ASX ANNOUNCEMENT

15 October 2021

2021 Annual Report

Pacific Current Group Limited (**ASX:PAC**) is pleased to provide its 2021 Annual Report to the market.

AUTHORISED FOR LODGEMENT BY:
Tony Robinson
Chair

-ENDS-

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ABOUT PACIFIC CURRENT GROUP
Pacific Current Group Limited is a multi-boutique asset management firm dedicated to providing exceptional value to shareholders, investors and partners. We apply our strategic resources, including capital, institutional distribution capabilities and operational expertise to help our partners excel. As of 15 October 2021, Pacific Current Group has investments in 15 boutique asset managers globally.

PACIFIC CURRENT GROUP LIMITED

Annual Report 2021

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

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

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

ABOUT US

Pacific Current Group Limited (ASX: PAC) is a global multi-boutique asset management firm dedicated to providing exceptional value to shareholders, investors and partners.

OUR PHILOSOPHY

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

WHAT WE OFFER OUR BOUTIQUES

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

KEY FINANCIAL HIGHLIGHTS

FUM across the Group
(up from $93.3b)

$142.3b

Increased underlying profits
(up from $25.0m)

$26.3m

Increased dividends
(up from 35 cents per share)

36cps

Net assets per share
(down from $8.09 per share)

$7.92

- Steady growth in Management Fee Profitability
- Acquisition of Astarte Group
- Investment pipeline remains exceptionally robust
- Excluding earn-outs and lease liabilities, no debt with strong cash generation.

CHAIRMAN'S REPORT

PAC has shown incredible adaptability and strength through this difficult period and has continued to push the business forward.

Dear Shareholders,

The last year has tested the resilience of individuals, businesses, and the economies in which we operate.

I am pleased to say that we have come through it in good shape. Our people, in all positions, have shown incredible adaptability and strength through this difficult period and have continued to push our business forward.

Even better, they have succeeded with positive attitudes and a continued commitment and belief in the future success of our business.

The businesses that we have invested in have also come through the year in good health and their prospects continue to improve.

As Paul Greenwood notes in his report to you, we are in the GP Stakes business. This is a description of the segment of the investment market that invests in General Partners. General Partners is a term that isn't familiar to all Australian investors, but it is the party responsible for investing the associated funds under management.

It's worth looking at some of the large players in the USA GP Stakes market (such as Dyal Capital, who Paul mentions) as it gives you a sense of the size and interest in this segment of the investment market. We now have a solid record of performance in this area, which we have continued to build on in the last year.

Unfortunately, the currency movement between US Dollars and Australian Dollars has consumed the uplift in the underlying performance in US Dollars, so the success of the year is slightly hidden. In US Dollars, on a like for like basis, underlying performance is up over 15%. Importantly, the core contribution from management fees, which is the most stable component of our earnings, rose significantly, and so provides us with confidence on the outlook for Pacific Current Group Limited.

The success of the 2021 financial year and our confidence in the outlook for the business have allowed us to modestly increase the final dividend for the year to 26 cents for a full year, being a total of 36 cents per share. This will be fully franked again this year.

In closing, I would like to thank all our stakeholders for their efforts, interest, involvement, and support. The executives and staff, the Board, and, most importantly, the owners of the business have worked together in this difficult period to make us a stronger business with a brighter future.

A. Robinson
Chair

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

Given the dynamic nature of the investment management industry, we believe PAC may be positioned to pursue more transformative opportunities as well.

Financial Year Overview

A year ago, our world was fully in the grips of a global pandemic and uncertainty over the human and economic toll was rampant. Now, despite a surge in different variant strains of the COVID-19 virus, the clouds are slowly beginning to dissipate, in large part because of the rapid development and rollout of highly effective vaccines. These vaccines have driven death rates down, allowing many economies to post robust growth, even if interrupted by periodic lockdowns.

Our portfolio seems to be following a similar path. After higher levels of uncertainty in 2020, we are seeing portfolio companies slowly reverting to a pre-pandemic world. This is most evident in the growing interest our portfolio companies are receiving in their underlying strategies from potential capital allocators. It can also be seen in the performance recovery of some of the private capital strategies that experienced abrupt shocks at the onset of the pandemic.

This letter touches on the highlights of FY21 and offers some thoughts as to what to expect in FY22 and beyond.

Financial Progress

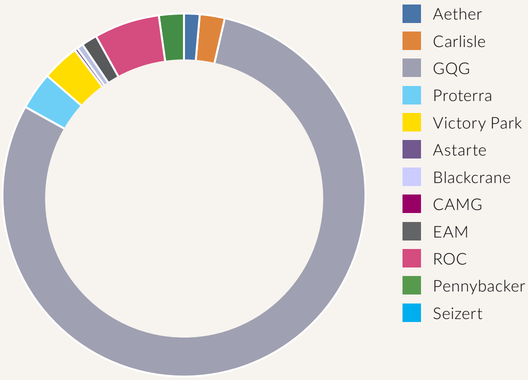
At first blush, PAC's financial progress in FY21 appears quite modest, with underlying NPBT growing from A$32.1m to A$32.6m and underlying NPAT increasing from A$25.0m to A$26.3m. However, when you look a little deeper you will see that there is more momentum in the business than initially meets the eye.

To begin with, the appreciation of the AUD versus the USD impacts the translation of PAC's results because the vast majority of PAC's revenues and expenses are in US dollars. For instance, while PAC's revenues declined 4% when reported in AUD, in USD terms they grew 7%. In USD, PAC's underlying NPBT grew 13%, from US$21.5m to US$24.3m and underlying NPAT grew 17%, from US$16.8m to US$19.6m.

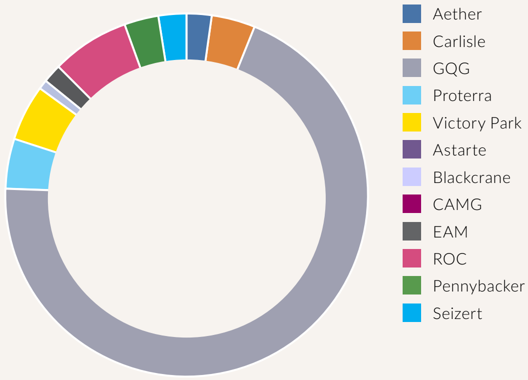
More important than currency fluctuations was the changing composition of PAC's revenues in FY21. Sales related revenues (commissions and retainers) declined from A$4.3m to A$2.2m, because of pandemic induced slower sales activity, and the run-off of legacy commissions from GQG. Performance fees, which are far less predictable than management fees, declined from A$9.8m to A$6.8m, primarily due to lower performance fees from Carlisle, SCI, and Victory Park.

Boutique management fee-related revenues, which are the largest and most stable component of PAC's revenue stream, grew 10% from A$33.8m to A$37.3m (23% growth in USD). To highlight the notable improvement in the quality of PAC's earnings we have begun to share what PAC's profitability looks like in the absence of any commission revenues, performance fees or commission expenses. We refer to this as Management Fee Profitability. The graph below details the steady growth in Management Fee Profitability over the last several years, particularly in FY21. This means that a growing portion of PAC's overall profitability is coming from management fee related revenues and not more variable revenue sources.

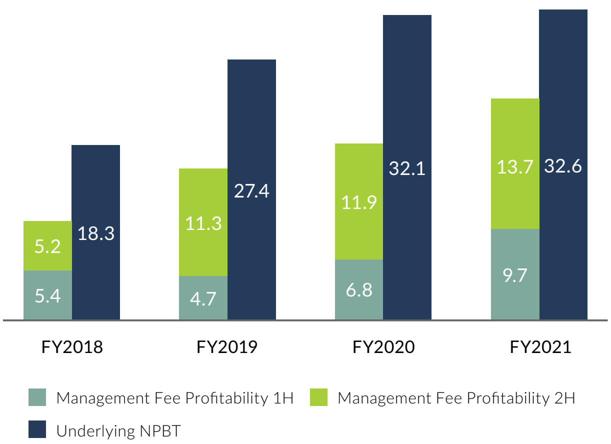
FUM at 30 June 2021



FUM at 30 June 2020



Management Fee Profitability (A$m)



From a statutory earnings perspective, FY21's NPAT of A$17.4m looks far different than FY20's A$17.5m loss. The high level of volatility in our statutory earnings stems, in part, from the multiple accounting methods we are required to use to reflect changes in the value of certain investments. This makes comparing and interpreting statutory results quite difficult, and it is one of the reasons we emphasize underlying results, which strips out changes in portfolio company values and other one-time items.

Portfolio Highlights

In November 2020, PAC sold its stake in Seizert Capital Partners for US$5m back to Seizert management. The realization of a meaningful loss has allowed PAC to seek a US tax refund of more than US$5m. Our relationship with Seizert lasted 12 years, during which funds under management grew from US$700m to US$5b, before declining to less than US$2b. A combination of spotty performance and a massive trend from active to passive management in US public equities were the primary culprits in the reduction of Seizert's FUM.

PAC's investment in GQG Partners has been a dramatic exception to the challenges faced by many active equity managers. GQG continued its unparalleled growth trajectory, with FUM growing from US$44.6b to US$84.7b during the year. In just five short years the firm has gone from one entrepreneur's dream to one of the most prominent long-only investment managers in the world. This investment has been a wildly successful one for PAC, and we are proud to have made it and are grateful for the partnership with such a high-quality firm. Moreover, we remain exceptionally bullish on the firm's future prospects.

Victory Park Capital (VPC) had an exceptionally busy and productive year. The firm was a very active participant in the US Special Purpose Acquisition Company (SPAC) market, launching four new ones and announcing three business combinations. VPC sponsored SPACs do not increase VPC funds under management, though they do enhance the investment return for VPC's clients, which ultimately benefits PAC through greater incentive/performance fees. Aside from SPACs, VPC announced a US$500m allocation from one of the world's premier private capital investment firms, Apollo Global Management. Lastly, after 30 June the firm received its first large Australian separate account mandate, which may open the door to additional Australian mandates.

The onset of the pandemic contributed to a lack of liquidity in the life settlements market in which Carlisle Management Company invests. This liquidity challenge made it difficult for Carlisle (and other life settlement managers) to accommodate redemptions of investors seeking immediate liquidity.

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

To its credit, Carlisle deftly addressed this challenge by restructuring its open-end fund. At the time of this letter the restructure has been largely, but not entirely, completed. The net result of the restructure is a slight reduction in Carlisle's total FUM, but a significant improvement in revenue visibility given that more than US$450m was transferred into a closed end private equity fund from the firm's open-end fund.

While its open-end fund structure was certainly put to the test, Carlisle made excellent progress securing capital for another closed end fund, ultimately securing commitments of US$290m, exceeding its US$250m fund target.

Our only new investment in FY21 was a GBP4.4m investment in London-based Astarte Capital Partners. Astarte is pursuing a highly innovative private capital seeding strategy focused on "real asset" managers. While we don't expect it to be a contributor to results in FY22, the nature of the firm's business model is such that there is potentially enormous operating leverage for PAC should the business become as successful as we expect.

Strategy

The market for buying and selling stakes in investment management has become very active. In the US, an entire sub-sector within the private equity industry has evolved with this singular focus. Referred to as "GP Stakes" investing, it has seen a flurry of new entrants in recent years. At the large end of the market companies like Dyal Capital (now known as Blue Owl) have been raising funds in the US$5b - US$10b range to buy interests in large private equity and private credit firms. PAC has always concentrated on the opposite end of the size continuum. PAC also casts its net much wider than most of our competitors by targeting the asset management space generally, as opposed to specific asset classes like private equity or private credit. The breadth of our opportunity set is a key competitive advantage, as it allows us to be more selective and focus on opportunities where we face less competition.

Given the heightened interest in acquiring investment managers, it is no surprise that valuations of investment managers have been increasing. Indeed, a growing number of our portfolio companies have been approached by parties interested in acquiring them. While it is far from certain that any transactions will occur, we are confident that if they do, they will be done at very attractive valuations.

Navigating a market of higher valuations has posed some challenges. We have lost out on some investments because we were unwilling to pay valuations we deemed excessive. Despite this trend we have still been able to identify interesting opportunities at fair prices. Currently, PAC is working on a new debt facility to give it the flexibility to pursue some of these opportunities, ideally before the end of 2021. We have also made progress in our efforts to begin seeking and managing capital from institutional investors interested in investing alongside of PAC.

Looking Ahead

We are pleased with how our portfolio has weathered the last 18 months, and we are optimistic about its prospects in FY22 and FY23. If we simply continue to manage our portfolio and periodically make incremental investments, we believe PAC shareholders will be well rewarded. That said, given the dynamic nature of the investment management industry, we believe PAC may be positioned to pursue more transformative opportunities as well. I mention this not to foreshadow any specific development, but rather to highlight that we are hard at work exploring every avenue to enhance or unlock value for PAC's shareholders.

Final Thoughts

In navigating the challenges of the last 18 months, our entire team has had to be highly flexible and creative, and they have risen to the occasion. It has been enormously gratifying to see how well they have all adapted and performed. In my nearly 15 years with the organization, the quality of our team and the level of performance has never been higher. In an increasingly competitive world, having such a world class team isn't a luxury, but rather a requirement. Indeed, it gives us confidence that we are well positioned to exploit the breadth of opportunities we see unfolding in FY22 and beyond.

As always, I would like to thank PAC shareholders, board members and employees for their support, input and contributions. I obviously can't promise specific outcomes, but I can assure our shareholders that our entire team is relentlessly focused on continuous improvement and creating value, and that we are as optimistic about the future as we have ever been.

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

BOARD OF DIRECTORS

A. Robinson
Chairman

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

P. Kennedy
Non-executive
Director

M. Donnelly
Non-executive
Director

G. Guérin
Non-executive
Director

J. Chafkin
Non-executive
Director

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Your Directors submit their Report for the year ended 30 June 2021.

DIRECTORS' REPORT

Your Directors submit their Report for the year ended 30 June 2021.

Directors and Officers

The Directors and officers of Pacific Current Group Limited (the "Company") at the date of this report or at any time during the financial year ended 30 June 2021 were:

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

Names, Qualifications, Experience and Special Responsibilities

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

Mr. Robinson joined the Board on 28 August 2015, in the capacity of Non-Executive Director. He became an Executive Director on 20 April 2016 before returning to a Non-Executive Director on 1 September 2018. On 1 October 2018 he was appointed Chairman. He has significant expertise and experience across a number of industries, including banking, financial services, telecommunications, and transport. He is an experienced company director and Chief Executive Officer. His previous executive roles include Managing Director of IOOF Ltd and OAMPS Limited.

Mr. Robinson is also a Director of Bendigo and Adelaide Bank Limited (since April 2016) and Managing Director of PSC Insurance Group Limited (since July 2015). He was formerly a Director of Tasfoods Limited (May 2014 – March 2018) and Non-executive Chairman of Longtable Group Ltd (now Maggie Beer Holdings Limited) (from October 2015 – November 2019).

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

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

Mr. Greenwood joined the Board on 10 December 2014 as an Executive Director. He co-founded Northern Lights Capital Group, LLC ("Northern Lights") in 2006 which merged with Treasury Group Ltd in November 2014 to form Pacific Current Group Limited. Effective from 1 July 2018, Mr. Greenwood was appointed to the roles of Managing Director, Chief Executive Officer and Global Chief Investment Officer ("MD, CEO and CIO") in the Company.

Prior to Northern Lights, he created Greenwood Investment Consulting ("GIC"), a firm that worked directly with investment managers on investment process and organisational issues. Before GIC, Mr. Greenwood served as Director of US Equity for Russell Investment Group ("Russell"), where he managed all of Russell's US equity-oriented portfolio management and research activities. He also served as a Russell spokesperson and authored many articles and research commentaries related to investment manager evaluation.

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

Mr. Kennedy joined the Board on 4 June 2003. He is the founding partner of the commercial law firm, Madgwicks Lawyers, and has more than 40 years' experience in commercial law advising a broad range of clients across a variety of sectors. He is a member of the Madgwicks' Dispute Resolution practice and was formerly Madgwicks' Managing Partner for over 16 years, where he played an integral role in the governance and management of the firm.

Mr. Kennedy also sits on the boards of a number of companies in the manufacturing, property and retail industries and is Chair of Treasury Group Investment Services Pty Ltd, a wholly owned subsidiary of the Company.

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

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

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

Ms. Donnelly currently serves as a member of the Investment Committee of HESTA Super Fund and Chair of Coolibah Capital Investments Pty Limited. Her previous work experience includes CEO of the Queensland Investment Corporation, Deputy Managing Director of ANZ Funds Management and Managing Director of ANZ Trustees.

DIRECTORS' REPORT

continued

Ms. Donnelly has held a range of directorships of both Australian and international companies including Non-Executive Director of Ashmore Group plc, trustee director of UniSuper, Deputy Chair of the Victorian Funds Management Corporation and Chair of Plum Financial Services Nominees Pty Ltd.

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

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

Mr. Guérin joined the Board on 10 December 2014. He is the CEO of BNP Paribas Capital Partners (retiring at end September 2021), where he has worked developing the alternative investment capabilities of the BNP Paribas Group. He also served as CEO and President of Natixis Global Associates, Executive of Natixis AM North America and held Executive and senior leadership roles at HDF Finance, AlphaSimplex, IXIS AM and Commerz Financial Products. He has over 20 years' experience in capital markets and investment management. This includes cross asset class experience spanning the equities, fixed income and commodities markets, with a specific focus on alternative strategies and hedge funds.

During his career, Mr. Guérin has managed relationships with investors and distributors across the world, in particular Europe, the United States of America (the "USA"), Japan, the Middle East and Australia. He has operated distribution capabilities worldwide and developed new products and investment capabilities. Throughout his career, he liaised with regulators across various jurisdictions and worked with thought leaders of the investment industry including Dr Andrew Lo and Dan Fuss. He is also a Director of Ginjer AM and of INNOCAP.

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

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

Mr. Chafkin joined the Board on 10 April 2019. He has over 30 years' experience in financial services leadership in the asset management sector, primarily in North America. He is currently the Vice Chairman Investments of AssetMark Financial Holdings, Inc., an independent provider of investment and consulting solutions for financial advisors. Mr. Chafkin is responsible for oversight of the company's investment solutions framework and providing investment perspectives to investment advisors and their clients.

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

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

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

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

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

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

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

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

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

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

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS

Investment activities during the year

Acquisition of a new investment

On 19 March 2021, the Group completed its investment in Astarte Group for GBP4,420,000 (AUD7,979,000) following the receipt of a regulatory approval in the United Kingdom. The acquisition cost was allocated between Astarte Capital Partners, LLP ("Astarte") and ASOP Profit Share LP ("ASOP-PSP") in exchange for a 44.9% and 39.31% equity ownership, respectively. The Group accounts for the interests in Astarte and ASOP-PSP as investment in associates. For the year ended 30 June 2021, the share in losses from Astarte amounted to $96,000.

Astarte, founded in 2015 and based in London England, is an investment manager focused on private markets real asset strategies. Astarte's business model is distinctive in that it provides anchor/seed capital, working capital, and fundraising support to operating experts and emerging investment managers to support their growth.

Additional contributions to existing investments

The Group made an additional total contribution of GBP750,000 ($1,354,000) to Capital & Asset Management Group, LLP ("CAMG") through capital drawdowns of GBP250,000 each made on 30 September 2020, 16 December 2020 and 26 April 2021. The Group was issued an additional interest of 3.75% for all the total drawdown resulting to an increased interest from 32.5% to 36.25%.

CAMG is a private infrastructure investment firm based in London, England and Washington, DC, USA. The existing accounting treatment of the investment as an associate did not change. For the year ended 30 June 2021, the share in net losses from CAMG amounted to $487,000.

On 30 December 2020, the Group and IFP Group, LLC ("IFP") agreed to convert the outstanding balance under the credit facility amounting to USD558,000 ($747,000) and the related interest amounted to USD43,000 ($57,000) to an Additional Operating Capital Contribution. This contribution did not give rise to an increased equity ownership nor a return equivalent to the existing equity in IFP. The Group is entitled to a 13% annualised return to be collected upon IFP making an initial distribution. The investment has been accounted for as a financial asset at fair value through profit or loss ("FVTPL").

IFP is a multi-custodial registered investment adviser focused on delivering personalised, concierge-level service to advisors in the USA specialising in wealth management and retirement plan consulting.

Restructuring of investments

On 31 December 2020, the Group and Northern Lights Alternative Advisors LLP ("NLAA") restructured the Group's investment from a share in profits structure to a revenue share effective as at 31 March 2020. The Group is entitled to USD200,000 annually and an additional amount equal to 10% of all NLAA distributable cash flow in excess of USD3,000,000 for each accounting period ended 31 March. The restructure did not change the existing accounting treatment of the investment as an associate since the Group still maintain significant influence over NLAA.

NLAA is a strategic partner and placement agent, based in London, England, focused on private equity and hedge funds. For the year ended 30 June 2021, the share from NLAA amounted to $615,000.

Disposal of investments

On 30 November 2020, the Group completed the sale of all its economic interest in Seizert Capital Partners, LLC ("Seizert") to the current Seizert management team. On 30 November 2020, the assets and liabilities of Seizert including the other identifiable intangibles held in Seizert were derecognised and the proceeds amounting to USD5,000,000 ($6,800,000) before tax was received. The results of operations of Seizert from 1 July 2020 to 30 November 2020 were included in the consolidated financial statements. The sale of the Group's investment in Seizert resulted to a loss of $2,250,000.

Financing activities during the year

On 27 August 2020, the Board approved a Dividend Reinvestment Plan ("DRP") for the Company.

On 31 August 2020, the Company declared a fully franked final dividend of 25 cents per share in respect of the 2020 financial year. The total amount of the dividend was $12,427,000. The final dividend for the 2020 financial year was eligible for the DRP. Shares issued under the DRP were priced at a 5% discount to the average daily Volume Weighted Average Price ("VWAP") calculated over a 10-day period commencing on the third trading day following the record date, being 18 September 2020.

On 22 September 2020, the Company entered into an underwriting agreement to underwrite up to 50% of the offer of ordinary shares in the Company made to its Shareholders under the DRP for the final dividend declared in respect to the 2020 financial year.

DIRECTORS' REPORT

continued

On 23 October 2020, the Company issued 745,889 new fully paid ordinary shares at an issue price of $5.60 each to shareholders who reinvested their dividend entitlement in accordance with the DRP. In addition, the Company issued 363,595 new fully paid ordinary shares at an issue price of $5.60 per share under the partially underwritten DRP. Total dividends reinvested and proceeds from the new share issue amounted to $6,213,000 before issue costs.

On 26 February 2021, the Company declared a fully franked interim dividend of 10 cents per share in respect of the 2021 financial year. The total amount of the dividend was $5,082,000. The interim dividend for the 2021 financial year was eligible for the DRP. Shares issued under the DRP were priced at the average daily VWAP calculated over a 10-day period commencing on the third trading day following the record date, being 5 March 2021.

On 15 April 2021, the Company issued 10,877 new fully paid ordinary shares at an issue price of $5.56 per share to shareholders who reinvested their dividend entitlement in accordance with the DRP. Total dividends reinvested amounted to $61,000.

Funds under management ("FUM")

As at 30 June 2021, the FUM of the Group's asset managers was $142,274,018,000 (2020: $93,320,896,000).

The net increase in FUM was a result of positive net inflows and market performance from the asset managers particularly GQG Partners, LLC, Roc Group and Victory Park Capital Advisors, LLC reduced by the disposal of Seizert.

Boutique	Total FUM as at 30 June 2020 $'000	Inflows from Boutique Acquisitions $'000	Net Flows $'000	Other[1] $'000	Foreign Exchange Movement[2] $'000	Total FUM as at 30 June 2021 $'000
Tier 1	79,457,730	–	32,865,539	22,357,985	(6,887,161)	127,794,093
Tier 2	13,863,166	408,494	1,673,541	(988,328)	(476,948)	14,479,925
Total Boutiques	**93,320,896**	**408,494**	**34,539,080**	**21,369,657**	**(7,364,109)**	**142,274,018**
Open-end[3]	72,280,876	–	30,440,627	21,053,458	(6,223,705)	117,551,256
Closed-end[3]	21,040,020	408,494	4,098,453	316,199	(1,140,404)	24,722,762
Total	**93,320,896**	**408,494**	**34,539,080**	**21,369,657**	**(7,364,109)**	**142,274,018**

Notes:

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

2 The Australian dollar ("AUD") strengthened against the USA dollar ("USD") during the year. The AUD/USD spot rate was 0.7495 at 30 June 2021 compared to 0.6890 as at 30 June 2020. The Net Flows and Other items are calculated using the average rates.

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

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

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

Accordingly, the Company cautions against simple extrapolation based on FUM trends.

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

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

People

The Company employed 20 full time equivalent employees at 30 June 2021 (2020: 20) working in its Australian offices located in Melbourne and Sydney, and USA offices located in Tacoma and Denver. This headcount excluded the employees of portfolio companies that are consolidated into the Group.

Financial Review

Operating results for the year

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

The Group generated a net profit before tax ("NPBT") of $23,465,000 for the year ended 30 June 2021 (2020: net loss before tax ("NLBT") of $27,317,000); an increase of 185.90%. This result, however, has been significantly impacted by non-cash, non-recurring and/or infrequent items. Normalising this result for the impact of these non-cash, non-recurring and/or infrequent items results in underlying NPAT to members of the Company of $26,265,000 (2020: $25,034,000), an increase of 4.92%.

	2021 $'000	2020 $'000
Reported NPBT/(NLBT)	**23,465**	**(27,317)**
Non-cash items		
– Amortisation of identifiable intangible assets[1]	5,846	6,168
– Fair value adjustments of financial assets at FVTPL	(5,850)	(11,258)
– Fair value adjustments of financial liabilities at FVTPL	1,690	1,510
– Impairment of investments[2]	3,536	52,693
– Share-based payment expenses	594	961
	5,816	**50,074**
Non-recurring items		
– Loss on sale of a subsidiary	2,250	–
– Legal, consulting expenses, deal costs and break fee costs[3]	1,253	2,819
– Loss on early termination of leases	65	–
– Gain on derecognition of financial liability	(271)	–
– Net foreign exchange loss	–	1,228
– Provision for estimated liability for Hareon Solar (Singapore) Pte Ltd	–	4,405
– Loss on conversion of financial asset at amortised cost to investment in associate	–	863
	3,297	**9,315**
Unaudited underlying NPBT	32,578	32,072
Income tax expense[4]	(6,038)	(5,818)
Unaudited underlying NPAT	**26,540**	**26,254**
Less: share of non-controlling interests	(275)	(1,220)
Unaudited underlying NPAT attributable to the members of the Company	**26,265**	**25,034**

Notes:

[1] The amortisation of identifiable intangible assets included the amortisation of intangible assets of the associates amounting to $3,204,000 (2020: $2,889,000). The amortisation is recorded as an offset to the share in net profit of the associates.

[2] The impairment relates to the impairment of investment in associate (2020: Impairment of investment in associates and goodwill and other identifiable intangible assets from subsidiaries excluding $709,000 impairment of capital contributions to Nereus Capital Investments (Singapore) Pte Ltd ("NCI") and impairment of trade and other receivables amounting to $63,000).

[3] These were costs incurred in relation to the derivative action against several of the Group's current and former directors, deal costs on the acquisitions of investments and in prior year included expenses incurred for unsuccessful divestments.

[4] The net income tax expense is the reported income tax expense adjusted for the tax effect of the normalisation adjustments.

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

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

DIRECTORS' REPORT

continued

Cash flows

Set out below is a summary of the cash flows for the year ended 30 June 2021.

	2021 $'000	2020 $'000
Cash provided by operating activities	29,148	25,620
Cash (used in) investing activities	(5,873)	(65,499)
Cash (used in) financing activities	(14,071)	(21,325)
Net increase/(decrease) in cash and cash equivalents	9,204	(61,204)

Operating activities

Cash flows from operations have increased from a net inflow of $25,620,000 for the year ended 30 June 2020 to net inflow of $29,148,000 for the year ended 30 June 2021. This was mainly attributable to the increase in dividends and distributions received from $26,966,000 in the prior year to $34,515,000 for this year and a decrease of income tax paid from $2,946,000 in the prior year to $1,232,000 for this year.

Investing activities

Cash flows used in investing activities have decreased from a net outflow of $65,499,000 in the year ended 30 June 2020 to net outflow of $5,873,000 for the year ended 30 June 2021. This was primarily attributable to the proceeds from the disposal of Seizert for $6,800,000, offset by the cash held by Seizert at disposal ($4,529,000), the investment in Astarte and ASOP-PSP ($7,979,000), additional contributions to CAMG ($1,354,000) and offset by collections of other financial assets ($2,039,000). In the prior year, this was primarily attributable to the acquisitions of Proterra Investment Partners, LP ("Proterra") ($30,283,000); Pennybacker Capital Management, LLC ($29,002,000); additional contributions to CAMG, IFP and Roc Group ($12,820,000) and offset by collections of other financial assets ($7,084,000).

Financing activities

Cash flows used in financing activities decreased from $21,325,000 for the year ended 30 June 2020 to $14,071,000 for the year ended 30 June 2021. This was primarily due to payment of dividends of $9,033,000 excluding the dividends reinvested totalling to $4,238,000 under the DRP (2020: $12,117,000) and repayment of $1,022,000 Proterra earn-out obligation (2020: repayment of the Aether Investment Partners, LLC earn-out liability of $9,920,000 and full repayment of Seizert notes payable of $7,469,000).

This was offset by the net proceeds from the issue of the Company's ordinary shares which amounted to $1,974,000 after issue costs (2020: $11,993,000). For the year ended 30 June 2021, the issuance of the ordinary shares was completed on 23 October 2020 and 15 April 2021. The 23 October 2020 issuance was under the DRP with 745,889 new fully paid ordinary shares at an issue price of $5.60 per share and underwriting deed relating to the DRP with 363,595 new fully paid ordinary shares at $5.60 per share. The 15 April 2021 issuance was under the DRP with 10,877 new fully paid ordinary shares at an issue price of $5.56 per share.

For the year ended 30 June 2020, the issuance of the ordinary shares was completed on 9 December 2019 by a fully underwritten institutional placement with 2,066,116 new fully paid ordinary shares being issued at an issue price of $6.05 per share.

Normalised cash flow from operations

The table below shows increased dividends and distributions received from portfolio companies resulting in an improved cash flow from underlying operations.

	2021 $'000	2020 $'000
Unaudited underlying NPBT	**32,578**	**32,072**
Non-cash/cash items		
– Dividends and distributions income	(26,686)	(25,271)
– Share of profits of associates	(9,812)	(4,640)
– Dividends and distributions received	34,515	26,966
– Net interest income	(129)	(92)
– Net interest (received)/paid	103	(154)
– Depreciation	819	1,047
– Impairment of capital contributions	–	709
– Increase/decrease in assets and liabilities	388	(253)
– Other (income)/expense	–	(118)
	(802)	(1,806)
Unaudited underlying pre-tax cash from operations	**31,776**	**30,266**
Non-recurring/infrequent items		
– Legal, consulting expenses, deal costs and break fee costs	(1,253)	(2,819)
– Net foreign exchange (gain)/loss	(143)	1,119
	(1,396)	**(1,700)**
Pre-tax cash from operations	**30,380**	**28,566**
Income tax paid	(1,232)	(2,946)
Cash provided by operating activities	**29,148**	**25,620**

Earnings/(loss) per share

Set out below is a summary of the earnings per share for the year to 30 June 2021.

	2021	2020
Reported NPAT/ net loss after tax ("NLAT") attributable to the members of the Company ($'000)	17,413	(17,509)
Unaudited underlying NPAT attributable to the members of the Company ($'000)	26,265	25,034
Weighted average number of ordinary shares on issue (Number)	50,470,668	48,797,128
Basic earnings/(loss) per share (cents)	34.50	(35.88)
Diluted earnings/(loss) per share (cents)	34.50	(35.88)
Unaudited underlying earnings per share (cents)	52.04	51.30

DIRECTORS' REPORT

continued

Dividends

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

	Cents per Share	Total Amount $'000	Franked at 30%	Date of Payment
Declared and paid during the financial year:				
– Final for 2020 on ordinary shares	25.00	12,427	100%	23 October 2020
– Interim for 2021 on ordinary shares	10.00	5,082	100%	15 April 2021
		17,509		
Declared after the end of the financial year:				
– Final for 2021 on ordinary shares	26.00	13,215	100%	7 October 2021

On 26 February 2021, the Directors of the Company declared an interim fully franked dividend of 10 cents per share (28 February 2020: 10 cents per share). The interim dividend for 2021 financial year was eligible for the DRP.

On 30 August 2021, the Directors of the Company declared a final fully franked dividend of 26.00 cents per share (31 August 2020: 25.00 cents per share). The final dividend for 2021 financial year will be eligible for the DRP (2020: subjected to DRP). Any shares issued under the DRP will be priced at the average daily VWAP calculated over a 10-day period commencing on the third trading day following the record date. This dividend has not been provided for in the 30 June 2021 consolidated financial statements.

Total dividends relating to financial year 2021 amounted to 36.00 cents per share an increase of 1.00 cent over 35.00 cents in the financial year 2020.

Financial position

Set out below is a summary of the financial position as at 30 June 2021.

	2021 $'000	2020 $'000
Cash and cash equivalents	28,298	20,154
Other current assets	21,982	21,705
Non-current assets	408,235	397,938
Current liabilities	(17,495)	(19,313)
Non-current liabilities	(38,210)	(17,925)
Non-controlling interest	(432)	(543)
Net assets attributable to the members of the Company	402,378	402,016
	$	$
Net assets per share at end of financial year	7.92	8.09

Included in the cash balances are held by operating subsidiaries. The remainder of the cash and cash equivalents at 30 June 2021 was held by Central Administration that can be used to provide the Group with liquidity and flexibility to fund future acquisition of new businesses.

IMPACT OF COVID-19 TO THE GROUP

The COVID-19 pandemic continues to have an impact on global economies and financial markets. The Group's financial results for the year ended 30 June 2021 have been impacted by COVID-19, but this has been mitigated by the Group's strategy to enhance the resilience of the Group's earnings by diversifying into investments that are less susceptible to capital markets volatility and have a low correlation to other assets in the Group's portfolio.

The Group's assessment of the ongoing impact of COVID-19 continues to evolve and has been incorporated into the determination of its results of operations and measurement of its assets and liabilities. Valuations included in the financial report such as fair value assets, goodwill, other identifiable intangibles, investments in associates and joint venture and financial liabilities are based on the information available and relevant as at the date of this report. As market conditions are continually changing, changes to the estimates and outcomes that have been applied in the measurement of these assets and liabilities may arise in the future.

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

MATERIAL BUSINESS RISKS

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

Global market risks

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

Fund manager performance

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

Regulatory environment

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

Loss of key personnel

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

REMUNERATION REPORT (AUDITED)

Table of Contents

1. About this Remuneration Report

The Remuneration Report has been prepared and audited against the disclosure requirements of the *Corporations Act 2001* (the "Act") and its regulations. The Remuneration Report forms part of the Directors' Report and outlines the Company's remuneration framework and remuneration outcomes for the year ended 30 June 2021 for the Company's Key Management Personnel ("KMP").

DIRECTORS' REPORT

continued

2. Defined terms used in the Remuneration Report

Term	Meaning
EPS	**Earnings per share**, which is used for the purpose of determining performance against agreed at risk remuneration performance targets. When measuring the growth in EPS to determine the vesting of the at-risk remuneration, EPS is defined as using the statutory net profit after tax attributable to members of the Company or the unaudited underlying net profit after tax attributable to members of the Company, divided by the weighted average number of shares on issue during the year.
Fixed Remuneration	Generally, **fixed remuneration** comprises cash salary, superannuation contribution benefits (in Australia - superannuation guarantee contribution and in the USA - partial matching of employee 401k defined contribution), and the remainder as nominated benefits. Fixed remuneration is determined based on the role of the individual employee, including responsibility and job complexity, performance and local market conditions. It is reviewed annually based on individual performance and market data.
KMP	**Key Management Personnel**. Those people who have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.
LTI	**Long Term Incentive**. It is awarded in the form of share performance rights to senior executives and employees for the purpose of retention and to align the interests of employees with shareholders.
Option	**Option**. Means an option to acquire a Share
Security	**Security**. Means a Share or Option, an interest in a Share or Option, whether legal or equitable, or a right to acquire or which may convert to a Share or Option.
Share	**Share**. Means an ordinary share in the Company.
STI	**Short Term Incentive**. The purpose of the STI is to provide financial rewards to senior executives in recognition of performance aligned with business and personal objectives. The STI is a cash-based incentive paid on an annual basis and at the discretion of the Board with reference to agreed outcomes and goals and company performance. Refer to the respective key employment terms of each KMP set out in Section 7 of this Remuneration Report for the eligibility of STI's by assessing their performance against a set of pre-determined key performance indicators.

3. Remuneration philosophy and structure

Remuneration philosophy

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

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

Competitive: Provide competitive rewards to attract high calibre executives.

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

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

Remuneration committee

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

Remuneration structure

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

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

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

Elements of Executive KMP remuneration

Fixed remuneration

Fixed remuneration consists of base salary, superannuation contribution benefits (in Australia - superannuation guarantee contribution and in the USA – partial matching of employee 401k defined contribution), and the remainder as nominated benefits. The level of fixed remuneration is set to provide a base level of remuneration that is both appropriate to the position and is competitive in the market.

Variable remuneration

STI Plan

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

Feature	Terms of the Plan
How is the STI paid?	Any STI award is paid after the assessment of annual performance for the financial year ended 30 June. For any bonus up to $200,000, 100% will be paid within three months of year-end and for any bonus above $200,000, 50% will be paid within three months of year-end and the remaining 50% deferred and paid at the start of the next financial year. In Australia, the deferred component requires the KMP to complete the service period. In the USA, the deferred component is a contractual obligation and the KMP is not required to complete the service period. This arrangement can be varied at the discretion of the Board.
How much can each Executive KMP earn?	For FY2021, Executive KMP have a target STI opportunity generally of up to 100% of base salary. Each year, on recommendation from the Remuneration, Nomination and Governance Committee, the Board determines a total amount available for the payment of STIs (bonus pool), based on the underlying profit performance of the Group for the year. For FY2021, the total amount available for the payment of STIs to Executive KMP was $686,134 (2020: $596,957).
Outcomes and goals	The Board, on recommendation from the Remuneration, Nomination and Governance Committee, establishes outcomes and goals which it expects the Executive KMP to achieve, and against which performance is measured. The outcomes and goals are based on financial targets, Group and business unit statutory and underlying profit performance, growth and business development targets as well as operational management. The Board creates these goals and outcome expectations in a manner that is designed to increase returns to shareholders in the short and long-term. Refer to Section 7 of this Remuneration Report for details of these goals. 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, Nomination and Governance Committee, assesses the individual performance of each Executive KMP. The Board base their assessment of the Executive KMP's performance against the outcomes and goals set out above and other goals and Group and business unit underlying profit performance.

DIRECTORS' REPORT

continued

Feature	Terms of the Plan
What happens if an Executive KMP leaves?	If an Executive KMP resigns or is terminated for cause before the end of the financial year, no STI is awarded for that financial year except for the Accrued Bonus Obligation. If the Executive KMP ceases employment during the financial year by reason of redundancy, ill health, death or other circumstances approved by the Board, the Executive KMP will be entitled to a pro-rata cash payment based on the Board's assessment of the Executive KMP's performance during the financial year up to the date of ceasing employment.
What happens if there is a change of control?	In the event of a change of control, a pro-rata cash payment will be made, based on the Remuneration, Nomination and Governance Committee's recommended assessment of performance during the financial year up to the date of the change of control and approval by the Board.

Employee LTI Plan

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

A summary of the Employee LTI Plan is set out below:

Feature	Terms of the Employee LTI Plan
Employee Share Ownership Plan 2018	Under the terms of the Employee LTI Plan: a. officers and employees of the Company and its subsidiaries (and a person who has been made an offer to become such an employee or director) are eligible to participate; b. eligible participants may acquire Shares in the Company, Options over Shares and rights to, or interests in, such Shares (including directly or by a nominee, or as a beneficiary of a trust established by the Company for participants); and c. the Directors have broad discretion as to the terms on which eligible participants may acquire securities under the Employee LTI Plan, including as to the number and type of Securities that may be offered, the price payable for the Securities (which may be nil) and how payment for Securities may be made (e.g. by loans from the Company, whether interest-free or limited recourse or otherwise, or by salary sacrifice or sacrifice of cash bonuses).
What is the objective of the Employee LTI Plan?	The objectives of the Employee LTI Plan are: a. to motivate and retain the Group's personnel; b. to attract quality personnel to the Group; c. to create commonality of purpose between the Group's personnel and the Group; and d. to add wealth for all shareholders of the Company through the motivation of the Group's personnel; by allowing the Group's personnel to share the rewards of the success of the Group through the acquisition of, or entitlements to, Securities (as defined in Section 2). The awarding of an LTI grant is fully discretionary and grants are determined by the Board, based on a recommendation from the Remuneration, Nomination and Governance Committee.
How are offers made?	The Company may from time to time invite any person to participate in this Employee LTI Plan who is, or has been made an offer to become, an Eligible Person, by offering to the person any Securities for acquisition on such terms as the Board may determine in accordance with this Employee LTI Plan.

Feature	Terms of the Employee LTI Plan
How are Securities acquired?	Securities may be acquired under the Employee LTI Plan by or for the benefit of a person by way of issue of new Shares or Options, purchase of existing Shares or Options (whether on or off market), creation of rights to or interests in Shares or Options, transfer of Securities or otherwise, and on such terms, as the Board may determine.
What consideration is paid for the Securities?	Securities may be offered for acquisition and acquired by or for the benefit of a person under this Employee LTI Plan for no consideration or at such price or for such other consideration to be paid or otherwise provided at such times and on such terms as the Board may determine at or before the time of acquisition of the Securities. For example, the Board may allow any consideration to be provided by way of salary sacrifice or sacrifice of cash bonuses or other equivalent entitlements or in return for a reduction in salary or wages or as part of the person's remuneration package.
Terms of Options	The Directors of the Company may also determine the terms of Options which may be acquired under the Employee LTI Plan such as the exercise price, any restrictions as to exercise (e.g. vesting conditions), any restrictions as to the disposal or encumbrance of any Options or underlying shares once acquired, and the expiry date of options. Other terms of Options are as follows: a. An option holder will be entitled to have the number of Options, the exercise of the Options and/or the number of shares underlying the options varied in the event of a bonus issue, rights offer or reconstruction of the share capital of the Company, in accordance with the ASX Listing Rules. b. The Company is not required to issue any shares following an exercise of Options unless the Company can be satisfied that an offer of those shares for sale within 12 months after their issue will not need disclosure to investors under part 6D.2 of the *Corporations Act*. c. Subject to the *Corporations Act* and the ASX Listing Rules, no options may be disposed of (e.g. by sale or transfer) until any vesting conditions have been satisfied, and no Options may be transferred except in circumstances (if any) permitted by the Company.

Managing Director and CEO LTI Plan

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

Feature	Terms of the MD & CEO LTI Plan
MD & CEO LTI Plan	Mr. Greenwood's long-term incentive is provided through the grant of Company share entitlements conditional on certain performance criteria being met ("performance rights") that are designed to give Mr. Greenwood an outcome that is similar to the benefit that options would provide. It is comprised of two tranches, the first with a performance assessment period of three years and the second with a performance assessment period of four years. Each tranche is subdivided into three lots with different performance conditions, one lot requiring continuing employment and a share price hurdle to be met and the other two lots also requiring different total shareholder return hurdles to be met. The starting point for the incentive to create value for Mr. Greenwood is achieving the Company share price that is approximately 10% above the VWAP of the Company's shares over both the last week and month ending on the last trading day of 30 June 2021 and 30 June 2022, respectively. Under the MD & CEO LTI Plan, Mr Greenwood is entitled to receive no more than 2,500,000 performance rights on the basis that 1 performance right represents an entitlement to 1 fully paid share in the Company. Set out below is a more detailed summary of the performance rights.

DIRECTORS' REPORT

continued

Feature	Terms of the MD & CEO LTI Plan
1st tranche - 1 July 2018 to 30 June 2021	If the 30-trading day VWAP of an ordinary share ("Share") in the Company ending on the last trading day of 30 June 2021 ("2021 VWAP") exceeds \$6.75, Mr. Greenwood will be entitled to acquire for no cash consideration a number of Shares equal to: $\frac{375{,}000 \times (\text{2021 VWAP} - \$6.75)}{\text{2021 VWAP}}$ PLUS If the above price hurdle is exceeded and the 2021 VWAP plus the aggregate dividends paid on a Share during the period 1 July 2018 to 30 June 2021 ("2021 TSR") is more than \$6.75 increased at the rate of 8.5% per annum compounding annually, Mr. Greenwood will be entitled to acquire for no cash consideration an additional number of Shares equal to: $\frac{437{,}500 \times (\text{2021 VWAP} - \$6.75)}{\text{2021 VWAP}}$ PLUS If the above price hurdle is exceeded and the 2021 VWAP plus the aggregate dividends paid on a Share during 2021 TSR is more than \$6.75 increased at the rate of 11% per annum compounding annually, Mr. Greenwood will be entitled to acquire for no cash consideration an additional number of Shares equal to: $\frac{437{,}500 \times (\text{2021 VWAP} - \$6.75)}{\text{2021 VWAP}}$
2nd tranche - 1 July 2018 to 30 June 2022	If the 30-trading day VWAP of a Share in the Company ending on the last trading day of 30 June 2022 ("2022 VWAP") exceeds \$6.75, Mr. Greenwood will be entitled to acquire for no cash consideration a number of Shares equal to: $\frac{375{,}000 \times (\text{2022 VWAP} - \$6.75)}{\text{2022 VWAP}}$ PLUS If the above price hurdle is exceeded and the 2022 VWAP plus the aggregate dividends paid on a Share during the period 1 July 2018 to 30 June 2022 ("2022 TSR") is more than \$6.75 increased at the rate of 8.5% per annum compounding annually, Mr. Greenwood will be entitled to acquire for no cash consideration an additional number of Shares equal to: $\frac{437{,}500 \times (\text{2022 VWAP} - \$6.75)}{\text{2022 VWAP}}$ PLUS If the above price hurdle is exceeded and the 2022 VWAP plus the aggregate dividends paid on a Share during the 2022 TSR is more than \$6.75 increased at the rate of 11% per annum compounding annually, Mr. Greenwood will be entitled to acquire for no cash consideration an additional number of Shares equal to: $\frac{437{,}500 \times (\text{2022 VWAP} - \$6.75)}{\text{2022 VWAP}}$
Continuing employment	Mr. Greenwood's entitlement to acquire any Shares is conditional on his full-time employment not having terminated at or before the time the Shares are required to be issued or transferred to Mr. Greenwood, although where employment terminates due to his death or total and permanent disablement or his role becoming redundant due to operational reasons or Mr. Greenwood being given notice of termination without cause, and some or all of the performance hurdles set out in the above formulae have in substance been achieved, Mr. Greenwood will become entitled to some or all of the Shares that he would be entitled to if the date of termination of his employment were substituted in place of 30 June 2021 and 30 June 2022 in the formulae.

Feature	Terms of the MD & CEO LTI Plan
Adjustment	Where the share capital of the Company is reorganised or there is a bonus issue of Shares to Company shareholders, the terms of the long-term incentive (e.g. the share price hurdle and underlying share numbers in the above formulae) will be adjusted in a way that is comparable to the way options are required to be adjusted under the ASX Listing Rules.
Cash alternative	The Company may elect to pay to Mr. Greenwood a cash equivalent amount instead of issuing or arranging to transfer all or any of the Shares to him. The Company expects that this will be an equity settled transaction.

4. Relationship between the remuneration philosophy and Company performance

The table below sets out summary information about the Company's earnings and movements in shareholder wealth for the five years to 30 June 2021. The STI and/or LTI awards are paid based on individual and underlying Company performance. The Board, based on a recommendation from the Remuneration, Nomination and Governance Committee, has ultimate discretion in determining the amount of the bonus pool.

	2021	2020	2019	2018 (Restated)	2017 (Restated)
Revenue and other income ($)	47,045,429	62,727,233	62,854,332	46,404,656	42,076,742
Statutory net profit/(loss) before tax ($)	23,464,856	(27,316,939)	53,968,253	95,409,526	(60,465,404)
Statutory net profit/(loss) after tax ($)	17,687,455	(16,289,332)	38,890,182	98,179,137	(65,959,754)
Underlying net profit after tax ($)	26,264,820	25,033,552	20,765,287	18,272,277	16,618,839
Share price at start of year ($)	5.48	4.55	6.56	6.65	4.31
Share price at end of year ($)	5.81	5.48	4.55	6.56	6.65
Interim dividend (cps)[1]	10.00	10.00	10.00	–	–
Final dividend (cps)[1]	26.00	25.00	15.00	22.00	18.00
Earnings/(loss) per share (cps)	34.50	(35.88)	78.95	204.86	(165.34)
Diluted earnings/(loss) per share (cps)	34.50	(35.88)	78.14	204.53	(165.34)
Underlying earnings per share (cps)	52.04	51.30	43.59	38.35	53.30
KMP bonuses ($)	333,067[2]	298,479[3]	391,556[3]	1,357,940[4]	449,015[4]

The Group's FY2021 business performance is reflected in the outcome of the variable component of Executive KMP's total remuneration. Details of the remuneration of Executive KMP in FY2021 is set out in Section 8 of this Remuneration Report.

Notes:

1 Fully franked at 30% corporate income tax.

2 Awarded to Mr. Greenwood and Mr. Killick. This was determined by the Board on the recommendation of the Remuneration, Nomination and Governance Committee based on the Company's performance and the individual's performance against a set of pre-determined key performance indicators set out by the Board. Refer to Section 8 of this Remuneration Report for details of these amounts.

3 Awarded to Mr. Greenwood. This was determined by the Board on the recommendation of the Remuneration, Nomination and Governance Committee based on the Company's performance and Mr. Greenwood's individual performance against a set of pre-determined key performance indicators set out by the Board.

4 Awarded to various executives. These were determined by the Board on the recommendation of the then Remuneration Committee based on the Company's performance and the individual performance of the executives against a set of pre-determined key performance indicators set out by the Board.

DIRECTORS' REPORT

continued

5. Key management personnel

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

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

Notes:

[1] Mr. Killick commenced as Interim CFO on 20 March 2019 and became CFO effective 31 October 2020.

6. Remuneration of Non-Executive Directors

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Non-Executive Directors of the highest calibre at a cost 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 as Directors of the Company and its subsidiaries was at the Annual General Meeting ("AGM") held on 20 November 2020, when shareholders approved an increase in the aggregate remuneration pool of $100,000 from $650,000 to $750,000, with effect from 1 July 2021. There is no intention to seek an increase in the Non-Executive Director fee pool at the 2021 AGM.

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.

Executive Directors are not remunerated separately for acting as Directors.

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

	2022 $	2021 $	2020 $	2019 $	2018 $
Chairman	200,000	175,000	175,000	140,000	100,000
Non-Executive Director	130,000	110,000	110,000	70,000	60,000
Audit and Risk Committee chairman	N/A	N/A	N/A	30,000	20,000
Audit and Risk Committee member	N/A	N/A	N/A	20,000	15,000
Remuneration Committee chairman	N/A	N/A	N/A	20,000	10,000
Remuneration Committee member	N/A	N/A	N/A	15,000	10,000
Governance Committee chairman	N/A	N/A	N/A	15,000	10,000
Governance Committee member	N/A	N/A	N/A	10,000	5,000

During the year, the Board undertook a review of the existing compensation arrangements for Non-Executive Directors and resolved to approve the above fees for Non-Executive Directors with effect from 1 July 2021.

The fees above are inclusive of superannuation contributions, except for the Directors' fees paid to Mr. Chafkin, Mr. Guérin and Mr. Kennedy. Total fees paid to Non-Executive Directors in FY2021 were $645,000 (FY2020: $646,000). Refer to Section 8 of this Remuneration Report for details of remuneration paid to Non-Executive Directors.

7. Remuneration of Executive KMP

Key terms of employment contract of Paul Greenwood

Title	MD, CEO and CIO
Term of Contract	A term of three years from 24 November 2014 and automatic renewal for successive one-year periods thereafter until notice is given by either party. A First Addendum was signed and effective from 1 July 2016 on his appointment as President, North America, and Global CIO. A Second Addendum was signed and effective from 1 July 2018 on his appointment as MD, CEO and CIO.
Base Salary	USD725,000
STI	Mr. Greenwood is eligible for Annual cash bonuses of up to USD400,000 each year subject to satisfying the key performance indicators for the relevant year. The following are the CEO's KPIs for 2021: – Achievement of EPS growth targets; – Completion of targeted deal opportunities; and – Achievement of strategic plan milestones.
LTI	As detailed in Section 3 of this Remuneration Report, Mr. Greenwood's long-term incentive is provided through the grant of the Company share entitlements conditional on certain performance criteria being met.
Other employee benefit plans	Mr. Greenwood is also entitled to participate in any and all other employee benefit plans which are made available to the senior executives of the Group from time to time. At present, Mr. Greenwood participates in the Group's North American qualified retirement plan whereby matching contributions are paid towards Mr. Greenwood's retirement benefits up to approximately USD11,600 each year. He also participates in the Group's health plans whereby the Group pays for coverage for health-related services for Mr. Greenwood and his dependents at a current net annual cost of approximately USD25,500.
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.

DIRECTORS' REPORT

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Title	MD, CEO and CIO
Resignation for Other than Good Reason	Mr. Greenwood may voluntarily terminate his employment for any reason upon at least six months' prior written notice. On the date of termination, Mr. Greenwood will be entitled to receive (i) his Accrued Obligations, (ii) his Accrued Plan Benefits and (iii) his Accrued Bonus Obligations.
Resignation for Good Reason	Mr. Greenwood may terminate his employment at any time for Good Reason by giving the Company written notice, which specifies the date of termination and the reason therefor. On the date of termination, Mr. Greenwood will be entitled to receive (i) his Accrued Obligations, (ii) his Accrued Plan Benefits and (iii) his accrued bonus obligations; (iv) a lump sum payment equal to the Severance Amount payable by the Company, and (v) for a period equal to the Severance Period, continuation coverage payable by the Company under the Company's group health plans for which Mr. Greenwood and his dependents participated immediately prior to his date of termination.
Non-compete	Upon termination of his employment, Mr. Greenwood will be subject to non-competition restrictions for 6 months (where termination is without cause or by Mr. Greenwood for good reason) or 12 months (where termination is for any other reason).
Dispute resolution	The terms of the LTI are governed by the laws of the Commonwealth of Australia and the state of Victoria and all other provisions of the employment agreement are governed by the laws of the state of Washington, USA. Any controversy or claim is required to be resolved by arbitration in Seattle Washington USA. The Company is required to pay all costs and fees of the arbitration.

Key terms of employment agreement of Mr. Ashley Killick

Title	CFO
Term of Contract	Ongoing, with effect from 31 October 2020
Base Salary	$450,000
STI	Mr. Killick is eligible to participate in the Company's STI Plan for annual cash bonuses of up to $150,000 each year subject to satisfying the key performance indicators for the relevant year. The following are the CFO's KPIs for 2021: – Achievement of EPS growth targets; – Effectively manage certain corporate costs; and – Improve financial reporting processes, content and timing.
LTI	Mr. Killick is eligible to participate in the Company's LTI Plan.
Termination of Employment	Under the terms of the contract, the Company may terminate the contract by giving 12 weeks' notice with no termination benefits. Under the terms of the contract, Mr Killick may terminate the contract by giving 6 weeks' notice.

8. Nature and amount of each element of KMP Remuneration in FY2021

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

	Short term		Super/ 401k benefits	Share based payments		Other	Total	Performance related[1]
	Salary and fees $	Cash bonus $	$	Shares $	Options/ Performance rights $	$	$	%
Non-executive Directors								
A. Robinson	167,409	–	7,591	–	–	–	175,000	–
J. Chafkin	110,000	–	–	–	–	–	110,000	–
M. Donnelly	100,457	–	9,543	–	–	–	110,000	–
G. Guérin	110,000	–	–	–	–	–	110,000	–
P. Kennedy[2]	140,000	–	–	–	–	–	140,000	–
Executive KMP								
P. Greenwood[3]	971,780	268,067	15,548	–	433,641	34,173	1,723,209	41
A. Killick[4]	465,537	65,000	14,463	–	–	–	545,000	12
Total 2021	**2,065,183**	**333,067**	**47,145**	**–**	**433,641**	**34,173**	**2,913,209**	**26**
Non-executive Directors								
A. Robinson	159,817	–	16,638	–	–	–	176,455	–
J. Chafkin	110,000	–	–	–	–	–	110,000	–
M. Donnelly	99,886	–	10,114	–	–	–	110,000	–
G. Guérin	110,000	–	–	–	–	–	110,000	–
P. Kennedy[2]	140,000	–	–	–	–	–	140,000	–
Executive KMP								
P. Greenwood[3]	1,082,027	298,479	17,013	–	803,163	37,011	2,237,693	49
A. Killick[4]	526,500	–	–	–	–	–	526,500	–
Total 2020	**2,228,230**	**298,479**	**43,765**	**–**	**803,163**	**37,011**	**3,410,648**	**32**

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

Notes:

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

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

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

4 Mr. Killick commenced as Interim CFO on 20 March 2019. His services were provided through a contract with a management services company associated with him. He became the CFO effective 31 October 2020.

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		Maximum potential of long-term incentive based on fixed remuneration[1]		Actual long-term incentive based on fixed remuneration linked to performance[1]	
	2021	2020	2021	2020	2021	2020	2021	2020
P. Greenwood	52%	53%	26%	26%	100%	100%	42%	71%
A. Killick	31%	–	14%	–	–	–	–	–

Notes:

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

Significant changes to Executive KMP remuneration in FY2021

Other than Mr Killick becoming CFO effective 31 October 2020, there were no significant changes to Executive KMP remuneration in the current year.

9. Share based remuneration

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

2021	Numbers granted	Numbers vested	% of grant vested	% of grant forfeited	% of compensation consisting of performance rights
P. Greenwood[1]	–	102,500	7%	93%	23%
Other employees[2]	–	–	0%	100%	0%
2020					
P. Greenwood[3]	–	102,500	41%	59%	36%
J. Ferragina[3]	–	41,000	41%	59%	0%
Other employees	200,000	–	0%	0%	0%

Notes:

1 Based on AON Solutions Australia Limited ("AON") report, the Board determined that 102,500 of the 250,000 performance rights vested as at 1 July 2020 whilst none of the 1,250,000 performance rights vested as at 30 June 2021.

2 Based on the AON report, the Board determined that none of the 475,000 performance rights vested as at 30 June 2021 and 25,000 performance rights lapsed following the resignation of an employee.

3 Based on the AON report, the Board determined that 41% of the 250,000 and 100,000 performance rights vested as at 1 July 2019.

10. KMP Shareholdings

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

2021	Opening balance	Granted as remuneration	Received on vesting of performance rights	Net change other	Balance held nominally
Non-executive Directors					
A. Robinson	45,795	–	–	10,000	55,795
J. Chafkin	64,816	–	–	–	64,816
M. Donnelly	20,000	–	–	–	20,000
G. Guérin	–	–	–	–	–
P. Kennedy	272,628	–	–	–	272,628
Executive KMP					
P. Greenwood[1]	593,281	–	102,500	(41,000)	654,781
A. Killick	10,000	–	–	446	10,446
2020					
Non-executive Directors					
A. Robinson	10,000	–	–	35,795	45,795
J. Chafkin	–	–	–	64,816	64,816
M. Donnelly	20,000	–	–	–	20,000
G. Guérin	–	–	–	–	–
P. Kennedy	242,628	–	–	30,000	272,628
Executive KMP					
P. Greenwood[1]	531,781	–	102,500	(41,000)	593,281
A. Killick	–	–	–	10,000	10,000

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

Notes:

1 Of the 102,500 performance rights which vested, 61,500 ordinary shares were purchased on market to satisfy 61,500 vested performance rights and the cash equivalent to 41,000 performance rights was paid to the USA tax authorities (on Mr. Greenwood's behalf) in accordance with the terms of the Performance Rights Plan.

DIRECTORS' REPORT

continued

11. Shares under option

There were no unissued ordinary shares of the Company under option outstanding at the date of this Remuneration Report or at the date of the previous Remuneration Report dated 8 September 2020.

12. Performance rights

Total performance rights outstanding as at 30 June 2021 were 1,700,000 (2020: 3,700,000) with a value of $271,039 (2020: $877,922).

Details of performance rights on issue are as follows:

2021	Opening balance Number	Granted as compensation Number	Received on vesting Number	Net change other Number	Closing balance Number
P. Greenwood	2,750,000	–	(102,500)	(1,397,500)	1,250,000
Other employees	950,000	–	–	(500,000)	450,000
Total	**3,700,000**	**–**	**(102,500)**	**(1,897,500)**	**1,700,000**
2020					
P. Greenwood	3,000,000	–	(102,500)	(147,500)	2,750,000
J. Ferragina	100,000	–	(41,000)	(59,000)	–
Other employees	750,000	200,000	–	–	950,000
Total	**3,850,000**	**200,000**	**(143,500)**	**(206,500)**	**3,700,000**

2021	Balance Vested Number	Vested but not exercisable Number	Vested and exercisable Number	Rights vested Number
P. Greenwood	102,500	–	102,500	102,500
Other employees	–	–	–	–
Total	**102,500**	**–**	**102,500**	**102,500**
2020				
P. Greenwood	102,500	–	102,500	102,500
J. Ferragina	41,000	–	41,000	41,000
Other employees	–	–	–	–
Total	**143,500**	**–**	**143,500**	**143,500**

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

The amount of performance rights amortisation expense for FY2021 was $593,775 (2020: $960,981).

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

2021

Issued to	Number issued	Grant Date	Share price on Grant Date	Vesting Date	Valuation[3]
P Greenwood	1,250,000	21 June 2018[1]	$6.77	30 June 2022	$0.669
Other employees	375,000	25 June 2019	$4.46	30 June 2022	$0.225
	75,000	1 August 2019	$5.55	30 June 2022	$1.314
Total	**1,700,000**				

2020

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

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

Notes:

1 The performance rights provided to Mr. Greenwood on 21 June 2018, in consideration of his new role effective 1 July 2018, was approved by shareholders at the Annual General Meeting held on 30 November 2018. This issue was for no more than 2,500,000 performance rights in two tranches. One tranche covers the performance period 1 July 2018 to 30 June 2021 and the other tranche covers the performance period 1 July 2018 to 30 June 2022. Tranche 1 and Tranche 2 have vesting dates of 30 June 2021 and 30 June 2022, respectively. Each tranche is subdivided into three lots with different performance conditions, one requiring continuous employment and a share price hurdle and the other two requiring different total shareholder return hurdles to be satisfied (refer to Section 7 of this Remuneration Report for details). The average value of each right was $0.608. The total value at grant date of these outstanding performance rights was $1,520,506. The performance rights on issue were valued on 30 November 2018 by an independent adviser using a Monte Carlo pricing model. Based on the AON report, the Board determined that none of these performance rights vested as at 30 June 2021.

2 The rights issued on 5 October 2017 have a performance period from 1 July 2017 to 1 July 2020. AON was commissioned to provide a report to determine whether these performance rights issued have vested as at 1 July 2020. Based on the AON report, the Board determined that 41% of 250,000 performance rights vested as at 1 July 2020.

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

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

13. Loans to Directors and executives

No loans were made to Directors and executives of the Company including their close family and entities related to them during FY2021.

– End of Remuneration Report –

DIRECTORS' REPORT

continued

Directors' Meetings

This table shows membership of standing Committees of the Board that operated during the year ended 30 June 2021. All Directors may attend standing Board Committee meetings even if they are not a member of the relevant Committee. From time to time the Board may form other committees or request Directors to undertake specific extra duties. The number of meetings of Directors (including meetings of standing committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Directors' Meetings		Meetings of Committees: Audit and Risk Committee		Meetings of Committees: Remuneration, Nomination and Governance Committee	
Total number of meetings held	15		5		5	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
A. Robinson	15	15	5	5	5	5
P. Greenwood	15	14	–	5	-	5
J. Chafkin	15	15	5	5	5	5
M. Donnelly	15	15	5	5	5	5
G. Guérin	15	15	5	5	5	5
P. Kennedy	15	15	5	5	5	5

Committee membership

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

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

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

Indemnification and Insurance of Directors, Officers and Auditors

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

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

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

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

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

Corporate Governance

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

Environmental Regulation and Performance

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

Auditor Independence

The Directors received an independence declaration from the auditors of the Group. A copy of the declaration is set out on page 35.

Non-audit Services

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

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

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

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

Other Matters

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

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

Rounding of Amounts

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

Likely Developments

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

DIRECTORS' REPORT

continued

Significant Events Subsequent to Reporting Date

On 30 August 2021, the Directors of the Company declared a final dividend on ordinary shares in respect of the 2021 financial year. The total amount of the dividend is $13,215,000 which represents a fully franked dividend of 26 cents per share. The final dividend for 2021 financial year will be eligible for the DRP. Any shares issued under the DRP will be priced at the average daily VWAP calculated over a 10-day period commencing on the third trading day following the record date. The dividend has not been provided for in the 30 June 2021 consolidated financial statements.

Other than the matters detailed above, there has been no matter or circumstance, which has arisen since 30 June 2021 that has significantly affected or may significantly affect either the operations or the state of affairs of the Group.

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

On behalf of the Directors

A. Robinson
Chairman
30 August 2021

AUDITOR'S INDEPENDENCE DECLARATION

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

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

The Board of Directors
Pacific Current Group Limited
Suite 3, Level 3, 257 Collins St
Melbourne VIC 3000

30 August 2021

Dear Board Members

Auditor's Independence Declaration to Pacific Current Group Limited

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

As lead audit partner for the audit of the financial report of Pacific Current Group Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jonathon Corbett
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Revenue	1	**20,123**	**35,811**
Other income and net gains/(losses) on investments and financial instruments			
Distributions and dividend income	2	26,686	25,271
Sundry income	2	237	1,644
Net change in fair values of financial assets and liabilities	2	4,160	9,748
Loss on sale of investments	2	(2,250)	–
Gain/(loss) on derecognition of financial assets and liabilities	2	271	(863)
		29,104	**35,800**
Expenses			
Salaries and employee benefits	3	(15,235)	(21,643)
Impairment expense	3	(3,536)	(53,464)
Administration and general expenses	3	(10,030)	(20,826)
Depreciation and amortisation expense	3	(3,461)	(4,326)
Interest expense	3	(108)	(420)
		(32,370)	**(100,679)**
Share of net profits of associates and joint venture accounted for using the equity method	22	6,608	1,751
Profit/(loss) before income tax expense		**23,465**	**(27,317)**
Income tax (expense)/benefit	4	(5,777)	11,028
Profit/(loss) for the year		**17,688**	**(16,289)**
Attributable to:			
The members of the Company		17,413	(17,509)
Non-controlling interests		275	1,220
		17,688	**(16,289)**
Earnings/(loss) per share attributable to the members of the Company (cents per share):			
– Basic	6	34.50	(35.88)
– Diluted	6	34.50	(35.88)
Franked dividends paid per share (cents per share) for the year	17	35.00	25.00

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Profit/(loss) for the year		**17,688**	**(16,289)**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Change in fair value of financial assets, net of income tax	16a(i)	25,338	28,091
Foreign currency movement of investment revaluation reserve	16a(i)	(5,593)	15
		19,745	**28,106**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	16a(ii)	(25,472)	8,482
Other comprehensive (loss)/income for the year		**(5,727)**	**36,588**
Total comprehensive income		**11,961**	**20,299**
Attributable to:			
The members of the Company		11,675	19,031
Non-controlling interests		286	1,268
		11,961	**20,299**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	8	28,298	20,154
Trade and other receivables, net of expected credit losses	9	8,125	14,837
Other financial assets	10	2,243	2,248
Current tax assets	4	10,675	2,792
Other assets		939	1,828
Total current assets		**50,280**	**41,859**
Non-current assets			
Trade and other receivables	9	442	283
Other financial assets, net of expected credit losses	10	221,774	197,986
Plant and equipment		585	932
Right-of-use assets	11a(i)	516	2,096
Intangible assets	21	52,705	62,732
Investments in associates and joint venture	22	132,058	133,606
Other assets		155	303
Total non-current assets		**408,235**	**397,938**
Total assets		**458,515**	**439,797**
Current liabilities			
Trade and other payables	12	5,209	5,785
Provisions	13	11,136	12,028
Financial liabilities	14	258	–
Lease liabilities	11a(ii)	302	888
Current tax liabilities	4	590	612
Total current liabilities		**17,495**	**19,313**
Non-current liabilities			
Provisions	13	71	181
Financial liabilities	14	9,857	9,443
Lease liabilities	11a(ii)	378	1,658
Deferred tax liabilities	4	27,904	6,643
Total non-current liabilities		**38,210**	**17,925**
Total liabilities		**55,705**	**37,238**
Net assets		**402,810**	**402,559**
Equity			
Share capital	15	184,655	178,424
Reserves	16	120,847	126,620
Retained earnings		96,876	96,972
Total equity attributable to the members of the Company		402,378	402,016
Non-controlling interests		432	543
Total equity		**402,810**	**402,559**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Share capital $'000	Reserves $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 1 July 2020	**178,424**	**126,620**	**96,972**	**543**	**402,559**
Profit for the year	**–**	**–**	**17,413**	**275**	**17,688**
Other comprehensive income:					
(i) Net movement in investment revaluation reserve net of income tax	–	19,745	–	–	19,745
(ii) Net movement in foreign currency translation reserve	–	(25,483)	–	11	(25,472)
Total comprehensive income for the year	**178,424**	**(5,738)**	**17,413**	**286**	**11,961**
Transactions with members in their capacity as members:					
(i) Issuance of shares, net of share issue costs and income tax (Note 15)	6,231	–	–	–	6,231
(ii) Dividends paid (Note 17)	–	–	(17,509)	(397)	(17,906)
(iii) Share-based payments (Note 16a(iii))	–	594	–	–	594
(iv) Shares bought on market to settle performance rights vested (Note 16a(iii))	–	(629)	–	–	(629)
Total transactions with members in their capacity as members	**6,231**	**(35)**	**(17,509)**	**(397)**	**(11,710)**
Balance as at 30 June 2021	**184,655**	**120,847**	**96,876**	**432**	**402,810**

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

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flow from operating activities			
Receipts from customers		20,036	38,270
Payments to suppliers and employees		(24,265)	(36,516)
Dividends and distributions received		34,515	26,966
Interest received		201	606
Interest paid		(107)	(760)
Income tax paid		(1,232)	(2,946)
Net cash provided by operating activities	7	**29,148**	**25,620**
Cash flow from investing activities			
Collections of financial assets at amortised cost		960	5,808
Loans provided to associates		(617)	(2,024)
Collections of financial assets at fair value through profit or loss ("FVTPL")		1,079	1,276
Capital contributions to NCI		–	(709)
Payments for the purchase of financial assets at FVTPL		(67)	(31,477)
Additional contributions to financial assets at fair value through other comprehensive income ("FVTOCI")		–	(895)
Proceeds from sale of a subsidiary		6,800	–
Cash held by deconsolidated subsidiary		(4,529)	–
Proceeds from sale of associates		–	459
Payments for the purchase of associates		(7,979)	–
Additional contributions to associates		(1,377)	(8,867)
Payments for the purchase of a joint venture		–	(29,017)
Payment for the purchase of plant and equipment		(92)	(53)
Payments for early termination of leases		(51)	–
Net cash (used in) investing activities		**(5,873)**	**(65,499)**
Cash flow from financing activities			
Repayment of Proterra Investment Partners, LP ("Proterra") earn-out obligation		(1,022)	–
Repayments of financial liabilities		–	(17,389)
Repayment of Hareon Solar (Singapore) Pte Ltd ("Hareon") liability		–	(746)
Repayments of principal portion of lease liabilities		(727)	(806)
Proceeds from issuance of shares, net of transaction costs		1,974	11,993
Dividends paid		(13,271)	(12,117)
Dividends paid to non-controlling interest in a subsidiary		(397)	(1,262)
Payments for the purchase of shares to settle shared-based payments		(628)	(998)
Net cash (used in) financing activities		**(14,071)**	**(21,325)**
Net (decrease) in cash and cash equivalents held		**9,204**	**(61,204)**
Cash at beginning of the financial year		20,154	80,232
Foreign exchange difference in cash		(1,060)	1,126
Cash at end of financial year	8	**28,298**	**20,154**
Non-cash investing and financing activities			
Investing activities	7	–	(7,344)
Financing activities	7	4,238	7,331

The accompanying notes form part of these consolidated financial statements.

INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

A. BASIS OF PREPARATION

This general-purpose financial report for the Company and the consolidated entities ("Group") for the year ended 30 June 2021, was authorised for issue in accordance with a resolution of the Directors on 30 August 2021.

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

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

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

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

a. Historical cost convention

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

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

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

b. Significant accounting policies

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

c. Going concern

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

d. Comparatives

The accounting policies adopted by the Group in the preparation and presentation of the financial statements have been consistently applied. Where necessary, comparative information has been reclassified, repositioned, and restated for consistency with current year disclosures.

e. Critical accounting estimates, judgments, and assumptions

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

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

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

f. Coronavirus 2019 ("COVID-19") impact

The COVID-19 pandemic continues to have an impact on global economies and financial markets. The Group's financial results for the year ended 2021 have been impacted by COVID-19, but this has been mitigated by the Group's strategy to enhance the resilience of the Group's earnings by diversifying into investments that are less susceptible to capital markets volatility and have a low correlation to other assets in the Group's portfolio.

The Group's assessment of the ongoing impact of COVID-19 continues to evolve and has been incorporated into the determination of its results of operations and measurement of its assets and liabilities. Valuations included in the financial report such as fair value assets, goodwill, other identifiable intangibles, investments in associates and joint venture are based on the information available and relevant as at the date of this report. As market conditions are continually changing, changes to the estimates and outcomes that have been applied in the measurement of these assets and liabilities may arise in the future.

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

Considerations applied:

Consistent with the approach and processes applied in the preparation of the annual report for the year ended 30 June 2021, management had considered the following:

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

g. Rounding of amounts

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

B. GROUP RESULTS FOR THE FINANCIAL YEAR

This section provides information regarding the results and performance of the Group during the year, including further details on revenue, other income and net gains/(losses) on investments and financial instruments, expenses, income tax, segment information, earnings per share and reconciliation of cashflows.

1. Revenue

a. Analysis of balances

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

	2021 $'000	2020 $'000
Timing of revenue recognition		
Over time		
– Fund management fees	16,774	28,754
– Performance fees	997	2,645
– Commission revenue	1,895	3,999
– Retainer revenue	316	313
– Service fees	–	30
– Sundry revenue	96	–
	20,078	**35,741**
At a point in time		
– Sundry revenue	45	70
Total revenue	**20,123**	**35,811**

b. Accounting policies

(i) Fund management fees

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

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

(ii) Performance fees

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

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

(iii) Commission revenue

Commission revenue arises when the Group provides sales services to its clients. Commissions are recognised as follows:

Variable commission

The Group is generally entitled to a trail commission over a multi-year period in accordance with the Sales and Marketing Services Agreement when the client has invested in the funds or mandates of the asset managers and performance obligations have been met. The transaction price is the gross revenue generated from the mandate multiplied by the contractual rates.

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

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

If the mandate with the asset manager is lost before the end of the trail commission period, the commission revenue will cease from the time the mandate is lost.

Fixed commission

The Group is entitled to a commission in accordance with the Sales and Marketing Services Agreement when the client has committed a capital to the asset manager's closed end vehicles where the client cannot redeem. Once the client invested its committed capital to a closed end vehicle, it is deemed that the performance obligation has been met. The transaction price is the committed capital multiplied by the contractual rates.

As the commission revenue correlates to the committed capital, the revenue is recognised upon closing of the transaction, and it is not highly probable that this revenue will not be significantly reversed.

(iv) Retainer revenue

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

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

(v) Service fees

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

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

c. Key estimates, judgments, and assumptions

Revenue recognition of performance fees

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

B. GROUP RESULTS FOR THE FINANCIAL YEAR (continued)

2. Other income and net gains/(losses) on investments and financial instruments

a. Analysis of balances

	2021 $'000	2020 $'000
Distributions and dividend income:		
– Financial assets at FVTPL	11,615	13,444
– Financial assets at FVTOCI	15,071	11,827
	26,686	**25,271**
Sundry income:		
Interest income:		
– Other persons/corporations	177	472
– Related party	60	40
	237	512
Sundry income	–	1,132
Total other income	**237**	**1,644**
Changes in fair values of financial assets and liabilities:		
Financial assets through profit or loss	5,850	11,258
Financial liabilities through profit or loss	(1,690)	(1,510)
Total changes in fair values of financial assets and liabilities through profit or loss	**4,160**	**9,748**
(Loss) on sale of investments:		
(Loss) on sale of a subsidiary	**(2,250)**	**–**
Gain/(loss) on derecognition of financial assets and liabilities:		
Gain on derecognition of Capital & Asset Management Group, LLP ("CAMG") put options	271	–
Loss on derecognition of financial asset at amortised cost to investment in associate (refer to Note 22a(iv))	–	(863)
Total gain/(loss) on derecognition of financial assets and liabilities	**271**	**(863)**

b. Accounting policies

(i) Distributions and dividend income

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

(ii) Interest income

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

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

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

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

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

3. Expenses

a. Analysis of balances

	2021 $'000	2020 $'000
Salaries and employee benefits:		
– Salaries and employee benefits	14,641	20,682
– Share-based payment expense	594	961
Total salaries and employee benefits	**15,235**	**21,643**
Impairment expenses:		
– Impairment of capital contributions:		
– Nereus Capital Investments (Singapore) Pte Ltd.	–	709
– Impairment of investment in associates (refer to Note 22):		
– Blackcrane Capital, LLC ("Blackcrane")	–	2,833
– Capital & Asset Management Group, LLP	1,178	–
– Freehold Investment Management Limited ("FIM")	–	115
– IFP Group, LLC ("IFP")	–	908
– Victory Park Capital Advisors, LLC ("VPC")	–	14,307
– Victory Park Capital GP Holdco, L.P. ("VPC-Holdco")	2,358	3,631
	3,536	**21,794**
– Impairment of goodwill in subsidiaries (refer to Note 21):		
– Aether Investment Partners, LLC ("Aether")	–	8,206
– Seizert Capital Partners, LLC ("Seizert")	–	22,638
	–	**30,844**
– Impairment of financial assets:		
– Trade and other receivables (refer to Note 9)	–	63
– Financial assets at amortised cost (refer to Note 10)	–	54
	–	117
Total impairment expenses	**3,536**	**53,464**
Administration and general expenses		
– Accounting and audit fees (refer to Note 26)	2,105	1,979
– Commission and marketing expenses	522	2,633
– Computer and software maintenance expenses	669	1,036
– Deal costs	1,253	2,819
– Directors' fees	645	646
– Insurance expense	964	1,449
– Lease expenses	184	298
– Loss on early termination of lease (refer to Note 11a(i))	65	–
– Net foreign exchange loss	259	1,190
– Professional and consulting fees	1,695	1,790
– Provision for estimated liability to Hareon (refer to Note 13)	–	4,405
– Share registry and regulatory fees	187	179
– Taxes and license fees	777	990
– Travel and accommodation costs	20	872
– Other general expenses	685	540
Total administration and general expenses	**10,030**	**20,826**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

B. GROUP RESULTS FOR THE FINANCIAL YEAR (continued)

3. Expenses (continued)

	2021 $'000	2020 $'000
Depreciation and amortisation expense:		
– Depreciation of plant and equipment	295	356
– Amortisation of management rights (refer to Note 21)	2,642	3,279
– Amortisation of right of-use-asset (refer to Note 11a(i))	524	691
Total depreciation and amortisation expense	**3,461**	**4,326**
Interest expense:		
– Lease liabilities (refer to Note 11a(ii))	89	176
– Other	19	–
– Notes payable - Seizert	–	244
Total interest expense	**108**	**420**
Total expenses	**32,370**	**100,679**

b. Accounting policies

(i) Expenses

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

(ii) Impairment expenses

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

(iii) Foreign exchange (gain)/loss

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

(iv) Amortisation expenses

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

(v) Interest expense

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

4. Income tax

a. Analysis of balances

	2021 $'000	2020 $'000
Income tax expense/(benefit)		
Components of income tax expense/(benefit):		
– Current tax	(7,465)	375
– Deferred tax	12,697	(11,170)
– Under/(over) provision in prior years	545	(233)
Total income tax expense/(benefit) recognised in profit or loss	**5,777**	**(11,028)**
Reconciliation of income tax expense/(benefit) recognised in profit or loss to prima facie income tax:		
Profit/(loss) before income tax	23,465	(27,317)
Prima facie income tax expense(benefit) at 30% (2020: 30%)	7,039	(8,195)
Add/(deduct) the tax effect of:		
– Tax losses carried back	7,223	–
– USA state income tax expense/(payments)	2,917	(1,146)
– Non-deductible foreign expenses	1,176	1,074
– Share-based payments	178	288
– Net operating loss clawback adjustment	(7,405)	–
– Impact of difference in tax rates in other countries	(5,670)	(2,631)
– Franking credits received	(307)	(244)
– Tax losses not carried forward	–	88
– Non-assessable income	–	(236)
– Other	81	207
– Under/(over) provision in prior years	**545**	**(233)**
Income tax expense/(benefit) attributable to profit	**5,777**	**(11,028)**
Net deferred income tax liabilities recognised in income tax expense/(benefit):		
– Investments	13,179	(5,550)
– Deductible capital expenditures	112	(335)
– Tax losses carried forward	(345)	–
– Earn-out liability	(214)	(3,078)
– Accruals and provisions	(18)	190
– Impact of AASB 16	(16)	(37)
– Dividend receivable	(2)	(794)
– Retention payments	–	(1,533)
– Others	1	(33)
	12,697	**(11,170)**
Deferred income tax related to items charged or credited directly to equity:		
– Movement of the Group's investment revaluation reserve	8,916	10,655
– Movement of the Group's share capital	(19)	(152)
– Movement of the Group's retained earnings	–	1
	8,897	**10,504**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

B. GROUP RESULTS FOR THE FINANCIAL YEAR (continued)

4. Income tax (continued)

	2021 $'000	2020 $'000
Tax losses not recognised		
– Unused tax losses for which no deferred tax asset has been recognised	294	801
– Potential tax benefit at relevant tax rate	**88**	**185**

The unused tax losses were incurred by the parent entity in Australia in respect to revenue and capital losses of $294,000 (2020: $294,000 revenue and capital losses of the parent entity and $507,000 of capital loss on disposal of investment by a controlled entity in the UK).

	2021 $'000	2020 $'000
Current tax assets		
Income tax receivable[1]	**10,675**	**2,792**
Current tax liabilities		
Provision for income tax[2]	**590**	**612**

Notes:

[1] This is the estimated income receivable of $1,895,000 in Australia and $8,780,000 in the USA (2020: USA).

[2] This is the estimated income tax liability in the UK (2020: UK).

Non-current liabilities – net deferred tax liabilities

Components of net deferred tax liabilities:

	2021 $'000	2020 $'000
– Liabilities:		
– Investments	32,377	10,811
– Dividend receivable	28	30
	32,405	**10,841**
– Assets		
– Adjustment on financial liabilities at FVTPL	(3,049)	(2,993)
– Deductible capital expenditures	(923)	(1,055)
– Tax losses carried forward	(341)	–
– Accruals and provisions	(125)	(108)
– Impact of AASB 16	(62)	(37)
– Others	(1)	(5)
	(4,501)	**(4,198)**
Net deferred tax liabilities	**27,904**	**6,643**

b. Accounting policies

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

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

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

Current and deferred income tax expense/(benefit) 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.

c. Key estimates, judgments, and assumptions

(i) Income tax

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

(ii) Tax basis for USA investments

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

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

(iii) Recovery of deferred tax assets

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

(iv) Tax losses not recognised

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

d. Tax consolidation and status in other jurisdictions

(i) Tax status of the Company in Australia

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

(ii) Tax status of the Company in the USA

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

e. Uncertainty over income tax treatments

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

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

5. Segment information

a. Reportable segments

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

B. GROUP RESULTS FOR THE FINANCIAL YEAR (continued)

5. Segment information (continued)

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

	2021 Segment Category	2020 Segment Category
Aether Investment Partners, LLC	Tier 1	Tier 1
Aether General Partners	Tier 1	Tier 1
Blackcrane Capital, LLC	Tier 2	Tier 2
Capital & Asset Management Group, LLP	Tier 2	Tier 2
Carlisle Management Company S.C.A. ("Carlisle")	Tier 1	Tier 1
EAM Global Investors, LLC ("EAM Global")	Tier 2	Tier 2
GQG Partners, LP	Tier 1	Tier 1
IFP Group, LLC	Tier 2	Tier 2
Nereus Capital Investments (Singapore) Pte Ltd ("NCI")	Tier 2	Tier 2
Nereus Holdings, L.P.	Tier 2	Tier 2
Northern Lights Alternative Advisors, LLP ("NLAA")	Tier 2	Tier 2
Pennybacker Capital Management, LLC ("Pennybacker")	Tier 2	Tier 2
Proterra Investment Partners, LP	Tier 1	Tier 1
Roc Group	Tier 2	Tier 2
Strategic Capital Investments, LLP	Tier 2	Tier 2
Victory Park Capital Advisors, LLC	Tier 1	Tier 1
Victory Park Capital GP Holdco, L.P.	Tier 1	Tier 1
Acquired during the year		
Astarte Capital Partners, LLP ("Astarte")	Tier 2	–
ASOP Profit Share LP ("ASOP-PSP")	Tier 2	–
Disposed during the year/prior year		
AlphaShares, LLC	–	Tier 2
Freehold Investment Management Limited	–	Tier 2
Seizert Capital Partners, LLC	Tier 2	Tier 2

b. Analysis of balances

(i) Segment revenues and results

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

	Segment revenue		Share of net profits of associates and joint venture		Segment profit/(loss) for the year	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Tier 1 boutiques	14,485	19,619	5,129	1,047	38,824	16,726
Tier 2 boutiques	5,627	16,175	1,479	704	2,384	(25,443)
	20,112	35,794	6,608	1,751	41,208	(8,717)
Central administration	11	17	–	–	(23,520)	(7,572)
Total per consolidated statement of profit or loss	**20,123**	**35,811**	**6,608**	**1,751**	**17,688**	**(16,289)**

The following details of segment revenue:

	Tier 1 boutiques $'000	Tier 2 boutiques $'000	Central administration $'000	Total $'000
2021				
Over time				
– Fund management fees	12,840	3,934	–	16,774
– Performance fees	–	997	–	997
– Commission revenue	1,549	335	11	1,895
– Retainer revenue	–	316	–	316
– Service fees	–	–	–	–
– Sundry income - rental income	96	–	–	96
	14,485	**5,582**	**11**	**20,078**
At a point in time				
– Sundry revenue	–	45	–	45
	14,485	**5,627**	**11**	**20,123**
2020				
Over time				
– Fund management fees	16,262	12,492	–	28,754
– Performance fees	–	2,645	–	2,645
– Commission revenue	3,193	789	17	3,999
– Retainer revenue	164	149	–	313
– Service fees	–	30	–	30
	19,619	**16,105**	**17**	**35,741**
At a point in time				
– Sundry revenue	–	70	–	70
	19,619	**16,175**	**17**	**35,811**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

B. GROUP RESULTS FOR THE FINANCIAL YEAR (continued)

5. Segment information (continued)

The following details segment profit after tax for central administration:

	2021 $'000	2020 $'000
Revenue	11	17
Other income	177	683
Loss on sale of investments[1]	(2,250)	–
Changes in fair values of financial assets and liabilities	167	235
	(1,895)	**935**
Salaries and employee benefits	(7,877)	(7,155)
Impairment expenses	–	(60)
Administration and general expenses	(7,317)	(11,583)
Depreciation and amortisation expense	(596)	(666)
Interest expense	(58)	(71)
	(15,848)	**(19,535)**
Income tax (expense)/benefit	(5,777)	11,028
	(23,520)	**(7,572)**

Notes:

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

(ii) Segment assets and liabilities

	Segment assets		Segment liabilities		Segment net assets	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Tier 1 boutiques	345,740	344,469	31,498	27,111	314,242	317,358
Tier 2 boutiques	75,698	77,161	24,612	11,011	51,086	66,150
	421,438	421,630	56,110	38,122	365,328	383,508
Central administration[1]	37,077	18,167	(405)	(884)	37,482	19,051
Total per consolidated statement of financial position	**458,515**	**439,797**	**55,705**	**37,238**	**402,810**	**402,559**

Notes:

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

	Segment assets	
	2021 $'000	2020 $'000
Cash and cash equivalents	21,032	7,431
Trade and other receivables	130	54
Income tax receivable	10,675	2,792
Other financial assets	3,562	5,446
Plant and equipment	511	756
Right-of-use assets	224	637
Other assets	943	1,051
	37,077	**18,167**

	Segment liabilities	
	2021 $'000	2020 $'000
Trade and other payables	2,647	2,730
Provisions	509	557
Financial liabilities	–	–
Lease liabilities	344	979
Provision for income tax	590	612
Net deferred tax (assets)/liabilities	(4,495)	(5,762)
	(405)	**(884)**

(iii) Other segment information

	2021 $'000	2020 $'000
Impairment expense of segments		
– Tier 1 boutiques	2,358	26,143
– Tier 2 boutiques	1,178	27,261
– Central administration	–	60
	3,536	**53,464**
Depreciation and amortisation of segments		
– Tier 1 boutiques	2,783	3,442
– Tier 2 boutiques	82	217
– Central administration	596	667
	3,461	**4,326**

(iv) Geographical information

Revenues and results:

	30 June 2021				30 June 2020			
	Tier 1 boutiques $'000	Tier 2 boutiques $'000	Central admin-istration $'000	Total $'000	Tier 1 boutiques $'000	Tier 2 boutiques $'000	Central admin-istration $'000	Total $'000
Revenues								
– Australia	–	34	–	34	–	106	–	106
– USA	14,389	4,495	11	18,895	19,619	12,978	17	32,614
– UK	–	1,098	–	1,098	–	3,091	–	3,091
– Luxembourg	96	–	–	96	–	–	–	–
– India	–	–	–	–	–	–	–	–
	14,485	**5,627**	**11**	**20,123**	**19,619**	**16,175**	**17**	**35,811**
Share of net profits/ (losses)								
– Australia	–	2,765	–	2,765	–	1,268	–	1,268
– USA	5,129	(1,318)	–	3,811	1,047	(94)	–	953
– UK	–	32	–	32	–	(470)	–	(470)
– Luxembourg	–	–	–	–	–	–	–	–
– India	–	–	–	–	–	–	–	–
	5,129	**1,479**	**–**	**6,608**	**1,047**	**704**	**–**	**1,751**
Profit/(loss) after tax								
– Australia	(60)	2,769	(5,781)	(3,072)	(622)	1,014	(6,872)	(6,480)
– USA	27,335	63	(17,088)	10,310	(4,627)	(23,369)	(186)	(28,182)
– UK	–	(448)	(651)	(1,099)	–	2,026	(514)	1,512
– Luxembourg	11,549	–	–	11,549	21,975	–	–	21,975
– India	–	–	–	–	–	(5,114)	–	(5,114)
	38,824	**2,384**	**(23,520)**	**17,688**	**16,726**	**(25,443)**	**(7,572)**	**(16,289)**

Other than the USA, no other country represents more than 10% of revenue for the Group (2020: USA). Other than Aether Real Assets III, L.P., Aether Real Assets IV, L.P. and Aether Real Assets V, L.P. (2020: Aether Real Assets V, L.P.), no individual customer represents more than 10% revenue for the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

B. GROUP RESULTS FOR THE FINANCIAL YEAR (continued)

5. Segment information (continued)

Non-current assets excluding financial assets:

	30 June 2021				30 June 2020			
	Tier 1 boutiques $'000	Tier 2 boutiques $'000	Central admin-istration $'000	Total $'000	Tier 1 boutiques $'000	Tier 2 boutiques $'000	Central admin-istration $'000	Total $'000
Investment in associates and joint venture								
– Australia	–	9,392	–	9,392	–	7,827	–	7,827
– USA	77,300	33,140	–	110,440	83,196	38,394	–	121,590
– UK	–	12,226	–	12,226	–	4,189	–	4,189
– Luxembourg	–	–	–	–	–	–	–	–
– India	–	–	–	–	–	–	–	–
	77,300	**54,758**	**–**	**132,058**	**83,196**	**50,410**	**–**	**133,606**
Plant and equipment								
– Australia	–	–	5	5	–	–	98	98
– USA	74	–	506	580	105	70	658	833
– UK	–	–	–	–	–	1	–	1
– Luxembourg	–	–	–	–	–	–	–	–
– India	–	–	–	–	–	–	–	–
	74	**–**	**511**	**585**	**105**	**71**	**756**	**932**
Right-of-use assets								
– Australia	–	–	–	–	–	–	286	286
– USA	292	–	224	516	438	1,021	351	1,810
– UK	–	–	–	–	–	–	–	–
– Luxembourg	–	–	–	–	–	–	–	–
– India	–	–	–	–	–	–	–	–
	292	**–**	**224**	**516**	**438**	**1,022**	**637**	**2,096**
Intangible assets								
– Australia	–	–	–	–	–	–	–	–
– USA	52,705	–	–	52,705	60,197	2,535	–	62,732
– UK	–	–	–	–	–	–	–	–
– Luxembourg	–	–	–	–	–	–	–	–
– India	–	–	–	–	–	–	–	–
	52,705	**–**	**–**	**52,705**	**60,197**	**2,535**	**–**	**62,732**
Total non-current assets excluding financial assets								
– Australia	–	9,392	5	9,397	–	7,827	384	8,211
– USA	130,371	33,140	730	164,241	143,936	42,020	1,009	186,965
– UK	–	12,226	–	12,226	–	4,190	–	4,190
– Luxembourg	–	–	–	–	–	–	–	–
– India	–	–	–	–	–	–	–	–
	130,371	**54,758**	**735**	**185,864**	**143,936**	**54,037**	**1,393**	**199,366**

c. Accounting policies

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

6. Earnings/(loss) per share

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

	2021	2020
Basic earnings/(loss) per share:		
Net profit/(loss) attributable to the members of the Company ($'000)	17,413	(17,509)
Weighted average number of ordinary shares for basic earnings/(loss) per share	50,470,668	48,797,128
Basic earnings/(loss) per share (cents)	**34.50**	**(35.88)**
Diluted earnings/(loss) per share:		
Net profit/(loss) attributable to the members of the Company ($'000)	17,413	(17,509)
Weighted average number of ordinary shares for diluted earnings/(loss) per share	50,470,668	48,797,128
Diluted earnings/(loss) per share (cents)	**34.50**	**(35.88)**
Reconciliation of earnings/(losses) used in calculating earnings/(loss) per share:		
Net profit/(loss) attributable to the members of the Company used in the calculation of basic earnings/(loss) per share ($'000)	17,413	(17,509)
Net profit/(loss) attributable to the members of the Company used in the calculation of diluted earnings/(loss) per share ($'000)	17,413	(17,509)
Reconciliation of weighted average number of ordinary shares in calculating earnings per share:		
Weighted average number of ordinary shares for basic and diluted earnings per share	**50,470,668**	**48,797,128**

a. Accounting policies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

B. GROUP RESULTS FOR THE FINANCIAL YEAR (continued)

7. Notes to consolidated statement of cash flows

a. Analysis of balances

(i) Reconciliation of profit/(loss) to net cash inflow from operating activities

	2021 $'000	2020 $'000
Profit/(loss) from ordinary activities after income tax	17,688	(16,289)
Adjustments and non-cash items:		
– Dividends received/receivable from associates and joint venture	4,428	5,206
– Depreciation and amortisation expense	3,461	4,325
– Loss on sale of a subsidiary	2,250	–
– Impairment of assets	3,536	53,402
– Share-based payments	594	961
– Loss on early termination of leases	65	–
– Loss on disposal of fixed assets	9	–
– Changes in fair values of financial assets and liabilities	(4,160)	(9,748)
– Share of net (profit) from associates and joint venture	(6,608)	(1,751)
– (Gain)/loss on derecognition of financial assets and liabilities	(271)	863
– Foreign exchange translation difference	(143)	2,325
– Non-operating interest income	(43)	135
– Projected Settlement of Hareon Liability	–	4,405
– Non-operating interest expense	–	(339)
– Other	–	(185)
Changes in operating assets and liabilities:		
– Decrease/(increase) in trade and other receivables	3,205	(2,072)
– Decrease in other assets	261	195
– Increase/(decrease) in trade and other payables	412	(1,664)
– (Decrease) in current tax liabilities	(8,177)	(2,568)
– Increase/(decrease) in deferred taxes	12,722	(11,385)
– (Decrease) in provisions	(81)	(196)
Cash flows provided by operating activities	**29,148**	**25,620**

(ii) Non-cash investing and financing activities

	2021 $'000	2020 $'000
Investing activities:		
– Increase of investment in Copper Funding LLC ("CFL")	–	(4,552)
– Recognition of right-of-use assets	–	(2,730)
– Impact of AASB 16 on sublease receivables	–	(62)
	–	**(7,344)**
Financing activities:		
– Dividends reinvested	4,238	–
– Recognition of lease liabilities	–	2,779
– Recognition of earn-out liabilities	–	4,552
	4,238	**7,331**

C. OPERATING ASSETS AND LIABILITIES

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

8. Cash and cash equivalents

a. Analysis of balances

	2021 $'000	2020 $'000
– Cash at bank	28,298	20,153
– Cash on hand	–	1
	28,298	**20,154**

b. Accounting policies

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

For the purposes of the consolidated statement of cash flows, cash consist of cash and cash equivalents.

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

9. Trade and other receivables

a. Analysis of balances

	2021 $'000	2020 $'000
Current		
Trade receivables	1,446	4,386
Contract assets	–	479
Dividend receivable	6,540	9,942
Sundry receivables	144	73
	8,130	14,880
Loss allowance for expected credit losses	(5)	(43)
	8,125	**14,837**
Non-current		
Trade receivables	**442**	**283**

(i) Impairment

The loss allowance for trade receivables, contract assets, dividend and sundry receivables as at 30 June 2021 was determined as follows:

	Current	Past due 31 - 60 days	Past due 61 - 90 days	Past due over 90 days	Total
2021					
Expected loss rate	0.050%	0.050%	2.564%	5.263%	
Gross carrying amount ($)	1,541,000	294,000	53,000	–	1,888,000
Loss allowance ($)	770	147	1,363	–	2,280
Dividend and sundry receivables ($)					3,338
Total loss allowance ($)					5,618
2020					
Expected loss rate	0.050%	0.050%	2.564%	5.263%	
Gross carrying amount ($)	3,643,000	822,000	–	683,000	5,148,000
Loss allowance ($)	1,822	411	–	35,944	38,177
Dividend and sundry receivables ($)					5,053
Total loss allowance ($)					43,230

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

C. OPERATING ASSETS AND LIABILITIES (continued)

9. Trade and other receivables (continued)

For the year ended 30 June 2021, the expected credit losses for trade and other receivables were adequate and therefore no impairment provision was recognised. In the prior year, the expected credit losses were recognised.

Movement of the loss allowance for expected credit losses:

	2021 $'000	2020 $'000
Opening balance	43	–
Additions (Refer to Note 3)	–	63
Disposal of subsidiary	(35)	–
Written-off	–	(20)
Forex	(3)	–
Ending balance	**5**	**43**

b. Accounting policies

Trade and other receivables, which are generally on 30 days to 90 days terms, are recognised at fair value and subsequently valued at amortised cost, less any allowance for uncollectible amounts. Cash flows relating to short term receivables are not discounted as any discount would be immaterial.

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

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

c. Key estimates, judgments, and assumptions

Impairment of trade and other receivables

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

As a response to COVID-19, the Group undertook a review of its trade, dividends and sundry receivables and the expected credit losses for each. The expected loss rates are then based on the payment profiles over a period of 36 months before 30 June 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are then adjusted to reflect current and forward-looking information on various factors affecting the ability of the counterparties to settle the receivables including the review of their financial statements.

10. Other financial assets

a. Analysis of the balances

	Type of Instrument	2021 $'000	2020 $'000
Current			
Financial assets at amortised cost:			
– Receivable from EAM Investors, LLC ("EAM Investors")[1]	Debt	660	731
– Loans receivable from IFP (Refer to Note 22a(iv))	Debt	267	–
– Sublease receivable	Debt	118	290
		1,045	**1,021**
Financial assets at FVTPL:			
– Receivable from Raven Capital Management, LLC ("Raven")[2]	Debt	1,198	1,227
		2,243	**2,248**
Non-current			
Financial assets at amortised cost:			
– Receivable from EAM Investors[1]	Debt	750	1,361
– Loans receivable from IFP (Refer to Note 22a(iv))	Debt	60	679
– Sublease receivable	Debt	–	153
		810	**2,193**
Loss allowance for expected credit losses		(6)	(6)
		804	**2,187**
Financial assets at FVTPL:			
– Investment in Carlisle[3]	Debt and Equity	58,838	60,670
– Investment in Proterra[4]	Equity	30,687	29,464
– Investment in IFP – preferential distribution (Refer to Note 22a(iv))	Equity	1,919	1,214
– Receivable from Raven[2]	Debt	575	1,690
– Other	Debt	67	–
		92,086	**93,038**
Financial assets at FVTOCI:			
– Investment in GQG Partners, LP.[5]	Equity	115,275	95,214
– Investment in EAM Global[6]	Equity	13,609	7,547
		128,884	**102,761**
		221,774	**197,986**

Notes:

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

2 The receivable from Raven is the earn out component of the consideration on the sale of the investment on 14 October 2016. The Group is paid 33.33% of the management fees earned by Raven on new FUM. Payments are calculated quarterly until the USD3,500,000 earn out cap is met. During the year, the amount of USD805,000 (2020: USD855,000) was received and the balance of the earn-out was fair valued using a discounted cash flows method at 6.23% (2020: 6.84%) with the related changes in fair value taken to profit or loss.

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

Carlisle, founded in 2009, is a fully regulated alternative investment fund manager which manages alternative investment funds exclusively investing in life settlements in the USA. Carlisle is organised under the laws of Luxembourg as a partnership limited by shares.

4 This pertains to the 16% equity interest in Proterra acquired on 21 September 2019. The Group is entitled to 8% of the gross management revenues and 16% of the liquidation proceeds in the event of a sale. The fair value of the investment at 30 June 2021 was net of the fair value of the earn-out obligation of $4,403,000 due in March 2022.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

C. OPERATING ASSETS AND LIABILITIES (continued)

10. Other financial assets (continued)

[5] This pertains to the 5% equity interest in GQG Partners, LP.

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

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

EAM Global was founded in March 2014, organised as a Delaware Limited Liability Company and is registered with the USA Securities and Exchange Commission. EAM Global manages emerging markets small cap, international small cap and international micro-cap public equities strategies.

(i) Impairment of other financial assets at amortised cost

Applying the expected credit loss model for other financial assets at amortised cost resulted to a loss of $2,000 at 30 June 2021 (2020: $6,000).

For the year ended 30 June 2021, the balance of the expected credit losses for other financial assets at amortised cost was considered adequate and therefore no impairment provision was recognised. For the year ended 30 June 2020, the expected credit losses of $6,000 were recognised.

Movement of the loss allowance for expected credit losses:

	2021 $'000	2020 $'000
Opening balance	6	–
Additions (Refer to Note 3)	–	54
Written-off	–	(48)
Ending balance	**6**	**6**

(ii) Movement of financial assets at amortised cost

2021	Opening balance $'000	Impact of application of AASB[1] $'000	Additions and interest accrued $'000	Collections $'000	Transfers[2] $'000	Impair-ment/ (loss) $'000	Reclassi-fications $'000	Foreign currency movement $'000	Closing balance $'000
Current	1,021	–	610	(1,149)	–	–	644	(81)	1,045
Non-current	2,187	–	238	–	(801)	-	(644)	(176)	804
	3,208	**–**	**848**	**(1,149)**	**(801)**	**–**	**–**	**(257)**	**1,849**
2020									
Current	6,180	(34)	279	(6,209)	–	(48)	832	21	1,021
Non-current	2,183	96	2,055	–	(495)	(869)[3]	(832)	49	2,187
	8,363	**62**	**2,334**	**(6,209)**	**(495)**	**(917)**	**–**	**70**	**3,208**

Notes:

[1] This is the impact of implementation of AASB 16 in the prior year.

[2] The transfers in financial assets at amortised cost in the prior year was related to the conversion of the loan into investment in an associate and transfer of interest to trade and other receivables. Refer to Note 22a(iv) for details.

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

(iii) Movement of financial assets at FVTPL

2021	Opening balance $'000	Additions $'000	Collections/ disposals $'000	Change in fair value $'000	Reclassi-fications $'000	Foreign currency movement $'000	Closing balance $'000
Current	1,227	–	(1,079)	–	1,150	(100)	1,198
Non-current	93,038	868	1,022	5,850	(1,150)	(7,543)	92,085
	94,265	**868**	**(57)**	**5,850**	**–**	**(7,643)**	**93,283**
2020							
Current	1,338	–	(1,276)	–	1,135	30	1,227
Non-current	51,283	31,477	–	11,258	(1,135)	155	93,038
	52,621	**31,477**	**(1,276)**	**11,258**	**–**	**185**	**94,265**

(iv) Movement of financial assets at FVTOCI

2021	Opening balance $'000	Additions $'000	Transferred to investment in associate $'000	Change in fair value $'000	Foreign currency movement $'000	Closing balance $'000
Non-current	102,761	–	–	34,581	(8,458)	128,884
2020						
Non-current	66,600	895	(3,786)	38,746	306	102,761

b. Accounting policies

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

(i) Classification

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

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

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

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

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

(ii) Measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

C. OPERATING ASSETS AND LIABILITIES (continued)

10. Other financial assets (continued)

(ii.a) Debt instruments

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

(ii.a.1) At amortised cost

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

(ii.a.2) FVTOCI

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

(ii.a.3) FVTPL

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

(ii.b) Equity instruments

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

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

(iii) Derecognition of financial assets

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

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

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

c. Key estimates, judgments, and assumptions

(i) Valuation of financial assets at fair value

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

(ii) Impairment of financial assets at amortised cost

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

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

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

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

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

- Receivable from EAM Investors – The Group provided financing to EAM Investors to acquire the equity from a part owner WHV Investment, Inc. The loan is governed by the Secured Promissory Note deed whereby various protective features are defined such as the maintenance of an escrow account to hold a reserve requirement, quarterly repayments, reporting obligations including on the escrow account, and security over the units acquired by EAM Investors. The Group has visibility of the growth and operations of EAM Global. The discounted cash flows of EAM Global at 30 June 2021 showed an increase in revenues.
- Loans receivable from IFP – The Group provided temporary financing to IFP to fund its immediate working capital requirements as well as long-term loan through a credit facility. Management considered the credit risk to be low based on the collection patterns of the temporary financing. The outstanding loan under the credit facility is expected to be paid. This is payable to the Group on 31 December 2022.
- Sublease receivable – The Group subleased its Seattle office premises to a third party over seven years whereby monthly lease payments from the sublessee are received. Management considered the credit risk to be low based on the collection pattern, information available in the public domain and the sublessee's reputation.

Impact of COVID-19

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

C. OPERATING ASSETS AND LIABILITIES (continued)

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

a. Analysis of balances

(i) Right-of-use assets

	2021 $'000	2020 $'000
Non-Current		
Office leases, net of accumulated amortisation	511	2,043
Equipment leases, net of accumulated amortisation	5	53
	516	**2,096**

Movement of right-of-use assets

2021	Office Leases $'000	Equipment Leases $'000	Total $'000
Cost			
Opening balance	2,698	78	2,776
Disposal of a subsidiary	(1,097)	(37)	(1,134)
Early termination of leases[1]	(534)	(15)	(549)
Effect of foreign currency differences	(155)	(5)	(160)
Closing balance	**912**	**21**	**933**
Accumulated depreciation			
Opening balance	(655)	(25)	(680)
Amortisation	(506)	(18)	(524)
Disposal of a subsidiary	239	11	250
Early termination of leases[1]	492	14	506
Effect of foreign currency differences	29	2	31
Closing balance	(401)	(16)	(417)
	511	**5**	**516**
2020			
Cost			
Opening balance	–	–	–
Impact of AASB 16	2,656	76	2,732
Effect of foreign currency differences	42	2	44
Closing balance	**2,698**	**78**	**2,776**
Accumulated depreciation			
Opening balance	–	–	–
Amortisation	(666)	(25)	(691)
Effect of foreign currency differences	11	–	11
Closing balance	(655)	(25)	(680)
	2,043	**53**	**2,096**

[1] The early termination of leases pertained to the former Sydney office and equipment leases. The loss on early termination of these leases amounted to $65,000.

(ii) Lease liabilities

	2021 $'000	2020 $'000
Current	302	888
Non-current	378	1,658
	680	**2,546**

Movement of lease liabilities

2021	Opening balance $'000	Impact of AASB 16 $'000	Imputed interest $'000	Repay-ments[1] $'000	Disposal of a subsidiary $'000	Termina-tions[2] $'000	Reclassi-fication $'000	Foreign currency movement $'000	Closing balance $'000
Current	888	–	87	(814)	(158)	(41)	388	(48)	302
Non-current	1,658	–	–	–	(775)	–	(388)	(117)	378
	2,546	**–**	**87**	**(814)**	**(933)**	**(41)**	**–**	**(165)**	**680**
2020									
Current	–	779	176	(982)	–	–	905	10	888
Non-current	–	2,502	–	–	–	–	(905)	61	1,658
	–	**3,281**	**176**	**(982)**	**–**	**–**	**–**	**71**	**2,546**

1 The repayments consisted of principal and interest of $727,000 and $87,000 (2020: $806,000 and $176,000), respectively.

2 The terminations pertained to the settlement of the lease liability balance of the former Sydney office and equipment leases upon early terminations of these leases.

b. Accounting policies

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

C. OPERATING ASSETS AND LIABILITIES (continued)

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

(iii) Variable lease payments

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

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

(iv) Extension and termination options

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

(v) Residual value guarantees

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

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

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

c. Key estimates, judgments, and assumptions

(i) Determining the lease term

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

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

(ii) Determining the internal borrowing rate

To determine the incremental borrowing rate, the Group:

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

12. Trade and other payables

a. Analysis of balances

	2021 $'000	2020 $'000
Current		
Trade payables	235	208
Accrued expenses	3,511	3,672
Other payables	1,463	1,905
	5,209	**5,785**

b. Accounting policies

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

13. Provisions

a. Analysis of balances

	2021 $'000	2020 $'000
Current		
Provision for estimated liability to Hareon[1]	10,698	11,638
Provision for annual leave	438	390
	11,136	**12,028**
Non-current		
Provision for long service leave	71	112
Other	–	69
	71	**181**

Notes:

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

Management's assessment of the Additional Contribution that may be required in the event that Hereon were to put its Class H Shares back to NCI is estimated to be $10,698,000 (USD8,018,000) (2020: $11,638,000 (USD8,018,000)). Management have estimated the value of this Additional Contribution based on the difference between the fair value of the solar plants operated by NCI and the estimated redemption value of the Class H shares. As at 30 June 2021, the Group's potential obligation did not change except for the impact of foreign exchange.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

C. OPERATING ASSETS AND LIABILITIES (continued)

13. Provisions (continued)

Movement of provision for estimated liability to Hareon for the year

	2021 $'000	2020 $'000
Opening balance	11,638	7,926
Provisions for the year (See Note 3)	–	4,405
Repayments	–	(746)
Foreign currency movement	(940)	53
Ending balance	**10,698**	**11,638**

b. Accounting policies

(i) Provisions

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

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

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

(ii) Provision for annual leave and long service leave

A liability is recognised for benefits accruing to employees in respect of annual leave and long service leave in the period the related service is rendered, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

c. Key estimates, judgments, and assumptions

Provision for estimated liability to Hareon

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

D. CAPITAL, FINANCING AND FINANCIAL RISK MANAGEMENT

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

14. Financial liabilities

a. Analysis of balances

	2021 $'000	2020 $'000
Current		
Financial liabilities at FVTPL:		
– Deferred payment - former owners of EAM Global[1]	258	–
	258	**–**
Non-current		
Financial liabilities at FVTPL:		
– Earn out liability – Aether[2]	4,064	4,244
– Earn-out liability – Pennybacker[3]	5,672	4,737
– Deferred payment – former owners of EAM Global[1]	121	193
	9,857	**9,174**
Embedded derivatives:		
– CAMG put options[4]	–	269
	9,857	**9,443**

Notes:

[1] The deferred payment represents the amount owed to the former owners of EAM Global arising from the acquisition of the additional 375 preferred units in EAM Global. The balance of the deferred payment is equivalent to 2% of EAM Global's gross revenues for the year ending 31 March 2022 payable on 31 May 2022 and 1% of EAM Global's gross revenues for the year ending 31 March 2023 payable on 31 May 2023.

[2] The earn-out liability represents the amount owed by the Group to the former owners of Aether, for marketing and offering interests in the ARA Fund V. This is due at the earlier of the final close of ARA Fund VII or three years after the close of ARA Fund VI. ARA Fund VI or ARA Fund VII are yet to be launched.

[3] The earn-out liability represents the potential obligation to Pennybacker with a maximum additional consideration for $10,006,000 (USD7,500,000), which would be paid between the closing of the transaction and 31 December 2024 if certain revenue thresholds for Pennybacker's emerging growth and income platforms are met. As at 30 June 2021, the fair value of the earn-out obligation was $5,672,000 (2020: $4,737,000). This increase in fair value was a result of an increase in forecast cash flows.

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

The Deed created a series of put options whereby CAMG has a right (but not obligation) to sell ordinary interests in CAMG to the Group at the Subsequent Drawdown amounts within a period of three years. Thus, the Group has a liability in the form of the sold put options to CAMG. Prior to 30 June 2021, the Group and CAMG agreed to extend the capital commitment period for another year. However, the extension did not apply to the put option, thus it expired on April 2021. Accordingly, the Group derecognised the financial liability associated with the put option.

(i) Movement of financial liabilities at amortised cost

2020	Opening balance $'000	Impact on application of AASB 16 $'000	Imputed and interest accrued $'000	Repayments[1] $'000	Reclassi-fications $'000	Adjustment $'000	Foreign currency movement $'000	Closing balance $'000
Current	7,745	(246)	244	(8,053)	–	–	310	–
Non-current	255	(255)	–	–	–	–	–	–
	8,000	**(501)**	**244**	**(8,053)**	**–**	**–**	**310**	**–**

Notes:

[1] The 30 June 2020 repayments consisted of $7,469,000 principal component and $584,000 interest component.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

14. Financial liabilities (continued)

(ii) Movement of financial liabilities at FVTPL

2021	Opening balance $'000	Additions $'000	Revaluation $'000	Repayments $'000	Reclassi-fications $'000	Foreign currency movement $'000	Closing balance $'000
Current	–	–	–	–	260	(2)	258
Non-current	9,174	–	1,690	–	(260)	(747)	9,857
	9,174	**–**	**1,690**	**–**	**–**	**(749)**	**10,115**
2020							
Current	9,224	–	251	(9,920)	–	445	–
Non-current	3,598	4,552	977	–	–	47	9,174
	12,822	**4,552**	**1,228**	**(9,920)**	**–**	**492**	**9,174**

(iii) Movement of embedded derivatives

2021	Opening balance $'000	Derecognised $'000	Revaluation $'000	Foreign currency movement $'000	Closing balance $'000
Non-current	269	(271)	–	2	–
2020					
Non-current	–	–	282	(13)	269

b. Accounting policies

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

(i) Financial liabilities at amortised cost

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

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

(ii) Financial liabilities at FVTPL

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

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

(iii) Derecognition of financial liabilities

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

c. Key estimates, judgements, and assumptions

(i) Valuation of financial liabilities at fair value

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

15. Share capital

a. Analysis of balances

	2021 $'000	2020 $'000
Issued and fully paid ordinary shares	**184,655**	178,424

Movements in ordinary shares on issue

	2021		2020	
	No. of shares	$'000	No. of shares	$'000
Opening balance	49,708,483	178,424	47,642,367	166,279
Shares issued:				
– 15 April 2021 under the Dividend Reinvestment Plan ("DRP")	10,877	61	–	–
– 23 October 2020 under the DRP	745,889	4,177	–	–
– 23 October 2020, under the underwriting deed relating to the DRP, net of share issue costs and income tax	363,595	1,993	–	–
– 9 December 2019, net of share issue costs and income tax	–	–	2,066,116	12,145
Closing balance	**50,828,844**	**184,655**	**49,708,483**	**178,424**

The Company offers shareholders the opportunity to increase their holdings by participation in the DRP. The Company's DRP offers shareholders the option to reinvest all or part of their dividend in new ordinary shares.

On 15 April 2021, the Company issued 10,877 new fully paid ordinary shares at an issue price of $5.56 per share under the Company's DRP. Total dividends reinvested amounted to $61,000.

On 23 October 2020, the Company issued 745,889 new fully paid ordinary shares at an issue price of $5.60 per share (being the 5.0% discount to the average of the 10 daily market Volume Weighted Average Price) under the Company's DRP. Total dividends reinvested amounted to $4,177,000.

On 23 October 2020, pursuant to a DRP underwriting agreement the Company issued 363,595 new fully paid ordinary shares at an issue price of $5.60 per share; totalling $2,036,000 before issue costs.

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

The new shares rank equally with existing shares. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

b. Accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

15. Share capital (continued)

c. Capital management

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

During the year ended 30 June 2021, the Company paid dividends of $17,509,000 including dividends reinvested of $4,238,000 (2020: $12,117,000). The Board anticipates that the medium payout ratio is 60% to 80% of the underlying net profit after tax of the Group. The Board continues to monitor the appropriate dividend payout ratio over the medium term.

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

16. Reserves

a. Analysis of balances

	2021 $'000	2020 $'000
Investment revaluation reserve	83,350	63,605
Foreign currency translation reserve	30,795	56,278
Equity-settled employee benefits reserve	6,702	6,737
	120,847	**126,620**

(i) Investment revaluation reserve

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

Movements in reserve:

	2021 $'000	2020 $'000
Opening balance	63,605	36,616
Movement in the other comprehensive income:		
– Net fair value gain on financial assets at FVTOCI, net of income tax	25,338	28,091
– Foreign currency movement	(5,593)	15
	19,745	28,106
Transfers between reserve:		
– Reversal of the net fair value gain, net of income tax, on financial assets at FVTOCI derecognised during the period (refer to Note 22a(iv))	–	(817)
Closing balance	**83,350**	**63,605**

(ii) Foreign currency translation reserve

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

Movements in reserve:

	2021 $'000	2020 $'000
Opening balance	56,278	47,844
Movement in the other comprehensive income:		
– Exchange differences on translating foreign operations of the Group	(25,472)	8,482
– Share of non-controlling interests	(11)	(48)
Closing balance	**30,795**	**56,278**

(iii) Equity-settled employee benefits reserve

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration. Refer to Note 25 for further details of these plans.

Movements in reserve:		
Opening balance	6,737	6,774
Share-based payments (refer to Note 25(iv))	594	961
Value of shares bought on market to performance rights vested (refer to Note 25(v))	(629)	(998)
Closing balance	**6,702**	**6,737**

17. Dividends paid and proposed

a. Analysis of balances

	2021 $'000	2020 $'000
Previous year final:		
Fully franked dividend (25 cents per share) (2020: 15 cents per share)	12,427	7,146
Current year interim:		
Fully franked dividend (10 cents per share) (2020: 10 cents per share)	5,082	4,971
	17,509	**12,117**
Declared after the reporting period and not recognised:		
Fully franked dividend (26 cents per share) (2020: 25 cents per share)[1]	**13,215**	**12,427**

b. Franking credit balance

The balance at the end of the financial year at 30% (2020: 30%)[2]	21,923	28,988
Franking credits that will arise from the receipt of dividends recognised as receivables by the parent entity at the reporting date	211	228
The impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to the members of the Company	(5,664)	(5,326)
The amounts of franking credits available for future reporting periods	**16,470**	**23,890**

The tax rate at which paid dividends have been franked and dividends proposed will be franked is 30% (2020: 30%).

Notes:

1 Calculation was based on the ordinary shares on issue as at 30 July 2021 (2020: 31 July 2020).

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

18. Financial risk management

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

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

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

The Group holds the following financial instruments:

	At amortised cost		At FVTPL		At FVTOCI		Total	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Financial assets								
Cash and cash equivalents	28,298	20,154	–	–	–	–	28,298	20,154
Trade and other receivables								
– current	8,125	14,837	–	–	–	–	8,125	14,837
– non-current	442	283					442	283
Other financial assets								
– current	1,045	1,021	1,198	1,227	–	–	2,243	2,248
– non-current	804	2,187	92,086	93,038	128,884	102,761	221,774	197,986
Other assets								
– non-current	131	303	–	–	–	–	131	303
	38,845	**38,785**	**93,284**	**94,265**	**128,884**	**102,761**	**261,013**	**235,811**
Financial liabilities								
Trade and other payables	5,209	5,785	–	–	–	–	5,209	5,785
Other financial liabilities								
– current	–	–	258	–	–	–	258	–
– non-current	–	–	9,857	9,174	–	–	9,857	9,174
Lease liabilities								
– current	302	888	–	–	–	–	302	888
– non-current	378	1,657	–	–	–	–	378	1,657
	5,889	**8,330**	**10,115**	**9,174**	**–**	**–**	**16,004**	**17,504**

a. Interest rate risk

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

	2021 $'000	2020 $'000
Interest bearing financial assets:		
– Cash and cash equivalents	28,298	20,154
	28,298	**20,154**

Sensitivity analysis

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

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

	2021 $'000	2020 $'000
Net impact on profit after tax		
+0.75% [2020: 0.75%]/ 75 basis points [2020: 75 basis points]	99	127
-0.75% [2020: 0.75%]/ (75 basis points) [2020: 75 basis points]	(1)	(85)

b. Credit risk

Credit risk arises from the financial assets of the Group which comprise, trade and other receivables, and other debt instruments. The Group's exposure to credit risk arises from potential default of the counterparty, with the maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each applicable note. The Group does not hold any credit derivatives to offset its credit exposure.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

18. Financial risk management (continued)

c. Liquidity risk

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

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

2021	Weighted average effective interest rate	1 to 3 months $'000	3 months to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000
Trade receivables and contract assets	0%	672	652	446	118	1,888
Dividend receivable	0%	6,540	–	–	–	6,540
Sundry receivables	0%	123	21	–	–	144
Receivable from EAM Investors	10.00%	159	460	569	394	1,582
Loans receivable from IFP	13.00%	267	6	66	–	339
Sublease receivable	6.40%	72	48	–	–	120
Investment in IFP at FVTPL	10% and 13%	–	346	859	1,174	2,379
Receivable from Raven	6.23%	294	882	699	–	1,875
Security deposits	0%	–	83	–	36	119
		8,127	**2,498**	**2,639**	**1,722**	**14,986**
2020						
Trade receivables and contract assets	0%	3,643	1,174	189	142	5,148
Dividend receivable	0%	9,942	–	–	–	9,942
Sundry receivables	0%	59	14	–	–	73
Receivable from EAM Investors	10.00%	187	541	674	1,048	2,450
Loans receivable from IFP	13.00%	–	64	86	743	893
Sublease receivable	6.40%	101	207	156	–	464
Investment in IFP at FVTPL	10.00%	–	40	630	319	989
Receivable from Raven	6.84%	294	882	1,176	857	3,209
Security deposits	1.15%	4	43	233	24	304
		14,230	**2,965**	**3,144**	**3,133**	**23,472**

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

2021	Weighted average effective interest rate	1 to 3 months $'000	3 months to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000
Trade and other payables	0%	3,947	1,262	–	–	5,209
Earn-out liability (Aether)	8.68%	–	–	–	4,605	4,605
Earn-out liability (Pennybacker)	16.48%	–	–	2,481	6,497	8,978
Deferred payment (EAM Global)	17.50%	–	292	161	–	453
Lease liabilities	6.40%	123	230	254	144	751
		4,070	**1,784**	**2,896**	**11,246**	**19,996**
2020						
Trade and other payables	0%	5,785	–	–	–	5,785
Earn-out liability (Aether)	7.00%	–	–	–	5,026	5,026
Earn-out liability (Pennybacker)	14.00%	–	–	–	7,968	7,968
Deferred payment (EAM Global)	19.00%	–	–	180	99	279
Lease liabilities	5.98%	244	749	629	1,233	2,855
		6,029	**749**	**809**	**14,326**	**21,913**

d. Foreign currency risk

The Group adopted an accounting treatment to hedge its dollar net assets for its Investment in Northern Lights Midco, LLC ("Midco") for foreign exchange exposure arising between the Australian dollar and US dollar. At 30 June 2021, the Group had no hedge exposure since it has no external borrowings denominated in USD.

(i) Consolidated statement of profit or loss

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

18. Financial risk management (continued)

(ii) Consolidated statement of financial position

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

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

	2021			2020		
	USD $'000	GBP $'000	EUR $'000	USD $'000	GBP $'000	EUR $'000
Financial assets						
Cash and cash equivalents	24,708	925	–	14,528	4,254	–
Trade and other receivables	5,517	371	1,887	11,817	249	2,397
Other financial assets	224,458	–	–	200,517	–	–
Other assets	119	25	–	103	24	–
	254,802	**1,321**	**1,887**	**226,965**	**4,527**	**2,397**
Financial liabilities						
Trade and other payables	2,390	1,983	–	2,757	1,937	–
Other financial liabilities	10,115	–	–	9,174	–	–
Lease liabilities	679	–	–	2,286	–	–
	13,184	**1,983**	**–**	**14,217**	**1,937**	**–**

(iii) Sensitivity analysis

As at year end, the Group has no material exposure in USD, GBP, and EUR foreign currencies. However, this is mitigated because the income of the Group in USD, GBP and EUR are from the Group's foreign operations. The impact of the foreign currency is recognised as part of the foreign currency translation reserve, offsetting the exchange differences.

(iv) Accounting policies

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

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

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

e. Price risk

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

Sensitivity analysis

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

	2021		2020	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Financial assets at FVTPL				
– 1% variable inputs - impact on profit after tax	3,761	(3,057)	1,660	(1,534)
Financial assets at FVTOCI				
– 1% variable inputs - impact on equity	1,180	(959)	2,878	(2,305)
Financial liabilities at FVTPL				
– 1% variable inputs - impact on profit after tax	158	(163)	196	(204)
Embedded derivatives				
– 1% variable inputs - impact on profit after tax	–	–	(29)	29

f. Fair value estimation

(i) Fair value hierarchy

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

18. Financial risk management (continued)

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

Financial instruments	2021 $'000	2020 $'000	Valuation techniques and unobservable inputs	Range of inputs	Relationship of unobservable input to fair value
Financial assets at FVTPL					
Investment in Carlisle	**58,838**	60,670	Discounted Cash Flow – Revenue growth derived from FUM growth – Discount rate – Terminal growth rate	 5.4% to 14.3% (2020: 6.4% to 27.9%) 16.5% (2020: 20%) 3% (2020: 3%)	1% (2020: 1%) lower or higher terminal growth rate while all the other variables were held constant, the fair value would decrease by $2,135,000 and increase by $2,535,000 (2020: decrease by $1,742,000 and increase by $1,887,000).
Investment in Proterra)	**30,687**	29,464	Discounted Cash Flow – Revenue growth derived from FUM growth – Discount rate – Terminal growth rate	 6% to 43% (2020: 3% to 37%) 9.1% to 13.9% (2020: 8.5% to 14.5%) 2.5% (2020: 2.5%)	1% (2020: 1%) lower or higher terminal growth rate while all the other variables were held constant, the fair value would decrease by $1,754,000 and increase by $2,287,000 (2020: decrease by $236,000 and increase by $249,000).
Investment in IFP – preferential distribution	**1,919**	1,214	Discounted Cash Flow – Discount rate	 10% and 13% (2020: 10%)	1% (2020: 1%) lower or higher discount rate while all the other variables were held constant, the fair value would increase by $3,000 and decrease by $47,000 (2020: decrease by $5,000 and increase by $5,000).
Receivable from Raven	**1,773**	2,917	Discounted Cash Flow – Projected revenue from the new FUM of the business – Discount rate	 33.33% (2020: 33.33%) 6.23% (2020: 6.84%)	1% (2020: 1%) lower or higher discount rate while all the other variables were held constant, the fair value would increase by $15,000 and decrease by $15,000 (2020: increase by $40,000 and decrease by $39,000).
Financial assets at FVTOCI					

Investment in GQG	**115,275**	95,214	Discounted Cash Flow
			– Revenue growth derived from FUM growth
			– Discount rate
			– Terminal growth rate
			– Probability factor on:
			  – discounted cash flow
			  – control transaction value
			  – call option value
				
				5% to 10.1% (2020: 7.6% to 45%)
				13.5% (2020: 15%)
				3% (2020: 3%)
				
				10% (2020: 65%)
				20% (2020: 10%)
				70% (2020: 25%)
					1% (2020: 1%) lower or higher terminal growth rate while all the other variables were held constant, the fair value would decrease by $680,000 and increase by $961,000 (2020: decrease by $2,772,000 and increase by $3,353,000).

Financial instruments	2021 $'000	2020 $'000	Valuation techniques and unobservable inputs	Range of inputs	Relationship of unobservable input to fair value
Investment in EAM Global	**13,609**	7,547	Discounted Cash Flow – Revenue growth derived from FUM growth – Discount rate – Terminal growth rate	 5% to 39.3% (2020: (2%) to 10.1%) 17.5% (2020: 19%) 3% (2020: 3%)	1% (2020: 1%) lower or higher terminal growth rate while all the other variables were held constant, the fair value would decrease by $534,000 and increase by $534,000 (2020: decrease by $145,000 and increase by $290,000).
Financial liabilities at FVTPL					
Earn out liability – Aether	**4,064**	4,244	Discounted Cash Flow – Discount rate	 8.68% (2020: 7%)	1% (2020: 1%) lower or higher discount rate while all the other variables were held constant, the fair value would increase by $57,000 and decrease by $55,000 (2020: increase by $101,000 and decrease by $98,000).
Earn out liability – Pennybacker	**5,672**	4,737	Discounted Cash Flow – Projected revenue of Income Fund I – Earn-out factor to earn-out multiplier – Discount rate	 $10,514,000 (2020: $7,703,000) 50% (2020: 60%) 16.5% (2020: 15%)	1% (2020: 1%) lower or higher discount rate while all the other variables were held constant, the fair value would increase by $146,000 and decrease by $141,000 (2020: increase by $154,000 and decrease by $147,000).
Deferred payment – former owners of EAM Global	**379**	193	Discounted Cash Flow – Projected gross revenues for the years 31 March 2022 and 2023 – Discount rate	 2% and 1% (2020: 2% and 1%) 17.5% (2020: 19%)	1% (2020: 1%) lower or higher discount rate while all the other variables were held constant, the fair value would increase by $3,000 and decrease by $4,000 (2020: increase by $3,000 and decrease by $3,000)
Embedded derivatives					
CAMG put option	**–**	269	Current year: Nil as the put option expired on April 2021. Prior year: – Commitment amount – Probability factor that the put option will be exercised	N/A (2020: $3,590,000) N/A (2020: 7.5%)	The CAMG option expired in April 2021. (2020: 1% lower or higher probability factor while all the other variables were held constant, the fair value would decrease by $36,000 and increase by $36,000)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

18. Financial risk management (continued)

(ii) Transfers between levels and changes in valuation techniques

There were no transfers between the levels of fair value hierarchy during the financial year. There were also no changes made to any of the valuation techniques applied as at 30 June 2021.

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

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

	2021		2020	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets at amortised cost				
– Receivable from EAM Investors	1,410	1,474	2,092	2,206
– Loans receivable from IFP	327	327	679	691

19. Capital commitments, operating lease commitments and contingencies

	2021 $'000	2020 $'000
a. Capital commitments		
The Group has outstanding capital commitments as follows:		
– Aether GPs (USD270,000)	361	–
– CAMG further drawdowns until April 2022 (GBP750,000) (2020: GBP1,500,000)[1]	1,382	2,693
– Additional Contribution to NCI (USD12,095,000) (2020: USD12,095,000)[2]	16,137	17,555
	17,880	**20,248**

Notes:

[1] Prior to 30 June 2021, the Group and CAMG had an on-going discussion to extend the capital commitment to April 2022. This was formally agreed on 5 August 2021.

[2] Under the Aurora Subscription Deed and Shareholder's Deed referred in Note 13, Aurora agreed to make an Additional Contribution to NCI in the amount of USD13,500,000; reduced by the amount of Guarantee paid of USD1,405,000 (2020: USD1,405,000).

Earn-out payments for the future funds of Aether

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

b. Contingent liabilities

The Group has outstanding contingent liabilities as follows:

	2021 $'000	2020 $'000
– Guarantee to NCI (USD5,000,000)[1]	6,671	7,257
	6,671	**7,257**

Notes:

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

The Shareholder's Deed requires that an escrow account ("Escrow Account") be funded to be used to satisfy the Guarantee. These shortfall payments are drawn from the Escrow Account. The Group shall contribute additional amounts to the Escrow Account equal to any amounts drawn down by Nereus so that the balance of the of the Escrow Account will be kept at USD5,000,000. To date, the Group does not maintain the Escrow Account. Nevertheless, the Group has been honouring any shortfall payments to date by funding in total USD1,405,000 (2020: USD1,405,000).

c. Lease commitments

Commitments for minimum lease payments:

– not later than one year	78	–
– later than one year and not later than five years	325	–
– later than five years	101	–
	504	**–**

The lease commitments relate to leases that are short-term and low value and start date of lease is after 30 June 2021.

d. Contingent assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

E. GROUP STRUCTURE

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

20. Interests in subsidiaries

The following are the Company's subsidiaries:

		Ownership interest held by the Company	
Name of subsidiaries	Country of incorporation	2021 %	2020 %
Aurora Investment Management Pty Ltd	Australia	100	100
The Aurora Trust	Australia	100	100
Treasury Group Investment Services Pty Ltd	Australia	100	100
Treasury ROC Pty Ltd[1]	Australia	100	100
Northern Lights MidCo, LLC ("Midco")	USA	100	100
Carlisle Acquisition Vehicle, LLC ("CAV")[2]	USA	100	100
Northern Lights Capital Group, LLC	USA	100	100
NLCG Distributors, LLC	USA	100	100
Northern Lights Capital Partners (UK) Ltd ("NLCPUK")	UK	100	100
Strategic Capital Investments, LLP	UK	60	60
Northern Lights MidCo II, LLC	USA	100	100
Aether Investment Partners, LLC	USA	100	100
Seizert Capital Partners, LLC[3]	USA	–	25

Notes:

1 This subsidiary is a holding company and non-operating.

2 CAV is a limited liability company that holds the Group's investment in Carlisle. Midco owns 1% and NLCPUK owns 99% of CAV.

3 Prior to the disposal of the Group's interest in Seizert during the period (Refer to Note 20a below for details), the Group had control over Seizert based on its 54.55% voting rights, majority Board representation and preference in the distribution waterfall. Therefore, Seizert was consolidated as part of the Group.

a. Disposal of a subsidiary

On 30 November 2020, the Group completed the sale of all its economic interest in Seizert to the current Seizert management team. The assets and liabilities of Seizert including the other identifiable intangibles held in Seizert were derecognised as at 30 November 2020 and the proceeds amounting to $6,800,000 (USD5,000,000) before tax was received. The results of operations of Seizert from 1 July 2020 to 30 November 2020 were included in the consolidated financial statements. The sale of the Group's investment in Seizert resulted to a loss of $2,250,000.

Details of the sale are as follows:

	$'000
Consideration received	6,800
Carrying amount of the investment sold	(9,050)
Loss on sale before income tax	(2,250)

The carrying amounts of assets and liabilities as at the date of the completion of the sale were:

	30 November 2020 $'000
Cash and cash equivalents	4,529
Trade and other receivables	2,304
Other current assets	674
Plant and equipment	57
Right-of-use assets	884
Other assets	3
Total assets	8,451
Trade and other payables	831
Provisions	13
Lease liabilities	933
Total liabilities	1,777
Net assets	6,674
Add: Intangible assets - brands and trademarks	2,376
Total carrying value	**9,050**

Accounting policies

(i) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders, potential voting rights held by the Company, other vote holders or other parties, rights arising from other contractual arrangements, and any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. The financial statements of the Australian, US and UK 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

E. GROUP STRUCTURE (continued)

20. Interests in subsidiaries (continued)

(ii) Foreign currency translations and balances

Functional and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes 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.

Transactions and balances

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

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

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

Translation of foreign operations

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

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

For the purposes of presenting the transactions disclosed in the notes to the financial statements, these transactions are translated into Australian dollar using the exchange rates prevailing at the date of transaction. For other amounts disclosed at the end of the reporting period, these amounts are translated into Australian dollar using the exchange rates prevailing at the end of the reporting period.

21. Intangible assets

a. Analysis of balances

	2021 $'000	2020 $'000
Goodwill, net of impairment	34,282	37,295
Other identifiable intangible assets, at carrying amount		
– Brand and trademark	7,205	10,373
– Management rights	11,218	15,064
	18,423	25,437
	52,705	**62,732**

	Goodwill $'000	Brand and trademark $'000	Management rights $'000	Total $'000
Movement of intangible assets				
2021				
Opening balance	37,295	10,373	15,064	62,732
Impairment	–	–	–	
Amortisation	–	–	(2,642)	(2,642)
Disposal	–	(2,376)	–	(2,376)
Effect of foreign currency differences	(3,013)	(792)	(1,204)	(5,009)
Closing balance	**34,282**	**7,205**	**11,218**	**52,705**
2020				
Opening balance	58,133	18,055	17,906	94,094
Impairment	(22,585)	(8,259)	–	(30,844)
Amortisation	–	–	(3,279)	(3,279)
Effect of foreign currency differences	1,747	577	437	2,761
Closing balance	**37,295**	**10,373**	**15,064**	**62,732**
Cash generating units				
Goodwill and other identifiable intangible assets:				
2021				
– Aether	34,282	7,205	11,218	52,705
– Seizert[1]	–	–	–	–
Closing balance	**34,282**	**7,205**	**11,218**	**52,705**
2020				
– Aether	37,295	7,838	15,064	60,197
– Seizert	–	2,535	–	2,535
Closing balance	**37,295**	**10,373**	**15,064**	**62,732**

Notes:

[1] On 30 November 2020, the Group disposed its interest in Seizert. Refer to Note 20(a) for details.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

E. GROUP STRUCTURE (continued)

21. Intangible assets (continued)

b. Accounting policies

(i) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

(ii) Brand and trademark and management rights

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

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

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

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

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

c. Key estimates, judgments, and assumptions

Impairment of goodwill and other identifiable intangible assets

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

Aether

The recoverable amount of Aether, a cash-generating unit, is determined based on a value in use calculation which uses cash flow projections. These cash flow projections include expected revenues from existing funds, which are largely certain, as well as anticipated new fund raising. A five-year discrete period was applied as it is believed that it is sufficient time for the business to be in a steady state in terms of launching new funds based on the existing plan for the business. During the year, the goodwill and other identifiable intangible assets were assessed and tested for impairment. At 30 June 2021, no impairment (2020: $8,206,000 impairment of goodwill) was recognised.

A weighted average discount rate of 8.68% -13.33% (2020: 9.0%) in the cash flow projections during the discrete period, tax rate of 21% (2020: 21%) and the terminal growth rate of 3% (2020: 3%) were applied.

Seizert

Seizert was disposed on 30 November 2020.

For the prior year ended 30 June 2020, the recoverable amount of Seizert, a cash-generating unit, was determined based on a value in use calculation which used cash flow projections. A five-year discrete period was applied as it was believed that it was sufficient time for the business to be in a steady state. During that year, the goodwill and other identifiable intangible assets were assessed and tested for impairment. Full impairment of the goodwill of $14,379,000 and impairment of other identifiable intangibles of $8,259,000 was recognised.

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

Impact of COVID-19

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

Sensitivity analysis

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

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

Sensitivity	Impact on impairment assessment	Impairment $'000
A 5% decrease in cash flows	No impairment	–
A 1% decrease in terminal growth rate	No impairment	–
A 1% increase in discount rate	Impairment	444

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

E. GROUP STRUCTURE (continued)

22. Investment in associates and joint venture

a. Analysis of balances

	2021 $'000	2020 $'000
Investment in associates		
Opening balance	100,447	110,143
Acquisition of associates	7,979	–
Additional contribution to associates	1,377	8,867
Subsequent reclassification from investment at FVTOCI	–	3,786
Conversion of loans receivable to associate	–	480
Share of net profits of associates	6,994	1,663
Dividends and distributions received/receivable	(3,583)	(4,929)
Sale of investment in associates	–	(459)
Impairment (Note 3)	(3,536)	(21,794)
Transferred to profit or loss	–	180
Foreign currency movement	(6,875)	2,510
Closing balance	**102,803**	**100,447**
Investment in joint venture		
Opening balance	33,159	–
Acquisition of a joint venture	–	29,017
Deferred consideration of an associate of the joint venture (refer to Note 14 footnote 3)	–	4,552
Share of net (loss)/profits of a joint venture	(386)	88
Dividends and distributions received/receivable	(845)	(542)
Foreign currency movement	(2,673)	44
Closing balance	**29,255**	**33,159**
Total	**132,058**	**133,606**

(i) Details of associates and joint venture

	Principal activity	Ownership interest 2021 %	Ownership interest 2020 %	Place of incorporation and operation
Associates				
Aether General Partners[1]	Funds Management	25.00	25.00	USA
ASOP Profit Share LP[2]	Investment Entity	39.31	–	Cayman Islands
Astarte Capital Partners, LLP[2]	Funds Management	44.90	–	UK
Blackcrane Capital, LLC[3]	Funds Management	25.00	25.00	USA
Capital & Asset Management Group, LLP[4]	Funds Management	36.25	32.50	USA/UK
IFP Group, LLC[5]	Investment Adviser	24.90	24.90	USA
Northern Lights Alternative Advisors LLP[6]	Placement Agent	23.00	23.00	UK
Roc Group[7]	Funds Management	30.01	30.01	Australia
Victory Park Capital Advisors, LLC[8]	Funds Management	24.90	24.90	USA
Victory Park Capital GP Holdco, L.P.[9]	Funds Management	24.90	24.90	USA
Joint venture				
Copper Funding, LLC[10]	Investment Entity	50.00	50.00	USA
Associate of the joint venture				
Pennybacker Capital Management, LLC[11]	Funds Management	16.50	16.50	USA

Notes:

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

2 Astarte is based in London, England, is an investment manager focused on private markets real asset strategies. Astarte's business model is distinctive in that it provides anchor/seed capital, working capital, and fundraising support to operating experts and emerging investment managers to support their growth. ASOP-PSP was set-up to receive the portion of the revenues and income of ASOP Fund vehicles.

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

4 CAMG is a private infrastructure investment firm based in London and Washington DC, USA.

5 IFP is a multi-custodial registered investment adviser focused on delivering personalised, concierge-level service to advisors in the USA specialising in wealth management and retirement plan consulting.

6 NLAA is a strategic partner and placement agent based in London, England that focused on private equity and hedge funds.

7 Roc Group is a specialised investment firm offering both pooled and customised Asia Pacific private equity solutions. Roc Group includes Roc Partners Pty Ltd and Roc Partners (Cayman) Limited. The Group holds stapled securities in Roc Group.

8 VPC is a focused on private debt strategies-direct lending to financial service companies (Specialty Finance) with some investments in private equity.

9 VPC-Holdco holds direct and indirect interest in VPC funds and their general partner entities.

10 CFL is a limited liability company established as a joint venture of the Group with Kudu Investments Management, LLC ("Kudu") to hold the investment in Pennybacker.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

E. GROUP STRUCTURE (continued)

22. Investment in associates and joint venture (continued)

(ii) Acquisitions of associates

On 19 March 2021, the Group, following the receipt of a regulatory approval in the United Kingdom, completed its investment in Astarte and ASOP-PSP for AUD7,979,000 (GBP4,420,000) for a 44.90% and 39.31% equity ownership, respectively. The acquisition included goodwill and other identifiable intangible assets of $6,727,000.

(iii) Additional contributions to associates

On 30 September 2020, 16 December 2020 and 26 April 2021, drawdowns were made by CAMG for $1,354,000 (GBP750,000) (2020: $1,881,000 (GBP1,000,000)). These resulted to the increase in the Group's equity interest in CAMG to 36.25% (2020 32.5%).

In the prior year, the Group acquired an additional 12.41% equity interest in Roc Group for $6,826,000 increasing the Group's equity interest to 30.01% which included other identifiable intangible assets and goodwill of $6,742,000.

(iv) Acquisition of additional interest in IFP

Transactions during the current year

IFP made additional drawdowns totaling $121,000 (USD90,000) from the credit facility of $804,000 (USD600,000). This was classified as financial asset at amortised cost.

On 30 December 2020, the Group and IFP converted any outstanding balances to an Additional Operating Capital Contribution of $805,000 (USD601,000, consisted of USD558,000 as drawdowns and USD43,000 as related interest). The Group is entitled to a 13% annualised return to be collected upon IFP making an initial distribution. The Additional Operating Capital Contribution was classified as financial asset at FVTPL. The remaining balance of the credit facility of $60,000 (USD45,000) was drawn on 30 March 2021.

On 31 December 2020 and 28 June 2021, the Group agreed to provide IFP with a short-term loan of $168,000 (USD125,000) and $268,000 (USD200,000) plus origination fee. Both the loan and the origination fee were repaid to the Group on 8 January 2021 and 9 July 2021, respectively.

Transactions in the prior year

The Group provided a credit facility to IFP. The initial amount of the credit facility was $2,177,000 (USD1,500,000) and the credit facility attracted interest of 13% per annum and was to be fully repaid no later than 31 December 2022. IFP made a drawdown of $1,327,000 (USD889,000) from the credit facility provided by the Group. This was classified as a financial asset at amortised cost. This credit facility was terminated on 30 December 2020.

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

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

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

The additional contribution and conversion of loan in IFP increased the Group's equity interest to 24.9% which included other identifiable intangible assets and goodwill of $5,831,000.

(v) Restructuring of associates

On 31 December 2020, the Group and NLAA restructured the Group's investment from a share in profits structure to revenue share effective as at 31 March 2020. The Group is entitled to USD200,000 annually or USD50,000 every quarter and an additional amount equal to 10% of in excess of USD3,000,000 cash revenue for each accounting period ended 31 March. The restructure did not change the Group's 23% ownership in NLAA and the existing accounting treatment of the investment as an associate since the Group still maintains significant influence over NLAA. The Group recognised $615,000 (USD450,000) as its share of NLAA's operating results for the financial year ended 30 June 2021.

(vi) Sale of investment in associates

In the prior year, the Group sold its 30.89% equity interest in FIM for $459,000. This transaction did not result to any gain or loss.

(vii) Contributions to a joint venture

In the prior year, the Group contributed $29,017,000 (USD20,010,000) for a 50% equity interest in CFL, alongside an equal co-investor Kudu. The Group and Kudu made combined contributions of $58,057,000 (USD40,000,000) to acquire a 33% equity interest in Pennybacker and the potential earn-out obligation with a maximum value of $21,772,000 (USD15,000,000).

The Group recognised its proportionate share of the earn-out obligation that CFL may have to pay to Pennybacker. The share of the potential earn-out obligation has been added to the acquisition cost of Pennybacker. It will be ultimately paid by CFL to Pennybacker (refer to Note 14 footnote 3 for details).

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

E. GROUP STRUCTURE (continued)

22. Investment in associates and joint venture (continued)

b. Summarised financial information for associates

2021	Pennybacker $'000	VPC $'000	VPC-Holdco $'000	Aggregate of immaterial associates $'000	Total $'000
Comprehensive income					
Revenue and other income for the year	23,789	35,343	7,771	135,753	202,656
Profit after tax for the year	4,604	19,337	7,444	11,828	43,213
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	**4,604**	**19,337**	**7,444**	**11,828**	**43,213**
Dividends/distributions received during the year	845	11	1,928	1,644	4,428
The above profit after tax includes the following:					
– Depreciation and amortisation	–	1,968	–	2,633	4,601
– Interest income	–	93	–	341	434
– Interest expense	–	1,172	–	1,131	2,303
– Income tax expense	–	–	–	987	987
Financial position					
Current assets	2,818	26,006	–	33,819	62,643
Non-current assets	–	33,629	22,697	26,736	83,062
Current liabilities	(1,184)	(44,124)	(817)	(29,130)	(75,255)
Non-current liabilities	–	(9,449)	–	(16,995)	(26,444)
Net assets	**1,634**	**6,062**	**21,880**	**14,430**	**44,006**
Reconciliation of the summarised financial position to the carrying amount recognised by the Group:					
– Net assets before determination of fair values	1,634	6,062	21,880	14,430	44,006
– Ownership interest in %	16.50%[1]	24.90%	24.90%	30.05%[2]	
– Proportion of the Group's ownership interest	270	1,509	5,448	4,336	11,563
– Acquired goodwill and other identifiable intangibles	28,857	48,761	16,453	20,954	115,025
– Impairment	–	–	(2,358)	(1,178)	(3,536)
– Undistributed profits	128	5,854	–	3,065	9,047
– Foreign currency movement	(1)	(27)	11	(24)	(41)
Closing balance	**29,254**	**56,097**	**19,554**	**27,153**	**132,058**
The above assets and liabilities include the following:					
– Cash and cash equivalents	181	4,072	–	9,839	14,092
– Current financial liabilities (excluding trade and other payables and provisions)	–	(17,339)	–	(2,455)	(19,794)
– Non-current financial liabilities (excluding trade and other payables and provisions)	–	(9,449)	–	(13,767)	(23,216)

Notes:

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

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

2020	Pennybacker[1] $'000	VPC $'000	VPC-Holdco $'000	Aggregate of immaterial associates $'000	Total $'000
Comprehensive income					
Revenue and other income for the year	5,783	44,821	782	73,080	124,766
Profit after tax for the year	4,723	2,553	11,274	1,883	20,432
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	**4,723**	**2,553**	**11,274**	**1,883**	**20,432**
Dividends/distributions received during the year	542	93	3,144	1,193	4,972
The above profit after tax includes the following:					
– Depreciation and amortisation	3	2,198	–	1,734	3,935
– Interest income	–	17	–	220	237
– Interest expense	16	1,554	–	618	2,188
– Income tax expense	–	–	–	1,335	1,335
Financial position					
Current assets	3,204	25,329	–	27,828	56,361
Non-current assets	4,199	16,802	14,837	24,099	59,937
Current liabilities	(5,390)	(42,769)	(536)	(20,948)	(69,643)
Non-current liabilities	–	(11,180)	–	(18,913)	(30,093)
Net assets/(liabilities)	**2,013**	**(11,818)**	**14,301**	**12,066**	**16,562**
Reconciliation of the summarised financial position to the carrying amount recognised by the Group:					
– Net assets/(liabilities) before determination of fair values	2,013	(11,818)	14,301	12,066	16,562
– Ownership interest in %	16.50%[2]	24.90%	24.90%	28.05%[3]	
– Proportion of the Group's ownership interest	332	(2,943)	3,561	3,384	4,334
– Acquired goodwill and other identifiable intangibles	32,595	73,362	23,876	18,123	147,956
– Impairment	–	(14,307)	(3,631)	(3,743)	(21,681)[4]
– Undistributed profits	238	1,170	–	1,033	2,441
– Foreign currency movement	(7)	361	100	102	556
Closing balance	**33,158**	**57,643**	**23,906**	**18,899**	**133,606**
The above assets and liabilities include the following:					
– Cash and cash equivalents	66	1,261	–	10,091	11,418
– Current financial liabilities (excluding trade and other payables and provisions)	–	(17,081)	–	(1,164)	(18,245)
– Non-current financial liabilities (excluding trade and other payables and provisions)	–	(11,180)	–	(17,715)	(28,895)

Notes:

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

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

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

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

E. GROUP STRUCTURE (continued)

22. Investment in associates and joint venture (continued)

c. Accounting policies

(i) Associates and joint ventures

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

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

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

On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

Distributions or dividends received from the associates or joint venture are reduced from the carrying value. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

(ii) Impairment

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

(iii) Disposal

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

d. Key estimates, judgments, and assumptions

Impairment of investments in associates and joint venture

At the end of each reporting period, management is required to assess the carrying values of each of the underlying investments in associates and joint venture of the Group. Should assets underperform or not meet expected growth targets from prior expectations, a resulting impairment of the investments is recognised if that deterioration in performance is deemed not to be derived from short term factors such as market volatility. Factors that are considered in assessing possible impairment in addition to financial performance include changes to key investment staff, significant investment underperformance and litigation. A significant or prolonged decline in the fair value of an associate or joint venture below its cost is also an objective evidence of impairment. During the year, the investments in associates and joint venture were tested for impairment. CAMG and VPC-Holdco were impaired for $3,536,000 (2020: $21,794,000 for Blackcrane, FIM, VPC and VPC-Holdco).

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

Associates	Weighted average discount rate	Tax rate	Terminal growth rate
CAMG	19.33%	19.00%	3.00%
VPC Holdco	19.50%	26.50%	N/A

Impact of COVID-19

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

Sensitivity analysis

An analysis was conducted to determine the sensitivity of the impairment test to reasonable changes in the key assumptions used to determine the recoverable amount of the Group's investment in associates and joint venture. The sensitivities tested include a 5% reduction in the annual cash flow of the associates, a 1% decrease in the terminal growth rate used to extrapolate cash flows beyond financial year 2022 and a 1% increase in the discount rate applied to cash flow projections.

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

Sensitivity	Impact on impairment assessment	Impairment $'000
A 5% decrease in cash flows	Impairment of Blackcrane, further impairment of CAMG and VPC-Holdco	1,157
A 1% decrease in terminal growth rate	Further impairment of CAMG	101
A 1% increase in discount rate	Further impairment of CAMG and VPC-Holdco	694

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

E. GROUP STRUCTURE (continued)

23. Parent entity disclosures

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

	2021 $'000	2020 $'000
Summarised statement of financial position		
Assets		
Current assets	4,735	1,821
Non-current assets	225,817	225,886
Total assets	**230,552**	**227,707**
Liabilities		
Current liabilities	57,680	38,568
Non-current liabilities	1,321	1,362
Total liabilities	59,001	39,930
Net assets	**171,551**	**187,777**
Equity		
Share capital	184,655	178,424
(Accumulated losses)/retained earnings	(19,806)	2,616
Reserves	6,702	6,737
Total equity	**171,551**	**187,777**
Summarised statement of profit or loss and other comprehensive income		
(Loss) for the year	(4,706)	(5,030)
Other comprehensive income for the year	–	–
Total comprehensive (loss) for the year	**(4,706)**	**(5,030)**

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

24. Related party transactions

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

	2021 $	2020 $
Compensation paid to key management personnel (KMP) of the Company		
Short-term employee benefits	2,432,823	2,563,720
Post-employment benefits	47,145	43,765
Share based payments	433,641	803,163
	2,913,609	**3,410,648**

Detailed remuneration disclosures are provided in the Remuneration Report.

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

	2021 $	2020 $
Transactions with associates and affiliated entities		
Revenue and other income transactions		
– Commission income (Blackcrane, GQG, and VPC)	1,849,897	3,875,287
– Retainer fees (Blackcrane and VPC)	134,033	312,828
– Service fees (AlphaShares, LLC)	–	29,848
– Interest income (IFP)	59,577	30,776
– Dividends and distributions income (GQG)	13,298,692	10,087,868
– Other income – (Alphashares, LLC, and Blackcrane)	44,746	250,144
Investments in associates and joint venture transactions		
– Investment in joint venture (CFL)	–	29,862,789
– Additional contributions (Aether GPs, CAMG, and ROC)	1,376,748	8,867,433
– Dividends and distributions (Aether GPs, NLAA, Pennybacker, ROC, VPC, and VPC-Holdco)	4,427,929	5,470,935
– Loans to associates (IFP)	616,554	2,024,439
– Conversion of loans receivable to FV investment (IFP)	743,821	–
– Conversion of loans receivable to associate (IFP)	–	480,440
– Conversion of investment in FA at FVTOCI to associate (IFP)	–	3,786,386
– Additional investments at FVTPL (IFP)	–	2,089,351
Balances at the end of the reporting period		
– Trade receivables (Blackcrane, GQG, ROC, and VPC)	1,549,521	1,859,336
– Dividends receivable (GQG, NLAA, and ROC)	2,940,413	6,099,932
– Consulting fee receivable (Blackcrane)	–	14,514
– Interest receivable (IFP)	8,565	13,966
– Loans receivable (IFP)	326,878	678,553
– Financial assets at fair value (IFP)	1,919,316	1,213,690

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

F. OTHER INFORMATION

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

25. Share-based payments

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

(i) Performance rights of Mr. Greenwood

Under the MD & CEO LTI Plan

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

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

AON Solutions Australia Limited ("AON") was commissioned to provide a report to determine whether the 1,250,000 performance rights issued on 21 June 2018 have vested as at 30 June 2021. Based on AON report, the Board determined that none of these performance rights vested and accordingly, 1,250,000 performance rights have lapsed as at 30 June 2021.

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

Under the Old LTI Plan

On 5 October 2017, the Company granted 250,000 performance rights to Mr. Greenwood as part of his employment package that was restructured in October 2016. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative TSR of the Company compared to the ASX 300 (Hurdle 1) and a group of seven other domestic and international fund managers (Hurdle 2). The value of each right for Tranche 1 and 2 were $4.29 and $3.83, respectively. The total value of these outstanding performance rights as at 30 June 2018 was $1,014,107 (refer to section c below for the assumptions on the fair value) amortised over two years and nine months from the grant date. The performance rights on issue were valued on 26 October 2017 by an independent adviser using a Monte Carlo pricing model. The vesting date of these rights was 1 July 2020.

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

AON was commissioned to provide a report to determine whether the performance rights issued on 5 October 2017 have vested as at 1 July 2020. AON Solutions determined that 41% of the 250,000 performance rights vested as at 1 July 2020. On 21 August 2020, the Directors of the Company approved the purchase on market of 102,500 ordinary shares for Mr. Greenwood because of the vesting of his performance rights issued 5 October 2017. This was completed on 16 September 2020.

On 5 October 2016, the Company granted 250,000 performance rights to Mr. Greenwood. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative TSR of the Company compared to the ASX 300 (Hurdle 1) and a group of seven other domestic and international fund managers (Hurdle 2). The value of each right for Hurdle 1 and Hurdle 2 were $1.65 and $2.02, respectively. Total value of the outstanding performance rights is $458,765 amortised over two years and seven months from the grant date. The performance rights on issue were valued on 5 October 2016 by an independent adviser using a Monte Carlo pricing model. The vesting date of these rights is 1 July 2019.

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

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

(ii) Performance rights of Mr. Ferragina (former CFO and COO-Australia)

Under the Old LTI Plan

On 26 October 2016, the Company granted 100,000 performance rights to Mr. Ferragina. Two tranches of rights were issued with equal proportions (50%) vesting based on the relative TSR of the Company compared to the ASX 300 (Hurdle 1) and a group of seven other domestic and international fund managers (Hurdle 2). The value of each right for Hurdle 1 and Hurdle 2 were $1.65 and $2.02, respectively. Total value of the outstanding performance rights is $184,000 amortised over two years and seven months from the grant date. The performance rights on issue were valued on 26 October 2016 by an independent adviser using a Monte-Carlo pricing model. The vesting date of these rights was 1 July 2019.

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

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

(iii) Performance rights of officers and employees

Under the Employee Share Ownership Plan 2018

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

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

AON was commissioned to provide a report to determine whether the 375,000 performance rights issued on 25 June 2019 have vested as at 30 June 2021. Based on AON report, the Board determined that none of these performance rights vested and accordingly, 375,000 performance rights have lapsed as at 30 June 2021.

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

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

AON was commissioned to provide a report to determine whether the 100,000 performance rights issued on 1 August 2019 have vested as at 30 June 2021. Based on AON report, the Board determined that none of these performance rights vested and accordingly, 100,000 performance rights have lapsed as at 30 June 2021. In addition, the 25,000 performance rights lapsed following the resignation of an employee.

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

(iv) Performance rights recognised in the profit or loss

The amount of performance rights amortisation expense for the year was $594,000 (2020: $961,000).

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

The shares bought on market to settle performance rights vested during the financial year amounted to $629,000 (2020: $998,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

F. OTHER INFORMATION (continued)

25. Share-based payments (continued)

b. Accounting policies

Equity settled transactions

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

The Company's LTI 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 because of the non-fulfilment of a non-market condition.

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

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

c. Key estimates, judgments, and assumptions

Share-based payment transactions

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

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

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

The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

26. Auditors' remuneration

Deloitte Touché Tohmatsu and related network firms:

	2021 $	2020 $
Audit or review of financial reports		
– Group	925,000	960,000
– Subsidiaries	104,613	116,481
Statutory assurance services required by legislation provided by the auditor	40,000	10,000
Other services		
– Tax compliance services	45,778	7,340
	1,115,391	1,093,821
Other auditors and their related network firms		
– Subsidiaries	102,106	223,347
Statutory assurance services required by legislation provided by the auditor	44,332	57,748
Other services		
– Tax compliance services	–	5,756
	146,438	286,851
	1,261,829	**1,380,672**

27. Significant events subsequent to reporting date

On 30 August 2021, the Directors of the Company declared a final dividend on ordinary shares in respect of the 2021 financial year. The total amount of the dividend is $13,215,000 which represents a fully franked dividend of 26 cents per share. The final dividend for 2021 financial year will be eligible for the DRP. Any shares issued under the DRP will be priced at the average daily VWAP calculated over a 10-day period commencing on the third trading day following the record date. The dividend has not been provided for in the 30 June 2021 consolidated financial statements.

Other than the matters detailed above there has been no matter or circumstance, which has arisen since 30 June 2021 that has significantly affected or may significantly affect either the operations or the state of affairs, of the Group.

28. Adoption of new and revised Standards

a. New and amended AASB standards that are effective from 1 July 2020

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

b. Standards and interpretations in issue not yet adopted

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

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

DIRECTORS' DECLARATION

The Directors declare that:

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

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

On behalf of the Directors

A. Robinson
Chairman
30 August 2021

INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2021

Deloitte Touche Tohmatsu
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Grosvenor Place
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Australia

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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 (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of other 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:

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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.

INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2021

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Assessment for impairment of the investments in associates and joint venture As at 30 June 2021, the carrying value of the investments in associates and joint venture totals $132.1m, as disclosed in Note 22. The Group performs an annual assessment to determine whether there is any objective evidence that they are impaired. The identification of indicators of impairment requires the application of significant judgement by management in terms of future cash flows, discount rates and terminal growth rates.	Our procedures included, but were not limited to: - Assessing the design and implementation of key controls over management's assessment; - Challenging management's assumptions applied in calculating the recoverable amount, including future cash flows, discount rates and terminal growth rates, in conjunction with our internal valuation specialists; - Performing a retrospective review of the historic results against prior forecasts to assess whether forecasted cash flows are reasonable; - Performing sensitivity analyses to determine whether reasonably foreseeable changes to the key assumptions would trigger an impairment; and - Comparing management's assessment of the recoverable amount of the investments to the carrying value. We also assessed the appropriateness of the disclosures in the Notes to the financial statements.
Assessment for impairment of intangible assets, including goodwill As at 30 June 2021 the carrying value of goodwill and other identifiable intangible assets totals $52.7m, as disclosed in Note 21. Goodwill and other identifiable intangible assets are assessed for impairment on annual basis. The impairment testing for these assets is subject to significant judgement around the identification of key inputs and assumptions applied in measuring the recoverable amount of assets, including future cash flows, terminal growth rates, and discount rates.	Our procedures included, but were not limited to: - Assessing the design and implementation of key controls over management's assessment; - Challenging management's assumptions applied in calculating the recoverable amount of the identified cash generating units ("CGUs"), including future cash flows, terminal growth rates and discount rates, in conjunction with our valuation specialists; - Performing a retrospective review of the historic results against prior forecasts to assess whether forecasted cash flows are reasonable; - Performing sensitivity analyses to determine whether reasonably foreseeable changes to the key inputs and assumptions would trigger an impairment; - Assessing the appropriateness of the allocation of goodwill between CGUs; and - Comparing management's assessment of the recoverable amount of the CGUs to the carrying value. We also assessed the appropriateness of the disclosures in the Notes to the financial statements.

Valuation of Financial Assets recorded at fair value
 	
As at 30 June 2021 the Group's financial assets at fair value through profit or loss were valued at $93.3m and financial assets at fair value through other comprehensive income were valued at $128.9m as disclosed in Note 10.
For the financial instruments classified as Level 3, the fair value measurement is based on unobservable inputs and has a high level of complexity. Significant judgement and high level of uncertainty is involved in developing unobservable inputs, including forecasted future cash flows, terminal growth rates, and discount rates.
	Our procedures included, but were not limited to:
	- Assessing the design and implementation of key controls over management's valuation assessment;
	- Where a recent market transaction has occurred, comparing the value of the market transaction to the proposed fair value as at 30 June and determining whether there are any indicators to suggest that this is not appropriate; and,
	- Where a recent transaction has not occurred:
	    o challenging management's key assumptions in the fair value calculations including the future cash flows, terminal growth rates and discount rate, in conjunction with our internal specialists;
	    o Performing a retrospective review of the historic results to prior forecasts to assess whether forecasted cash flows are reasonable; and,
	    o Assessing the reasonableness of management's sensitivity analysis on changes to key inputs and assumptions in the fair value assessment.
	
	We also assessed the appropriateness of the disclosures in the Notes to the financial statements.

Deloitte.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2021

Deloitte.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 31 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Pacific Current Group Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Deloitte.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jonathon Corbett
Partner
Chartered Accountants

Sydney, 30 August 2021

ASX ADDITIONAL INFORMATION

Corporate Governance

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

The Directors approved the 2021 Corporate Governance Statement on 31 August 2021.

Shareholder Information as at 7 September 2021

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

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

Holding	Number of shareholders	Number of shares	%
1 – 1,000	1,575	682,028	1.34
1,001 – 5,000	1,321	3,406,898	6.70
5,001 – 10,000	298	2,178,175	4.29
10,001 – 100,000	213	5,319,550	10.47
100,001 and over	35	39,242,193	77.20
Total	**3,442**	**50,828,844**	**100.00**

The number of shareholders holding less than a marketable parcel of 71 shares is 234, a total of 2,055.

b. Twenty largest shareholders

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

Name		Number of shares	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,616,879	32.69
2	CITICORP NOMINEES PTY LIMITED	4,259,719	8.38
3	NATIONAL NOMINEES LIMITED	3,679,986	7.24
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,172,101	4.27
5	BOND STREET CUSTODIANS LIMITED <SALTER - D79836 A/C>	1,545,000	3.04
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,267,494	2.49
7	BELLWETHER INVESTMENTS PTY LTD <YORK STREET SETTLEMENT A/C>	1,100,000	2.16
8	MRS ANTONIA CAROLINE COLLOPY	825,000	1.62
9	PAUL GREENWOOD	654,781	1.29
10	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	624,043	1.23
11	BOND STREET CUSTODIANS LIMITED <RSALTE - D62375 A/C>	590,000	1.16
12	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	570,338	1.12
13	MR TIMOTHY GERARD RYAN	435,000	0.86
14	MR MICHAEL BRENDAN PATRICK DE TOCQUEVILLE	400,000	0.79
15	BANSON NOMINEES PTY LTD	370,854	0.73
16	BOND STREET CUSTODIANS LIMITED <RSALTE - D44396 A/C>	350,000	0.69
17	MR BRYAN F SHORT <SHORT FAMILY S/F A/C>	341,000	0.67
18	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	333,417	0.66
19	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	310,402	0.61
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	301,290	0.59
Total 20 Holders		**36,747,304**	**72.30**
Balance of Register		**14,081,540**	**27.70**
Total Register		**50,828,844**	**100.00**

ASX ADDITIONAL INFORMATION

c. Substantial shareholders

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

Name	Number of Shares	Current Interest
Perpetual Limited and its related bodies corporate	7,426,151	14.61%
FIL Limited and its related bodies corporate	4,840,104	9.52%
Paradice Investment Management Pty Ltd	4,655,009	9.16%
Copia Investment Partners Ltd	2,925,000	5.75%
Mr Michael C. Fitzpatrick	2,701,285	5.31%

d. Voting rights

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

e. Buyback

There is no current on-market buy-back.

CORPORATE INFORMATION

ABN 39 006 708 792

Directors

Mr. Antony Robinson, Chairman

Mr. Paul Greenwood, Executive Managing Director

Mr. Peter Kennedy, Non-Executive Director

Ms. Melda Donnelly, Non-Executive Director

Mr. Gilles Guérin, Non-Executive Director

Mr. Jeremiah Chafkin, Non-Executive Director

Executive Management

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

Mr. Ashley Killick, Chief Financial Officer

Company Secretary

Ms. Clare Craven

Registered Office / Principal Place of Business

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Phone +61 3 8375 9611

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Share Register

Computershare Investor Services Pty Limited

452 Johnston Street, Abbotsford, VIC, 3067

Phone +61 3 9415 5000

Bankers

Westpac Banking Corporation

Auditor

Deloitte Touche Tohmatsu

225 George Street, Sydney, NSW, 2000

Phone +61 2 9322 7000

Stock Exchange Listing

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

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