

# Annual Report

For the Year ended 31 December 2020

## APPENDIX 4E

### Annual Report

#### Under ASX listing rule 4.3A

Moelis Australia Limited ABN 68 142 008 428

Current reporting period: 1 January 2020 to 31 December 2020

Previous corresponding period: 1 January 2019 to 31 December 2019

	Year ended 31 Dec 2020 \$m	Year ended 31 Dec 2019 \$m	Up/Down	Movement %
<b>RESULTS FOR ANNOUNCEMENT TO THE MARKET</b>				
Revenues from ordinary activities	142.7	136.3	Up	4.7%
Total income	161.1	153.7	Up	4.8%
Profit after income tax from ordinary activities attributable to ordinary equity holders	26.5	23.5	Up	12.7%
Net profit after income tax attributable to ordinary equity holders	26.5	23.5	Up	12.7%
Total comprehensive income	22.5	25.0	Down	-10.0%

	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
<b>DIVIDEND PER ORDINARY SHARE</b>			
2020 final dividend per share	10.0	10.0	30.0%
Record Date: 24 February 2021			
Payment Date: 3 March 2021			

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
<b>OTHER DISCLOSURE REQUIREMENTS</b>		
Net tangible assets per ordinary share	\$1.45	\$1.36

Additional Appendix 4E disclosure requirements and commentary on significant events relating to operating performance and results are included in the Annual Report for the year ended 31 December 2020 and the Directors' Report for the year ended 31 December 2020.

This information should be read in conjunction with the 2020 Annual Report, and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

This report is based on the consolidated financial statements for the year ended 31 December 2020 which have been audited by Deloitte Touche Tohmatsu.

For personal use only

This page has been intentionally left blank.

For personal use only



**2020 ANNUAL REPORT**



MOELIS AUSTRALIA LIMITED



**MOELIS**  
AUSTRALIA

For personal use only

## Contents

Moelis Australia at a glance	2
Independent Chairman's Letter	4
Joint Chief Executive Officer's Letter	6
Year in review 2020	8
Directors' Report	19
Remuneration Report	28
Auditor's Independence Declaration	37
Financial Report	38
Consolidated Statement of Profit or Loss and other Comprehensive Income	40
Consolidated Statement of Financial Position	41
Consolidated Statement of Changes in Equity	42
Consolidated Statement of Cash Flows	43
Notes to the Consolidated Financial Statements	44
Directors' Declaration	104
Independent Auditor's Report	105
Additional Information	110
Glossary	112
Corporate Directory	115

## Moelis Australia at a glance

### Our business

Moelis Australia is an ASX listed financial services firm specialising in Asset Management, Corporate Advisory and Equities. The Group was founded in 2009 as a joint venture with NYSE-listed Moelis & Company, a leading global independent investment bank, and Australian executives. Since establishment, the Group has advised on \$110 billion of transactions, assisted clients to raise \$11.5 billion from equity capital markets, and has grown assets under management (AUM) to \$5.4 billion.

While Moelis Australia's business units operate independently, sector knowledge and expertise are shared across divisions enhancing our sector perspective and our ability to identify and respond to emerging trends and opportunistic investments.

A core strength of Moelis Australia has been to hire, develop and retain motivated and talented team members. Hiring team members who have high

integrity and are ambitious, optimistic and intelligent is critical to our long-term success. By developing the capability of our people over time we reinforce, build and evolve our positive culture.

### Our purpose and values

Moelis Australia's purpose is to deliver long term value to our clients and partners, our people and our shareholders. We do this by:

- partnering with clients who value strong alignment, complementary expertise and sustainable performance;
- empowering our people through a culture of growth, cohesion, innovation and accountability;
- delivering a high standard of technical expertise in both fiduciary and advisory roles; and
- being active managers of risk.

The Moelis Australia Differentiating Values and Behaviours are:

## Differentiating Values and Behaviours

### Growth

- We actively seek sustainable value creation
- We are committed to continuous improvement and technical excellence
- We pursue ongoing learning, and we invest in practical individual and team development
- Our growth is always paired with acting with integrity.

### Cohesion

- We recognise the whole is greater than the sum of its parts
- We encourage each other to pursue opportunities and empower one another to succeed
- We actively find solutions, not problems
- We value diversity of thought and constructive debate and feedback.

### Innovation

- We uncover opportunities others may miss and transform them into actionable and meaningful outcomes for our clients
- We constantly develop and share new ideas across business units
- We are entrepreneurial and think and act like business owners
- We are hard-working and resilient.

### Accountability

- We accept our commitments and are accountable to deliver on them
- We own and discuss our mistakes and learn from them
- We actively think about and manage risk
- We speak up and we don't accept inappropriate behaviour and actions.

## Moelis Australia at a glance (cont.)

### Asset Management

We manage funds for institutional, high net worth (HNW) and retail investors with a core focus on real estate, hospitality and credit assets, with a growing focus on listed equities, private equity and venture capital. Alongside traditional asset classes such as cash and bonds, we manage \$5.4 billion across more than 40 funds.

Our funds are managed by an experienced senior leadership team who have on average over 25 years experience in their areas of specialisation. The team benefits from sharing the expertise of the Corporate Advisory & Equities division, gaining sector insights and access to different investment opportunities in our core areas of focus.

In Real Estate, we manage \$2.2 billion in assets including commercial, retail, aged care, child care and industrial properties.

Our specialist Hospitality platform manages \$1.3 billion in hotel assets, including the ASX listed Redcape Hotel Group.

In Credit, we manage \$1.1 billion across various credit strategies with a growing lending business. We have deep expertise in providing credit to borrowers and structuring transactions in a range of asset classes and economic conditions.

Our Asset Management team were pioneers of the Significant Investor Visa (SIV) program. We are now leaders in SIV funds management and one of the largest specialist managers of Chinese HNW capital in Australia.

### Corporate Advisory and Equities

Our team provides strategic and financial advice for mergers and acquisitions, equity capital markets (ECM), debt capital markets and restructuring. Our offering is enhanced by our long-standing partnership with NYSE listed global investment bank Moelis & Company.

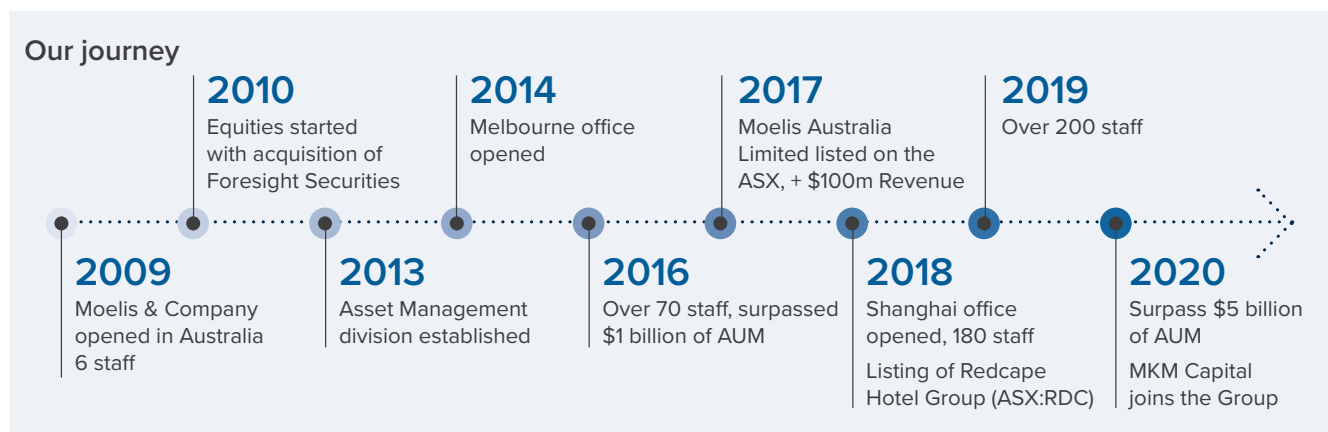
Our specialised capabilities include real estate, restructuring, technology and small to mid-cap companies.

Since 2009, we have advised on \$110 billion worth of transactions, including SABMiller's acquisition of Fosters and the spin-off of Woolworths' property business into SCA. The team has also led the recapitalisation and reconstruction of Slater and Gordon, advised on the sale of the Ten Network to CBS and advised Saputo on its acquisition of Murray Goulburn.

We have deep expertise in helping both domestic and international clients raise money through ECM including IPOs. We are a leading M&A advisor and one of Australia's most active real estate advisory and ECM investment banks. We are also ranked Australia's leading special situations advisor.<sup>1</sup>

Our Equities business provides securities research, sales and trading execution services to institutional and HNW clients. We are primarily focused on small-cap and mid-cap industrial and real estate companies and offer the largest research coverage of small-cap real estate companies (including REITs) in Australia.

The Equities team complements the Corporate Advisory division by providing ECM expertise and distribution capabilities to facilitate transactions on behalf of clients.



1. Eilon SDC Platinum 2019.

## Independent Chairman's Letter

Dear Shareholder,

We are pleased to present our 2020 Annual Report after what was a year full of challenges for our Company and, of course, the broader community.

When I wrote to you in last year's Annual Report I highlighted a promising outlook for Moelis Australia. Soon after, the onset of the COVID-19 pandemic presented an unprecedented challenge.

I am pleased at how our Board, executive team and staff have navigated the complexities of COVID-19 and delivered a strong financial result that positions the business for strong growth in the years ahead.

To deliver an increase in both our Statutory and Underlying revenue and an Underlying EBITDA of \$60.5 million, only 5% lower than our record 2019 result, is an excellent outcome in the face of significant COVID-19 related headwinds experienced during the year. This has allowed the Board to again declare a fully franked 10 cents per share dividend. The business retains a balance sheet with substantial cash holdings, important to fund our growth ambitions.

I am particularly pleased with the smooth transition to our new Joint CEO's, Julian Biggins and Chris Wyke. They have demonstrated calm and assured leadership qualities, particularly given the volatile and uncertain operating environment that confronted the business world in the first half of 2020. They swiftly positioned the business on a defensive footing, managed costs, reset business activity where appropriate, and conserved cash. Appropriately given the economic uncertainty, the Board, senior executives, and most staff agreed to temporary salary reductions, demonstrating strong shareholder alignment and the collegiate spirit that we are so proud of.

These measures positioned the business well to take advantage of improving market sentiment in the second half of 2020. Business activity levels rebounded strongly, characterised by accelerating client inflows and new fund launches for our Asset Management business, new hotel acquisitions for our Hospitality platform and an accelerated number of equity capital markets (ECM) transactions for our

Corporate Advisory & Equities (CA&E) business. With the improved business momentum, we were able to reinstate staff and executive salaries.

Moelis Australia has more than a decade of track record in operating and growing a profitable financial services business. The many years of experience of our executive team in working together with a single focus of delivering consistent and strong shareholder returns was never more evident than in 2020. I believe that our business has never been more balanced, nor better positioned for growth.

Our CA&E business together with our fast-growing Asset Management platform continues to prove to be a powerful combination. Under the umbrella of our Asset Management division we continue to grow our capability in raising and then managing our clients' capital across a diversified spectrum of investment strategies. Underlying these investment strategies we have built substantial operational expertise in Real Estate (\$2.2 billion), Hospitality (\$1.3 billion), Credit & Lending (\$1.1 billion) in addition to a growing focus on managing listed equities (\$470 million). Further, we are constantly innovating and looking to develop new investment strategies.

Scaling our operational capability in our key areas of asset management driven activities continues to be a focus. Utilising a combination of our highly experienced executives and market leading technology, our asset management clients and shareholders benefit from our growing and deep capability in operating businesses associated with our real estate, hospitality and credit platforms. We increasingly believe that by actively managing in-house the assets invested in by our clients and our own balance sheet we can deliver superior returns and best manage risk.

Our significant platform and notable strength in managing the capital of wealthy Chinese families continues to be a powerful area of differentiation for Moelis Australia. Today we manage \$2.5 billion for foreign high net worth individuals. This unique strength is complimented by our increasing success with domestic high net worth and retail investors (\$1.6 billion) and institutional partnerships (\$1.3 billion).



I would like to thank our staff from across the business for their hard work and adaptability throughout the year. It has been a year of significant change, including to work practices, client engagement and in our everyday lives. Whilst our priority has been to look after our people's health and wellbeing through this difficult time, our staff have continued to deliver strong outcomes for our clients and shareholders. The 2020 financial result is a testament to their dedication.

I am proud of the contribution staff have made to their own communities and causes through the Moelis Australia Foundation. Since its inception in 2018, the Foundation has received \$7.7 million of contributions and has donated \$4.7 million across a diverse range of worthy causes. Supporting the less fortunate is important to our social wellbeing and we look forward to this contribution growing substantially in the future.

### Promising Outlook

The significant business momentum generated in the second half of 2020 has delivered a strong start to 2021 and confidence in the outlook for the year ahead. Accordingly, management have forecast that the Group's 2021 Underlying earnings per share will be between 10% and 20% higher than in 2020. This is subject to the uncertainty of global markets and that current COVID-19 related restrictions in Australia do not change materially over the year.

The focus in 2021 will be on scaling our strengths in real estate, hospitality, credit and corporate restructuring, while continuing to expand our emerging business capabilities in equities funds management, lending, mid-cap ECM and technology banking.

We have also invested in our Asset Management distribution capabilities and anticipate this will continue to deliver strong fund flows to the business.

### Additions to the Board

Reflective of the ongoing growth of Moelis Australia we welcomed Alexandra Goodfellow and Kate Pilcher Ciafone to the Board of Directors in August. These two appointments have added valuable skills, diversity, and greater independence to our Board.

Kate has almost 20 years' experience in the investment banking industry and is currently Chief Operating Officer of Investment Banking at our NYSE listed strategic partner Moelis & Company. She has replaced Joe Simon as a Non-Executive Director and I would like to thank Joe for his excellent contribution during his tenure on the Board.

Alexandra joined the Board as an Independent Non-Executive Director. She is the Vice Chair of Korn Ferry Australasia and has 30 years' experience in executive search and consulting. Alexandra's leadership and expertise in people, culture and governance has already proven highly additive to the business, in particular in her role as the new Chair of the Nomination and Remuneration Committee.

The Board continues to carefully monitor business and governance risks and to note and assess any potential impact of experiences of our peers and others in the wider business community, in order to maintain business and governance best practice.

I believe our Board has performed extremely well and I would like to thank all our Board Directors and executives for their continued efforts over such a challenging year. A significant effort goes into maintaining a workplace culture based on entrepreneurship, excellence, mutual trust and hard work. These qualities have been fundamental to growing our business and will drive our future ambitions.

Our business is in a strong position and we are looking forward to the year ahead. Thank you for your ongoing support of Moelis Australia.

Yours faithfully,



Jeffrey Browne  
Independent Chairman

## Joint Chief Executive Officer's Letter

Dear Shareholder,

Moelis Australia entered 2020 with a strong balance sheet, headlined by significant cash holdings.

Navigating an environment challenged by the uncertainty of a global pandemic reinforced the importance of our longstanding focus on financial prudence and continued investment in great people.

The combination of balance sheet strength, a diverse and time-tested business model and of course our experienced staff enabled Moelis Australia to perform strongly, despite the challenges thrown at us.

We would like to thank the Board and staff of Moelis Australia for their commitment and resolve throughout 2020 which was obviously a testing year for everyone both personally and professionally.

We are both proud of what was achieved in 2020. Our achievements can largely be attributed to the depth of the expertise of those in our business and the collaborative approach of all executives in what was a difficult year for our community.

FY20 Underlying earnings per share (EPS) was down only 5% on our record FY19 result. The lower EPS reflects the significant impact, most notably in the first half of 2020, of lockdowns and other Government mandated health orders on many areas of our business. However, as we adapted to the challenges associated with COVID-19 our overall operating performance strengthened appreciably as the year progressed. This strength and positive business momentum has continued into 2021.

We believe that the challenges related to COVID-19 have resulted in short-term dilution of performance of some areas of our business. However, we are confident that these short-term challenges will result in us being an even stronger and more dynamic business going forward.

From June 2020, business momentum began to accelerate as market conditions improved and lock down restrictions eased. The strength of this momentum is illustrated by the fact that our Underlying EPS in the second half of 2020 was 10% higher than in the second half of 2019.

The strong operating performance of our Hospitality management platform was a key driver of this momentum, with the Moelis-managed Redcape Hotel Group delivering an outstanding result for the six months to 31 December 2020 and the Beach Hotel in Byron Bay trading strongly through the recent holiday season.

Assets under management (AUM) increased by 11% over the year to \$5.4bn. Most of this growth occurred in the second half, supported by a substantial increase in fund inflows from foreign and domestic high net worth clients. There were limited client redemptions during the year which demonstrates the quality and strong performance of our managed funds.

Significantly, we are preparing to launch our first credit fund offerings available to retail investors in the first half of the year.

Our purpose is to deliver long term value to our shareholders, clients and people. We believe that sustainability is key to this and as material owners in the business we have a long-term view to value creation.

We invest in people and innovation. Since inception in 2009 as a start-up investment bank we have continued to promote innovation with the aim of creating complimentary businesses where we have, or can, create operational edge in a scalable market.

A recent example of this strategy is in credit and lending. We have materially invested in this strategy over the last couple of years with the earlier years being a drag on earnings, although always with a focus on building a highly profitable business.

The acquisition of a 47.5% interest in MKM Capital in October 2020 was a key milestone for our credit and lending strategy as it provided the Group with a direct position in the \$1.8 trillion home loans market as a non-bank lender. We believe that the non-bank lending market is a significant opportunity for the Group and have been following it closely for a number of years before making this investment.

While the investment will only provide a small contribution this year, and probably next, it does provide us with the operational expertise and business platform to participate in a large addressable market. We are confident this strategy, coupled with our expertise and relationships, will be an important contributor to Moelis Australia in the future.

The credit and lending strategy is just one example of how we aim to create value for shareholders by starting small, focusing on operational excellence and gaining an intimate understanding of a market. Albeit the key consideration is always how to build meaningful value for our shareholders, clients and people.

While we have focused on the lending business, there are many examples of how we have done this in the past including the Significant Investor Visa product, our Hospitality platform and originally our Corporate Advisory business. Further, there are other initiatives that we are currently investing in for the future.

Given our approach there will be years of investment in people and development prior to the visible value creation and there may be failures. However, through a diversified portfolio of complimentary businesses we believe we can continue to innovate and materially grow shareholder value over the medium and long term.

We often talk about the importance of our people to the business and its long-term prospects. In this regard we are very excited to be launching the MA Academy this year which will provide a tailored development tool for our people to learn from.

In looking forward, we are optimistic about the momentum in the business with significant activity across the business in late 2020 to deliver a strong start to 2021 and live transaction activity across many of our investment strategies.

In closing, 2020 was clearly a trying year for all and we hope our shareholders, clients, partners and staff have been able to navigate the difficult year safely. We are optimistic about how we are positioned at the start of 2021 and look forward to delivering on our purpose of building long term value for those who support us.

Yours sincerely,



Chris Wyke  
Joint Chief Executive Officers



Julian Biggins

## Year in review

### 2020 at a glance

<p><b>Statutory revenue<sup>1</sup></b></p> <p><b>\$161.1m</b></p> <p>5% increase from 2019</p>	<p><b>Underlying revenue<sup>4</sup></b></p> <p><b>\$160.1m</b></p> <p>1% increase from 2019</p>
<p><b>Statutory EBITDA<sup>2</sup></b></p> <p><b>\$61.4m</b></p> <p>18% increase from 2019</p>	<p><b>Underlying EBITDA<sup>4</sup></b></p> <p><b>\$60.5m</b></p> <p>-5% decrease from 2019</p>
<p><b>Statutory NPAT</b></p> <p><b>\$26.5m</b></p> <p>13% increase from 2019</p>	<p><b>Underlying NPAT<sup>4</sup></b></p> <p><b>\$36.0m</b></p> <p>-10% decrease from 2019</p>
<p><b>Statutory earnings per share</b></p> <p><b>18.5c</b></p> <p>19% increase from 2019</p>	<p><b>Underlying earnings per share<sup>4</sup></b></p> <p><b>25.1c</b></p> <p>-5% decrease from 2019</p>
<p><b>Dividend per share</b></p> <p><b>10.0c</b></p> <p>Fully franked No change from 2019</p>	<p><b>Asset under management as at 31 December 2020</b></p> <p><b>\$5.4bn</b></p> <p>11% increase from December 2019</p>
<p><b>Cash and cash equivalents<sup>3</sup></b></p> <p><b>\$112.2m</b></p> <p>-11% decrease from 2019</p>	<p><b>Return on equity %</b></p> <p><b>15.5%</b></p> <p>17.2% in 2019</p>
<p><b>Moelis Australia Foundation donations</b></p> <p><b>\$4.7m</b></p> <p>Since establishment in late 2017</p>	<p><b>MA Academy</b></p> <p>Established in 2020</p> <p>Developing and retaining talent</p> <p>Our people are the core of our business, and our competitive advantage</p>

1. Statutory Revenue refers to total income on the consolidated statement of profit or loss and other comprehensive income.
2. Statutory Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) is not a recognised International Financial Reporting Standards (IFRS) measure but has been presented to give a comparable measure to the Underlying Result.
3. Adjusted to reflect the total economic exposure of the Group by removing the consolidation of a Moelis Australia managed credit fund.
4. Underlying revenue, EBITDA, Net Profit After Tax (NPAT) and earnings per share and other measures of underlying performance are not prepared in accordance with IFRS and are not audited. Detailed reconciliations between the Underlying and IFRS measures are provided in Moelis Australia's 2020 Financial Report and 2020 Investor Presentation.

## Year in review (cont.)

### Our response to COVID-19

COVID-19 was declared a world-wide pandemic by the World Health Organisation in March 2020 and continues to have a significant impact on global economies. The Group's response to the unprecedented uncertainty was to take rapid and decisive action to protect the business and its key assets, being its people.

Some of the key initiatives implemented by the Group included:

- Rigorous stress testing of the business, it's managed funds and investments to identify and respond to any areas of risk;
- Focusing attention on maximising and then preserving cash by implementing working capital optimisation strategies, reducing non-essential expenditure and realising non-core assets;
- Investigating all government support packages and applying for those that the Group qualified for including:
  - \$3.3 million relating to COVID-19 government wage subsidies; and
  - deferral of \$18.5 million of payments to the Australian Taxation Office with \$14.1 million repaid by 31 December 2020 under the agreed instalment payment plans.
- Issuing a new \$40 million unsecured note to successfully refinance \$32 million of notes that matured in September 2020;
- Managing staff costs through a temporary reduction in fixed compensation of 25% for senior executives, including Board members and Joint Chief Executive Officers, as well as the majority of the Group's staff agreeing to the same or smaller reductions in salary, and the deferral of pay increases until July 2020; and
- Transitioning all staff to a working from home capability, with no notable interruption to client service, and enhanced wellbeing programs and communications provided to support staff.

These actions highlight the Group's strong risk culture and proactive response to economic uncertainty. Coupled with a conservatively positioned balance sheet coming into the pandemic and a resilient business model based on contracted recurring income, the Group demonstrated it could withstand significant shocks if required.

Whilst there were one-off financial impacts as a result of the pandemic, particularly relating to assets in the hospitality and aged care sectors, with the improving business momentum and economic outlook in the second half of the year, the Board determined to repay the temporary reductions in fixed compensation to staff.

## Year in Review (cont.)

### Group performance

#### Statutory Results

The Group recorded total comprehensive income for the year of \$22.5 million (2019: \$25.0 million) and profit after income tax for the year of \$26.5 million (2019: \$23.5 million). Basic earnings per share was 18.5 cents, an increase of 19.3% on the prior comparative period.

	31 Dec 2020	31 Dec 2019	Movement
Statutory results	\$'000	\$'000	%
Total income	161,101	153,728	4.8%
Profit before tax	38,690	35,274	9.7%
Profit after income tax	26,480	23,493	12.7%
Total comprehensive income	22,517	25,025	-10.0%
Basic earnings per share (cents per share)	18.5	15.5	19.3%
Diluted earnings per share (cents per share)	18.0	14.9	21.0%
Dividend (cents per share)	10.0	10.0	–
	31 Dec 2020	31 Dec 2019	Movement
Underlying results	\$'000	\$'000	%
Revenue	160,134	158,348	1.1%
EBITDA	60,498	63,481	-4.7%
Net profit after income tax	35,998	40,154	-10.4%
Earnings per share (cents per share)	25.1	26.5	-5.3%

#### Non-IFRS Underlying results

The Group also utilises non-IFRS Underlying financial information in its assessment and presentation of Group performance. When reading our Statutory and Underlying results, we note that there are some adjustments that a reader may find useful to understand in more detail. For further information on adjustments between Statutory and Underlying results, please refer to the detailed reconciliation provided in note 3 of the 2020 Financial Report and to the explanation on page 25 of the Directors' Report as to why the Directors believe that, when read in conjunction with the IFRS measures, the Underlying measures are useful to the reader.

Underlying revenue proved resilient, up 1% on the FY19 result, despite a \$6.1 million impact from COVID-19. Underlying EBITDA was down 5% on FY19 due to a 5% increase in expenses arising from investment in platform capabilities largely undertaken in FY19 and one-off costs of approximately \$3.0 million associated with the impacts of COVID-19.

## Year in review (cont.)

### Group performance (cont.)

#### Our businesses

The Group is divided into two operating business units. Asset Management and Corporate Advisory and Equities (CA&E) and unallocated costs related to the corporate support functions (Corporate Services).

The Group's Underlying measures depicted in the previous and following table directly align with the segment measures required by AASB 8 *Operating Segments*. Further information and reconciliations are provided in note 3 of the Financial Report.

The table below shows the contributions to Underlying NPAT of the Group's business segments.

	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Asset Management	60,041	55,712
Corporate Advisory and Equities	11,860	17,050
Corporate Services	(11,403)	(9,282)
<b>Underlying EBITDA</b>	<b>60,498</b>	<b>63,481</b>
Depreciation and amortisation	3,741	3,276
Interest expense	5,332	2,842
Income tax expense	15,427	17,209
<b>Underlying NPAT</b>	<b>35,998</b>	<b>40,154</b>



#### Asset Management

The Asset Management division contributed approximately 84% of Moelis Australia's Underlying EBITDA before Corporate Services in FY20. This result was derived from Underlying Revenue of \$106.8 million, up 10% from \$96.7 million in FY19.

Assets under Management (AUM) grew by \$0.5 billion over the year to \$5.4 billion at 31 December 2020. Net client inflows were \$270 million in 2H20, up \$110 million on 1H20 despite \$130 million of institutional outflows from the successful realisation of two large construction finance loans.

Recurring revenue growth of 3% lagged AUM growth due to impacts to base management fees and distributions from COVID-19 impacted assets and investments in the hospitality and aged care sectors.

Transactional revenue was up 26% on FY19 to \$27.0 million largely due to a 44% increase in performance fees driven by the strong performance of the Group's hospitality assets in 2H20, equity fund strategies and successful asset realisations.

Expense growth was largely due to investment in platform growth undertaken in FY19 and one-off expenses related to COVID-19. Platform investment was focused on the distribution capability, appointing a dedicated resource to build institutional reach and establishing a presence in Hong Kong to extend our foreign HNW network.

## Year in Review (cont.)

### Group performance (cont.)

Asset Management Revenue (\$ million)



#### Business highlights



#### Hospitality - \$1.3 billion AUM

MA Hotel Management (MAHM) is the Group's unique hospitality operating platform that applies strong sector expertise across the high-quality real estate backed community venues it manages. The hospitality assets under management have demonstrated the defensive nature of the asset class by exhibiting strong trading performance since the easing of COVID-19 related venue restrictions in 1H20. Key highlights include:

- Redcape Hotel Group (RDC) reported a 25% increase in distributable earnings for its half year to 31 December 2020 relative to the prior corresponding period.
- MAHM earned a \$5.8 million performance fee from RDC, driven by valuation uplift of \$63.5 million for 12 venues independently valued at 31 December 2020.
- Established the \$115 million Beach Hotel Byron Bay Fund in 1H20.
- MAHM facilitated the acquisition of six new hotels in 2H20 worth over \$160 million including the new \$70 million MA Taylor Square Fund.



#### Credit and Lending - \$1.1 billion AUM

The Group has continued to expand the credit platform and grow its lending business. Credit AUM grew 23% in the year despite gross institutional outflows of \$160m from the successful realisation of construction finance loans.

All credit strategies continued to deliver consistent performance through FY20, with no material impairments across the portfolio reflective of the Group's conservative underwriting standards.

Furthermore, the Group completed the 47.5% first stage acquisition of MKM Capital in October 2020 which will provide a platform to grow the Group's lending strategy for the residential mortgage market.

Credit AUM grew

23%

in the year



## Year in Review (cont.)

### Group performance (cont.)



#### Real Estate - \$2.2 billion AUM

The Group manages a range of retail and commercial real estate assets.

The MA Prime Logistics Fund was established in 2H20 to invest in high quality industrial and logistics real estate assets and successfully settled its first asset, a \$63 million cold storage facility, in December 2020.

Retail shopping centres were materially impacted due to COVID-19 related restrictions implemented in 1H20. Over 2H20 foot traffic and portfolio centre sales have trended back to pre-COVID levels, with sales across most centres ahead of the prior year in November and December resulting in the reinstatement of distributions for all funds.



#### Equities, Private Equity and Venture Capital - \$0.8 billion AUM

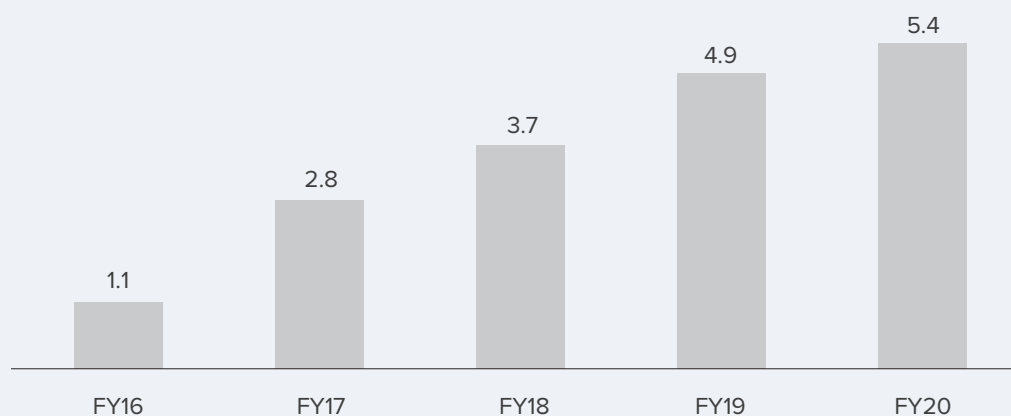
The Group's core areas of focus in asset management have traditionally been real estate, hospitality and credit investing. However, equities funds management significantly increased its scale and earnings contribution in FY20, growing AUM by 70% or \$170 million to \$470 million over the year.

Strong equity portfolio performance and venture capital asset realisations delivered growing performance fees in the year.

Furthermore, new product offerings were delivered to the market in 2H20, including:

- MA Equity Opportunities Fund, an absolute return focused Australian equities fund; and
- MA Real Asset Opportunities Fund, a Private Equity fund targeting operating asset-back investment opportunities.

Assets Under Management (\$ billion)



Equities AUM grew by

**\$170 million**

over the year

## Year in Review (cont.)

### Group performance (cont.)



#### Corporate Advisory & Equities (CA&E)

FY20 Underlying revenue for CA&E was down 14% on FY19 to \$53.4 million. This was primarily driven by a weaker transaction environment relative to FY19, particularly for M&A activity, and the timing of large transaction completions. Equities commissions in FY20 were 3% higher than FY19 largely due to a significant increase in market volatility and volumes during March and April.

Corporate advisory fees were down 16% to \$44.2m representing revenue per executive of \$1.0 million, slightly below the target productivity range of \$1.1 to \$1.3 million. This was largely due to transaction completion timing with one large restructuring mandate anticipated to complete in 2H20 subsequently completing in early 1H21.

The business maintains its target productivity range for FY21 with a growing transaction pipeline and more supportive market conditions.

### Business highlights

#### Equity Capital Markets (ECM) Activity

ECM activity levels over the year were pleasing, but characterised by smaller transactions compared to 2019. The business raised over \$1.4 billion across 19 transactions in FY20, compared to \$2.2 billion across 18 transactions in FY19.

#### Real Estate & Restructuring Advisory

In FY20 the business raised \$935 million across 9 real estate transactions. Significant work was undertaken on corporate restructuring mandates throughout the year, however due to deal completion timing these transactions will only deliver fees in FY21.

#### Technology Advisory & Mid-cap ECM

The business continues to build its presence and expertise in the technology sector. In FY20 Moelis Australia acted as advisor on the ASX listings of Cashrewards and Ansarada as well as Fineos Corporation's takeover of Limelight Health. The growing focus on mid-cap ECM capability resulted in successfully completing the role as lead advisor on the \$530 million IPO of Maas Group, the fifth largest IPO on the ASX in 2020.

Our specialised capabilities include:



Real estate



Restructuring



Technology



Small to mid-cap companies

## Year in Review (cont.)



### Financial position

Statutory total assets amounted to \$569.3 million (2019: \$513.9 million) with net assets of \$236.9 million (2019: \$227.1 million) as at 31 December 2020.

The statutory consolidated statement of financial position includes the consolidation of the MA Master Credit Trust (MCT), a Moelis Australia managed credit fund. The Group holds a 10% “first loss” equity co-investment in MCT of \$17.3 million (2019: \$9.7 million)

representing the Group’s maximum contractual economic exposure.<sup>1</sup>

Management also uses an operating balance sheet which excludes the MCT when reviewing the Group’s financial position. The operating balance sheet presents a simplified view of the total economic exposure of the Group and the capital available for management to allocate.

	31 Dec 2020 Statutory \$'000	31 Dec 2019 Statutory \$'000	31 Dec 2020 Operating \$'000	31 Dec 2019 Operating \$'000
<b>Assets</b>				
Cash and cash equivalents	138,004	128,800	112,192	126,082
Loans receivable	224,271	199,767	63,215	92,671
Investments	119,497	103,837	136,752	113,539
Goodwill and other intangibles	30,864	32,587	30,864	32,587
Other assets	56,707	48,951	48,686	48,776
<b>Total assets</b>	<b>569,343</b>	<b>513,942</b>	<b>391,708</b>	<b>413,655</b>
<b>Liabilities</b>				
Borrowings	267,570	189,202	95,030	92,180
Other liabilities	64,916	97,614	59,821	94,349
<b>Total liabilities</b>	<b>332,486</b>	<b>286,816</b>	<b>154,851</b>	<b>186,529</b>
<b>Net assets</b>	<b>236,857</b>	<b>227,126</b>	<b>236,857</b>	<b>227,126</b>

1. See note 24(c) for further information relating to MCT.

## Year in Review (cont.)



### Financial position (cont.)

Notable movements in the Group's operating balance sheet during the year were as follows:

- During the year the Group successfully refinanced \$32 million of borrowings and extended the tenor of its debt profile. This was achieved through the issue of a new unsecured note, raising \$40 million with a maturity date of September 2024;
- Loans receivable and other liabilities decreased by \$25.5 million respectively as a result of the disposal of a subsidiary that had issued Redeemable Preference Shares (RPS) to fund an investment in a loan asset of identical size. There was no net asset impact as a result of this transaction;

- The average operating cash balance for the year was \$132 million as a result of prudent COVID-19 positioning. Group cash reduced on the prior year as capital allocations returned to growth investing in the second half;
- Movements in the Group's investments, including strategic and co-investment positions, is shown in the table below. Growth in co-investments is predominantly attributable to the first stage investment in MKM Capital of \$10 million, continued investment in credit funds and short-term seed capital invested in new funds managed by the Group.

#### Operating Investments

	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Cash and cash equivalents	112,192	126,082
Credit	54,477	84,707
Redcape Hotel Group (ASX:RDC)	58,232	59,348
Japara Health Care Limited (ASX:JHC)	9,291	14,760
Co-investments	75,278	44,596
Other investments	2,690	2,799
<b>Total operating investments</b>	<b>312,159</b>	<b>332,292</b>



### Capital management

The Group manages its capital with the primary aim of ensuring it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity capital balances.

The current level of cash holding is indicative of a consistent approach in managing the business for the long term and we will remain patient and prudent

when deploying capital. Fundamental to this is maintaining a strong balance sheet, which not only stands the business in good stead through economic shock but can also facilitate attractive investment or business opportunities.

## Additional Information

### Corporate Advisory strategic alliance with Moelis & Company

Moelis Australia and Moelis & Company have a longstanding strategic alliance in relation to Corporate Advisory.

Moelis & Company is a leading global independent investment bank listed on the NYSE. Moelis & Company holds just under 20% of the issued capital in Moelis Australia. The Moelis Australia and Moelis & Company strategic alliance agreement is designed to ensure that Moelis Australia continues to remain integrated with Moelis & Company in the delivery and execution of corporate advisory services to its Australian and global clients.

The strategic alliance is highly beneficial to both parties and will continue to benefit Moelis Australia by:

- Providing access to a global network of advisory executives sharing intellectual capital and access to client relationships;
- Allowing cooperation on cross-border or industry specific advisory mandates; and
- Leveraging a strong and recognisable global brand in Moelis & Company.



### Our clients

Moelis Australia acknowledges and appreciates the trust that clients have placed in the Group to provide the most relevant advice and innovative solutions across our businesses. We are at our best when we partner with clients who our values align with and recognise that we work best when we operate in partnership with our clients to deliver great outcomes. As a custodian of clients' money, we hold ourselves to the highest standards. In particular the Asset Management division takes on the responsibility of being a custodian of clients' money with great care. Moelis Australia will endeavour to return this client trust with high-quality products and services.

Moelis Australia is focused on creation of long term, sustainable value by partnering with clients who value strong alignment, complementary expertise and sustainable performance. Alignment of interests is a feature of Moelis Australia's client-focused business,

demonstrated by our willingness to both invest alongside clients and closely align the interests of our shareholders and staff.



### Our people

Moelis Australia's purpose is to deliver long-term and sustainable value creating outcomes to clients and investors. Key to achieving this is our commitment to attracting, developing and retaining talent that lives our values.

We encourage all of our team to think and act like owners, ensuring we always remain aligned with the objectives of our investors and clients.

During 2020, we were faced with remote working during the pandemic related lockdowns. Our team showed enormous energy and resilience in the face of delivering for our clients whilst operating remotely. The team transitioned seamlessly to remote working, road-testing the full technology capability. The experiences of 2020 have taught us valuable lessons in communication, care and innovation, which we have, and will continue to incorporate into our values and our practices. 2020 tested our team in unexpected ways and we are extraordinarily proud of how our people faced adversity, supported one another and prioritised our clients.

Having experienced fully the benefits of technology enabled operations in the 2020 remote working period, we have been able to accelerate and re-prioritise technology enablement and enhancements to our operations. We see this as critical to a simplified, streamlined customer experience and enhancing the nature and quality of the work our team does, Embedding data and analytics into all facets of our business is something we see as critical to the development and retention of our people, as well as materially enhancing our client experience.

## Additional Information (cont.)



### MA Academy

Twelve months ago, and prior to the onset of the COVID-19 pandemic, we announced the launch of the MA Academy. The MA Academy is a key tenet of retaining the best people, ensuring that during their time at Moelis Australia, all staff can continue to learn and, in time, teach. We believe that “in learning you will teach and in teaching you will learn” (Phil Collins).

We are pleased that despite the demands of 2020, we were able to launch the MA Academy and have made material progress on programmes for 2021 and beyond.

## About the MA Academy

Our people are the core of our business, and our competitive advantage, The MA Academy is the umbrella of learning that encompasses all training and development of Moelis Australia staff, It is a structured and formalised way to pass the baton of learning from one generation to the next.

The MA Academy is practical and focuses on current, best-in-class business and investment practises in the real world; practical learning with real life edge.

The program delivers structured teaching, capitalising on the talents and experience of our senior company executives, along with highly credentialed external presenters.



### Moelis Australia Foundation

The Moelis Australia Foundation (the Foundation) was established following our IPO to support community initiatives that align with the culture and broader community interests of Moelis Australia and its executives.

The Independent Chairman of the Foundation is Mark Nelson. Mark is a founder and Chairman of the Caledonia Investment Group and a director of The Caledonia Foundation. He is Chairman of Art Exhibitions Australia, a director of Kaldor Public Art Projects, a trustee of the Sydney Swans Foundation and governor of the Florey Institute of Neuroscience. Andrew Pridham and Christopher Wyke are also directors of the Foundation.

The Moelis Australia team believes strongly in giving back to the community through projects the team is passionate about. Empowering the team to suggest and drive community initiatives that are close to their heart through the Foundation, underpins our approach.

The Foundation has two Community Partners, the GO Foundation and Beyond Blue. It also asks staff members to nominate the charities they would like the Foundation to support. All staff members may request that Moelis Australia donate to the Foundation in lieu of what may otherwise have been compensation paid to them individually for their services. Some of the charities staff members have nominated include the Sydney Children’s Hospital, Westmead Children’s Hospital, UNICEF, Dementia Australia, and the Fred Hollows Foundation. In 2020, the Foundation introduced matched giving of up to \$2,500 for eligible staff members.

Since inception in 2017, the Moelis Australia Foundation has received \$7.7 million in contributions from staff and the Group.

### Corporate Governance Statement

Moelis Australia’s Corporate Governance Statement has been approved by the Board and lodged with the ASX. A copy of the Corporate Governance Statement is available at <https://moelisaustralia.com/investors/#governance>

2020 ANNUAL REPORT

# Directors' Report

MOELIS AUSTRALIA LIMITED

For personal use only

## Directors' Report

for the year ended 31 December 2020

The Directors of Moelis Australia Limited (Company) submit their report together with the consolidated financial report of the Company and its subsidiaries (Group) for the year ended 31 December 2020.

The names of the Directors of the Company during or since the end of the year are:

Jeffrey Browne	Independent Chairman and Non-Executive Director	
Andrew Pridham	Group Vice Chairman	
Alexandra Goodfellow	Non-Executive Director	Appointed 19 August 2020
Kenneth Moelis	Non-Executive Director	
Kate Pilcher Ciafone	Non-Executive Director	Appointed 19 August 2020
Joseph Simon	Non-Executive Director	Resigned 19 August 2020
Julian Biggins	Joint Chief Executive Officer	
Christopher Wyke	Joint Chief Executive Officer	Appointed 2 March 2020

The Directors have been in office since the start of the year to the date of this report unless otherwise noted.



### **Jeffrey Browne**

#### **Independent Chairman and Non-Executive Director**

#### ***Experience and expertise***

Jeffrey was appointed to the Board on 27 February 2017.

Jeffrey was a senior executive at Nine Network Australia from 2006 until 2013, including serving as Managing Director from 2010 to 2013. Jeffrey holds a Degree in Arts from La Trobe University, Melbourne and a Degree in law from Monash University, Melbourne.

#### ***Other directorships and appointments***

Chairman of Premoso Pty Ltd (owner of the business of "Holden Special Vehicles")  
Former Chairman and Director of carsales.com (from December 2013 to March 2018)

#### ***Special responsibilities***

Chairman of the Board  
Chairman of the Audit and Risk Committee  
Member of the Nomination and Remuneration Committee

#### ***Interests in the Company***

Shares: 390,625  
Share Options: 390,625



## Directors' Report (cont.)

for the year ended 31 December 2020



**Andrew Pridham AO**  
Group Vice Chairman

### ***Experience and expertise***

Andrew has served as a Director since the formation of Moelis Australia in 2009.

On 22 March 2020, Andrew transitioned from the role as Chief Executive officer to the Group Vice Chairman role.

Andrew has 30 years of experience in investment banking and prior to the formation of Moelis Australia he served as Executive Chairman of Investment Banking at JP Morgan Australia. Andrew holds a Bachelor of Applied Science from the University of South Australia.

In January 2019, Andrew was appointed as an Officer in the General Division of the Order of Australia for distinguished service to the investment banking and asset management sector, to sporting groups, and to philanthropy.

### ***Other directorships and appointments***

Chairman of Sydney Swans Limited

### ***Special responsibilities***

Member of the Nomination and Remuneration Committee

### ***Interests in the Company***

Shares: Andrew also holds 500,000 shares as well as a beneficial equity interest in 18,477,262 Shares as a result of his holdings in the Existing Staff Trusts. As a result of Andrew's ownership of the Trustee of one of the Existing Staff Trusts, Andrew has a deemed relevant interest in 26,800,000 Shares.

Restricted Shares: 57,198



**Alexandra Goodfellow (appointed 19 August 2020)**  
Non-Executive Director

### ***Experience and expertise***

Alexandra is Vice Chair of Korn Ferry Australasia and has 30 years' experience in executive search and consulting. She joined Korn Ferry in 2014 and works with clients at Board, CEO and C-suite level assisting with executive search, leadership succession planning and human capital advisory. She is on the Advisory Board of the Westmead Children's Hospital Grace Centre Foundation and is a Non-Executive Director of the Sydney Swans.

### ***Other directorships and appointments***

Vice Chair of Korn Ferry Australasia  
Non-Executive Director of Sydney Swans Limited

### ***Special responsibilities***

Chairman of the Nomination and Remuneration Committee

### ***Interests in the Company***

None

## Directors' Report (cont.)

for the year ended 31 December 2020



**Kenneth Moelis**  
**Non-Executive Director**

### ***Experience and expertise***

Ken has served as a Director since the formation of Moelis Australia.

Ken is Chairman of Moelis & Company and has served as Chief Executive Officer of that company since 2007. Ken has over 30 years of investment banking and mergers and acquisitions experience. Prior to founding Moelis & Company, Ken worked at UBS from 2001 to 2007, where he was most recently President of UBS Investment Bank. Ken holds a Bachelor of Science and an MBA from the Wharton School at the University of Pennsylvania.

### ***Other directorships and appointments***

Chairman and CEO of Moelis & Company Group LP (Moelis & Company)  
Non-Executive Chairman of the Board of Directors, Atlas Crest Investment Corp.  
Non-Executive Chairman of the Board of Directors, Moelis Asset Management  
Member, Board of Trustees, University of Pennsylvania  
Member, Business Roundtable  
Member, Board of Advisors, Ronald Reagan UCLA Medical Center  
Member, The Business Council

### ***Special responsibilities***

Member of the Nomination and Remuneration Committee

### ***Interests in the Company***

Ken has 50.8% of the combined voting power of Moelis & Company Class A and Class B common stock. As a result, Ken has a deemed relevant interest in all shares held by Moelis & Company. Moelis & Company presently holds 29,500,000 ordinary shares in the Group.



**Kate Pilcher Ciafone (appointed 19 August 2020)**  
**Non-Executive Director**

### ***Experience and expertise***

Kate is Chief Operating Officer of Investment Banking and a founding member of Moelis & Company. Kate has almost 20 years' experience in the investment banking industry as both a banker and operations executive having begun her career with UBS Investment Bank prior to joining Moelis & Company as a founding member in 2007. Kate holds a B.S. in Commerce with distinction from the McIntire School of Commerce at the University of Virginia.

### ***Other directorships and appointments***

None

### ***Special responsibilities***

None

### ***Interests in the Company***

None

## Directors' Report (cont.)

for the year ended 31 December 2020



**Julian Biggins**  
**Executive Director**

***Experience and expertise***

Julian was appointed to the Board on 2 February 2017, and was one of the Founders of the Company in 2009.

On 2 March 2020, Julian was appointed Joint Chief Executive Officer alongside Chris Wyke.

Julian has over 20 years of investment banking experience covering the real estate industry. Julian previously held senior roles within JP Morgan's Investment Banking division and UBS' Equities research division. Julian holds a Bachelor of Business (Real Estate) and a Bachelor of Business (Banking and Finance) from the University of South Australia.

***Other directorships and appointments***

None

***Special responsibilities***

Member of the Audit and Risk Committee

***Interests in the Company***

Shares: Julian holds 245,874 shares as well as a beneficial equity interest in 5,556,504 shares as a result of his holding in the Existing Staff Trusts.

Share Rights: 111,021

Restricted Shares: 255,549



**Christopher Wyke (appointed 2 March 2020)**  
**Executive Director**

***Experience and expertise***

Chris was appointed to the Board on 2 March 2020 and was one of the founders of the Company in 2009.

On March 2020, Chris was appointed Joint Chief Executive Officer alongside Julian Biggins.

Chris has over 20 years' industry experience, including extensive private equity, turnaround, restructuring, M&A, equity and debt capital markets transactions experience. Chris previously worked in investment banking for J.P. Morgan and UBS in London, Singapore and Sydney. Chris holds a Bachelor of Economics with Honours from University College London.

***Other directorships and appointments***

None

***Special responsibilities***

None

***Interests in the Company***

Shares: Chris holds 139,736 shares as well as a beneficial equity interest in 5,556,504 shares as a result of his holding in the Existing Staff Trusts.

Share Rights: 117,778

Restricted Shares: 269,220

## Directors' Report (cont.)

for the year ended 31 December 2020

---

### **Former Directors**

**Joseph Simon (resigned 19 August 2020)**

**Non-Executive Director**

#### ***Experience and expertise***

Joe was appointed to the Board on 7 June 2016 and concluded his term as a Non-Executive Director on 19 August 2020.

Joe is the Chief Financial Officer of Moelis & Company serving in that role since joining in 2010. Joe has over 25 years of experience as a senior manager of financial controls, operations and strategy and has particular experience with financial services firms. Joe holds a Bachelor of Science from Cornell University and an MBA from the University of Michigan. He is a Certified Public Accountant in the United States.

#### ***Other directorships and appointments***

Partnership Fund for New York City

#### ***Special responsibilities***

None

#### ***Interests in the Company***

None

---

### **Company secretaries' qualifications and experience**

#### **Janna Robertson**

Joint Company Secretary appointed 30 September 2019.

Janna has over 20 years' experience in financial services and prior to joining the Group was a partner at Deloitte. Janna holds a Bachelor of Business from the University of Technology Sydney, is a Member of the Institute of Chartered Accountants in Australia and New Zealand and graduate of the Australian Institute of Company Directors.

#### **Rebecca Ong**

Joint Company Secretary appointed 19 February 2020.

Rebecca has over 15 years' experience as a lawyer in the financial services industry, and prior to joining the Group was Regional Counsel at UBS, advising its Asset Management business across Asia Pacific. Rebecca holds a Bachelor of Commerce (Finance)/ Bachelor of Laws from the University of New South Wales and is a Fellow with the Governance Institute of Australia.

## Directors' Report (cont.)

for the year ended 31 December 2020

### Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year:

	Board Meeting		Audit & Risk Committee		Nomination & Remuneration Committee	
	A	B	A	B	A	B
Jeffrey Browne	9	9	6	6	1	1
Andrew Pridham	9	9	#	#	1	1
Alexandra Goodfellow	4	4	#	#	1	1
Kenneth Moelis	9	9	#	#	1	1
Kate Pilcher Ciafone	4	4	#	#	#	#
Joseph Simon	6	6	4	4	#	#
Julian Biggins	9	9	6	6	#	#
Christopher Wyke	8	8	#	#	#	#

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office during the year.

# = Not a member of committee.

### Principal activities

The Group is a financial services provider with offices in Sydney, Melbourne and Shanghai. The Group's principal activities are providing asset management, corporate advisory and equities services. In the opinion of the Directors, there were no significant changes to the principal activities of the Group during the financial year under review that are not otherwise disclosed in this report.

### Results

The financial report for the years ended 31 December 2020 and 31 December 2019, and the results have been prepared in accordance with Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS).

Total comprehensive income attributable to ordinary equity holders of the Group for the year ended 31 December 2020 was \$22.5 million (2019: \$25.0 million) and the profit after tax for the year ended 31 December 2020 was \$26.5 million (2019: \$23.5 million).

### Dividends

Subsequent to the year ended 31 December 2020, the Directors have resolved to pay a fully franked dividend of 10.0 cents per share for the financial year ended 31 December 2020. The dividend is payable on 3 March 2021.

On 4 March 2020, the Company paid a dividend of \$14.5 million (10.0 cents per share), fully franked, for the financial year ended 31 December 2019.

### Operating and financial review

Please refer to the Year in Review section of this Annual Report for the following in respect of the Group:

- the Group response to COVID-19
- a review of operations during the year and the results of those operations
- likely developments in the operations in future financial years and the expected results of those operations
- comments on the financial position
- comments on business strategies and prospects for future financial years.

### Non-IFRS Underlying results

The Group also utilises non-IFRS Underlying financial information in its assessment and presentation of Group performance. In particular, the Group references Underlying Revenue, Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), Underlying Net Profit After Tax (NPAT) and Underlying Earnings Per Share (EPS).

Underlying EBITDA and Underlying NPAT achieved for the year ended 31 December 2020 was \$60.5 million (2019: \$63.5 million) and \$36.0 million (2019: \$40.2 million) respectively.

## Directors' Report (cont.)

for the year ended 31 December 2020

The Directors place great importance and value on the IFRS measures. As such, the Directors believe that, when read in conjunction with the IFRS measures, the Underlying measures are useful to the reader as:

- The Underlying measures reveal the underlying run rate business economics of the Company;
- The Underlying measures are used by management to allocate resources and make financial, strategic and operating decisions. Further, all budgeting and forecasting is based on Underlying measures. This provides insight into management decision making; and
- The Underlying adjustments have been consistently applied in all reporting periods, regardless of their impact on the Underlying result.

The Underlying financial information is not prepared in accordance with Australian Accounting Standards and IFRS and is not audited. Adjustments to the IFRS information align with the principles by which the Company views and manages itself internally and consist of both differences in classification and differences in measurement.

Differences in classification arise because the Company chooses to classify some IFRS measures in a different manner to that prescribed by IFRS.

Differences in measurement principally arise where the Company prefers to use non-IFRS measures to better:

- Align with when management has greater certainty of timing of cash flows;
- Regulate the variability in the value of key strategic assets, specifically the investment in Japara Healthcare Limited (Japara);
- Normalise for the impacts of one-off transaction costs; and
- Recognise staff share-based bonus expense when granted as opposed to over the vesting period.

Please refer to note 3 for a detailed reconciliation between the IFRS and Underlying measures.

### State of affairs

There were no other significant changes in the state of affairs of the Group that occurred during the financial year under review that are not otherwise disclosed in this report.

### Likely developments

The Group continues to pursue its strategy of focusing on its core operations. In particular, the Group will look to grow its lending operations and continue to market its managed funds and launch new managed funds with the aim of growing assets under management.

### Events subsequent to balance date

On 8 February 2021 the Group entered into a credit related partnership with a major Australian bank. The partnership initially involves the Group acquiring a \$24 million loan note in a A\$300 million portfolio of asset finance loans. \$18 million of this investment will be sourced from a credit fund managed by Moelis Australia in addition to a \$6 million co-investment by the Company. The balance of the funding for the loan portfolio is to be provided via a non-recourse loan facility.

On 16 February 2021 the Group agreed to acquire retail property manager RetPro Pty Ltd for an initial cash consideration of \$10.5 million. An additional deferred consideration is payable in a combination of cash and shares up to a maximum of \$6.75 million dependant on achieving increased revenue hurdles up to 30 June 2022.

### Environmental regulation

The Group's operations are not subject to any significant environment regulation.

### Non-audit services

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 the *Corporations Act 2001 (Cth)*.

The Directors are of the opinion that the services as disclosed in note 9 to the financial statements do not compromise the external auditor's independence, 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 Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

## Directors' Report (cont.)

for the year ended 31 December 2020

### Indemnification and insurance of Directors', officers and auditors

During the year, the Company paid a premium in respect of a contract insuring the Directors and officers of the Company against liabilities and legal expenses incurred as a result of carrying out their duties as a Director or officer. The Directors have not included details of the nature of the liabilities covered or the amount of premium paid in respect of this insurance, as such disclosure is prohibited under the terms of the contract.

The Company has agreed to indemnify all current and former Directors and company secretaries and certain officers of the Company and its controlled entities against all liabilities to persons (other than the Company or a related body corporate) which arise out of the performance of their normal duties as a Director, company secretary or officer to the extent permitted by law and unless the liability relates to conduct involving wilful misconduct, bad faith or conduct known to be in breach of law.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such an officer or auditor.

### Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191* amounts in the Directors' Report and the Financial Report have been rounded off to the thousand dollars unless otherwise indicated.

Signed in accordance with a resolution of the Directors.



**Jeffrey Browne**  
Independent Chairman and Non-Executive Director  
Sydney  
17 February 2021



**Julian Biggins**  
Director and Joint Chief Executive Officer  
Sydney  
17 February 2021

# Directors' Report (cont.)

## for the year ended 31 December 2020

### Remuneration Report

This Remuneration Report is for the financial year ended 31 December 2020. The Report has been prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) and the *Corporations Regulations 2001* (Cth) and has been audited.

The Remuneration Report provides information about the remuneration arrangements for Key Management Personnel (KMP) for the year to 31 December 2020.

The list of KMP is assessed each year and comprises the Non-Executive Directors of the Group, the Chief Executive Officers (Joint CEOs) and those employees of the Group who have authority and responsibility for planning, directing and controlling the activities of the Group.

#### Details of Key Management Personnel

Name	Position	Term
<b>Non-Executive KMP</b>		
Jeffrey Browne	Independent Chairman and Non-Executive Director	Full Year
Kenneth Moelis	Non-Executive Director	Full Year
Alexandra Goodfellow	Non-Executive Director	Appointed 19 August 2020
Kate Pilcher Ciafone	Non-Executive Director	Appointed 19 August 2020
Joseph Simon	Non-Executive Director	Resigned 19 August 2020
<b>Executive KMP</b>		
Andrew Pridham <sup>1</sup>	Group Vice Chairman	Full Year
Julian Biggins <sup>2</sup>	Executive Director and Joint Chief Executive Officer	Full Year
Christopher Wyke <sup>2</sup>	Executive Director and Joint Chief Executive Officer	Full Year
Graham Lello	Chief Financial Officer	Full Year
Janna Robertson	Chief Operating Officer	Full Year

1. Transitioned from CEO to Group Vice Chairman effective 2 March 2020.

2. Appointed as Joint CEO effective 2 March 2020. Christopher Wyke appointed as a Director effective 2 March 2020.

#### Remuneration governance

The Nomination and Remuneration Committee, on behalf of the Board has primary carriage of the Group's remuneration strategy, framework and principles.

#### Remuneration principles and link to performance

The Board recognises the important role people play in achieving the Group's long-term objectives and as a key source of competitive advantage. To grow and be successful, the Group must be able to attract, motivate and retain quality individuals.

Moelis Australia's purpose is to deliver long term, sustainable value to its shareholders, clients and people. This is done by:

- Partnering with clients who value strong alignment, complementary expertise and sustainable performance;
- Empowering our people through a culture of growth, cohesion, innovation and accountability (Our Differentiating Values and Behaviours);
- Delivering a high standard of technical expertise in both fiduciary and advisor roles; and
- Being active managers of risk.

These objectives are embedded in the Group's remuneration principles.

The Board exercises significant oversight and judgement to ensure the appropriate alignment of individual, shareholder and client outcomes and seeks to strike a balance in setting remuneration between having a transparent aligned and structured remuneration framework and retaining some discretion and flexibility to change remuneration arrangements to meet changing market conditions as well as to comply with regulatory and corporate governance developments. Critical to effective remuneration outcomes is a consistent and rigorous process for determination of company-wide and individual remuneration outcomes.

Key features of the Group's remuneration principles are:

- Ensuring competitive rewards are provided to attract and retain the best talent. We seek to recruit and develop a diverse, values aligned team;
- Linking remuneration to an individual's overall contribution so that higher levels of performance and innovation attract higher rewards;
- Providing consistent and aligned rewards over time to all staff, but particularly senior management, to promote the creation of sustained long-term value to shareholders;
- Recognition that delivering long term value requires a wide range of skills and experience. We seek to encourage the right balance of cohesive behaviours and individual excellence as critical tenets of long term sustained growth;



## Directors' Report (cont.)

for the year ended 31 December 2020

- Driving behaviours which reflect the Group's risk culture by motivating staff to be active managers of risk and accountable for all business decisions and their accompanying, client, economic and reputational consequences. Growth is always paired with acting with integrity;
- Ensuring the overall cost of remuneration is aligned to operating performance and return to shareholders over the long-term; and
- Appropriately rewarding outperformance in value creation.

### Remuneration features

The Group's remuneration for employees comprises:

- Fixed remuneration, being base salary inclusive of superannuation; and
- Variable short term incentive, delivered through the annual bonus scheme. The short term incentive is awarded as cash and deferred equity.

As the business grows, there is a recognition of the value of adding a long term incentive to align executives to sustained growth. The Board has been working on the structure of a long term incentive scheme which it intends to introduce in 2021. In 2020, the award of a long term incentive was limited to the newly appointed Joint CEOs, whose compensation arrangements were otherwise unchanged from their pre-promotion compensation.

The process for determining variable short term remuneration is consistent for all employees, but in this Remuneration Report the process is described to the extent it applies to the Executive KMP.

### Remuneration of Executive KMP

Each Executive KMP is eligible to participate in the annual bonus scheme. The Executive KMP must be employed at the time bonuses are paid in order to receive a bonus. Payment of bonuses may be in cash or in deferred equity, or a combination of both.

The review of salaries and the payment of bonuses to Executive KMP and whether it is delivered in cash or deferred equity is determined annually by the Board on recommendation from the Nomination and Remuneration Committee. In determining any salary increases and bonus amounts for Executive KMP, the Board considers factors referable to the Remuneration Principles including:

- the performance of the Group;
- market remuneration levels;
- the impact of the demonstrated application of our differentiating values and behaviours;
- the effectiveness of upholding and enhancing the Group's culture of being active managers of risk;
- key metrics such as total compensation of all employees as a percentage of Group revenue; and
- the performance and contribution of each Executive KMP.

In determining what proportion of the aggregate annual bonus is provided in deferred equity, the Board considers several factors including the need to align Executive KMP with the goals of the Group as well as market practice for the industries within which the Group operates.

The Group's Equity Incentive Plan allows a variety of types of deferred equity to be issued to Executive KMP, including:

- Shares;
- Restricted shares;
- Rights to receive shares in the future (share rights);
- Loan funded shares; and
- Share options.

Deferred equity is subject to vesting conditions as determined by the Board including continuation of employment with the Group. Generally, employees who leave before the relevant vesting dates will forfeit their equity. The Board retains discretion to allow employees to retain their equity upon ceasing employment and may do so depending on the circumstances of an employee's departure. Recipients of equity grants are not permitted to hedge their economic interest.

### Performance of Executive KMP

The contribution and performance of each Executive KMP determines his or her annual bonus and any salary increase.

For financial performance, a key measurement is how the Group's Underlying result has performed compared to the prior year. The table below compares the Group's performance for 2020 against 2019.

The events of 2020 have been unprecedented and the impacts of COVID-19 have spanned health, economic and social consequences. As set out in the Chairman's letter and this report, the Group has not been immune to these impacts. However, the resilience of the business model and the effects of our risk practices have enabled the delivery of a strong result notwithstanding the extraordinary circumstances.

As an early response to COVID-19, as of 1 April 2020, and by agreement, staff including KMP agreed to temporary pay reductions and deferrals of pay increases. These temporary arrangements concluded on 1 July 2020. Following further certainty regarding COVID-19 impacts and the business outlook, the Board determined to repay all reductions and deferrals to staff other than Directors. In February 2021, the Board determined to repay the Directors.

## Directors' Report (cont.)

for the year ended 31 December 2020

	31 Dec 2020	31 Dec 2019	% change
Underlying EBITDA (\$'000) <sup>1</sup>	60,498	63,480	-5%
Underlying NPAT (\$'000) <sup>1</sup>	35,998	40,154	-10%
Underlying EPS (cents/share) <sup>1</sup>	25.1	26.5	-5%
Statutory EBITDA (\$'000) <sup>2</sup>	61,368	52,012	18%
Statutory Comprehensive Income (\$'000)	22,517	25,025	-10%
Statutory EPS (cents/share)	18.5	15.5	19%
Dividends declared (cents/share)	10.0	10.0	–

1. Underlying numbers are not audited. Please see note 3 within the Annual Financial Report for a reconciliation of Underlying to Statutory measures.
2. Statutory EBITDA is not an IFRS measure but has been presented to give a comparable measure to the Underlying result.

The remuneration of KMP shown in the table below includes salary and annual bonus paid during the year, including the accounting fair value of share-based compensation granted in the year.

	31 Dec 2020 \$'000	31 Dec 2019 \$'000	% change
Remuneration of KMP	7,106	6,674	6%

### Remuneration of Executive KMP during the year

#### Variable remuneration: Short Term Incentives

The 2019 and 2020 annual bonuses granted by the Board to Executive KMP consisted of a combination of cash and deferred equity.

As part of the Group culture of giving back to the community, prior to the annual bonus reward, some staff members, including KMP, elect to forgo a portion of variable remuneration in favour of the Company making a donation to the Moelis Australia Foundation.

As in 2019, the 2020 share-based component will be delivered as restricted shares.

Key terms of the deferred equity arrangements are detailed in the table below:

	Vesting period	First vesting date	Last vesting date	Grant price
2020 restricted shares	3 years	February 2022	February 2024	\$4.72
2019 restricted shares	3 years	January 2021	January 2023	\$4.98
2018 share rights	3 years	January 2020	January 2022	\$4.36
2017 share rights	5 years	January 2019	January 2023	\$6.08

The deferred equity instruments are subject to a continuation of employment vesting condition and do not include future performance hurdle targets, as the Board considers that the annual bonus and related equity grant represents remuneration for performance during the year of grant.

Deferred equity recipients are entitled to receive a payment equivalent to the dividend paid by the Company (if any) excluding the dividend to be paid for the year when the deferred equity was granted.

The value of each share right was been determined by reference to the trading in the Company's shares in the five business days up to the date of the grant, adjusted for the dividend to be paid for that year.

The value of each restricted share granted for the 2020 grant has been determined by reference to the trading in the Company's shares in the five business days up to 31 December 2020, adjusted for the dividend to be paid for that year.

The shares required to discharge the liability under the deferred equity granted to any Directors will be acquired by the Employee Share Trust through the purchase of shares on-market.

## Directors' Report (cont.)

for the year ended 31 December 2020

### Remuneration outcomes

Having regard to both the individual performance of each KMP and the Group's performance in 2020, the cash and deferred equity remuneration outcomes for each KMP for the year ended 31 December 2020 and the proportion of the bonus compared to fixed remuneration is detailed in the table below:

Executive	Fixed remuneration	2020 Annual Bonus			Fixed remuneration	Variable remuneration	
	Salary including superannuation \$	Cash component \$	Deferred equity <sup>3</sup> \$	units	Salary including superannuation %	Cash bonus %	Deferred equity %
<b>Andrew Pridham<sup>1</sup></b>	423,188	330,000	270,000	57,198	41%	32%	27%
<b>Julian Biggins<sup>1</sup></b>	423,188	866,250	708,750	150,146	21%	43%	36%
<b>Christopher Wyke<sup>1</sup></b>	423,188	962,500	787,500	166,829	19%	44%	37%
<b>Graham Lello</b>	450,000	256,750	138,250	29,287	53%	30%	17%
<b>Janna Robertson<sup>2</sup></b>	445,000	319,000	261,000	55,291	43%	31%	26%

- Salary does not reflect repayment of 2020 temporary pay reductions which are to be repaid to the Directors in February 2021.
- Janna Robertson's salary reflects a voluntary donation to the Moelis Australia Foundation.
- Amounts disclosed represent the accounting value of the award that will vest in three annual and equal instalments commencing February 2022 and ending in January 2025. The maximum value of the award would be the number of Restricted Shares at the Group's share price at the time of vesting. The minimum total value of the award would be \$0 in the event that the service condition attached to the award is not met prior to February 2022.

#### Variable remuneration: Long Term Incentives

##### 10-Year Anniversary Award

In recognition that there is significant value in our senior executives being aligned to long term performance and outperformance of the Group, as part of a one-off issuance and independent of annual performance assessment, certain employees including KMPs were awarded loan funded shares at the ten year anniversary as a long term incentive reward.

Loan funded shares are restricted and are subject to both market and service conditions. The shares awarded under the Plan are treated as in-substance options. Further details of the Plan are described in note 33 of the Annual Financial Report.

##### Joint CEO Award

In recognition of the importance of the Joint CEOs in driving long term growth and value creation, the 2020 variable remuneration granted by the Board to the Joint CEOs is proposed to include a long term incentive component.

Subject to shareholder approval at the Annual General Meeting, the Board determined to grant the Joint CEOs 250,000 loan funded shares each. The shares issued will be accounted for as in-substance options. The grant terms will be substantially the same as those set out in note 33.4 of the Annual Financial Report, other than the following:

- 5 year vesting period, with half of the loan funded shares vesting at the end of the 4th year, and the balance vesting at the end of the 5th year
- Share price at grant date of \$4.72

As the grant will only occur in 2021, no expense has been recognised in FY20 for these instruments.

## Directors' Report (cont.)

for the year ended 31 December 2020

### Statutory remuneration table

The following table sets out the statutory executive remuneration disclosures which have been prepared in accordance with the *Corporations Act 2001* (Cth) and *Australian Accounting Standards*.

Executive		Short-term employee benefits				Long-term benefits	Equity-based benefits <sup>3,4</sup>	Total	Performance-related remuneration
		Cash salary including superannuation	Bonus (cash component) <sup>1</sup>	Total cash	Non-monetary	Long service leave			
		\$	\$	\$	\$	\$	\$	\$	%
Andrew Pridham <sup>2</sup>	2020	423,188	330,000	753,188	26,274	7,576	97,500	884,538	48%
	2019	450,000	–	450,000	31,369	7,528	–	488,897	0%
Julian Biggins <sup>2</sup>	2020	423,188	866,250	1,289,438	–	6,790	738,768	2,034,996	79%
	2019	450,000	962,500	1,412,500	–	7,187	642,601	2,062,288	78%
Christopher Wyke <sup>2</sup>	2020	423,188	962,500	1,385,688	–	6,810	771,527	2,164,025	80%
	2019	450,000	935,000	1,385,000	–	7,188	658,761	2,050,949	78%
Graham Lello	2020	450,000	256,750	706,750	–	7,748	192,337	906,835	48%
	2019	437,500	256,750	694,250	–	11,947	194,795	900,992	50%
Janna Robertson <sup>5</sup>	2020	445,000	319,000	764,000	–	2,238	144,065	910,303	49%
	2019	435,996	475,000	910,996	–	885	34,975	946,856	54%
Total	2020	2,164,564	2,734,500	4,899,064	26,274	31,162	1,944,197	6,900,697	
	2019	2,223,496	2,629,250	4,852,746	31,369	34,735	1,531,132	6,449,982	

1. The cash component of bonuses received in respect of 2020 is expected to be paid in March 2021. Andrew Pridham elected not to be considered for a bonus in 2019.

2. Cash salary does not reflect repayment of 2020 temporary pay reductions which are to be repaid to the Directors in February 2021.

3. Reflects the amortisation of unvested deferred equity granted to KMP including share rights, restricted shares and loan funded shares. The expense is based on grant date fair value, amortised on a straight line basis over the vesting period.

4. Amortisation expense has been restated in the prior period to reflect an adjustment for the amortisation of the 2019 Restricted Shares grant.

5. Janna Robertson's 2020 cash salary reflects a voluntary donation of \$5,000 to the Moelis Australia Foundation.

## Directors' Report (cont.)

for the year ended 31 December 2020

### Key terms of employment contracts

#### Joint Chief Executive Officers

The major terms and conditions of the employment contracts are summarised as follows:

- Fixed compensation inclusive of minimum superannuation contributions;
- Eligible to participate in the annual bonus incentive scheme, with payment in any one year determined at the discretion of the Board;
- The Group may terminate the employment contract by providing three months written notice or provide payment in lieu of the notice period. Any payment in lieu of notice will be based on the total fixed compensation package; and
- The Group may terminate the employment contract at any time without notice if serious misconduct has occurred.
- When termination with cause occurs, the CEO is only entitled to remuneration up to the date of termination.

#### Other Executive KMP

The employment contracts of other Executive KMP are substantially on the same terms as that of the Joint CEOs, with the following exceptions:

- Andrew Pridham may terminate his employment contract by providing three months written notice.
- Andrew Pridham receives car parking within the building occupied by the Group.
- The Group may terminate Graham Lello's contract by giving six months written notice. Graham Lello may terminate his contract by giving six months written notice.

### Remuneration of Non-Executive Directors

The total amount provided to Non-Executive Directors for their services must not exceed in aggregate, and in any financial year, the amount fixed by the Company at its annual general meeting. This amount was fixed by shareholders at \$1,000,000 per annum at the Annual General Meeting in May 2020. Any change to the aggregate annual sum is required to be approved by shareholders.

The Independent Chairman, who is also a Non-Executive Director, receives a fixed fee regardless of performance. The Chair of the Nomination and Remuneration Committee, who is also a Non-Executive Director, also receives a fixed fee regardless of performance.

The remaining Non-Executive Directors receive no remuneration.

#### Remuneration of Non-Executive Directors during the year

Kenneth Moelis, Joseph Simon and Kate Pilcher Ciafone do not receive any remuneration for their role as Non-Executive Directors.

Jeffrey Browne is paid a fixed fee of \$150,000 per annum plus reimbursement of expenses for his role as Non-Executive Director and Independent Chairman.

Alexandra Goodfellow is paid a fixed fee of \$140,000 per annum plus reimbursement of expenses for her role as Non-Executive Director and Chair of the Nomination and Remuneration Committee.

## Directors' Report (cont.)

for the year ended 31 December 2020

### Non-Executive Director remuneration

The following payments were made to Non-Executive Directors in the 2020 and 2019 financial years.

Non-Executive Director		Short-term employee benefits	Equity-based benefits	Total
		Cash salary and fees including superannuation \$	Options <sup>1</sup> \$	\$
Jeffrey Browne <sup>2</sup>	2020	128,125	43,281	171,406
	2019	150,000	74,168	224,168
Kenneth Moelis	2020	–	–	–
	2019	–	–	–
Alexandra Goodfellow <sup>3</sup>	2020	28,320	–	28,320
	2019	–	–	–
Kate Pilcher Ciafone	2020	–	–	–
	2019	–	–	–
Joseph Simon	2020	–	–	–
	2019	–	–	–
Total	2020	156,445	43,281	199,726
	2019	150,000	74,168	224,168

1. Reflects the amortisation of the fair value of the unvested portion of options issued to Jeffrey Browne in 2017. The expense is based on grant date fair value, amortised on a straight line basis over the vesting period. The fair value of the options on grant date was calculated under AASB2 Share-based payments using a Black-Scholes valuation method. The assumptions underpinning this valuation are set out in note 33 in the Annual Financial Report.

2. Cash salary does not reflect repayment of 2020 temporary pay reductions which are to be repaid to the Directors in February 2021.

3. Fees paid to Alexandra Goodfellow are reported from commencement of term as Non-Executive Director on 19 August 2020.

## Directors' Report (cont.)

for the year ended 31 December 2020

### Movements in Executive equity holdings

The details of equity holdings in the Group held by executives (including close family members and/or any entity they, or their close family members, control, jointly control or significantly influence) are set out below.

There have been no changes to the terms and conditions of these awards since the awards were granted. There are no amounts unpaid on any of the shares exercised and all restricted shares and rights are exercised automatically when vested.

Executive	Equity instrument <sup>1</sup>	Number at start of year	Granted during the year <sup>2</sup>	Vested	Purchased	Lapsed or sold	Number at signing date
Andrew Pridham	Ordinary shares	18,477,262	–	–	500,000	–	18,977,262
	Restricted shares	–	57,198	–	–	–	57,198
Julian Biggins	Ordinary shares	5,585,369	–	217,009	–	–	5,802,378
	Share rights	275,329	–	(164,308)	–	–	111,021
Christopher Wyke	Restricted shares	–	308,250	(52,701)	–	–	255,549
	Ordinary shares	5,556,504	–	228,276	–	(88,540)	5,696,240
Graham Lello	Share rights	294,858	–	(177,080)	–	–	117,778
	Restricted shares	–	320,416	(51,196)	–	–	269,220
Janna Robertson	Ordinary shares	121,678	–	65,729	–	–	187,407
	Share rights	133,737	–	(56,477)	–	–	77,260
	Restricted shares	–	57,043	(9,252)	–	–	47,791
	Loan funded shares	–	300,000	–	–	–	300,000
Janna Robertson	Ordinary shares	40,001	–	6,692	–	–	46,693
	Restricted shares	–	75,368	(6,692)	–	–	68,676
	Loan funded shares	–	400,000	–	–	–	400,000

1. Ordinary share holding includes directly held shares and beneficial interests in ordinary shares as a result of holdings in the Existing Staff Trusts.
2. Includes restricted shares granted as part of the 2020 short term incentive award.

### Non-Executive Director equity and other equity instruments

The number of equity instruments in the Group held (directly and nominally) by Non-Executive Directors or their related parties (their close family members and/or any entity they, or their close family members, control, jointly control or significantly influence) are set out below.

Executive	Equity instrument <sup>1</sup>	Number at start of year	Granted during the year	Vested or exercised	Purchased	Lapsed or sold	Number at signing date
Jeffrey Browne	Ordinary shares	–	–	390,625	–	–	390,625
	Options	781,250	–	(390,625)	–	–	390,625
Kenneth Moelis	Ordinary shares	–	–	–	–	–	–
Alexandra Goodfellow	Ordinary shares	–	–	–	–	–	–
Kate Pilcher Ciafone	Ordinary shares	–	–	–	–	–	–
Joseph Simon	Ordinary shares	–	–	–	–	–	–

1. Jeffrey Browne purchased share options in 2017 exercisable in two tranches. Exercise of the first tranche occurred in 2020. The remaining unexercised options have an expiry date of 7 April 2021 and an exercise date of 8 April 2020. No other Non-Executive Director or their related parties have been granted options, restricted rights or restricted shares. There are no performance conditions attached to the options granted to Jeffrey Browne. Further details of the option plan are described in note 33 of the Annual Financial Report.

## Directors' Report (cont.)

for the year ended 31 December 2020

### Loans to KMP

There were no loans to KMP during the year. Loan balances under the non-recourse Loan Funded Share Plan represent a transaction with a KMP that is an in-substance option and not a loan to the KMP.

### Other transactions

The Group encourages all staff, including its KMP to invest in the managed schemes and investment vehicles of the Group. Any investments made by staff are conducted on the same terms offered to third-party investors.

Andrew Pridham and Julian Biggins entered into property management service arrangements with the Group on the same terms offered to third-party investors in a property managed by the Group. Total management fees payable by Andrew Pridham and Julian Biggins for 2020 amounted to \$69,542 and \$21,342 respectively.

For personal use only



# Auditor's independence declaration

for the year ended 31 December 2020

# Deloitte.

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

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

The Board of Directors  
Moelis Australia Limited  
Governor Phillip Tower  
Level 27, 1 Farrer Place  
SYDNEY NSW 2000

17 February 2021

Dear Board Members

## Moelis Australia 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 Moelis Australia Limited.

As lead audit partner for the audit of the financial statements of Moelis Australia Limited for the financial year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

*DELOITTE TOUCHE TOHMATSU*

DELOITTE TOUCHE TOHMATSU



**Delarey Nell**  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

For personal use only

For personal use only

# Financial Report

## Financial Report

Consolidated statement of profit or loss and other comprehensive income	40	18 Property, plant and equipment	74
Consolidated statement of financial position	41	19 Right-of-use asset	75
Consolidated statement of changes in equity	42	20 Investments in associates and joint ventures	75
Consolidated statement of cash flows	43	21 Intangible assets	80
Notes to the consolidated financial statements	44	22 Goodwill	80
1 Significant accounting policies	44	23 Trade and other payables	81
2 Application of new and revised Australian Accounting Standards	58	24 Borrowings	81
3 Segment information	59	25 Redeemable preference shares	83
4 Fees and commission income	63	26 Lease liabilities	83
5 Investment income	64	27 Provisions	83
6 Other income	64	28 Financial instruments	84
7 Personnel expenses	64	29 Contributed equity	91
8 Interest expense	64	30 Earnings per share	92
9 Other expenses	64	31 Dividends	93
10 Income tax expense	65	32 Reserves	93
11 Cash & cash equivalents	67	33 Share-based payments	94
12 Receivables	68	34 Key management personnel compensation	99
13 Loan receivables	70	35 Related party transactions	99
14 Loss allowance	71	36 Parent entity disclosures	101
15 Other assets	73	37 Investment in subsidiaries	102
16 Restricted cash	73	38 Commitments	103
17 Other financial assets	74	39 Subsequent events	103

# Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2020

	Note	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
Fee and commission income	4	142,700	136,261
Fee and commission expense		(13,016)	(8,218)
<b>Net fee and commission income</b>		<b>129,684</b>	<b>128,043</b>
Share of (loss)/profit of associates	20	(4,844)	82
Investment income	5	31,543	25,238
Other income	6	4,718	365
<b>Total income</b>		<b>161,101</b>	<b>153,728</b>
Personnel expenses	7	83,049	80,049
Marketing and business development expenses		3,144	4,977
Communications, data and information technology expenses		4,954	3,625
Occupancy expenses		1,076	885
Interest expense	8	16,847	11,564
Depreciation and amortisation	18, 19	5,831	5,174
Credit loss allowance	14	15	4,848
Other expenses	9	7,495	7,332
<b>Total expenses</b>		<b>122,411</b>	<b>118,454</b>
<b>Profit before tax</b>		<b>38,690</b>	<b>35,274</b>
Income tax expense	10	(12,210)	(11,781)
<b>Profit after income tax</b>		<b>26,480</b>	<b>23,493</b>
<b>Other comprehensive income, net of income tax</b>			
<b>Items that will not be classified subsequently to profit or loss:</b>			
Fair value loss on investments in equity instruments designated at FVTOCI		(3,618)	(594)
Share of other comprehensive (loss)/income of associates		(345)	2,126
<b>Total other comprehensive income</b>		<b>(3,963)</b>	<b>1,532</b>
<b>Total comprehensive income</b>		<b>22,517</b>	<b>25,025</b>
<b>Earnings per share</b>			
From continuing operations			
Basic (cents per share)	30	18.5	15.5
Diluted (cents per share)	30	18.0	14.9

The above consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

## Consolidated statement of financial position

as at 31 December 2020

	Note	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	11	138,004	128,800
Receivables	12	46,122	32,258
Loans receivable	13	132,943	80,723
Other assets	15	6,635	12,158
Other financial assets	17	18,429	–
<b>Total current assets</b>		<b>342,133</b>	<b>253,939</b>
<i>Non-current assets</i>			
Restricted cash	16	2,500	2,650
Loans receivable	13	91,328	119,044
Other financial assets	17	25,779	26,886
Property, plant and equipment	18	1,450	1,885
Right-of-use assets	19	5,338	7,181
Investments in associates and joint ventures	20	75,289	76,951
Intangible assets	21	11,794	13,356
Goodwill	22	9,827	9,827
Deferred tax asset	10	3,905	2,223
<b>Total non-current assets</b>		<b>227,210</b>	<b>260,003</b>
<b>Total assets</b>		<b>569,343</b>	<b>513,942</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade and other payables	23	23,076	22,951
Borrowings	24	30,030	67,180
Lease liabilities	26	2,930	2,459
Income tax payable	10	6,345	2,479
Provisions	27	28,779	29,451
<b>Total current liabilities</b>		<b>91,160</b>	<b>124,520</b>
<i>Non-current liabilities</i>			
Trade and other payables	23	–	8,990
Borrowings	24	237,540	122,022
Lease liabilities	26	2,944	5,526
Provisions	27	842	258
Redeemable preference shares	25	–	25,500
<b>Total non-current liabilities</b>		<b>241,326</b>	<b>162,296</b>
<b>Total liabilities</b>		<b>332,486</b>	<b>286,816</b>
<b>Net assets</b>		<b>236,857</b>	<b>227,126</b>
<b>Equity</b>			
Contributed equity	29	154,579	156,972
Reserves	32	25,141	24,965
Retained earnings		57,137	45,189
<b>Total shareholders equity</b>		<b>236,857</b>	<b>227,126</b>

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

## Consolidated statement of changes in equity

for the year ended 31 December 2020

Consolidated	Contributed equity \$'000	Share-based payment reserve \$'000	Associates OCI reserve \$'000	FVTOCI reserve \$'000	Retained earnings \$'000	Attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance as at 1 January 2019	189,924	16,198	9,472	(8,927)	35,320	241,987	(1,161)	240,826
Adjustments from adoption of AASB 16	–	–	–	–	95	95	–	95
<b>Restated balance at 1 January 2019</b>	<b>189,924</b>	<b>16,198</b>	<b>9,472</b>	<b>(8,927)</b>	<b>35,415</b>	<b>242,082</b>	<b>(1,161)</b>	<b>240,921</b>
Profit after income tax	–	–	–	–	23,493	23,493	–	23,493
Other comprehensive income/(loss), net of tax	–	–	2,126	(594)	–	1,532	–	1,532
<b>Total comprehensive income/(loss)</b>	<b>–</b>	<b>–</b>	<b>2,126</b>	<b>(594)</b>	<b>23,493</b>	<b>25,025</b>	<b>–</b>	<b>25,025</b>
Payment of dividends	–	–	–	–	(12,558)	(12,558)	–	(12,558)
Treasury shares	(5,640)	–	–	–	–	(5,640)	–	(5,640)
Ordinary share buy-back and cancellation	(27,200)	–	–	–	–	(27,200)	–	(27,200)
Capitalised buy-back costs	(112)	–	–	–	–	(112)	–	(112)
Share-based payments	–	6,690	–	–	–	6,690	–	6,690
Non controlling interests on disposal of subsidiaries	–	–	–	–	(1,161)	(1,161)	1,161	–
	<b>(32,952)</b>	<b>6,690</b>	<b>–</b>	<b>–</b>	<b>(13,719)</b>	<b>(39,981)</b>	<b>1,161</b>	<b>(38,820)</b>
<b>Balance as at 31 December 2019</b>	<b>156,972</b>	<b>22,888</b>	<b>11,598</b>	<b>(9,521)</b>	<b>45,189</b>	<b>227,126</b>	<b>–</b>	<b>227,126</b>
<b>Balance as at 1 January 2020</b>	<b>156,972</b>	<b>22,888</b>	<b>11,598</b>	<b>(9,521)</b>	<b>45,189</b>	<b>227,126</b>	<b>–</b>	<b>227,126</b>
Profit after income tax	–	–	–	–	26,480	26,480	–	26,480
Other comprehensive loss, net of tax	–	–	(345)	(3,618)	–	(3,963)	–	(3,963)
<b>Total comprehensive income/(loss)</b>	<b>–</b>	<b>–</b>	<b>(345)</b>	<b>(3,618)</b>	<b>26,480</b>	<b>22,517</b>	<b>–</b>	<b>22,517</b>
Payment of dividends	–	–	–	–	(14,532)	(14,532)	–	(14,532)
Issue of ordinary shares	14,125	–	–	–	–	14,125	–	14,125
Treasury shares	(16,590)	–	–	–	–	(16,590)	–	(16,590)
Equity transaction costs	(26)	–	–	–	–	(26)	–	(26)
Share-based payments	98	4,139	–	–	–	4,237	–	4,237
	<b>(2,393)</b>	<b>4,139</b>	<b>–</b>	<b>–</b>	<b>(14,532)</b>	<b>(12,786)</b>	<b>–</b>	<b>(12,786)</b>
<b>Balance as at 31 December 2020</b>	<b>154,579</b>	<b>27,027</b>	<b>11,253</b>	<b>(13,139)</b>	<b>57,137</b>	<b>236,857</b>	<b>–</b>	<b>236,857</b>

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

## Consolidated statements of cash flows

for the year ended 31 December 2020

	Note	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		123,729	124,864
Interest received		12,714	602
Amounts received from affiliates		–	8,772
Payments to suppliers and employees		(90,111)	(76,187)
<b>Cash generated from operations</b>		<b>46,332</b>	<b>58,051</b>
Interest paid		(10,810)	(10,119)
Income taxes paid		(8,075)	(19,899)
<b>Net cash generated by operating activities</b>	<b>11</b>	<b>27,447</b>	<b>28,033</b>
<b>Cash flows from investing activities</b>			
Net payments for financial investments		(17,737)	(6,658)
Proceeds from disposals of associates		–	11,448
Receipts for employee loans		17	130
Amounts advanced to third parties		(38,445)	(81,146)
Amounts received from related parties		6	–
Payments to acquire shares in associates		(9,538)	–
Payments to acquire property, plant and equipment		(401)	(2,773)
Distributions received from investments		2,523	7,486
<b>Net cash used in investing activities</b>		<b>(63,575)</b>	<b>(71,513)</b>
<b>Cash flows from financing activities</b>			
Purchase of treasury shares		(8,950)	(7,404)
Proceeds from exercise of share options		1,094	–
Share issue transaction costs		–	(112)
Cash transferred (to)/from restricted cash accounts		(147)	3,315
Payments for share buy-back and cancellation		–	(27,200)
Payments of lease liabilities		(4,036)	(2,459)
Proceeds from borrowings		72,057	132,052
Dividends paid to shareholders		(14,764)	(12,558)
<b>Net cash generated by financing activities</b>		<b>45,254</b>	<b>85,634</b>
<b>Net increase in cash and cash equivalents</b>		<b>9,126</b>	<b>42,154</b>
Cash and cash equivalents at the beginning of the year		128,800	86,652
Effects of exchange rate changes on the balance of cash held in foreign currencies		78	(6)
<b>Cash and cash equivalents at the end of the year</b>	<b>11</b>	<b>138,004</b>	<b>128,800</b>

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

# Notes to the consolidated financial statements

for the year ended 31 December 2020

## 1 Significant accounting policies

### a Basis of preparation

The Financial Report is a General Purpose Financial Report which has been prepared in accordance with *Australian Accounting Standards* and the *Corporations Act 2001* (Cth). The Financial Report comprises the consolidated financial statements of the Group and accompanying notes. Moelis Australia Limited is a for-profit company for the purposes of preparing this Financial Report.

The principal accounting policies adopted in the preparation of this Financial Report and that of the previous financial year are set out below. These policies have been consistently applied to all the financial years presented and are applicable to both Moelis Australia Limited and its subsidiaries (Group) as well as to Moelis Australia Limited (Company), unless otherwise stated.

All amounts are presented in Australian dollars.

The financial statements were authorised for issue by Directors on 17 February 2021.

### Compliance with International Financial Reporting Standards

Compliance with Australian Accounting Standards ensures that the Financial Report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently this Financial Report has also been prepared in accordance with and complies with IFRS as issued by the IASB.

### Basis of measurement

The Financial Report has been prepared on the basis of historical cost, except for financial instruments that are measured at fair value at the end of the reporting period. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

### Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

### Critical accounting estimates and significant judgements

The preparation of the Financial Report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the consolidated financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Group such as:

- determination of control of subsidiaries (note 1(b) and 37)
- determination of significant influence over associates and joint control over joint ventures (note 1(p) and 20)
- determination of impairment of finite life intangible assets (note 1(h), 1(q) and 21)
- the impairment of goodwill (note 1(o) and 22)
- recognition and measurement of employee benefits including share rights, options restricted shares, Loan Funded Share Plan and salary sacrifice shares (note 1(k) and 33)
- timing and amount of impairment of interests in associates and joint ventures (note 1(h), 1(p) and 20)
- measurement of Expected Credit Loss (ECL) including the choice of inputs, estimates and assumptions relating to information about past events, current conditions and forecasts of economic conditions (note 1(l), 13 and 14)
- recognition of fees subject to performance criteria and other conditions, including conditions outside of the Group's control (note 1(c)).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

### Coronavirus (COVID-19) impact

During the year the Group recognised other income of \$3.3 million, related to COVID-19 government wage subsidies. In addition, the Group was granted deferral of \$18.5 million of payments to the Australian Tax Office with PAYG payable of \$4.4 million outstanding at 31 December 2020 payable in instalments to May 2021.



# Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

## 1 Significant accounting policies (cont.)

### b Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are all those entities controlled by the Company. Control is achieved when the Company:

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

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee. 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 control, 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.

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

### c Revenue recognition

Fee and commission income includes fees from fund management, brokerage, corporate advisory, and underwriting and is recognised as the control of the underlying service is transferred to the customer. Where

commissions and fees are subject to clawback or meeting certain performance hurdles, they are recognised as income when it is highly probable those conditions will not significantly affect the outcome. Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are capitalised and included in the effective interest rate and recognised in the income statement over the expected life of the instrument. Performance fees from managed funds are recognised when it is highly probable that a significant reversal of the fee will not occur. Factors that are taken into consideration for performance fees include:

- the proportion of assets already realised
- returns on assets realised to-date
- downside valuation on remaining unrealised assets and reliability of those estimates
- nature of unrealised investments and their returns

Dividends and distributions are recognised as income when the Group becomes entitled to the dividend or distribution.

Interest income is brought to account using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs associated with loans are capitalised and included in the effective interest rate and recognised in the income statement over the expected life of the instrument.

Interest income is included with dividend and distribution income as "investment income" in the statement of profit or loss and other comprehensive income.

Government grants and assistance are accounted for in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. Government grants related to income are presented as other income where they are not considered to be related to an expense and are offset against expenses when they are received by the Group when they are closely related to an expense incurred by the Group. COVID-19 government wage subsidies received by the Group have been recognised as other income in the statement of profit or loss.

# Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

## 1 Significant accounting policies (cont.)

### c Revenue recognition (cont.)

At a point in time revenue recognition:			
Type of service	Nature, timing of satisfaction of performance obligations, significant payment terms	Revenue recognition policy under AASB 15	Judgements used to identify performance obligations
Advisory success fees	Fees from corporate advisory contracts arise from providing services relating to mergers and acquisitions, restructurings, capital fund raising and other advisory services. Each service has identifiable performance obligations - being completion of the merger and acquisition, restructuring, or capital fund raising. Amounts assigned to each identifiable performance obligation are based on the standalone selling price of each individual performance obligation.	Revenue is only recognised on completion of the performance obligations specified in the contracts including any necessary regulatory and shareholder approvals. No amounts are recognised if the performance obligations are not met in full. For contracts that have key milestones defined, each key milestone represents a separate performance obligation. Revenue is recognised once performance obligations have been met.	<p>The type of fees have high correlation with how fees are charged. The Group has looked at its revenue history to look at the following</p> <ol style="list-style-type: none"> <li>(1) the determination of the type of fees;</li> <li>(2) the timing of when revenue was recognised and when invoices were raised; and</li> <li>(3) the key milestones that were met and not met.</li> </ol> <p>The Group considers that control of the services are only passed to the customer when the transaction has completed, does not create an asset with alternative use and the benefits provided are consumed at completion of the transaction. As such Advisory success fees are recognised at a point in time.</p>
Facilitation and transaction fees from asset management services	The Group earns fees for successful transactions relating to assets and funds managed by the Group such as the acquisition and disposal of assets. These fees can only be invoiced when the performance obligation (i.e. the completion of the transaction) has occurred. The amount of fee is based on a percentage of the transaction and payable immediately as defined within the underlying trust agreements.	Revenue recognised at the time the transaction is completed.	The probability of transactions occurring is dependent on factors outside of the Group's control. As the benefits of the transaction will only be consumed on completion, transaction fees are recognised at a point in time.
Other upfront fees	Other upfront fees are typically establishment fees charged to new investors on entry into a fund. The performance obligation to earn these fees is the establishment of the client's investment account. These fees are defined in the underlying trust agreements.	Revenue is recognised when the customer is set up and invested into their chosen fund.	The Group has no control on the timing and amount investors invest in funds. Revenue is recognised at the point in time when the account is set up and the investment account established when the customer is able to invest and thus obtain the benefits of the account.
Commission and brokerage income	The Group is remunerated for the provision of security trading services. Customers are invoiced monthly. The fees are defined within the underlying customer contract.	Revenue is recognised when the customer is set up and invested into their chosen fund.	As the customer can only benefit at the completion of the trade, the Group recognises the brokerage revenue at the point in time when the brokerage services are provided.

# Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

## 1 Significant accounting policies (cont.)

### Revenue recognition (cont.)

#### Over time revenue recognition:

Type of service	Nature, timing of satisfaction of performance obligations, significant payment terms	Revenue recognition policy under AASB 15	Judgements used to identify performance obligations
Advisory retainer fees	Fees for on-going performance obligations as specified in each contract. Retainer fees are generally pre-defined within the contract. Invoices are issued on a monthly basis for ongoing work and payable within 30 days.	Revenue is recognised over time as the Group provides services.	As the customer will consume the benefit as the Group perform its obligations, the amount of revenue recognised over time on a straight-line basis in accordance within the contract entered into is the most appropriate depiction of the transfer of services. Services are provided in equal amounts through the course of the year.
Performance and distribution fees relating to asset management services	Fees are earned for asset management services when the fund is managed such that it exceeds performance benchmarks. The benchmarks and associated distribution fee are defined within each trust agreement.	The Group takes into account the impact of contracts arising from variable consideration by only recognising revenue up to the amount where it is considered to be highly probable that it will not be significantly reversed.	As the customer consumes the benefit as the Group provides asset management services, the Group recognises the performance and distribution fees over time. However, as the fees vary based off the performance above benchmark, the Group will only recognise the fees up to the amount that will not be reversed for each reporting period (i.e. when the fee is crystalized). In determining the amount to be recognised, the Group considers past performance across its portfolio of assets and closely monitors for any potential signs of adverse impact on the fees.
Management, administrative and trustee fees from asset management services	The provision of asset management services per investment contracts. The amounts charged for the separate performance obligations are determined based on the relevant clauses of the investment management contracts. Customers are invoiced monthly.	The performance obligations represent a series of distinct services, and are recognised by progress of completion (i.e. over time). Revenue is recognised as performance obligations are met based on standalone selling price of the performance obligation.	The Group considers the performance of these management and trustee services as a series of distinct services that have similar pattern of transfer (i.e. the customer benefits as the Group performs its obligations). As such it has determined that recognising the revenue over time on a straight-line basis is the most appropriate depiction of the transfer of services. Services are provided in equal amounts through the course of the year.

# Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

## 1 Significant accounting policies (cont.)

### c Revenue recognition (cont.)

#### Over time revenue recognition:

Type of service	Nature, timing of satisfaction of performance obligations, significant payment terms	Revenue recognition policy under AASB 15	Judgements used to identify performance obligations
Management fees relating to hotel management services	Fees that are earned for providing hotel management services. The amounts charged for the separate performance obligations are determined based on the relevant clauses of the individual contracts.	The performance obligations represent a series of distinct services that have similar pattern of transfer (i.e. the customer benefits as the Group performs its obligations). As such it has determined that recognising the revenue over time on a straight-line basis is the most appropriate depiction of the transfer of services as services are provided in equal amounts through the year.	The Group considers the performance of these management and trustee services as a series of distinct services that have similar pattern of transfer (i.e. the customer benefits as the Group performs its obligations). As such it has determined that recognising the revenue over time on a straight-line basis is the most appropriate depiction of the transfer of services as services are provided in equal amounts through the year.

### d Foreign currency transactions

The functional currency of each entity in the Group is determined as the currency of the primary economic environment in which the entity operates (the functional currency). The Group's consolidated financial statements are presented in Australian dollars (the presentation currency), which is also the Company's functional currency.

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.

Foreign exchange differences arising on translation are recognised in the profit or loss. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not re-translated.

### e Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, bonus, annual leave and long service leave in the period the related service is rendered.

Liabilities recognised in respect of short-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.

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.

### f Taxation

The Group is a tax-consolidated Group (Tax Group) under Australian taxation law, of which the Company is the head entity. As a result, the Company is subject to income tax as the head entity of the Tax Group. The consolidated current and deferred tax amounts for the Tax Group are allocated to the members of the Tax Group using the 'separate taxpayer within group' approach, with deferred taxes being allocated by reference to the carrying amounts in financial statements of each member entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to those amounts.

Entities within the Tax Group have entered into a tax funding agreement and a tax sharing agreement with the head entity. Under the terms of the tax funding agreement, the Company and its subsidiaries have agreed to pay a tax equivalent payment to or from the head entity equal to the tax liability or asset assumed by the head entity for the period as noted above. The amount arising under the tax funding arrangement for each period is equal to the tax liability or asset assumed by the head entity for that period and no contribution (or distribution to) equity participants arises in relation to income taxes.

# Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

## 1 Significant accounting policies (cont.)

### f Taxation (cont.)

The tax sharing agreement entered into between members of the Tax Group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the Tax Group. The effect of the tax sharing agreement is that each company in the Tax Group's liability for tax payable to the head entity under the tax funding arrangement.

#### Current tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

### g Plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation periods are as follows:

- computer and office equipment 3 years
- furniture and fittings 7 years
- leasehold improvements are amortised over the term of the lease

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

# Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

## 1 Significant accounting policies (cont.)

### h Impairment of tangible and intangible assets other than goodwill

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

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

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

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

### i Provisions

Provisions are recognised when:

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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.

### j Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

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

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

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

### k Share-based payment transactions of the Group

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of fair value of equity-settled share-based transactions are set out in note 33.

The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

# Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

## 1 Significant accounting policies (cont.)

### Financial instruments

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

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

#### Financial assets

- Financial assets are classified into the following categories:
- financial assets 'at fair value through profit or loss' (FVTPL);
- equity instruments 'at fair value through other comprehensive income' (FVTOCI), and
- 'amortised cost'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group holds no debt instruments measured at FVTOCI.

By default, all other financial assets are subsequently measured at FVTPL.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met such as, if the equity instrument is not held for trading; and
- The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### Financial assets classified as amortised cost

The amortised cost of a financial asset is:

- the amount at which the financial asset is measured at initial recognition;
- minus the principal repayments;
- plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; and
- adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. Interest income is recognised in profit or loss and is included in the investment income line item.

#### Equity investments at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI on the basis that they are held for strategic purposes. Designation at FVTOCI is not permitted if the equity investment is held for trading.

# Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

## 1 Significant accounting policies (cont.)

### Financial instruments (cont.)

#### Equity investments at FVTOCI (cont.)

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Gains and losses relating to these financial assets will be recognised in other comprehensive income. Dividends from such investments are recognised as income in profit or loss when the Group has the right to receive payments unless the dividend clearly represents a recovery of part of the cost of the investment. The accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of AASB 9 *Financial Instruments*.

#### Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets and liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.
- Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. Net gains and losses, including any interest or dividend income earned on the financial asset, are recognised in profit or loss in the 'other gains and losses' line item. Fair value is determined in the manner described in note 28.

#### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, amounts due from customers under construction contracts, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables, the Group has elected to use the simplified approach and has determined the loss allowance based off the lifetime ECL. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including the time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

The Group has provided for commitments that are both drawn and undrawn. The undrawn commitment is contingent on the counterparty achieving contractual milestones. Once they are achieved, the amount can be drawn upon and expected to be met within 12 months. The Group has included a loss allowance on all commitments based on the 12 month ECL for these commitments.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.



# Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

## 1 Significant accounting policies (cont.)

### 1 Financial instruments (cont.)

#### Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information. As part of the forward looking assessment, the Group has considered economic indicators such as economic forecast and outlook, GDP growth, unemployment rates and interest rates.

The Group determines a significant increase in credit risk based on the number of days past due. A non-trade receivable loan is assessed to have increased in credit risk when the number of days past due is over 90 days. This is based on historical data.

In particular, the following information is taken in account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) the financial instrument has a low risk of default;
- (ii) the borrower has a strong capacity to meeting its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For loan commitments and financial guarantee contracts, the date that the Group has become a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty, or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

#### Write off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Any recoveries made are recognised in profit or loss. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

#### Measurement and recognition of expected credit losses

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). It consists of 3 components:

- (i) probability of default (PD): represents the possibility of a default over the next 12 months and remaining lifetime of the financial asset;
- (ii) a loss given default (LGD): expected loss if a default occurs, taking into consideration the mitigating effect of collateral assets and time value of money;
- (iii) exposure at default (EAD): the total exposure at time of default.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For undrawn loan commitments, the expected credit loss is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

The Group has applied the three stage model based on the change in credit risk since initial recognition to determine the loss allowance of its financial assets.

# Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

## 1 Significant accounting policies (cont.)

### 1 Financial instruments (cont.)

#### Measurement and recognition of expected credit losses (cont.)

##### Stage 1: 12 month ECL

At initial recognition, ECL is collectively assessed and measured by classes of financial assets with the same level of credit risk as a product of the PD within the next 12 months and LGDs with consideration to forward looking economic indicators. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

##### Stage 2: Lifetime ECL

When the Group determines that there has been a significant increase in credit risk since initial recognition but not considered to be credit impaired, the Group recognises a lifetime ECL calculated as a product of the PD for the remaining lifetime of the financial asset and LGD, with consideration to forward looking economic indicators. Similar to Stage 1, loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

##### Stage 3: Lifetime ECL - credit impaired

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired. A financial asset is 'credit impaired' when one or more events have a detrimental impact on the estimated future cash flows of the financial asset have occurred. For financial assets that have been assessed as credit impaired, a lifetime ECL is recognised as a collective or individually assessed (specific) provision, and interest revenue is calculated by applying the effective interest rate to the amortised cost instead of the carrying amount.

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, as well as on loan commitments. No impairment loss is recognised for investments in equity interests. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics and the days past due. The ECLs were calculated based on actual credit loss relating to revenue from experience over the past 4 years adjusted for the Group's forward looking expectations based off economic indicators. The Group performed the calculations of ECL rates separately for receivables arising from the advisory business and other asset management fees as asset management fees have historically been received in full.

### Financial liabilities and equity instruments

#### Classification as debt or equity

Debt or equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

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

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

#### Financial liabilities

Financial liabilities that are not designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

#### Other financial liabilities

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

#### m Loans receivable

Loans receivable are recognised on settlement date, when cash is advanced to the borrower. A loss allowance for expected credit losses on loans receivable is recognised upon inception of a loan. Please refer to note 14 for further information.

#### n Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date in the consolidated statement of financial position, except for short-term leases and leases of low value assets.

# Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

## 1 Significant accounting policies (cont.)

### n Leases (cont.)

#### Right-of-use assets

Right-of-use assets are measured at cost and comprise of the amount that corresponds to the amount recognised for the lease liability on initial recognition together with any lease payments made at or before the commencement date (less any lease incentives received), initial direct costs and restoration-related costs. 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. Depreciation of right-of-use assets starts at the commencement date of the lease and is recognised in the consolidated statement of profit or loss.

The Group applies AASB 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in accordance with note 1(h).

The right-of-use assets recognised under AASB 136 *Impairment of Assets* is an intangible asset, and hence excluded from the Group's net tangible assets, despite the related lease liability being included as a reduction in the net tangible assets calculation.

#### Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Interest on lease liabilities is recognised in the consolidated statement of profit or loss. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Lease payments are recognised as amortisation expense of the right of use asset over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

#### o Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash generating-units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

#### p Investments in 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 is not control or joint control over those policies.

# Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

## 1 Significant accounting policies (cont.)

### p Investments in associates and joint ventures (cont.)

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture.

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

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases. Refer to note 20 for further details.

### q Intangible assets

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

Subsequent to their initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life

and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

For intangible assets that have a finite useful life, an assessment is made at each reporting date for indications of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Intangible assets (other than goodwill) that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### Software

Certain internal and external costs directly incurred in acquiring and developing certain computer software programmes are capitalised and amortised over their estimated useful life. The capitalised software assets are subject to impairment testing on an annual basis.

### Derecognition of intangible assets

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

### r Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the date of acquisition.

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

# Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

## 1 Significant accounting policies (cont.)

### Business combinations (cont.)

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with AASB 9 *Financial Instruments*, or AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interests in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in

other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

### s Earnings per share

Basic earnings per share is calculated by dividing the Group's profit after income tax by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the Group's profit after income tax adjusted by profit attributable to all the dilutive potential ordinary shares by the weighted average number of ordinary shares and potential ordinary shares that would be issued on the exchange of all the dilutive potential ordinary shares into ordinary shares.

### t Contributed equity

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

### u Comparatives

Where necessary, comparative information has been reclassified to conform to changes in presentation in the current year.

### v Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/91, amounts in the Directors' Report and the Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 2 Application of new and revised Australian Accounting Standards

#### Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to the Group's operations and mandatorily effective on or after 1 January 2020, including:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

#### Standards and interpretations not yet adopted

- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the effect of new IFRS standards not yet issued in Australia

The new and revised Standards and Interpretations adopted during the period do not materially affect the Group's accounting policies or any of the amounts recognised in the condensed consolidated financial statements.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions	1 June 2020	31 December 2021
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	1 January 2022	31 December 2022
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022	31 December 2022
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022	31 December 2022

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 3 Segment information

AASB 8 *Operating Segments* requires the 'management approach' to disclose information about the Group's reportable segments. The financial information is reported on the same basis as used by senior management and the Board of Directors for evaluating operating segment performance and for deciding how to allocate resources to operating segments. The segment note is prepared on the same basis as the Group's non-IFRS (Underlying) financial measures. Please refer to the Directors' Report for an explanation of why the Directors believe these measures are useful.

The Board of Directors is considered to be the Chief Operating Decision Maker (CODM).

The Group is organised into the following business segments:

- Asset Management
- Corporate Advisory and Equities (CA&E)

Corporate Services represents the unallocated costs associated with the central executives and corporate support functions.

#### 3.1 Services from which reportable segments derive their revenues

The Asset Management segment incorporates the provision of asset management services and principal co-investment and strategic investments.

The Corporate Advisory and Equities segment provides corporate advice, underwriting and institutional stockbroking services.

Corporate Services segment represents the cost of the executive and central support functions.

The main items of profit or loss and other comprehensive income used by management to assess each business are Underlying revenue, Underlying net income, Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and Underlying profit after tax.

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

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 3 Segment information (cont.)

#### 3.2 Segment results

Assets, liabilities, depreciation and amortisation and interest expense are not disclosed by segment as they are not provided to the CODM and are only reported on a Group basis. The following is an analysis of segment performance:

	Asset Management \$'000	CA&E \$'000	Corporate Services \$'000	Total Underlying segment \$'000	Adjustments \$'000	Statement of comprehensive income \$'000
<b>31 Dec 2020</b>						
Revenue <sup>1</sup>	106,756	53,378	–	160,134	967	161,101
Expenses	(46,715)	(41,518)	(11,403)	(99,636)	(97)	(99,733)
<b>EBITDA<sup>2</sup></b>	<b>60,041</b>	<b>11,860</b>	<b>(11,403)</b>	<b>60,498</b>	<b>870</b>	<b>61,368</b>
Depreciation and amortisation				(3,741)	(2,090)	(5,831)
Interest expense				(5,332)	(11,515)	(16,847)
<b>Profit before tax</b>				<b>51,425</b>	<b>(12,735)</b>	<b>38,690</b>
Income tax expense				(15,427)	3,217	(12,210)
<b>Profit after income tax</b>				<b>35,998</b>	<b>(9,518)</b>	<b>26,480</b>
Other comprehensive income				–	(3,963)	(3,963)
<b>Total comprehensive income</b>				<b>35,998</b>	<b>(13,481)</b>	<b>22,517</b>
<b>31 Dec 2019</b>						
Revenue <sup>1</sup>	96,667	61,681	–	158,348	(4,620)	153,728
Expenses	(40,955)	(44,631)	(9,282)	(94,868)	(6,847)	(101,715)
<b>EBITDA<sup>2</sup></b>	<b>55,712</b>	<b>17,050</b>	<b>(9,282)</b>	<b>63,481</b>	<b>(11,468)</b>	<b>52,013</b>
Depreciation and amortisation				(3,276)	(1,898)	(5,174)
Interest expense				(2,842)	(8,722)	(11,564)
<b>Profit before tax</b>				<b>57,363</b>	<b>(22,087)</b>	<b>35,275</b>
Income tax expense				(17,209)	5,427	(11,781)
<b>Profit after income tax</b>				<b>40,154</b>	<b>(16,660)</b>	<b>23,494</b>
Other comprehensive income				–	1,533	1,533
<b>Total comprehensive income</b>				<b>40,154</b>	<b>(15,127)</b>	<b>25,027</b>

1 Revenue refers to total income on the condensed consolidated statement of profit or loss and other comprehensive income.

2 Statutory EBITDA is not an IFRS measure but has been presented to provide a comparable measure to the Underlying result.



## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 3 Segment information (cont.)

#### 3.2 Segment results (cont.)

A reconciliation of the Underlying segment measures to the statutory measures is as follows:

	Note	Revenue <sup>1</sup> \$'000	EBITDA <sup>2</sup> \$'000	NPAT \$'000	Comprehensive Income \$'000
<b>Statutory result for the year ended 31 Dec 2020</b>		<b>161,101</b>	<b>61,368</b>	<b>26,480</b>	<b>22,517</b>
<i>Differences in measurement</i>					
Business acquisition adjustments	(a)	–	640	2,738	2,738
Equity issued to staff	(b)	–	(591)	(591)	(591)
Net unrealised losses on investments	(c)	–	–	–	5,469
Adjustments relating to associates	(d)	9,506	9,506	9,506	9,999
Credit Investments	(g)	234	782	782	782
<i>Differences in classification</i>					
Adjustments relating to Master Credit Trust	(h)	(5,578)	(5,393)	–	–
Interest income	(i) & (j)	(6,115)	(6,115)	–	–
Net unrealised losses on investments	(k)	301	301	301	–
Credit Investments	(l)	685	–	–	–
<i>Tax on adjustments</i>		–	–	(3,218)	(4,916)
<b>Total adjustments</b>		<b>(967)</b>	<b>(870)</b>	<b>9,518</b>	<b>13,481</b>
<b>Underlying results for the year ended 31 Dec 2020</b>		<b>160,134</b>	<b>60,498</b>	<b>35,998</b>	<b>35,998</b>
<b>Statutory result for the year ended 31 Dec 2019</b>					
		<b>153,728</b>	<b>52,012</b>	<b>23,493</b>	<b>25,025</b>
<i>Differences in measurement</i>					
Business acquisition adjustments	(a)	–	2,673	4,571	4,571
Equity issued to staff	(b)	–	(929)	(929)	(929)
Net unrealised losses on investments	(c)	–	–	–	2,024
Adjustments relating to associates	(d)	8,487	8,486	8,513	5,475
Deferred performance fees	(e)	6,400	6,400	6,400	6,400
Profit on sale of joint venture	(f)	2,221	2,221	2,221	2,221
Credit Investments	(g)	(258)	137	137	137
<i>Differences in classification</i>					
Adjustments relating to Master Credit Trust	(h)	(2,508)	(2,349)	–	–
Interest income	(i) & (j)	(6,346)	(6,346)	–	–
Net unrealised losses on investments	(k)	1,175	1,175	1,175	–
Credit Investments	(l)	(4,550)	–	–	–
<i>Tax on adjustments</i>		–	–	(5,427)	(4,770)
<b>Total adjustments</b>		<b>4,621</b>	<b>11,468</b>	<b>16,661</b>	<b>15,129</b>
<b>Underlying results for the year ended 31 Dec 2019</b>		<b>158,349</b>	<b>63,480</b>	<b>40,154</b>	<b>40,154</b>

1 Revenue refers to total income on the consolidated statement of profit or loss and other comprehensive income.

2 Statutory EBITDA is not an IFRS measure but has been presented to provide a comparable measure to the Underlying result.

# Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

## 3 Segment information (cont.)

### 3.2 Segment results (cont.)

#### Differences in measurement

- (a) The acquisition of Armada Funds Management in 2017 for cash and shares gives rise to non-cash IFRS expenditure relating to the amortisation of intangible assets of \$2.1 million (2019: \$1.9 million) and share-based payment expense to the vendors, who are now employees of the Company, of \$0.6million (2019: \$2.7 million).
- (b) The Underlying measure expenses the full value of the share-based equity awards issued to staff as part of the annual bonus awards in the year of grant as opposed to over the vesting period (up to 5 years) per AASB 2 *Share-Based Payments*.
- (c) Adjustment to remove unrealised (gains)/losses on the Group's strategic investment in Japara Healthcare Ltd.
- (d) Relating principally to the Group's investments in Redcape Hotel Group and the Aged Care sector, the Underlying treatment records dividends and distributions received from associates in underlying Revenue as opposed to the IFRS treatment of recording the Group's share of accounting profit or loss of an associate. Underlying Revenue further recognises gains / losses in management's assessment of the movement in the underlying value of the associate.
- (e) Performance fees relating to Redcape Hotel Group recorded in the statutory results but deferred in the Underlying Result to closely align with transaction settlement and cash flows.
- (f) The profit on sale of the Group's interest in Acure Asset Management was recorded in the 2018 statutory results but deferred to 2019 to closely align with transaction settlement and cash flows.
- (g) The Underlying treatment excludes the movement in AASB 9 Expected Credit Loss provisions relating to loans receivable. Where there is an increased likelihood of credit loss, specific provisions individually assessed against loans receivable are included in both the statutory and Underlying results. See note (l) for treatment of specific provisions that are reclassified by management.

#### Differences in classification

- (h) The Underlying treatment records the distributions received from the MA Master Credit Trust (MCT) in Underlying Revenue as opposed to the IFRS treatment of consolidating MCT into the Group's results.
- (i) The Group previously consolidated the assets and liabilities of a fund related Special Purpose Vehicle which was disposed of in December 2020. The interest expense of \$5.4 million (2019: \$4.8 million) relating to the liabilities is reclassified to Underlying Revenue to offset against the interest income derived from the related loan receivable to reflect the total net return to the Group.
- (j) Interest income on cash and bank balances of \$0.8 million (2019: \$1.6 million) is reclassified to Underlying net interest expense.
- (k) Unrealised (gains)/losses on investment, other than those identified in (c) above, are reclassified from Other Comprehensive Income to Underlying Revenue.
- (l) The movements in the specific provisions for impairment of loan receivables is reclassified from statutory expense to Underlying Revenue, to be consistent with how management view the movement in value of investments.

### 3.3 Revenue for major products and services

The table below represents a disaggregation of fee and commission income by operating segment:

Revenue type	Operating segment	31 Dec 2020	31 Dec 2019
		Consolidated \$'000	Consolidated \$'000
<b>Fee and commission income</b>			
Management fees	Asset Management	57,378	51,893
Transaction fees	Asset Management	14,555	15,123
Performance fees	Asset Management	16,860	5,155
Corporate advice	CA&E	44,186	54,886
Equity services	CA&E	9,721	9,204
<b>Total fee and commission income</b>		<b>142,700</b>	<b>136,261</b>

### 3.4 Geographical information

The Group primarily operates in Australia.

### 3.5 Information about major customers

Two funds managed by the Group contributed more than 10% to Group revenue with fees of \$21.6 million and \$16.8 million respectively. No other single customer contributed 10% or more to Group revenue in 2020 or 2019.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
<b>4 Fee and commission income</b>		
Fee and commission income is accounted for in accordance with AASB 15 <i>Revenue from Contracts with Customers</i> .		
Timing of revenue recognition		
<i>At a point in time</i>		
Advisory success fees	42,157	51,162
Commission and brokerage income	8,455	9,204
Facilitation and transaction fees	14,555	15,123
<b>Total revenue earned at a point in time</b>	<b>65,167</b>	<b>75,489</b>
<i>Over time</i>		
Advisory retainer fees	3,295	3,724
Performance fees	16,860	5,155
Distribution fees	6,022	5,404
Management fees	51,356	46,489
<b>Total revenue earned over time</b>	<b>77,533</b>	<b>60,772</b>
<b>Total fee and commission income</b>	<b>142,700</b>	<b>136,261</b>
<b>Fee and commission income by segment</b>		
<i>At a point in time</i>		
Asset Management	14,555	17,221
Corporate Advisory and Equities	50,612	58,268
<b>Total revenue earned at a point in time</b>	<b>65,167</b>	<b>75,489</b>
<i>Over time</i>		
Asset Management	74,238	57,048
Corporate Advisory and Equities	3,295	3,724
<b>Total revenue earned over time</b>	<b>77,533</b>	<b>60,772</b>
<b>Total fee and commission income</b>	<b>142,700</b>	<b>136,261</b>

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
<b>5 Investment income</b>		
Interest income on cash and bank balances	768	1,728
Interest income on loan receivables	29,691	21,813
Dividends and distributions from investments	1,084	1,697
<b>Total investment income</b>	<b>31,543</b>	<b>25,238</b>
<b>6 Other income</b>		
Other income	4,026	96
Net foreign exchange losses	(268)	(6)
Realised gains from disposal of investments	1,138	275
Unrealised losses from investments held at fair value through profit or loss (FVTPL)	(178)	–
<b>Total other income</b>	<b>4,718</b>	<b>365</b>
During the year the Group recognised in other income \$3.3 million related to COVID-19 government wage subsidies.		
<b>7 Personnel expenses</b>		
Salary, superannuation and bonuses paid in cash	65,438	62,380
Termination benefits	1,763	661
Amortisation of share-based payments (refer to note 33)	9,592	9,052
Other employment expenses <sup>1</sup>	6,256	7,956
<b>Total personnel expenses</b>	<b>83,049</b>	<b>80,049</b>
<sup>1</sup> Includes recruitment fees, payroll tax, insurance, fringe benefits tax and leave entitlements.		
<b>8 Interest expense</b>		
Interest on unsecured notes	5,778	3,925
Fund preferred unit distribution	5,402	2,473
Interest on lease liabilities	283	386
Redeemable preference share dividend	5,384	4,780
<b>Total interest expense</b>	<b>16,847</b>	<b>11,564</b>
Refer to note 24 & 25 for more detail on the unsecured note program, fund preferred units and redeemable preference shares.		
<b>9 Other expenses</b>		
Charitable donations	774	2,036
Professional fees	2,292	1,721
Other expenses	4,429	3,575
<b>Total other expenses</b>	<b>7,495</b>	<b>7,332</b>

The charitable donations paid by the Group in 2020 and 2019 were made to the Moelis Australia Foundation, a registered charity, and were made principal in respect to staff elections

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
<b>9 Other expenses (cont.)</b>		
<b>9.1 Remuneration of auditors</b>		
During the financial year, Deloitte Touche Tohmatsu, the auditor of the Group and the Company, earned the following remuneration:		
Audit or review of the financial statements	543	476
Advisory related services	–	78
Tax related services	33	133
<b>Total remuneration paid to Deloitte Touche Tohmatsu</b>	<b>576</b>	<b>687</b>
<b>10 Income tax expense</b>		
<b>10.1 Income tax expense</b>		
Current tax expense	(12,192)	(18,178)
Deferred tax (expense)/benefit	(18)	6,397
<b>Total income tax expense</b>	<b>(12,210)</b>	<b>(11,781)</b>
<b>10.2 Reconciliation of income tax expense to prima facie tax payable</b>		
<b>Profit before tax from continuing operations</b>	<b>38,690</b>	<b>35,275</b>
<i>Prima facie</i> income tax expense at the Australian corporate tax rate of 30%	(11,607)	(10,583)
Effect of losses/(income) that is exempt from tax	8	(418)
Non-deductible expenses	(331)	(1,035)
Prior year (under)/over adjustment	(280)	255
<b>Total income tax expense</b>	<b>(12,210)</b>	<b>(11,781)</b>
<b>10.3 Income tax benefit/(expense) recognised in other comprehensive income</b>		
<b>Deferred Tax</b>		
Fair value remeasurement of investments	1,552	255
Share of revaluations in associates	148	(911)
<b>Income tax benefit/(expense) in other comprehensive income</b>	<b>1,700</b>	<b>(656)</b>
<b>10.4 Current tax assets and liabilities</b>		
Current tax liabilities		
Income tax payable	6,345	2,479
	<b>6,345</b>	<b>2,479</b>
During the year the Group was granted deferral of \$18.5 million of payments to the Australian Tax Office with PAYG payable of \$4.4 million outstanding at 31 December 2020 payable in instalments to May 2021.		
<b>10.5 Deferred tax balances</b>		
Deferred tax asset	3,905	2,223
	<b>3,905</b>	<b>2,223</b>

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 10 Income tax expense (cont.)

#### 10.5 Deferred tax balances (cont.)

31 Dec 2020	Opening balances \$'000	Recognised in profit or loss \$'000	Recognised in other comprehensive income \$'000	Closing balances \$'000
<b>Temporary differences</b>				
Property, plant and equipment	103	(455)	–	(352)
Financial assets	4,009	–	1,552	5,561
Investments in associates and joint ventures	(2,366)	2,069	148	(149)
Deferred revenue	(1,276)	(3,272)	–	(4,548)
Provisions	1,408	274	–	1,682
Loss allowance	1,664	(1,085)	–	579
Expense accruals	1,087	322	–	1,409
Intangible assets	(3,383)	627	–	(2,756)
Share-based payments	279	1,394	–	1,673
Other	698	108	–	806
<b>Total</b>	<b>2,223</b>	<b>(18)</b>	<b>1,700</b>	<b>3,905</b>

31 Dec 2019	Opening balances \$'000	Recognised in profit or loss \$'000	Recognised in other comprehensive income \$'000	Closing balances \$'000
<b>Temporary differences</b>				
Property, plant and equipment	53	50	–	103
Financial assets	3,754	–	255	4,009
Investments in associates and joint ventures	(4,458)	3,003	(911)	(2,366)
Deferred revenue	(1,027)	(249)	–	(1,276)
Provisions	1,382	26	–	1,408
Loss allowance	237	1,427	–	1,664
Expense accruals	(2,223)	3,310	–	1,087
Intangible assets	(3,952)	569	–	(3,383)
Share-based payments	2,239	(1,960)	–	279
Other	478	220	–	698
<b>Total</b>	<b>(3,517)</b>	<b>6,396</b>	<b>(656)</b>	<b>2,223</b>

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
<b>11 Cash and cash equivalents</b>		
Cash and cash equivalents at the end of the financial year are reflected in the related items in the statement of financial position as follows:		
Cash and bank balances	138,004	128,800
<b>Cash and cash equivalents at the end of the financial year</b>	<b>138,004</b>	<b>128,800</b>
<b>11.1 Reconciliation of profit for the year to net cash flows from operating activities</b>		
Profit after income tax	26,480	23,493
Adjustments to profit after income tax:		
Income tax expense recognised in profit or loss	12,210	11,781
Net foreign exchange loss	268	6
Realised gain on investments	(1,138)	(321)
Non-cash interest income	(11,325)	(12,120)
Non-cash investment income	(113)	(164)
Distribution from financial assets	(2,254)	(1,134)
Share-based payments	9,592	9,052
Intangible amortisation	2,090	2,176
Share of profits of associates	4,844	(82)
Loss allowance expense	15	4,848
Depreciation of right-of-use assets	2,285	2,311
Depreciation of non-current assets	1,456	687
<b>Total adjustments to profit after income tax</b>	<b>17,930</b>	<b>17,040</b>
Changes in assets and liabilities:		
Change in trade and other receivables	(13,864)	(27)
Change in other assets	5,523	(10,208)
Change in trade and other payables	125	10,738
Change in provisions	(672)	6,896
<b>Total changes in assets and liabilities</b>	<b>(8,888)</b>	<b>7,399</b>
<b>Cash generated from operations</b>	<b>35,522</b>	<b>47,932</b>
Income taxes paid	(8,075)	(19,899)
<b>Net cash generated by operating activities</b>	<b>27,447</b>	<b>28,033</b>

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
<b>12 Receivables</b>		
Accounts receivable	4,798	1,869
Fees receivable	16,748	16,167
Interest receivable	528	9,193
Sundry debtors	13,644	359
Receivables from associates	11,367	5,078
Loss allowance on receivables	(963)	(408)
<b>Total receivables</b>	<b>46,122</b>	<b>32,258</b>

Fees receivable disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised a loss allowance because the amounts are still considered recoverable. See below table for an aged analysis of receivables:

### 12.1 Ageing of receivables

\$'000	Neither past due nor credit impaired	Past due but not credit impaired			Total past due but not credit impaired	Total receivables	Loss allowance on receivables	Total receivables net of loss allowance
		60 – 90 days	90+ days					
<b>31 Dec 2020</b>								
Accounts receivable	4,757	41	–	41	4,798	(13)	4,785	
Fees receivable	16,242	–	506	506	16,748	(83)	16,665	
Interest receivable	94	58	376	434	528	(7)	521	
Sundry debtors	9,510	–	4,134	4,134	13,644	(200)	13,444	
Receivables from associates	8,702	–	2,665	2,665	11,367	(660)	10,707	
<b>Total receivables</b>	<b>39,305</b>	<b>99</b>	<b>7,681</b>	<b>7,780</b>	<b>47,085</b>	<b>(963)</b>	<b>46,122</b>	
<b>31 Dec 2019</b>								
Accounts receivable	1,869	–	–	–	1,869	(1)	1,868	
Fees receivable	16,060	107	–	107	16,167	(10)	16,157	
Interest receivable	9,193	–	–	–	9,193	(179)	9,014	
Sundry debtors	313	–	46	46	359	(40)	319	
Receivables from associates	4,671	–	407	407	5,078	(178)	4,900	
<b>Total receivables</b>	<b>32,106</b>	<b>107</b>	<b>453</b>	<b>560</b>	<b>32,666</b>	<b>(408)</b>	<b>32,258</b>	
Average ageing of receivables that are past due but not credit impaired (days)							236	294

Fees receivable and receivables from associates aged 90+ days primarily relate to fees receivable from funds managed by the Group.

Sundry debtors aged 90+ days of \$4.1 million relate to the restructure of a single senior secured credit loan asset into separate identifiable receivables with different counterparties and supported by collateral ranging from cash on deposit and real estate. Settlement of the receivables is expected within 12 months upon the completion of certain future events.



## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 12 Receivables (cont.)

#### 12.2 Loss allowance on receivables

In response to COVID-19 the Group undertook a review of its receivables balances and expected credit losses. The review considered the macroeconomic outlook, counterparty credit quality, the type of collateral held and exposure of default as at the reporting date. While the model inputs and forward-looking information were revised, the accounting policies of the Group remained consistent with prior periods. The Group's loss allowance provisions are a determination of probabilities of default and a determination of losses that may be incurred should a default occur. As a result of a deterioration in the global macroeconomic environment the Group placed further weighting to its downside scenario that was determined utilising economic forecasts available at the end of the year.

#### 12.3 Movement in loss allowance on receivables

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
<b>Collectively assessed loss allowance on receivables</b>		
Balance at the beginning of the year	(368)	(105)
Loss allowance on receivables movement for the year	(533)	(263)
<b>Balance at the end of the year</b>	<b>(901)</b>	<b>(368)</b>
<b>Individually assessed loss allowance on receivables</b>		
Balance at the beginning of the year	(40)	(40)
Loss allowance on receivables movement for the year	(22)	–
<b>Balance at the end of the year</b>	<b>(62)</b>	<b>(40)</b>
<b>Total loss allowance on receivables</b>	<b>(963)</b>	<b>(408)</b>

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
<b>13 Loans receivable</b>		
<i>Current</i>		
Loans to third parties	131,317	85,737
Loans to associates	2,000	-
Loss allowance	(374)	(5,014)
	<b>132,943</b>	<b>80,723</b>
<i>Non-current</i>		
Loans to third parties	439	450
Loans to associates	4,318	-
Loan to employees	87,502	118,908
Loss allowance	(931)	(314)
	<b>91,328</b>	<b>119,044</b>

Loans to third parties comprises commercial loans provided to Australian corporates. The loans have terms of between three months and five years and are either fully or partially secured against the assets of the borrowers.

### 13.1 Loans receivable which were past due and impaired

Past due 90 days or more	-	7,865
--------------------------	---	-------

During the year the \$7.9 million loan receivable, with an individually assessed loss allowance of \$4.6 million, which was past due by greater than 90 days at 31 December 2019, was restructured from a single senior secured credit loan asset into separate identifiable receivables with different counterparties resulting in the Group receiving \$0.4 million in cash and recognising \$4.1 million reclassified to sundry debtors (refer to note 12) as at 31 December 2020. \$3.4 million of the \$4.6 million loss allowance was utilised with the remaining \$1.2 million being written back to the statement of profit or loss (refer to note 14.1 for further details). No loans receivable at 31 December 2020 are past due or impaired.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 13 Loans receivable (cont.)

#### 13.2 Loans receivable by industry

Consolidated	Loans receivable \$'000	Loss allowance \$'000	Total \$'000
<b>31 Dec 2020</b>			
Child care	15,044	(472)	14,572
Construction and real estate	7,282	(268)	7,014
Financial services	109,291	(375)	108,916
Professional services	93,520	(167)	93,353
Other	439	(23)	416
	<b>225,576</b>	<b>(1,305)</b>	<b>224,271</b>
<b>31 Dec 2019</b>			
Aged care	25,505	(298)	25,207
Child care	12,115	(4,600)	7,515
Construction and real estate	21,295	(12)	21,283
Financial services	56,678	(142)	56,536
Professional services	89,010	(263)	88,747
Other	491	(13)	478
	<b>205,094</b>	<b>(5,328)</b>	<b>199,767</b>

### 14 Loss allowance

The table below presents the gross exposure and related ECL allowance for assets subject to impairment requirements of AASB 9.

Consolidated	Gross exposure for asset \$'000	Loss allowance \$'000	Total \$'000
<b>31 Dec 2020</b>			
Receivables	47,085	(963)	46,122
Loans receivable	219,258	(1,030)	218,228
Loans to associates	6,318	(275)	6,043
	<b>272,661</b>	<b>(2,268)</b>	<b>270,393</b>
<b>31 Dec 2019</b>			
Receivables	32,666	(368)	32,298
Loans receivable	205,094	(5,328)	199,766
	<b>237,760</b>	<b>(5,696)</b>	<b>232,064</b>

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 14 Loss allowance (cont.)

#### 14.1 Credit loss allowance

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
<b>Credit loss allowance recognised in the statement of profit or loss:</b>		
Credit loss allowance on receivables	555	263
Credit loss allowance on loans receivable	252	35
Credit loss allowance on loans to associate	275	–
Amounts written off, previously provided for	108	–
Individually assessed credit loss allowance on loans receivable	(1,175)	4,550
<b>Total credit loss allowance for the year</b>	<b>15</b>	<b>4,848</b>

#### 14.2 Loss allowance on loans receivable

By providing loans to customers, the Group bears the risk that the future circumstances of customers might change, including their ability to repay their loans in part or in full. While the Group's credit lending policies and procedures aim to minimise this risk, there will always be instances where the Group will not receive the full amount owed and hence a provision for impaired loans will be necessary. The calculation of both the collectively and individually assessed expected loss allowance contains various factors that require judgement and estimates by management.

#### 14.3 Movement in loss allowance on loans receivable

<i>Current</i>		
<b>Collectively assessed loss allowance</b>		
Balance at the beginning of the year	(464)	(391)
Loss allowance movement for the year	90	(73)
<b>Balance at the end of the year</b>	<b>(374)</b>	<b>(464)</b>
<b>Individually assessed loss allowance</b>		
Balance at the beginning of the year	(4,550)	–
Loss allowance movement for the year	4,550	(4,550)
<b>Balance at the end of the year</b>	<b>–</b>	<b>(4,550)</b>
<i>Non-current</i>		
<b>Collectively assessed loss allowance</b>		
Balance at the beginning of the year	(314)	(295)
Loss allowance movement for the year	(617)	(19)
<b>Balance at the end of the year</b>	<b>(931)</b>	<b>(314)</b>
<b>Total loss allowance at the end of the year</b>	<b>(1,305)</b>	<b>(5,328)</b>

The Group periodically assesses exposures to determine whether the credit risk of a loan receivable has increased significantly since initial recognition. The assessment, which requires judgement, considers both quantitative and qualitative information that is based on the Group's historical experience and informed credit assessment including forward-looking information, such as economic forecast and outlook, GDP growth, unemployment rates and interest rates.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 14 Loss allowance (cont.)

In response to COVID-19 the Group undertook a review of its loans receivable portfolio and expected credit losses. The review considered the macroeconomic outlook, counterparty credit quality, the type of collateral held and exposure at default as at the reporting date. While the model inputs and forward-looking information were revised, the accounting policies of the Group remained consistent with prior periods. The Group's loss allowance provisions are a determination of probabilities of default and a determination of losses that may be incurred should a default occur. As a result of deterioration in the global macroeconomic environment the Group placed further weighting to its downside scenario that was determined utilising economic forecasts available at the end of the financial year.

#### 14.4 Loss allowance on loans receivable by industry

Industry	Stage 1	Stage 3	Total
	12 months ECL	Lifetime ECL	
	Collectively assessed	Individually assessed	
	\$'000	\$'000	\$'000
<b>31 Dec 2020</b>			
Child care	(472)	–	(472)
Construction and real estate	(268)	–	(268)
Financial services	(375)	–	(375)
Professional services	(167)	–	(167)
Other	(23)	–	(23)
	<b>(1,305)</b>	<b>–</b>	<b>(1,305)</b>
<b>31 Dec 2019</b>			
Aged care	(298)	–	(298)
Child care	(50)	–	(4,600)
Construction and real estate	(12)	–	(12)
Financial services	(142)	–	(142)
Professional services	(263)	–	(263)
Other	(13)	(4,550)	(13)
	<b>(778)</b>	<b>(4,550)</b>	<b>(5,328)</b>

	31 Dec 2020	31 Dec 2019
	Consolidated	Consolidated
	\$'000	\$'000

### 15 Other assets

Prepayments	1,438	1,270
Deposits	4,454	10,407
Other	743	481
	<b>6,635</b>	<b>12,158</b>

### 16 Restricted cash

Employee share trust	–	150
Equities clearing collateral	700	700
Premises bonds	1,800	1,800
	<b>2,500</b>	<b>2,650</b>

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
<b>17 Other financial assets</b>		
<i>Current</i>		
Financial assets held at FVTPL (equity securities)	18,429	–
	<b>18,429</b>	<b>–</b>
<i>Non-current</i>		
Financial assets held at FVTOCI	25,097	26,204
Financial assets held at FVTPL (non-equity securities)	682	682
	<b>25,779</b>	<b>26,886</b>

Refer to note 28.8 for further detail of non-current financial assets

### 18 Property, plant and equipment

The below table sets out the carrying value of the Group's property, plant and equipment:

Office equipment – at cost	2,553	2,270
Less accumulated depreciation	(2,013)	(1,625)
<b>Total office equipment</b>	<b>540</b>	<b>645</b>
Furnitures and fixtures – at cost	765	732
Less accumulated depreciation	(236)	(166)
<b>Total furniture and fixtures</b>	<b>529</b>	<b>566</b>
Lease improvements – at cost	1,536	1,486
Less accumulated depreciation	(1,155)	(812)
<b>Total leasehold improvements</b>	<b>381</b>	<b>674</b>
<b>Total property, plant and equipment</b>	<b>1,450</b>	<b>1,885</b>

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 18 Property, plant and equipment (cont.)

#### 18.1 Movement in carrying value of property, plant and equipment

The movement in the carrying value of the Group's property, plant and equipment was as follows:

Consolidated	Office equipment \$'000	Furniture and fixtures \$'000	Leasehold improvements \$'000	Total \$'000
<b>Assets for own use</b>				
Balance as at 1 Jan 2019	573	528	833	1,934
Additions	414	93	131	638
Depreciation expense	(342)	(55)	(290)	(687)
<b>Balance as at 31 Dec 2019</b>	<b>645</b>	<b>566</b>	<b>674</b>	<b>1,885</b>
Additions	283	32	50	365
Depreciation expense	(388)	(69)	(343)	(800)
<b>Balance as at 31 Dec 2020</b>	<b>540</b>	<b>529</b>	<b>381</b>	<b>1,450</b>

### 19 Right-of-use asset

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
Right-of-use asset – at cost	9,934	9,492
Less accumulated depreciation	(4,596)	(2,311)
<b>Total right-of-use asset</b>	<b>5,338</b>	<b>7,181</b>
Balance at the beginning of the year	7,181	9,248
Additions	442	244
Depreciation	(2,285)	(2,311)
<b>Balance at the end of the year</b>	<b>5,338</b>	<b>7,181</b>

### 20 Investments in associates and joint ventures

Infinite Care Group	–	2,774
MA Aged Care Fund	–	3,833
MA Kincare Fund	9,037	8,721
MA Senior Secured Credit Fund II	2,353	2,275
MKM Capital	5,667	–
Redcape Hotel Group	58,232	59,348
	<b>75,289</b>	<b>76,951</b>

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 20 Investments in associates and joint ventures (cont.)

#### Impairment of investments in associates and joint ventures

In line with the Group's accounting policies, after application of the equity method of accounting, the Group's investments in associates and joint ventures were assessed for impairment at the reporting date, which included consideration of the impact of COVID-19. The Group performs an assessment to determine whether there is any objective evidence that its investments in associates and joint ventures are impaired. The main indicators of impairment are significant financial difficulty of the investee, significant changes in the technological, market, economic or legal environment and a significant or prolonged decline in fair value below cost. Refer to note 20.3 below for further information on the Group's investments in associates and joint ventures.

### 20.1 Details of ownership interest

Associates	Place of incorporation	Principal activity	Proportion of ownership interest and voting power held by the Group	
			2020	2019
Infinite Care Group	Australia	Aged care facility operator	5.2%	5.2%
MA Aged Care Fund	Australia	Investor in aged care facility operator	10.1%	10.1%
MA Kincare Fund	Australia	Credit funds management	25.5%	25.5%
MA Senior Secured Credit Fund II	Australia	Credit funds management	13.0%	13.0%
MKM Capital	Australia	Residential mortgage lending	47.5%	–
Redcape Hotel Group	Australia	Owner and operator of hotels	9.4%	9.4%



## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 20 Investments in associates and joint ventures (cont.)

#### 20.2 Reconciliation of movements in carrying values of investments in associates and joint ventures

\$'000	Infinite Care Group	MA Aged Care Fund	MA Kinicare Fund	MA Senior Secured Credit Fund II	MKM Capital	Redcape Hotel Group	MA Exchanges Fund	Total
Opening balance as at 1 Jan 2019	4,722	6,846	7,738	1,900	–	58,547	6,448	86,201
Adjustments to retained earnings from adoption of AASB 16	–	–	–	–	–	95	–	95
Acquisition	–	53	–	–	–	–	–	53
Disposal and capital returns	–	–	–	–	–	–	(6,448)	(6,448)
Share of profit/(loss)	(1,948)	(3,066)	983	375	–	2,246	1,492	82
Share of other comprehensive income	–	–	–	–	–	3,038	–	3,038
Less dividends/distributions received	–	–	–	–	–	(4,578)	(1,492)	(6,070)
<b>Closing balance as at 31 Dec 2019</b>	<b>2,774</b>	<b>3,833</b>	<b>8,721</b>	<b>2,275</b>	<b>–</b>	<b>59,348</b>	<b>–</b>	<b>76,951</b>
Acquisition	–	–	–	–	5,727	–	–	5,727
Share of profit/(loss)	(2,774)	(3,833)	316	78	(60)	1,429	–	(4,844)
Share of other comprehensive income	–	–	–	–	–	(495)	–	(495)
Less dividends/distributions received	–	–	–	–	–	(2,050)	–	(2,050)
<b>Closing balance as at 31 Dec 2020</b>	<b>–</b>	<b>–</b>	<b>9,037</b>	<b>2,353</b>	<b>5,667</b>	<b>58,232</b>	<b>–</b>	<b>75,289</b>

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 20 Investments in associates and joint ventures (cont.)

#### 20.3 Summarised financial information for the Group's material associates and joint ventures

\$'000	Infinite Care Group	MA Aged Care Fund	MA Kinicare Fund	MA Senior Secured Credit Fund II	MKM Capital	Redcape Hotel Group	MA Exchanges Fund
<b>31 Dec 2020</b>							
<b>Assets and liabilities</b>							
Current assets	42,046	42,215	45	5,392	151,351	71,310	–
Non-current assets	417,783	420,480	35,826	13,140	10,604	1,082,252	–
Current liabilities	(239,111)	(242,520)	(398)	(412)	(2,070)	(73,656)	–
Non-current liabilities	(225,595)	(224,493)	–	–	(156,883)	(455,871)	–
<b>Net assets</b>	<b>(4,877)</b>	<b>(4,318)</b>	<b>35,473</b>	<b>18,120</b>	<b>3,002</b>	<b>624,035</b>	<b>–</b>
The above net assets include the following:							
Cash and cash equivalents	38,374	38,543	18	29	3,104	55,257	–
<b>Revenue, expenses and results</b>							
Revenue	87,120	87,120	1,311	675	3,335	270,740	–
Profit/(loss) for the year	(56,077)	(45,732)	1,241	597	(125)	19,200	–
Other comprehensive income for the year	–	–	–	–	–	(5,280)	–
Total comprehensive income for the year	(56,077)	(45,732)	1,241	597	(125)	13,920	–
<b>31 Dec 2019</b>							
<b>Assets and liabilities</b>							
Current assets	65,195	65,419	53	4,721	–	90,292	34
Non-current assets	413,078	415,774	34,515	13,140	–	1,066,010	21,923
Current liabilities	(129,125)	(131,221)	(336)	(338)	–	(46,766)	–
Non-current liabilities	(297,947)	(308,558)	–	–	–	(473,606)	–
<b>Net assets</b>	<b>51,201</b>	<b>41,414</b>	<b>34,232</b>	<b>17,523</b>	<b>–</b>	<b>635,930</b>	<b>21,957</b>
The above net assets include the following:							
Cash and cash equivalents	53,788	54,008	6	39	–	29,638	25
<b>Revenue, expenses and results</b>							
Revenue	54,323	42,048	4,780	2,840	–	303,316	16,502
Profit/(loss) for the year	(37,456)	(30,433)	4,473	2,578	–	24,080	16,485
Other comprehensive income for the year	–	–	–	–	–	37,056	–
Total comprehensive income for the year	(37,456)	(30,433)	4,473	2,578	–	61,136	16,485

The following information outlines the level of control the Group has over its associates and the resultant accounting treatment.

#### Details of investment in Infinite Care Group (Infinite)

The magnitude and variability of returns the Group receives from Infinite, including the fees it earns as trustee and asset manager of the Moelis Australia Aged Care Fund and the investment return on its holdings is such that the Group is not considered to control Infinite. The Group's equity holdings in addition to its roles as trustee and asset manager of Moelis Australia Aged Care Fund is considered sufficient for the Group to retain significant influence over Infinite.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 20 Investments in associates and joint ventures (cont.)

#### 20.3 Summarised financial information for the Group's material associates and joint ventures (cont.)

##### Details of investment in MA Aged Care Fund, MA Kincare Fund and MA Senior Secured Credit Fund II

The magnitude and variability of returns the Group receives from the Funds including the fees it earns as trustee and asset manager and the investment return on its holdings is such that the Group is not considered to control the Funds. The Group's equity holdings in addition to its roles as trustee and asset manager is considered sufficient for the Group to retain significant influence over the Funds.

##### Details of investment in Redcape Hotel Group

At 31 December 2020, the Group has a 9.4% direct equity investment in Redcape Hotel Group (Redcape) and funds managed by the Group own a further 29.4% of Redcape. The Group earns trustee, asset manager, performance and hotel operator fees from Redcape, as well as investment returns on its direct investment. The Group is considered to have significant influence over Redcape as a result of participating in the financial and operating policy decisions of Redcape through its roles as responsible entity, asset manager and hotel operator.

Redcape owns or operates 32 hotels in New South Wales and Queensland and was forced to temporarily close its hotels during the period due to Government restrictions as a result of COVID-19. Redcape's hotels subsequently reopened progressively from June 2020 and has traded profitably. During the financial period, Redcape exchanged contracts to acquire 4 hotels with anticipated settlements in February 2021 and June 2021. Redcape assessed their assets for impairment at 31 December 2020, including considering the impact of COVID-19 on current trading performance. The Directors are satisfied that the impairment testing performed by Redcape is reasonable, and that no additional impairment is required for the Group's investment in Redcape. For the year ended 31 December 2020, Redcape has recognised a decrease in its net assets at 31 December 2020, of which the Group's share has been equity accounted.

##### Details of investment in MKM Capital

On 16 October 2020, the Group acquired 47.5% of MKM Capital at a cost of \$5.7 million. MKM Capital is a residential mortgage lending business, providing bespoke solutions to borrowers, secured against residential property. The Group is considered to have a significant influence over MKM Capital as a result of participating, through MKM Capital's Board, in the financial and operating policy decisions. In addition to its equity investment, the Group has provided \$4.3 million of shareholder loans to MKM Capital and \$2 million of mezzanine finance into MKM Capital's mortgage warehouse.

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
<b>21 Intangible assets</b>		
<b>Carrying amounts of:</b>		
Identifiable intangible assets	11,794	13,356
<b>Cost</b>		
Balance at the beginning of the year	18,676	16,542
Additions	1,183	2,134
<b>Balance at the end of the year</b>	<b>19,859</b>	<b>18,676</b>
<b>Accumulated amortisation and impairment</b>		
Balance at the beginning of the year	(5,320)	(3,144)
Amortisation expense	(2,745)	(2,176)
<b>Balance at the end of the year</b>	<b>(8,065)</b>	<b>(5,320)</b>

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 21 Intangible assets (cont.)

Identifiable intangible assets comprised:

- \$9.2 million (2019: \$11.3 million) relating to the net present value of management rights recognised as part of the 2017 acquisition of Armada Funds Management (Armada).
- \$2.6 million (2019: \$2.1 million) related to software and trademarks.

Included in the deferred tax liability of the Group as at 31 December 2020 is an amount of \$2.8 million (2019: \$3.4 million) relating to the intangible asset recognised from the Armada acquisition.

Identifiable intangible assets recognised as part of the Armada acquisition were determined as the net present value of the forecast management fees less operating expenses, based on the expected lives of each fund which ranged from 2 years and 7 months to 7 years and 9 months at the time of acquisition. As at 31 December 2020, the Armada funds have remaining expected lives ranging from 5 months to 4 years and 2 months.

#### Amortisation of Armada intangible assets

The amortisation of the aggregate value of the intangible assets over their useful lives is based on the forecast profile of the profit generated by the management rights, and is reassessed at the end of each reporting period.

#### Impairment assessment of Armada intangible assets

At 31 December 2020, the Group has assessed the Armada intangible asset for impairment, which included consideration of the impact of COVID-19. A value-in-use model was used that incorporated inputs for post-tax cash flow projections based on financial budgets over five years, a terminal growth rate of 1% (2019: 2.5%) and a discount rate of 12.5% (2019: 12.5%).

The values assigned to the inputs represent the Group's assessment of future trends and have been based on historical data from both internal and external sources and include an assessment of the likely lives of the management rights, expectations about variations to management fee rates and amount and timing of transaction fees. In addition, the assessment includes consideration of expected changes to operating costs and discount rates that reflect the relative security of the cashflows and the market pricing for similar management rights.

No impairment charge was recognised in relation to Armada intangible assets during the year as the recoverable amount was determined to be in excess of the carrying amount. A sensitivity analysis was performed on the value-in-use calculation, stress testing the model inputs for reasonably possible changes in assumptions, such as discount rates and post-tax cash flows, to test for impairment and no changes in assumptions indicated an impairment.

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
--	---------------------------------------	---------------------------------------

### 22 Goodwill

Cost	9,827	9,827
Goodwill is allocated to the following cash-generating units:		
Asset Management	8,501	8,501
Corporate Advisory and Equities	1,326	1,326
	<b>9,827</b>	<b>9,827</b>

Goodwill with indefinite lives relates to the Group's integrated acquisitions. Goodwill is not amortised but reviewed for impairment at least annually.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 22 Goodwill (cont.)

#### Impairment of goodwill

At 31 December 2020, the Group has assessed goodwill for impairment, which included consideration of the impact of COVID-19. A value-in-use model of the cash-generating unit (CGU), to which goodwill has been allocated, was used that incorporated inputs for post-tax cash flow projections based on financial budgets over five years, a terminal growth rate of 1% (2019: 2.5%) and a discount rates ranging from 11% to 12.5% (2019: 11% to 12.5%). The values assigned to the inputs represent the Group's assessment of future trends and have been based on historical data from both internal and external sources and include an assessment of the estimated future cash flows the Group expects to derive from the asset and the time value of money, represented by a market risk-free rate of interest. In addition the assessment considers of other factors that market participants would reflect in pricing the future cash flows the Group expects to derive from the asset.

No impairment charge was recognised in relation to goodwill during the year as the recoverable amount was determined to be in excess of the carrying amount. A sensitivity analysis was performed on the value-in-use calculation, stress testing the model inputs for reasonably possible changes in assumptions, such as discount rates and post-tax cash flows, to test for impairment and no additional indicators of impairment were identified.

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
--	---------------------------------------	---------------------------------------

### 23 Trade and other payables

<i>Current</i>		
Accounts payable and accrued expenses	17,801	11,505
Other liabilities	4,589	10,435
GST payable	686	1,011
	<b>23,076</b>	<b>22,951</b>
<i>Non-current</i>		
Preference dividends payable <sup>1</sup>	–	8,990
	–	<b>8,990</b>

<sup>1</sup> On 21 December 2020, the Group disposed its wholly owned subsidiary, KC Finance Pty Ltd, and as a result derecognised the preference dividends payable. Refer to note 25 for further details.

### 24 Borrowings

<i>Current</i>		
Unsecured notes	–	32,150
Unsecured notes – limited recourse	30,030	35,030
	<b>30,030</b>	<b>67,180</b>
<i>Non-current</i>		
Unsecured notes	65,000	25,000
Fund preferred units	172,540	97,022
	<b>237,540</b>	<b>122,022</b>

Except for the obligation to pay periodic interest and repay the principal at the end of the term, the terms of the unsecured notes, including the limited recourse notes, do not include any material undertakings or obligations which, if not complied with, would result in an acceleration of the amount owing.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 24 Borrowings (cont.)

#### (a) Unsecured notes

	MOE Bond I	MOE Bond II	MOE Bond IV
Classification	Repaid Sep 2020	Non-current	Non-current
Issue	2017	2018	2020
Maturity date	Sep 2020	Sep 2022	Sep 2024
Amount (\$m)	32.2	25.0	40.0
Interest rate per annum	5.25%	5.75%	5.85%
Issue costs (\$'000)	24.2	6.5	9.0

During the year the Group raised \$40.0 million through the issue of a new unsecured note (MOE Bond IV). The proceeds of MOE Bond IV were partially used to repay the MOE Bond I notes that matured in September 2020.

#### (b) Unsecured notes – limited recourse

	MOE Bond III
Classification	Current
Issue	2019
Maturity date	May 2024
Amount (\$m)	30.0
Interest rate per annum	Variable

The limited recourse notes constitute unsecured, unsubordinated obligations of an issuing special purpose Group entity (issuing entity). The issuing entity was capitalised by the Group and invests the proceeds of the note issuance in a diversified portfolio of cash and loans. The notes have sole recourse to the assets of the issuing entity and are not guaranteed by the Company. Whilst the notes have a five year stated maturity, they can be redeemed at the option of the note holders subject to a minimum 12 month holding period following issue. The limited recourse notes are held for investors under the Significant Investor Visa (SIV) program and, given the nature of the investors, redemptions may be requested by the note holders prior to the stated maturity of the notes as investors receive their permanent residency status. The interest rate is calculated at a margin of 4.35% over the RBA cash rate at the time of issue per tranche and then resets in February and August of each year. \$5.0 million of MOE Bond III was redeemed during the year ended 31 December 2020 (2019: nil).

#### (c) Fund preferred units

The Group manages the MA Fixed Income Fund (MAFIF). MAFIF provides investors with exposure to a diversified portfolio of credit investments via an investment in Class A Units (fund preferred units) in the MA Master Credit Trust (Master Credit Trust). As a 10% co-investment, the Group holds Class B units in the Master Credit Trust. The Master Credit Trust is a consolidated entity of the Group.

The fund preferred units held by MAFIF receive a preferential distribution from the realised profit of the Master Credit Trust, up to a maximum equal to the RBA cash rate plus 4.00%. The Class B units receive any excess distributable profits after paying the preferential distribution on the fund preferred units and any fund expenses. The Class B units further provide a maximum 10% "first loss" capital buffer which affords the fund preferred units preferential treatment on distribution and wind-up of the Master Credit Trust. As such the Group's maximum economic exposure is limited to the value of the Class B units which at 31 December 2020 amounted to \$17.3 million (2019: \$9.7 million).

Redemptions of the fund preferred units are at the discretion of the Master Credit Trust Trustee and require the consent of the Group. Therefore the units are treated as non-current liabilities as the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
<b>25 Redeemable preference shares</b>		
Redeemable preference shares	–	25,500
<p>On 21 December 2020 the Group disposed of its wholly owned special purpose entity, KC Finance Pty Ltd, that held the RPS and corresponding loan asset which was funded by the issuance of the RPS. As a result of the disposal of the subsidiary the RPS and corresponding loan asset and related accrued dividends, interest receivable and loss allowance were derecognised by the Group on the disposal date.</p>		
<b>26 Lease liabilities</b>		
<i>Current</i>		
Lease liabilities	2,930	2,459
<i>Non-current</i>		
Lease liabilities	2,944	5,526
<b>Total lease liabilities</b>	<b>5,874</b>	<b>7,985</b>
<b>26.1 Movement in lease liabilities</b>		
Opening balance at the beginning of the year	7,985	9,735
Interest on lease liabilities	283	386
Payment of lease liabilities	(2,667)	(2,459)
Additions	273	610
Incremental borrowing rate adjustment	–	(287)
<b>Closing balance at the end of the year</b>	<b>5,874</b>	<b>7,985</b>
<b>26.2 Lease liabilities maturity analysis - contractual undiscounted cashflows</b>		
Less than one year	3,179	2,758
One to five years	2,552	4,794
More than five years	846	1,333
<b>Total undiscounted lease liabilities at the end of the year</b>	<b>6,577</b>	<b>8,885</b>
<b>27 Provisions</b>		
<i>Current</i>		
Employee benefits	28,779	29,451
<i>Non-current</i>		
Employee benefits	842	258
<b>Total provisions</b>	<b>29,621</b>	<b>29,709</b>

Employee benefits provisions include annual leave, long service leave and annual bonus entitlements.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 28 Financial instruments

#### 28.1 Financial risk management objectives

The Group's principal financial assets comprise cash and cash equivalents, trade and other receivables, commercial loans and investments in listed and unlisted securities. The Group's principal financial liabilities comprise of trade and other creditors and borrowings.

The Group's activities expose it to a variety of financial risks. The material risks faced by the Group include market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to ensure the potential adverse effects on the financial performance of the Group are kept to within acceptable limits. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, and ageing analysis for credit risk.

Risk management is carried out by senior management and the Board. The Board identifies and monitors the risk exposure of the Group and determines appropriate procedures, controls and risk limits. Senior management identifies, evaluates and monitors financial risks within the Group's operations.

In response to COVID-19 the Group reviewed the financial risks it is exposed to, and the manner in which these risks are managed and measured. The Group's review included stress testing credit and liquidity risks and responding to short term capital management risks with the consideration to an evolving macroeconomic environment.

Financial assets and liabilities are accounted for in accordance with AASB 9 and comprises of the following categories.

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
<b>Financial assets</b>		
Cash and cash equivalents	138,004	128,800
Restricted cash	2,500	2,650
Receivables	46,122	32,258
Loans receivable	224,271	199,767
Listed and unlisted equity securities	44,208	26,886
Deposits	4,454	10,407
Other assets	744	481
<b>Total financial assets</b>	<b>460,303</b>	<b>401,249</b>
<b>Financial liabilities</b>		
Trade and other payables	23,076	31,941
Unsecured notes	95,030	92,180
Fund preferred units	172,540	97,022
Redeemable preference shares	–	25,500
<b>Total financial liabilities</b>	<b>290,646</b>	<b>246,643</b>



## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 28 Financial instruments (cont.)

#### 28.2 Capital management

The capital structure of the Group consists of net cash (cash and bank balances offset by the unsecured notes detailed in note 24) and equity (comprising contributed equity, retained earnings and reserves).

The Group manages its capital with the aim of ensuring that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall capital management strategy remains unchanged from 2019.

The Group's borrowings comprise unsecured notes of \$95.0m (2019: \$92.2m), fund preferred units \$172.5m (2019: \$97.0m) and redeemable preference shares of nil (2019: \$25.5m).

The maturity dates of the unsecured notes are shown in the table below. Except for the obligation to pay periodic interest and repay the principal at the end of the term, the terms of the unsecured notes do not include any material undertakings or obligations which, if not complied with, would result in an acceleration of the amount owing. The limited recourse unsecured notes can be redeemed at the option of noteholders subject to a minimum 12 month holding period and are treated as current borrowings.

Unsecured notes	Maturity date	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<i>Current</i>			
<b>Unsecured notes</b>			
MOE Bond I	18 September 2020	–	32,150
<b>Unsecured notes – limited recourse</b>			
MOE Bond III	16 May 2024	30,030	35,030
<i>Non-current</i>			
<b>Unsecured notes</b>			
MOE Bond II	14 September 2022	25,000	25,000
MOE Bond IV	30 September 2024	40,000	–
<b>Total unsecured notes</b>		<b>95,030</b>	<b>92,180</b>

A subsidiary of the Company, Moelis Australia Securities Pty Ltd, is an ASX market participant and therefore has an externally imposed capital requirement. In addition, certain subsidiaries of the Company hold an Australian Financial Services Licence and therefore have externally imposed separate capital requirements. The Group's subsidiaries have satisfied all externally imposed capital requirements throughout the financial year.

#### 28.3 Foreign currency risk

The Group undertakes transactions denominated in foreign currencies, including fee income on corporate advisory engagements and expenses. The Group manages its exposure to corporate advisory fee income denominated in foreign currency when fees are invoiced, as generally the receipt revenue is too uncertain prior to invoicing. Foreign currency debtors and foreign currency bank balances are periodically reviewed relative to the Group's balance sheet and liquidity requirements. Revenue received in foreign currency may be retained in those currencies, in order to meet future foreign currency denominated expenses, and exposes the Group to unrealised foreign currency gains or losses.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 28 Financial instruments (cont.)

#### 28.3 Foreign currency risk (cont.)

The net carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the year are set out below:

	Liabilities		Assets	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Currency</b>				
United States dollar	–	–	2,468	1,553
Chinese Yuan	9	–	88	5
Great British pound	(23)	–	103	–
<b>Total</b>	<b>(14)</b>	<b>–</b>	<b>2,659</b>	<b>1,558</b>

#### Foreign currency sensitivity analysis

The Group's exposure to foreign exchange risk is measured using sensitivity analysis. The following table summarises the sensitivity on the Group's net profit from a reasonably possible change in foreign exchange rates against the Australian dollar at the year end. The sensitivity is assessed against the foreign currencies that have the most impact on the Group.

	Sensitivity	31 Dec 2020 \$'000 +/-	31 Dec 2019 \$'000 +/-
<b>Currency</b>			
United States dollar	+/-10%	247/(247)	155/(155)
Chinese Yuan	+/-10%	10/(10)	1/(1)
Great British pound	+/-10%	8/(8)	–
<b>Total</b>		<b>265/(265)</b>	<b>156/(156)</b>

#### 28.4 Interest rate risk

The Group is exposed to interest rate risk from changes in market interest rates on its cash at bank balances and variable interest rate borrowings. The Group's borrowings, are at fixed and variable rates of interest (refer to notes 24 and 25).

#### Interest rate sensitivity analysis

The table below demonstrates the sensitivity of the Group's profit for the year to a reasonably possible change in interest rates:

	Change in interest rates	31 Dec 2020 \$'000 +/-	31 Dec 2019 \$'000 +/-
Impact on profit for the year	+/-1%	779/(779)	667/(667)

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 28 Financial instruments (cont.)

#### 28.5 Equity investment market price risk

The Group is exposed to increases and decreases in the market prices of its equity investments held at FVTPL and FVTOCI, which would cause an increase or decrease in their carrying value and may result in a lower realised profit on sale.

The table below illustrates the sensitivity of the Group's profit for the year and other comprehensive income for the year to a reasonably possible change in market prices:

	Change in market prices	31 Dec 2020 \$'000 +/-	31 Dec 2019 \$'000 +/-
Impact on profit for the year	+/-5%	956/(956)	34/(34)
Impact on other comprehensive income for the year	+/-5%	1255/(1255)	1310/(1310)

The methods and assumptions used in preparing the sensitivity analysis above have not changed significantly from the prior year.

#### 28.6 Credit risk management

Credit risk management is the risk that a counterparty defaults on its contractual obligations resulting in financial loss to the Group. A default may arise through a counterparty failing to repay loans and interest thereon, and through failing to meet its obligation to pay invoiced fees.

In order to minimise credit risk, the Group assesses the creditworthiness of counterparties and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. For all loans receivable, the Group only transacts with counterparties that the Group considers to have an acceptable level of credit risk through a shadow rating process using publicly available financial information. The Group's exposure and the shadow credit ratings of its counterparties are continuously monitored.

At each reporting period, the Group reviews the recoverable amount of each receivable on an individual basis to ensure that adequate loss allowance is made for irrecoverable amounts.

##### Invoices for services

The creditworthiness of clients is taken into account when accepting client assignments, however, the nature of the Group's advisory work includes engaging with clients which are under financial stress where the risk of non-payment of invoices is elevated.

Receivables consist of a number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

As at 31 December 2020 and 31 December 2019, the Group did not have a significant credit risk exposure to any single customer. Note 12 includes an aged summary of receivables past due.

##### Commercial loans

The Group has provided commercial loans during the year. The loans are secured by charges over the assets of the borrowers, with the loans having maturity dates ranging from three months to five years from the balance sheet date, with an average maturity of two years.

Credit risk analysis is focused on ensuring that risks have been fully identified and that the downside risk is properly understood and acceptable. Prior to providing lending facilities to counterparties, each loan is subjected to approval from the relevant Fund or Group, which assess the credit risks of the borrower and determines whether the lending is aligned with the Group's lending strategy. The detailed due diligence performed on the counterparty includes an assessment of:

- borrower's experience in the industry;
- borrower's credit policy to ascertain their underwriting practices;
- internal shadow rating calculations using public market comparable transactions and financial information of the borrower;
- historical loan performance, nature of risk and yield;
- alignment to the Group's risk appetite; and
- securitisation of assets and undertakings.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 28 Financial instruments (cont.)

#### 28.6 Credit risk management (cont.)

##### Commercial loans (cont.)

To mitigate the Group's exposure to loan defaults, securitisation and collateral are negotiated and documented in executed loan agreements to protect the interests of the Group. Monthly monitoring of all borrowers financial performance (including arrears balances, ageing of arrears and losses incurred) is performed and any exceptions reported to senior management. Senior management will use the information collated to review individual loan exposures, make decisions on reducing commitments, and where required refinancing options to refinance out of certain exposures no longer aligned to the Group's risk appetite.

The Group completes an assessment of whether there is a significant increase in credit risk when an amount becomes more than 30 days past due on a case by case basis due to the fact that:

- the majority of the counterparties for commercial loans made are through Moelis managed funds, and therefore the credit risk is lower compared to external counterparties; and
- historically there has been no defaults from loans described above despite being over 30 days with amounts being repaid in full within a reasonable period.

Refer to note 14.4 for the staging of the Group's receivables and loans receivable balance as at 31 December 2020.

##### Cash at bank balances

The credit risk on the banks holding the Group's cash at bank balances is considered limited because the banks have high credit ratings assigned by international credit-rating agencies.

#### 28.7 Liquidity management

Liquidity risk is the risk that financial obligations of the Group cannot be met as and when they fall due without incurring significant costs. The Group manages liquidity risk by monitoring forecast cash requirements, both short and longer term, against its current liquid assets. Regard is had to cash flows required over the next 12 months, regulatory obligations such as Australian Financial Services Licence requirements and financial covenants attached to any relevant contractual obligations of the Group.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Liabilities \$'000	Weighted average effective interest rate	Less than 1 month	1-3 months	3-12 months	1-5 years	Total
<b>31 Dec 2020</b>						
Non-interest bearing	–	15,434	5,371	2,123	148	23,076
Variable interest rate instruments <sup>1</sup>	4.2%	–	–	30,030	172,540	202,570
Fixed interest rate instruments	5.8%	–	–	–	65,000	65,000
<b>Total</b>		<b>15,434</b>	<b>5,371</b>	<b>32,153</b>	<b>237,688</b>	<b>290,646</b>
<b>31 Dec 2019</b>						
Non-interest bearing	–	14,495	7,273	–	10,185	31,953
Variable interest rate instruments <sup>1</sup>	5.3%	–	–	35,050	97,022	132,072
Fixed interest rate instruments	8.4%	–	–	32,150	50,500	82,650
<b>Total</b>		<b>14,495</b>	<b>7,273</b>	<b>67,200</b>	<b>157,707</b>	<b>246,675</b>

<sup>1</sup> The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 28 Financial instruments (cont.)

#### 28.7 Liquidity management (cont.)

The following table details the Group's expected maturity of its non-derivative financial assets. The table reflects the undisclosed contractual maturities of the financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Assets \$'000	Weighted average effective interest rate	Less than 1 month	1-3 months	3-12 months	1-5 years	5 + years	Total
<b>31 Dec 2020</b>							
Non-interest bearing	–	42,127	2,827	21,285	27,984	439	94,662
Cash held at variable interest rates	0.3%	138,004	–	–	2,500	–	140,504
Variable interest rate instruments <sup>1</sup>	6.0%	–	25,000	27,500	42,600	–	95,100
Fixed interest rate instruments	15.2%	–	38,668	42,149	49,220	–	130,037
<b>Total</b>		<b>180,131</b>	<b>66,495</b>	<b>90,934</b>	<b>122,304</b>	<b>439</b>	<b>460,303</b>
<b>31 Dec 2019</b>							
Non-interest bearing	–	802	19,512	23,365	26,375	–	70,054
Cash held at variable interest rate	1.2%	128,800	–	–	–	–	128,800
Variable interest rate instruments	6.6%	–	46	79,008	101,980	–	181,034
Fixed interest rate instruments	8.4%	–	–	12,383	9,000	–	21,383
<b>Total</b>		<b>129,602</b>	<b>19,558</b>	<b>114,756</b>	<b>137,355</b>	<b>–</b>	<b>401,271</b>

<sup>1</sup> The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

#### 28.8 Fair value of financial assets and financial liabilities

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 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 is determined on such a basis except for measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136 *Impairment of Assets*.

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

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

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 28 Financial instruments (cont.)

#### 28.8 Fair value of financial assets and financial liabilities (cont.)

##### Valuation processes

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation function that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports directly to the Chief Financial Officer. The valuation function regularly reviews significant unobservable inputs and valuation adjustments. Significant valuation issues are reported to the Group's Audit and Risk Committee.

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

	Mandatorily at FVTPL	FVTOCI-equity instruments	Total	Level 1 (a)	Level 2 (b)	Level 3 (c)	Total
<b>31 Dec 2020</b>							
Loans receivable <sup>1</sup>	10,752	–	<b>10,752</b>	–	–	10,752	<b>10,752</b>
Non-equity securities	682	–	<b>682</b>	–	682	–	<b>682</b>
Equity securities	18,429	25,097	<b>43,526</b>	10,859	32,667	–	<b>43,526</b>
<b>Financial assets measured at fair value</b>	<b>29,863</b>	<b>25,097</b>	<b>54,960</b>	<b>10,859</b>	<b>33,349</b>	<b>10,752</b>	<b>54,960</b>
<b>31 Dec 2019</b>							
Loans receivable <sup>1</sup>	9,158	–	<b>9,158</b>	–	–	9,158	<b>9,158</b>
Non-equity securities	682	–	<b>682</b>	–	682	–	<b>682</b>
Equity securities	–	26,204	<b>26,204</b>	16,430	9,774	–	<b>26,204</b>
<b>Financial assets measured at fair value</b>	<b>9,840</b>	<b>26,204</b>	<b>36,044</b>	<b>16,430</b>	<b>10,456</b>	<b>9,158</b>	<b>36,044</b>

1 Represents loan that group does not intend to hold for the purpose of collecting contractual cash flows.

The carrying amount of the Group's financial assets (cash and cash equivalents, restricted cash and trade receivables) and financial liabilities (unsecured notes, fund preferred units, redeemable preference shares and trade payables) which are not fair valued approximated their fair value at the current and prior reporting date and are not presented in the table above.

The Group reviewed its valuation techniques and key inputs for its level 2 and level 3 assets during the period, including a consideration of the impact of COVID-19 on the estimated fair values. The review considered the most recent independent valuations, quoted unit prices of recent equity transactions, expected duration the assets are likely to be held for and the macroeconomic outlook for the industries each asset operates in. As a result of the review, no significant change in the fair values of the assets was identified and the Group considers the fair values adopted to be appropriate at the end of the year.

##### Valuation techniques and key inputs

- (a) Quoted bid prices in an active market.
- (b) Inputs other than quoted prices, that are observable, such as unit prices or based on recent transactions.
- (c) Short-term held assets or valued using a discounted cash flow valuation technique with inputs that are not based on observable market data (unobservable inputs) but are based on assumptions by reference to historical company and industry experience. Discount rate inputs range between 6.65% – 22.0%.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 28 Financial instruments (cont.)

#### 28.8 Fair value of financial assets and financial liabilities (cont.)

##### Reconciliation of balances in level 3 of the fair value hierarchy

During the period there were no transfers between level 1, level 2 and level 3 fair value hierarchies. The following table summarises the movements in level 3 of the fair value hierarchy for the financial instruments measured at fair value by the Group.

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
Balance as at the beginning of the year	9,158	–
Additions	24,388	9,163
Disposals and repayments	(22,616)	(5)
Fair value movements recognised in profit or loss	(178)	–
<b>Closing balance as at the end of the year</b>	<b>10,752</b>	<b>9,158</b>

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in profit or loss, total assets, total liabilities or total equity.

### 29 Contributed equity

Ordinary share capital	188,620	174,423
Treasury shares	(34,041)	(17,451)
<b>Total contributed equity</b>	<b>154,579</b>	<b>156,972</b>

	Contributed equity			
	31 Dec 2020 Number of shares	31 Dec 2019 Number of shares	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Ordinary share capital</b>				
Balance as at the beginning of the year	147,641,070	155,641,070	174,423	201,735
Ordinary shares issued	3,500,000	–	14,125	–
Share buy-back and cancellation	–	(8,000,000)	–	(27,200)
Equity transaction costs	–	–	(26)	(112)
Transfer from share-based payment reserve on vesting of awards	–	–	98	–
<b>Balance as at the end of the year</b>	<b>151,141,070</b>	<b>147,641,070</b>	<b>188,620</b>	<b>174,423</b>
<b>Treasury shares</b>				
Balance as at the beginning of the year	(4,429,137)	(2,679,741)	(17,451)	(11,811)
Ordinary shares issued for staff equity awards	(3,500,000)	–	(14,125)	–
On market purchases of shares	(1,889,326)	(159,868)	(7,012)	(604)
Off market purchases of shares	(378,030)	(2,000,000)	(1,989)	(6,800)
Shares allocated upon exercise of options	390,625	–	1,094	–
Shares allocated under employee share plans	1,199,759	410,472	5,442	1,764
<b>Balance as at the end of the year</b>	<b>(8,606,109)</b>	<b>(4,429,137)</b>	<b>(34,041)</b>	<b>(17,451)</b>
<b>Contributed equity at the end of the year</b>	<b>142,534,961</b>	<b>143,211,933</b>	<b>154,579</b>	<b>156,972</b>

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 29 Contributed equity (cont.)

The Company had authorised share capital amounting to 151,141,070 ordinary shares at 31 December 2020 (2019: 147,641,070).

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

#### Shares purchased on-market for the purpose of an employee incentive scheme

During the year, the Group purchased 1,889,326 shares on-market (2019: 159,868 shares) and 378,030 shares via an off-market transfer from its employees during the staff trading window (2019: 2,000,000 shares acquired via an off-market transfer from Moelis & Company) in order to meet the Group's shared based payments award requirements. The average price of all share purchases during the year was \$3.97 (2019: \$3.43).

#### Ordinary share buy-back and subsequent cancellation

Following shareholder approval at the General Meeting held on 31 October 2019, Moelis Australia Limited bought back 8,000,000 Moelis Australia shares from Moelis & Company at a cost of \$27.2 million. These shares were subsequently cancelled.

#### Shares issued for the Loan Funded Share Plan

On 13 March 2020 the Company issued 3,500,000 fully paid ordinary shares in order for eligible employees of the Group to acquire shares in the Company as part of the Loan Funded Share Plan (LFSP) employee equity incentive scheme. The issue price of the shares was \$4.04, being the volume weighted average price of the Company's shares over the 5 business days to 11 March 2020. The purchase price of the shares acquired by eligible employees under the LFSP was fully funded by a limited recourse loan provided by the Company. The shares are subject to vesting conditions, including performance conditions and continuous employment, and carry the same rights as other fully paid ordinary shares. Refer to note 33.4 for further details on the LFSP.

### 30 Earnings per share

	31 Dec 2020 Cents per share	31 Dec 2019 Cents per share
Basic earnings per share	18.5	15.5
Diluted earnings per share	18.0	14.9

The earnings used in the calculation of basic and diluted earnings per share is the Group's profit after tax.

	31 Dec 2020 Number of shares	31 Dec 2019 Number of shares
Weighted average number of ordinary shares (net of treasury shares) used in calculating basic earnings per share	143,171,674	151,348,830
<b>Potential equity shares</b>		
Share options	243,834	1,873,916
Share rights	2,060,394	3,187,526
Restricted shares	1,354,739	1,366,651
Salary sacrifice shares	22,675	–
Total potential equity shares	3,681,642	6,428,093
Total weighted average number of ordinary shares (net of treasury shares) and potential equity shares used in calculating diluted earnings per share	146,853,316	157,776,923



## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 31 Dividends

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
During the year, Moelis Australia Limited made the following fully franked dividend payments:		
2018 dividend (8 cents per share paid on 6 March 2019)	–	12,558
2019 dividend (10 cents per share paid on 4 March 2020)	14,532	–
<b>Dividends paid</b>	<b>14,532</b>	<b>12,558</b>

#### Dividends not recognised at the end of the financial year

Since the end of the financial year, the Directors have resolved to pay a fully franked dividend of 10 cents per share, payable on 3 March 2021. The aggregate amount of the proposed dividend expected to be paid from retained profits, but not recognised as a liability at the end of the year is \$15.1 million. This amount has been estimated based on the number of shares eligible to participate as at 31 December 2020.

#### Franking credits

Franking credits available for the subsequent financial year <sup>1</sup>	32,324	30,523
---	--------	--------

1. Calculated at a corporate tax rate of 30% (2019: 30%)

### 32 Reserves

Share-based payment reserve (refer to note 33)	27,027	22,888
Investment revaluation reserve	11,253	11,598
FVTOCI reserve	(13,139)	(9,521)
<b>Total reserves</b>	<b>25,141</b>	<b>24,965</b>
<b>Investment revaluation reserve</b>		
Balance at the beginning of the year	11,598	9,472
Share of other comprehensive income of associates	(493)	3,038
Income tax relating to the revaluation of associates	148	(912)
<b>Balance at the end of the year</b>	<b>11,253</b>	<b>11,598</b>
<b>FVTOCI reserve</b>		
Balance at the beginning of the year	(9,521)	(8,927)
Net loss arising on revaluation of financial assets	(5,170)	(848)
Income tax relating to gain arising on revaluation of financial assets	1,552	254
<b>Balance at the end of the year</b>	<b>(13,139)</b>	<b>(9,521)</b>

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 33 Share-based payments

#### Share-based payment reserve

	31 Dec 2020 Consolidated \$'000	31 Dec 2019 Consolidated \$'000
Balance at the beginning of the year	22,886	16,198
Amortisation of option fair value	212	184
Amortisation of share rights	3,139	3,103
Amortisation of restricted shares	5,133	2,458
Amortisation of salary sacrifice shares	113	–
Amortisation of loan funded shares	390	–
Amortisation of Armada deferred remuneration	694	2,708
Vesting of share-based payments	(5,540)	(1,765)
<b>Balance at the end of the year</b>	<b>27,027</b>	<b>22,886</b>

The component of annual bonus expected to be paid in shares has been accounted for as a share-based payment, with the amounts accruing over the expected vesting period of between 1 to 3 years. The profit or loss impact (after tax) of the estimated share component for services received for the year ended 31 December 2020 was \$4.8 million (2019: \$3.2 million). The accounting standards require the value of the share-based component to be determined when there is a shared understanding of the terms and conditions of the scheme and so the estimate of the accrual to date could change until this grant date is achieved.

#### 33.1 Employee share options

The Group has granted options to employees and its Chairman. For accounting purposes, fair value of the options is amortised as an expense over the vesting period of the options.

	Number of options employees	Number of options Chairman	Number of options total	Weighted average exercise price (\$) employees	Weighted average exercise price (\$) Chairman
Balance at the beginning of the year	4,048,550	781,250	4,829,800	3.17	2.90
Granted during the year	250,000	–	250,000	4.04	–
Forfeited during the year	(447,100)	–	(447,100)	3.17	–
Exercised during the year	–	(390,625)	(390,625)	–	2.80
Expired during the year	–	–	–	–	–
<b>Balance at the end of the year</b>	<b>3,851,450</b>	<b>390,625</b>	<b>4,242,075</b>	<b>3.22</b>	<b>3.00</b>

No share options were issued, forfeited or exercised since the end of the reporting period. 390,625 Chairman share options were exercisable as at year end.

#### 2017 share options

Prior to the listing of the Company, a number of employees were provided the opportunity to purchase options (share option), with each share option carrying the right to acquire one share in the Company at a future date. As a result of the offer, the Company issued 5,468,750 share options on 8 April 2017.

At the same time, the Company offered the Chairman and Non-Executive Director, Jeffrey Browne, the opportunity to purchase 781,250 share options, with each share option carrying the right to acquire one share in the Company at a future date. On 25 February 2020, Jeffrey Browne, exercised 390,625 options at an exercise price of \$2.80 per option.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 33 Share-based payments (cont.)

#### 33.1 Employee share options (cont.)

Each share option is exercisable for a period of one year, commencing on the first exercise date applicable to the relevant tranche (exercise window) as set out in the table below. Each share option expires if it is not exercised within the relevant exercise window. The vesting period of the share options runs from the grant date to the first exercise date as shown in the table below. Unless otherwise determined by the Board, a share option holder must continue to be employed by the Group in order to exercise the share option.

Share options do not carry any dividend entitlement. Shares issued on exercise of share options will rank equally with other shares of the Company on and from issue. There are no inherent participating rights or entitlements inherent in the share options and share option holders will not be entitled to participate in new issues of capital offered to shareholders during the life of the share options.

The issue price of the share options was paid by the recipient on receipt of the share option.

The table below provides the details of options issued on 8 April 2017:

Numbers of options at beginning of year	Acquired by	Grant date share price	Exercise price of option	Issue price	Earliest date of exercise	Expiry date	Options forfeited during the year	Options exercised during the year	Number of options at year end
1,349,517	Employees	\$2.35	\$3.00	\$0.03	8 Apr 2021	7 Apr 2022	149,032	–	1,200,485
1,349,517	Employees	\$2.35	\$3.15	\$0.03	8 Apr 2022	7 Apr 2023	149,032	–	1,200,485
1,349,516	Employees	\$2.35	\$3.36	\$0.01	8 Apr 2023	7 Apr 2024	149,036	–	1,200,480
390,625	Chairman	\$2.35	\$2.80	\$0.02	8 Apr 2019	7 Apr 2020	–	390,625	–
390,625	Chairman	\$2.35	\$3.00	\$0.02	8 Apr 2020	7 Apr 2021	–	–	390,625
<b>4,829,800</b>							<b>447,100</b>	<b>390,625</b>	<b>3,992,075</b>

The weighted average value of the share options at the time of grant was \$0.0375.

The fair value of the share options was calculated using a Black-Scholes model, adjusted for expectations of forfeiture due to employee departures. The assumptions used in calculating the fair value are shown below and are common to all tranches of share options, unless otherwise stated:

- Dividend yield 4.0%
- Risk-free rate 2.5%
- Expected volatility of 30%
- Expected life of option is the maximum term up to last day of the exercise window
- Forfeiture assumptions for the options granted to employees are that 16%, 20% and 23% of Share options are forfeited for tranches 1, 2 and 3 respectively. No allowance for forfeiture has been made for the share options granted to the Chairman.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 33 Share-based payments (cont.)

#### 33.1 Employee share options (cont.)

##### 2020 share options

On 13 March 2020, the Group granted share options to non-Australian domiciled Group employees who were not eligible for the Loan Funded Share Plan listed in note 33.4 below. The terms of the 2020 share options plan are the same as the 2017 share options plan unless otherwise stated below.

The table below provides the details of options issued on 13 March 2020:

Numbers of options at beginning of year	Numbers of options issued during the year	Grant date share price	Exercise price of option	Issue price	Earliest date of exercise	Expiry date	Options forfeited during the year	Options exercised during the year	Number of options at year end
–	83,334	\$3.09	\$4.04	\$0.00	13 Mar 2024	13 Mar 2025	–	–	83,334
–	83,334	\$3.09	\$4.04	\$0.00	13 Mar 2025	13 Mar 2026	–	–	83,334
–	83,332	\$3.09	\$4.04	\$0.00	13 Mar 2026	13 Mar 2027	–	–	83,332
–	<b>250,000</b>						–	–	<b>250,000</b>

The weighted average value of the share options at the time of grant was \$0.85.

The fair value of the share options was calculated using a Monte-Carlo model, adjusted for expectations of forfeiture due to employee departures. The assumptions used in calculating the fair value are shown below and are common to all tranches of share options, unless otherwise stated:

- Performance Hurdle of 8% per annum increase in total shareholder return.
- Risk-free rate 0.67%.
- Expected volatility of 42.78%.
- Expected life of option is the maximum term up to last day of the exercise window.
- Forfeiture assumptions for the options granted to employees are that 20%, 25% and 30% of Share options are forfeited for tranches 1, 2 and 3 respectively.

#### 33.2 Share rights

Employee benefits include share rights granted to staff on commencement of employment and as part of the bonus incentive scheme, the vesting of which are subject to continuous employment conditions. The value of these grants are amortised over the vesting period, on the basis that employees do not leave prior to vesting. The value of the grant has been determined by reference to the trading in the Company's shares. The amortising period commences from the date employees first had an expectation of receiving an equity component to their bonus incentive scheme. Determination of this date required a degree of judgement.

##### Share rights granted as sign-on incentive

The Company has periodically granted share rights to senior executives commencing employment with the Group. The share rights are priced with reference to the trading price of the Company's shares at the time the offer of employment is made. Vesting is subject to continuous employment, with terms varying on a case by case basis. Amortisation of the expense commences on the day the senior executive starts their employment.

##### Share rights granted as part of the annual bonus incentive scheme

Share rights have been granted to employees in connection with their 2017 and 2018 annual bonus which entitles the employees to ordinary shares in the Company in the future for no payment. The share rights vest over a prescribed vesting period, and are conditional on continuous employment, unless otherwise determined by the Board.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 33 Share-based payments (cont.)

#### 33.2 Share rights (cont.)

The table below sets out the movement in share rights during the year:

	Number of share rights	Grant date fair value \$'000
Balance at the beginning of the year	3,247,604	14,681
Granted during the year	–	–
Forfeited during the year	(3,821)	(17)
Vested during the year	(1,183,389)	(5,325)
<b>Balance at the end of the year</b>	<b>2,060,394</b>	<b>9,339</b>

#### 33.3 Restricted shares

As part of the 2019 annual bonus incentive scheme, the share-based component of remuneration was delivered in the form of restricted shares, issued to employees as part of their annual bonus awards in March 2020. The restricted shares were priced at the 5-day volume weighted average price of the shares in the Company at the end of the 2019 financial year. The restricted shares vest over a prescribed vesting period of 10 months to 34 months, and are conditional on continuous employment, unless otherwise determined by the Board. The amortising period has been assessed to commence from the date employees first had an expectation of receiving an equity component to their annual bonus (being 1 January of each financial year).

	Number of restricted shares	Grant date fair value \$'000
Balance at the beginning of the year	–	–
Granted during the year	1,365,781	6,803
Forfeited during the year	–	–
Vested during the year	(11,042)	(55)
<b>Balance at the end of the year</b>	<b>1,354,739</b>	<b>6,748</b>

#### Restricted shares - 2020 bonus incentive scheme

As at 31 December 2020, the Group has estimated the expected 2020 annual bonuses, including an estimate of the amount of bonuses to be paid in cash and the share-based component, which is anticipated to be delivered in the form of restricted shares. The profit or loss impact (after tax) of the estimated equity component for services received for the year ended 31 December 2020 was \$4.7 million (2019: \$4.8m).

#### 33.4 Loan funded share plan

During the year the Group established a Loan Funded Share Plan (LFSP) for certain employees that enabled the employees to invest in shares of the Company in order to more closely align their long term interests with shareholders of the Group. The Group provided an interest free and unlimited recourse loan to the employees that was used to acquire shares in the Company. The loans to employees are secured on the shares which are not transferable until the loan is fully repaid. Shares granted under the LFSP are subject to a vesting period of four to six years and are subject to a service condition and an 8% per annum total shareholder return performance hurdle. Shares acquired under the LFSP rank equally in all respects with all shareholder entitlements for the same class of shares including dividends.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 33 Share-based payments (cont.)

#### 33.4 Loan funded share plan (cont.)

	Number of loan funded shares	Grant date fair value \$'000
Balance at the beginning of the year	–	–
Granted during the year	3,500,000	17,433
Forfeited during the year	(20,000)	(100)
Vested during the year	–	–
<b>Balance at the end of the year</b>	<b>3,480,000</b>	<b>17,333</b>

The shares issued under the LFSP have been treated as 'in substance options' which have been valued using a Monte-Carlo pricing methodology with key inputs shown below. The resulting value is amortised over the vesting period on a probability adjusted basis. The total expense recorded for the period was \$0.37 million.

LFSP	Tranche 1	Tranche 2	Tranche 3
Vesting period	4 years	5 years	6 years
Share price at grant date	\$4.04	\$4.04	\$4.04
Expected volatility	42.78%	42.78%	42.78%
Risk-free rate	0.67%	0.67%	0.67%
Fair value per security	\$0.75	\$0.86	\$0.94
Performance hurdle (total shareholder return)	8% p.a.	8% p.a.	8% p.a.
Forfeiture assumptions	20%	25%	30%

#### 33.5 Salary sacrifice share plan

As part of the 2019 bonus incentive scheme, all employees of the Group were invited to participate in the salary sacrifice share offer which allowed employees to receive up to \$5,000 worth of shares in the Company by sacrificing an equivalent amount of their 2019 cash bonus award paid in March 2020. 28,003 shares were issued under the arrangement, priced at \$4.0358, being the 5-day volume weighted average price of the Company's shares on 11 March 2020. The shares are restricted from being sold by employees until at least 1 July 2021 or when the participant is no longer employed by the Group.

	Number of salary sacrifice shares	Grant date fair value \$'000
Balance at the beginning of the year	–	–
Granted during the year	28,003	113
Vested during the year	(5,328)	(22)
<b>Balance at the end of the year</b>	<b>22,675</b>	<b>91</b>

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 34 Key management personnel compensation

The aggregate compensation made to both Executive and Non-Executive Directors and other members of Key management personnel (KMP) of the Company and the Group is set out below. There were 9 KMPs in 2020 (2019: 8 KMPs).

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Short-term employee benefits	5,082	5,034
Share-based payments	1,987	1,605
Long service leave	37	35
<b>Total Key management personnel compensation</b>	<b>7,106</b>	<b>6,674</b>

### 35 Related party transactions

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

#### 35.1 Loans to related parties

Loans to employees	439	450
--------------------	-----	-----

The Group has provided two employees with interest-free loans that are used for investment purposes, primarily for investment in funds managed by the Group. The investments purchased have been designated as restricted and are unable to be sold without the approval of the Group. 51% of distributions received on the investments are allocated against the loan balance. The loans are repayable over a maximum term of five years.

#### 35.2 Transactions with Moelis & Company

Moelis & Company Group LP (Moelis & Company) is a global financial institution with subsidiaries and offices in a number of countries. The Group works with Moelis & Company offices to execute cross border transactions with any revenue share based on the roles of the teams involved and billing arrangements of each transaction. No revenue has been cross Company billed in current or prior year. There were also costs allocated from Moelis & Company for global technology and market data expenses.

Expenses		
Main expenses categories include		
Conferences and Seminars	(42)	–
Information services	(37)	(70)
IT infrastructure	–	(32)
Net expenses allocated from Moelis & Company	(79)	(102)

#### 35.3 Transactions with Key Management Personnel

The following transactions with KMP took place in 2020.

- Andrew Pridham and Julian Biggins entered into property management service arrangements with the Group on the same terms as those offered to third party investors in a property managed by the Group. Total management fees payable by Mr Pridham and Mr Biggins for 2020 amounted to \$69,542 and \$21,342 respectively.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 35 Related party transactions (cont.)

#### 35.4 Transactions with funds managed by the Group

The Group is involved in the management of various funds, through its role as a trustee, manager, financial advisor and underwriter, and charges fees for doing so. The Group also invests in some of the funds which it manages.

	KMP 31 Dec 2020 \$'000	Group 31 Dec 2020 \$'000	KMP 31 Dec 2019 \$'000	Group 31 Dec 2019 \$'000
<b>Related party investments</b>				
Infinite Care Group	–	–	–	2,774
MA Aged Care Fund	4,150	–	4,150	3,833
MA Kincare Fund	400	9,037	400	8,721
MA Senior Secured Credit Fund II	3,652	2,353	1,598	2,275
MKM Capital	–	5,667	–	–
Redcape Hotel Group	6,374	58,232	8,054	59,348
	<b>14,576</b>	<b>75,289</b>	<b>14,202</b>	<b>76,951</b>

The above amounts for KMP are recorded at the entry price paid or committed for the relevant investment in accordance with AASB 124 *Related Party Disclosures* and have not been adjusted for subsequent valuation changes.

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Related party fees</b>		
Trustee and management fees	16,396	20,584
Performance fees	5,836	–
Interest on loans receivable	144	–
	<b>22,376</b>	<b>20,584</b>
<b>Receivables from related parties</b>		
<i>Current</i>		
Accounts receivable and fees receivable from related parties	11,367	5,078



## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 36 Parent entity disclosures

As at, and throughout, the reporting year ended 31 December 2020 the parent entity of the Group was Moelis Australia Limited.

	31 Dec 2020 Company \$'000	31 Dec 2019 Company \$'000
<b>Results of the parent company</b>		
Profit for the year	15,794	(642)
Other comprehensive income	–	–
<b>Total comprehensive income for the period</b>	<b>15,794</b>	<b>(642)</b>
<b>Financial position of the parent entity</b>		
Current assets	185,409	161,522
Non-current assets	37,579	37,449
<b>Total assets</b>	<b>222,988</b>	<b>198,971</b>
Current liabilities	6,619	1,968
Non-current liabilities	–	–
<b>Total liabilities</b>	<b>6,619</b>	<b>1,968</b>
<b>Net assets</b>	<b>216,369</b>	<b>197,003</b>
<b>Total equity of the parent entity comprising of:</b>		
Contributed equity	188,621	174,423
Reserves	27,016	22,877
Retained earnings	732	(297)
<b>Total equity</b>	<b>216,369</b>	<b>197,003</b>

The parent entity had no contingencies at reporting period end other than those already disclosed in the financial statements.

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 37 Investment in subsidiaries

#### 37.1 Acquisition and disposal of investments in subsidiaries

##### Acquisitions

- On 4 January 2019, the Group acquired the power to exercise control in the MA Master Credit Trust. No gains or losses were incurred from acquisition as it was transacted at arms length. The Group accounts for the entity as a subsidiary from that date onwards.

##### Disposals

- On 21 December 2020, the Group disposed of KC Finance Pty Ltd consisting of a loan asset of \$25.5 million and redeemable preference shares of \$25.5 million. There was no gain or loss recognised on disposal. Refer to note 25 for more details.
- On 3 February 2020, the Group disposed of its remaining interest in Golden Corridor Management Pty Ltd. No gain or loss was recognised on disposal.

#### 37.2 Subsidiaries

Details of the Group's material subsidiaries at the end of the financial year are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31 Dec 2020	31 Dec 2019
A.C.N. 167 316 109 Pty Ltd	Corporate Finance	Australia	100%	100%
Armada Funds Management Pty Ltd	Asset Management	Australia	100%	100%
Eastern Credit Management Pty Ltd	Asset Management	Australia	100%	100%
Global Wealth Aged Care Pty Ltd	Asset Management	Australia	100%	100%
KC Finance Pty Ltd	Asset Management	Australia	–	100%
MA Asset Management (Hong Kong) Limited	Asset Management	Hong Kong	100%	–
MA Asset Management Ltd	Asset Management	Australia	100%	100%
MA Credit Investments Pty Ltd	Asset Management	Australia	100%	–
MA Hotel Management Pty Ltd	Asset Management	Australia	100%	100%
MA Investment Management Pty Ltd	Asset Management	Australia	100%	100%
MA Master Credit Trust	Asset Management	Australia	100%	100%
MA UK Operations Limited	Asset Management	United Kingdom	100%	–
MA Visa Fund Manager Pty Ltd	Asset Management	Australia	100%	100%
MAAM Commercial Consulting (Shanghai) Co Ltd	Asset Management	China	100%	100%
MAAM GP Pty Ltd	Asset Management	Australia	100%	100%
MAAM Holdings Pty Ltd	Asset Management	Australia	100%	100%
MAAM Re Limited	Asset Management	Australia	100%	100%
MAF Credit Pty Ltd	Asset Management	Australia	100%	100%
MAKM Holdings Pty Ltd	Asset Management	Australia	100%	–
Moelis Australia Advisory Pty Ltd	Corporate Finance	Australia	100%	100%
Moelis Australia Finance Pty Ltd	Administration Entity	Australia	100%	100%
Moelis Australia Foundation Pty Ltd	Administration Entity	Australia	100%	100%
Moelis Australia Operations Pty Ltd	Administration Entity	Australia	100%	100%
Moelis Australia Partners Pty Ltd	Asset Management	Australia	100%	100%
Moelis Australia Securities Pty Ltd	Corporate Finance	Australia	100%	100%

## Notes to the consolidated financial statements (cont.)

for the year ended 31 December 2020

### 37 Investment in subsidiaries (cont.)

#### 37.2 Subsidiaries (cont.)

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31 Dec 2020	31 Dec 2019
Moelis Australia Share Plan Pty Ltd	Administration Entity	Australia	100%	100%
Redcape Hotel Group Management Ltd	Asset Management	Australia	100%	100%
TMASL Finance Pty Ltd	Asset Management	Australia	100%	100%
Western Funds Management Pty Ltd	Asset Management	Australia	100%	100%

A majority of the Group's wholly owned Australian incorporated and operated subsidiaries are members of the Moelis Australia tax-consolidated group of which Moelis Australia Ltd is the head entity

### 38 Commitments

At 31 December 2020, the Group had undrawn loan commitments of \$30.9 million (2019: \$40.7 million). Calculations of provision on loan commitments recognised are consistent with the loan receivables. Subsequent to 31 December 2020, \$1.8 million of this commitment was either cancelled or drawn upon.

At 31 December 2020, the Group has the following capital commitments:

- The Group has committed to a 10% co-investment in Class B Units in MCT, a consolidated entity of the Group. At 31 December 2020, \$17.3 million (2019: \$9.7 million) has been invested by the Group in MCT. Refer to further information in note 24(c).

### 39 Subsequent events

On 8 February 2021 the Group entered into a credit related partnership with a Major Australian bank. The partnership initially involves the Group acquiring a \$24 million loan note in a A\$300 million portfolio of asset finance loans. \$18 million of this investment will be sourced from credit fund managed by Moelis Australia in addition to a \$6 million co-investment by the Company. The balance of the funding for the loan portfolio is to be provided via a non-recourse loan facility.

On 16 February 2021 the Group agreed to acquire retail property manager RetPro Pty Ltd for an initial cash consideration of \$10.5 million. An additional deferred consideration is payable in a combination of cash and shares up to a maximum of \$6.75 million dependant on achieving increased revenue hurdles up to 30 June 2022.

## Directors' declaration

In the Directors' opinion:

- (a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) the financial statements and notes set out on pages 38 to 103 are in accordance with the *Corporations Act 2001* (Cth) including:
  - (i) complying with the Australian Accounting Standards, and
  - (ii) giving a true and fair view of the Company's and the consolidated Group's financial positions as at 31 December 2020 and their performance for the financial year ended on that date.

Note 1 (a) includes a statement that the financial report complies with International Financial Reporting Standards.

The Directors have been given declarations by the joint CEO's and CFO required by section 295A of the *Corporations Act 2001* (Cth).

This declaration is made in accordance with a resolution of the Directors.



**Jeffrey Browne**  
Independent Chairman and Non-Executive Director  
Sydney  
17 February 2021



**Julian Biggins**  
Director and Joint Chief Executive Officer  
Sydney  
17 February 2021

# Independent auditor's report

for the year ended 31 December 2020

**Deloitte.**

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

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

## Independent Auditor's Report to the Members of Moelis Australia Limited

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of Moelis Australia Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and 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 other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of their financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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.

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

## Independent auditor's report (cont.)

for the year ended 31 December 2020

# Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Investment in Redcape</b></p> <p>In November 2017, Moelis in conjunction with a number of Moelis managed funds and external investors completed a \$677m transaction. The transaction involved Moelis taking a direct 10% investment into Redcape, with total holdings by Moelis and Moelis managed funds of 59%. Moelis determined in FY 17 that Redcape was an associate and was therefore subject to equity accounting method. This equity accounting remained the same when in November 2018 Redcape underwent an IPO.</p> <p>As a result of the share price declining subsequent to IPO, the resultant market capitalisation indicated that Moelis investment in Redcape was valued at \$47.8m compared to their share of profits from associate to the amount of \$58.2m.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Analysing management's impairment assessment detailing conclusions made on impairment indicators and noted that the carrying value is supported by the Group's share of net assets of Redcape;</li> <li>Reconciling the Group's share of net assets of Redcape to the Group's investment in Redcape balance; and</li> <li>Recalculating the valuation of the Group's share of net assets of Redcape using the Group's shareholding of Redcape as at year end and applying that to Redcape's 31 December 2020 financial information;</li> <li>Reviewing the workpapers of the component auditor for Redcape and their assessment of Redcape's impairment assessment.</li> </ul> <p>We assessed the appropriateness of the disclosures in Note 20 to the financial statements.</p>
<p><b>Investment Banking Revenue Recognition</b></p> <p>The revenue generated by the Corporate Advisory Segment within the Group is primarily from investment banking transactions. For the year ended 31 December 2020, the advisory segment generated \$45.5m in revenue. This revenue stream is recognised by reference to the stage of completion of the transaction at the end of the reporting period as disclosed in Note 1(c) and note 4.</p> <p>Revenue recognition required management judgement in respect of when stages of the transaction were completed and revenue was appropriately recognised.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Evaluating management's relevant controls over the revenue recognition process and testing of design, implementation and operating effectiveness of relevant controls;</li> <li>Testing on a sample basis, the calculation of the fees recognised to the key milestones as outlined in the client engagement letters;</li> <li>Reviewing subsequent period documentation to assess whether revenue has been recorded in the correct period; and</li> <li>Reviewing management reporting, board minutes, market available information and making enquiries of management to support the revenue recognised.</li> </ul>

For personal use only

**Independent auditor's report (cont.)**  
for the year ended 31 December 2020

**Deloitte.**

	We have also assessed the appropriateness of the disclosures in Note 1(c) and Note 4 to the financial statements.
--	---

*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do 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 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, 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.

*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

For personal use only

## Independent auditor's report (cont.)

for the year ended 31 December 2020

# Deloitte.

audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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



**Independent auditor's report (cont.)**  
for the year ended 31 December 2020

**Deloitte.**

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 28 to 36 of the Directors' Report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Moelis Australia Limited, for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

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

*DELOITTE TOUCHE TOHMATSU*

DELOITTE TOUCHE TOHMATSU

*DNell*

Delarey Nell  
Partner  
Chartered Accountants  
Sydney, 17 February 2021

## Additional information

### Dividend details

Moelis Australia generally pays a dividend on its fully paid ordinary shares once a year following its full-year financial results announcement.

The payment date for the dividend following the announcement of the 2020 results is 3 March 2021.

### Share Registry Details

The following information is correct as at 3 February 2021.

Registered Holder	Number of ordinary shares held	% of ordinary shares
MOELIS & CO INTERNATIONAL HOLDINGS LLC	29,500,000	19.52%
MAGIC TT PTY LTD	26,722,792	17.68%
MAGIC TT 2 PTY LTD	14,850,000	9.83%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	10,972,883	7.26%
HSBC CUSTODY NOMINEES (AUSTRALIA LIMITED)	9,217,267	6.10%
UBS NOMINEES PTY LTD	5,103,089	3.38%
MOELIS AUSTRALIA SHARE PLAN <SHARE PLAN ALLOCATED>	4,383,511	2.90%
CITICORP NOMINEES PTY LIMITED	3,960,672	2.62%
TOUCHARD PTY LTD <MONAGHAN FAMILY NO 2 A/C>	3,359,077	2.22%
MOELIS AUSTRALIA SHARE PLAN <MOELIS AUST SHARE PLAN A/C>	3,070,848	2.03%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	2,457,196	1.63%
BNP PARIBAS NOMS PTY LTD <DRP>	1,812,867	1.20%
RICHARD GERMAIN AND NINA GERMAIN <GERMAIN FAMILY A/C>	1,724,677	1.14%
NATIONAL NOMINEES LIMITED	1,664,164	1.10%
JILL ADORA PTY LTD	1,516,860	1.00%
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	985,112	0.65%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	900,891	0.60%
SENO INVESTMENTS PTY LTD	600,000	0.40%
WEI YANG	525,532	0.35%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	508,782	0.34%

### Distribution of Shareholders

Holding	Number of shareholders	Number of ordinary shares	% of ordinary shares
1 – 1,000	672	325,421	0.22%
1,001 – 5,000	1,004	2,931,427	1.94%
5,001 – 10,000	482	3,764,958	2.49%
10,001 – 100,000	501	12,991,497	8.60%
100,001 and over	57	131,127,767	86.76%

## Additional information (cont.)

### Unmarketable parcels

There were 88 shareholders (representing 3,128 shares) who held less than a marketable parcel.

### Substantial shareholders

Name	Number of ordinary shares	% of ordinary shares
Moelis Australia Limited	43,885,908	29.04%
Moelis & Company Group LP, Moelis & Company International Holdings LLC, Kenneth Moelis	29,500,000	19.98%
Magic TT Pty Limited, Andrew Pridham	26,800,000	18.15%
Magic TT 2 Pty Limited, Christopher Wyke	14,850,000	10.06%

### Voting rights

At meetings of members or classes of members, each member may vote in person or by proxy, attorney or (if the member is a body corporate) corporate representative. On a show of hands, every person present who is a member or a proxy, attorney or corporate representative of a member has one vote and on a poll every member present in person or by proxy, attorney or corporate representative has one vote for each fully paid share held by the member.

### Voting escrow shares

As at 10 February 2021, 35,000,000 shares were subject to voluntary escrow. The voluntary escrow period ends on the dates and for the amount of shares set out in the table below:

Date of release	Number of shares released from escrow
10 April 2021	11,666,666
10 April 2022	11,666,667
10 April 2023	11,666,667

### Share options

The table below sets out the number of share options, with each share option carrying the right to acquire one share in the Company at a future date, outstanding as at 10 February 2021:

Size of holding	Number of holders	Share options
1 – 1,000	–	–
1,001 – 5,000	–	–
5,001 – 10,000	6	60,000
10,001 – 100,000	20	886,250
100,001 and over	12	3,295,825
<b>Total Share Options</b>	<b>38</b>	<b>4,242,075</b>

## Glossary

Term	Definition
AASB	Australian Accounting Standards Board
ASX	Australian Securities Exchange of ASX Limited (ABN 98 008 624 691) and the market operated by ASX Limited.
AUM	Assets under management
Board	The Board of Directors of Moelis Australia Limited
Company	Moelis Australia Limited (ABN 68 142 008 428), a company limited by shares
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Directors	The Directors of the Company as at the date of this Report
EBITDA	Earnings before interest, tax, depreciation and amortisation
EAD	Exposure at default
ECL	Expected credit loss
ECM	Equity capital markets
Employees	Employees of the Group
Employee Share Trust	Moelis Australia Employee Share Trust established by trust deed dated 15 March 2017
EPS	Earnings per share
Equity Incentive Plan	Moelis Australia Equity Incentive Plan
Existing Staff Trusts	Trusts established prior to the IPO of the Company, which hold shares on behalf of current and former employees of the Group.
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
Group	The Company and its subsidiaries
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
KMP	Key management personnel
LGD	Loss given default
Moelis Australia	The Company and/or its subsidiaries as the context requires
Moelis & Company	Moelis & Company Group LP, listed on the New York Stock Exchange
NPAT	Net profit after tax
NYSE	New York Stock Exchange
PD	Probability of default
RBA	Reserve Bank of Australia
REIT	Real Estate Investment Trust
ROU	Right-of-use
Shareholder	The holder of a share
Shares	Fully paid ordinary shares in the capital of the Company

## Glossary (cont.)

Term	Definition
Share options	Options over unissued shares
Share rights	Rights to receive shares at some point in the future
Small Cap	Any company outside the ASX 100 and measured against the S&P/ASX Small Ordinaries Index
Staff Trustee	Magic TT Pty Ltd (ACN 143 275 138) and Magic TT 2 Pty Ltd (ACN 636 844 356) as trustees of the Existing Staff Trusts

For personal use only

This pages has been intentionally left blank.

## Corporate directory

### Directors

Jeffrey Browne (Chairman)  
Andrew Pridham (Group Vice Chairman)  
Alexandra Goodfellow  
Kenneth Moelis  
Kate Pilcher Ciafone  
Julian Biggins  
Christopher Wyke

### Company Secretary

Janna Robertson  
Rebecca Ong

### Registered Office

Principal place of business  
Level 27, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Tel: + 61 2 8288 5555

### Registered Office

#### Sydney

Level 27, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Tel: + 61 2 8288 5555

#### Melbourne

Level 34, 120 Collins Street  
Melbourne VIC 3000  
Tel: +61 3 8650 8650

#### Shanghai

Level 38, Park Place  
1601 Nan Jing West Road  
Jing An District 200040  
Shanghai  
Tel: +86 021 6137 3216

### Share Registry

Boardroom Pty Limited  
Level 12, Grosvenor Place  
255 George Street  
Sydney NSW 2000  
Tel: 1300 737 760  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)  
[moelis@boardroomlimited.com.au](mailto:moelis@boardroomlimited.com.au)

### Auditor

Deloitte Touche Tohmatsu  
Grosvenor Place  
225 George Street  
Sydney NSW 2000

### Website

[www.moelisaustralia.com](http://www.moelisaustralia.com)

### **Sydney**

Level 27, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Phone: +61 2 8288 5555

### **Melbourne**

Level 34, 120 Collins Street  
Melbourne VIC 3000  
Phone: +61 3 8650 8650

### **Shanghai**

Level 38, Park Place  
1601 Nan Jing West Road  
Jing An District 200040  
Shanghai  
T +86 021 6137 3216