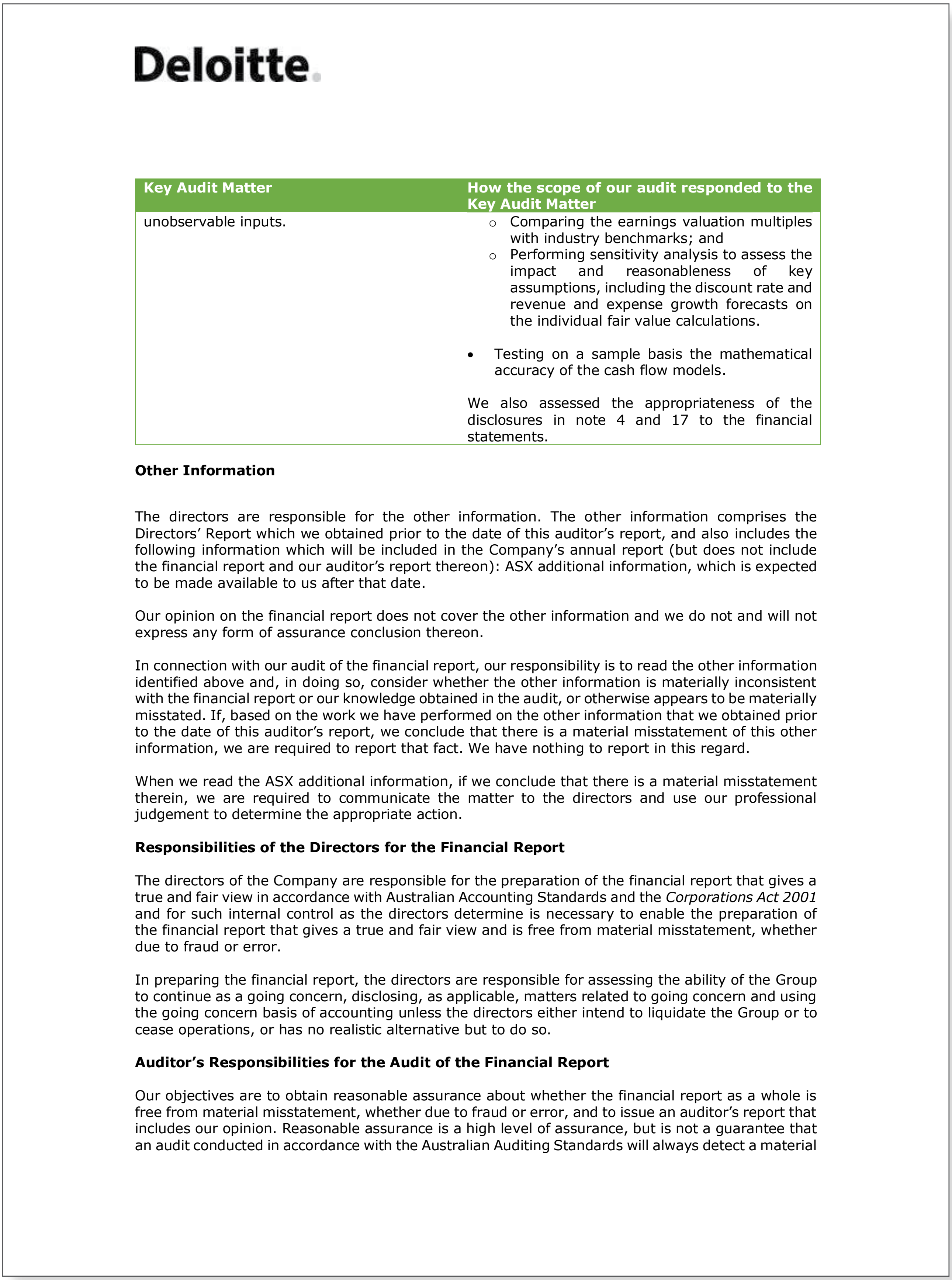

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
unobservable inputs.	○ Comparing the earnings valuation multiples with industry benchmarks; and ○ Performing sensitivity analysis to assess the impact and reasonableness of key assumptions, including the discount rate and revenue and expense growth forecasts on the individual fair value calculations. • Testing on a sample basis the mathematical accuracy of the cash flow models. We also assessed the appropriateness of the disclosures in note 4 and 17 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Company's annual report (but does not include the financial report and our auditor's report thereon): 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 ASX additional information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

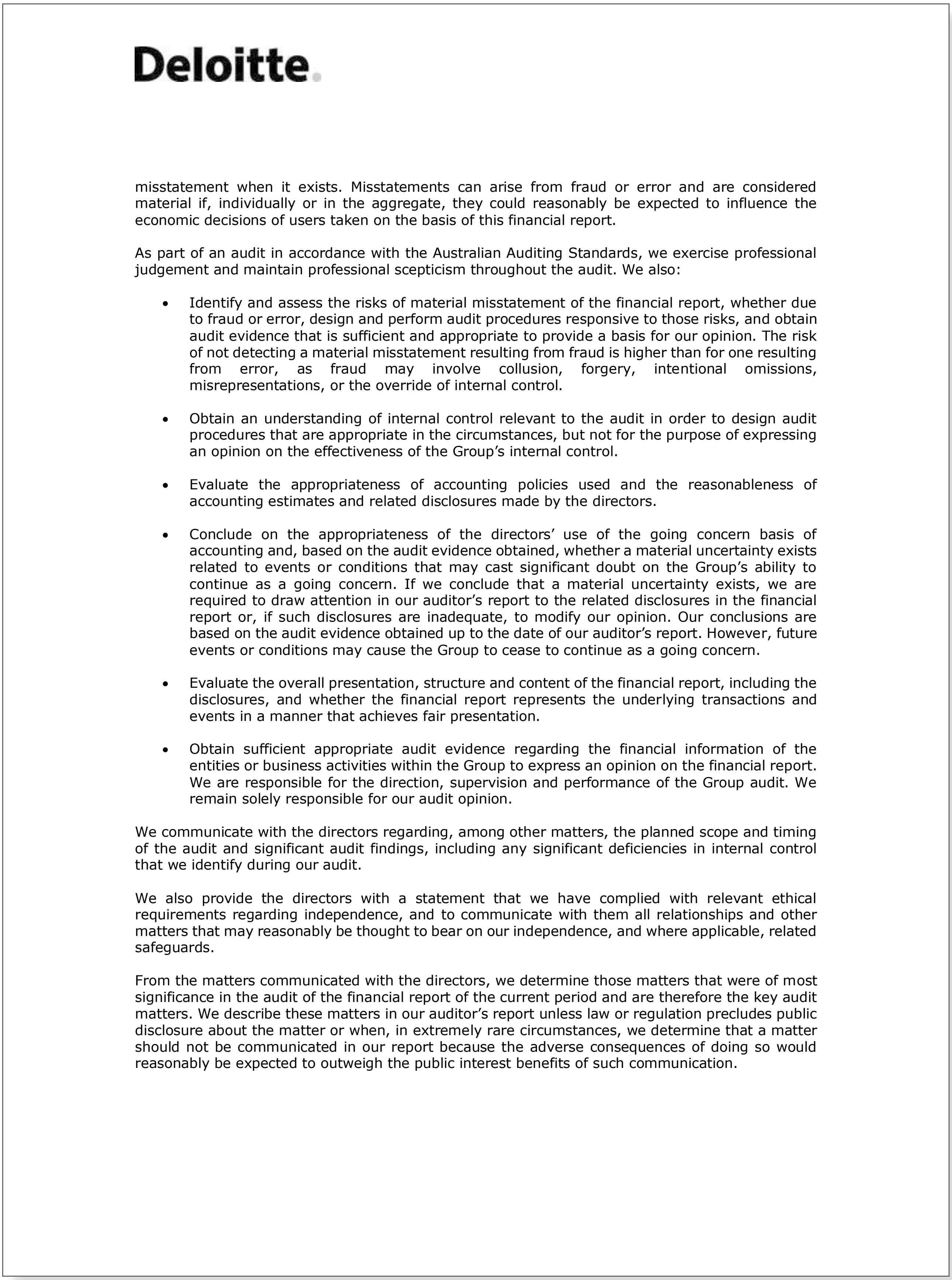
Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material



misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

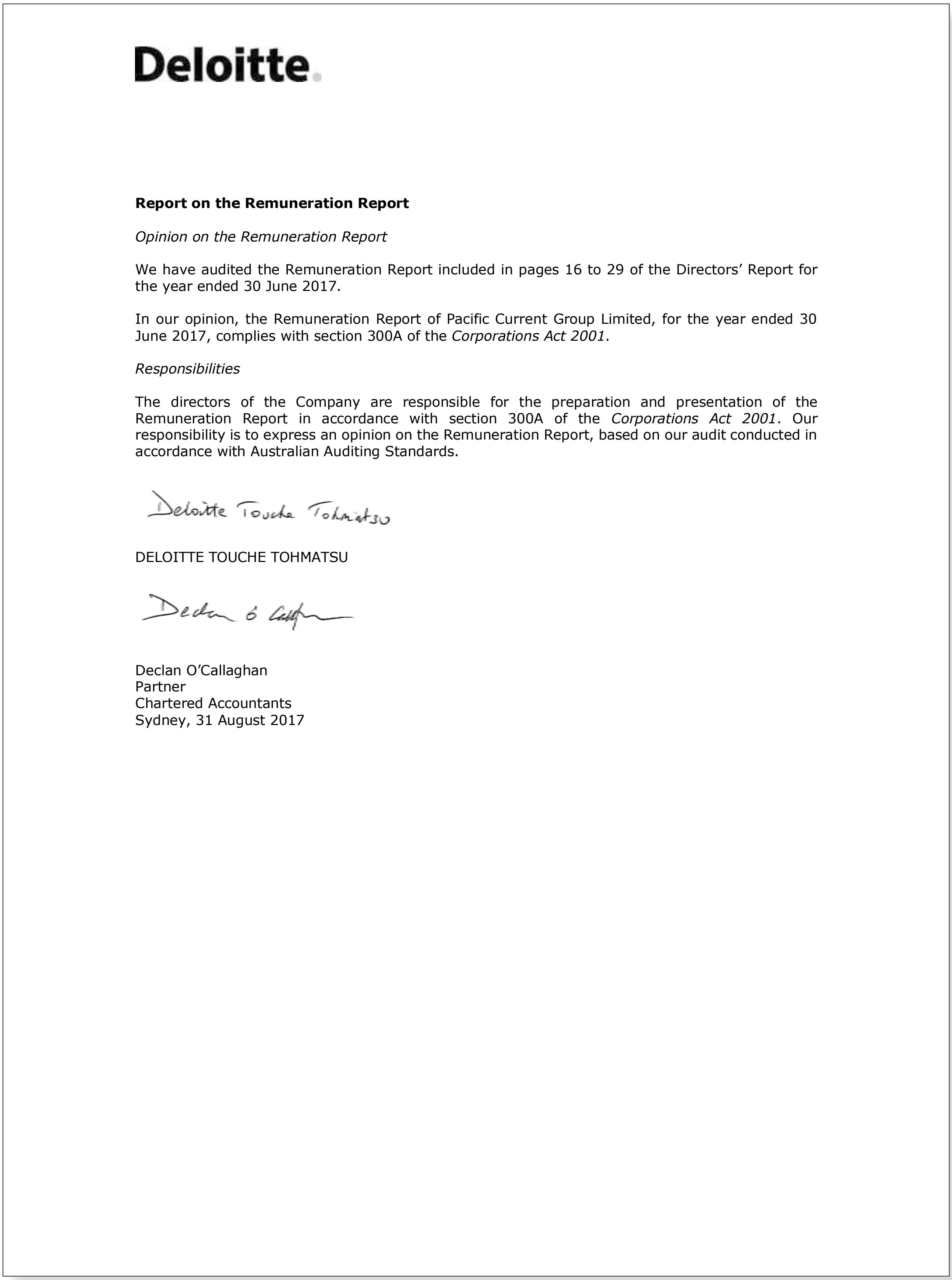
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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.



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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 29 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Pacific Current Group Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Declan O Call

Declan O'Callaghan
Partner
Chartered Accountants
Sydney, 31 August 2017

ASX ADDITIONAL INFORMATION

Corporate Governance

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

The Directors approved the 2017 Corporate Governance Statement on 31 August 2017.

Shareholder Information as at 28 August 2017

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 28 August 2017)

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

Holding	Number of shareholders	Number of shares	%
1 – 1,000	1,476	708,976	1.49
1,001 – 5,000	1,437	3,626,003	7.61
5,001 – 10,000	301	2,208,360	4.64
10,001 – 100,000	195	5,275,658	11.07
100,001 and over	47	35,823,333	75.19
Total	3,456	47,642,330	100

The number of shareholders holding less than a marketable parcel of shares is 203, a total of 2,456 shares.

b. Twenty largest shareholders (as at 28 August 2017)

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

Name		Number of shares	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,284,238	15.29
2	NORTHERN LIGHTS CAPITAL PARTNERS LLC	3,399,252	7.13
3	FUND BNP PARIBAS CAPITAL PARTNERS PARTICIPATIONS	3,004,887	6.31
4	CITICORP NOMINEES PTY LIMITED	2,690,457	5.65
5	NATIONAL NOMINEES LIMITED	2,490,094	5.23
6	SQUITCHY LANE HOLDINGS PTY LTD	2,401,500	5.04
7	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <VFA A/C>	2,038,465	4.28
8	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,600,935	3.36
9	BNP PARIBAS NOMS PTY LTD <DRP>	970,593	2.04
10	ANDREW TURNER	883,388	1.85
11	BROWN INVESTMENT MANAGEMENT LP	616,026	1.29
12	TFV II LLC	536,731	1.13
13	PAUL GREENWOOD	531,781	1.12
14	BNP PARIBAS CAPITAL PARTNERS <FUND BNP P CAP PART PART A/C>	487,804	1.02
15	MR TIMOTHY GERARD RYAN	484,573	1.01
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	456,449	0.96
17	BALLYSHANNON PARTNERS L.P.	447,813	0.94
18	MR MICHAEL BRENDAN PATRICK DE TOCQUEVILLE	400,000	0.84
19	BANSON NOMINEES PTY LTD	370,854	0.78
20	TIMOTHY CARVER	341,181	0.72
Total		**31,437,021**	**65.99**
Balance of Register		**16,205,309**	**34.01**

ASX ADDITIONAL INFORMATION

continued

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
Pacific Current Group Limited and its subsidiaries[1]	13,675,667	28.70%
Perpetual Limited and its related bodies corporate	6,944,950	14.58%
BNP Paribas Capital Partners (as representative of the Fund BNP Capital Partners Participations), BNP Paribas S.A. and each of its controlled entities	3,492,691	7.33%
Northern Lights Capital Partners, LLC, LNC Investment Co. LLC (LNCIC), Laird Norton Company, LLC (LNC), White Pine, Inc. (White Pine), Jeff Vincent, each body corporate controlled by LNCIC, LNC and White Pine and each body corporate controlled by Jeff Vincent	3,399,252	7.13%
Michael Fitzpatrick	2,701,285	5.67%

[1] Restrictions on the disposal of shares under voluntary escrow arrangements disclosed in the Notice of Meeting and Explanatory Memorandum dated 13 February 2017 give Pacific Current Group Limited a technical "relevant interest" under section 608(1)(c) of the Corporations Act 2001 (Cth). However, Pacific Current Group Limited has no right to acquire these shares or to control the voting rights attaching to these shares.

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

M. Fitzpatrick, Chairman

M. Donnelly, Non-executive director

G. Guérin, Non-executive director

P. Kennedy, Non-executive director

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

T. Robinson, Executive director

T. Carver, Non-executive director (resigned 21 October 2016)

J. Ferragina, Finance director (resigned as Finance director 24 October 2016);
Chief Financial Officer (CFO) and Chief Operating Officer Australia (COO)

J. Vincent, Non-executive director (resigned 13 April 2017)

Company Secretaries

P. Mackey (appointed 26 May 2017)

N. Bartrop (appointed 15 September 2016, resigned 26 May 2017)

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Share Register

Computershare Investor Services Pty Ltd
452 Johnston Street
Abbotsford, Victoria, 3067

Phone +61 3 9415 5000

Bankers

Westpac Banking Corporation

Auditors

Deloitte Touche Tohmatsu

Internet Address

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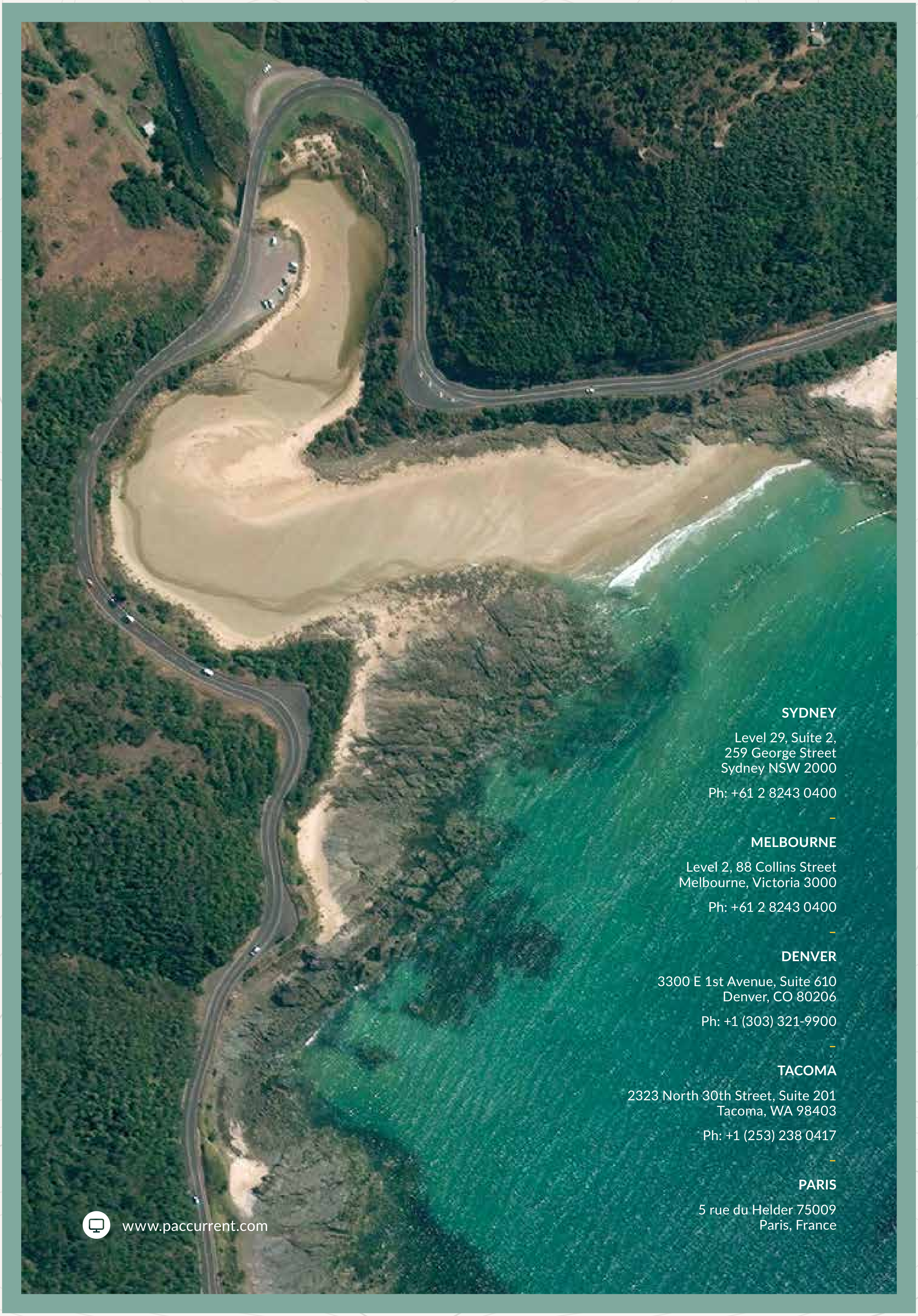

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