

# Navigator Global Investments Limited

(ASX:NGI)

## ASX Appendix 4E

For the year ended 30 June 2021

### Results for announcement to the market

(all comparisons to the year ended 30 June 2020)

Amounts in USD'000

|                                                                   |    |     |    | 30 June 2021 |
|-------------------------------------------------------------------|----|-----|----|--------------|
| Revenue from ordinary activities                                  | Up | 6%  | to | 107,958      |
| Earnings before interest, tax, depreciation and amortisation      | Up | 24% | to | 37,803       |
| Profit from ordinary activities after tax attributable to members | Up | 47% | to | 26,755       |
| Net profit for the period attributable to members                 | Up | 47% | to | 26,755       |

| Dividends                                                                                                                                                               | Amount per ordinary share                                                                          | Franked % | Conduit foreign income % |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|-----------|--------------------------|
| Final 2020 dividend per share (paid 4 September 2020)                                                                                                                   | USD 5.5 cents                                                                                      | 0%        | 0%                       |
| Interim 2021 dividend per share (paid 12 March 2021)                                                                                                                    | USD 3.5 cents                                                                                      | 0%        | 100%                     |
| The directors have determined an unfranked final dividend of United States (US) 6.0 cents per share (with 100% conduit foreign income credits). The dividend dates are: | Ex-dividend date: 25 August 2021<br>Record date: 26 August 2021<br>Payment date: 10 September 2021 |           |                          |

NGI dividends are determined in US dollars. However, shareholders will receive their dividend in Australian dollars. Currency conversion will be based on the closing foreign exchange rate on the record date of 26 August 2021.

#### Dividend Policy

The Company has set a policy of paying a dividend of 70% to 80% of the earnings before interest, depreciation, amortisation and tax (EBITDA). Dividends will be unfranked and will have conduit foreign income credits attached.

The payment of dividends will be subject to corporate, legal and regulatory considerations.

The above policy allows the NGI Group to retain a portion of cash generated from operating activities, and to therefore have funds available to make additional investments into the Lighthouse Funds where such investments further the overall operating interests of the Group, or to act on external investment and/or acquisition opportunities as and when they may arise.

A dividend reinvestment plan does not operate in respect to dividends of the Company.

| Net tangible assets | 30 June 2021     | 30 June 2020    |
|---------------------|------------------|-----------------|
| Per ordinary share  | USD 109.47 cents | USD 25.18 cents |

Additional Appendix 4E requirements can be found in the Directors' Report and the 30 June 2021 annual financial report and accompanying notes.

This report is based on the 30 June 2021 annual financial report (which includes consolidated financial statements audited by Ernst & Young).

# 2021 ANNUAL REPORT

NAVIGATOR GLOBAL INVESTMENTS LIMITED  
AND ITS CONTROLLED ENTITIES  
ABN 47 101 585 737

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## **DIRECTORS**

Michael Shepherd  
Fernando (Andy) Esteban  
Nicola Meaden Grenham  
Andy Bluhm  
Sean McGould

## **COMPANY SECRETARY**

Amber Stoney

## **SECURITIES EXCHANGE LISTING**

Navigator Global Investments Limited shares are listed on the  
Australian Securities Exchange (ASX Code: **NGI**)

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## **AUDITOR**

Ernst & Young  
Level 51, 111 Eagle Street  
Brisbane QLD 4000

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UNLESS OTHERWISE INDICATED, THE NUMBERS IN THIS  
ANNUAL REPORT HAVE BEEN PRESENTED IN

**US DOLLARS (USD)**

# 2021 SNAPSHOT

AUM

20.9 billion

Adjusted  
Operating  
Revenue

92.8 million

Adjusted  
EBITDA

31.6 million

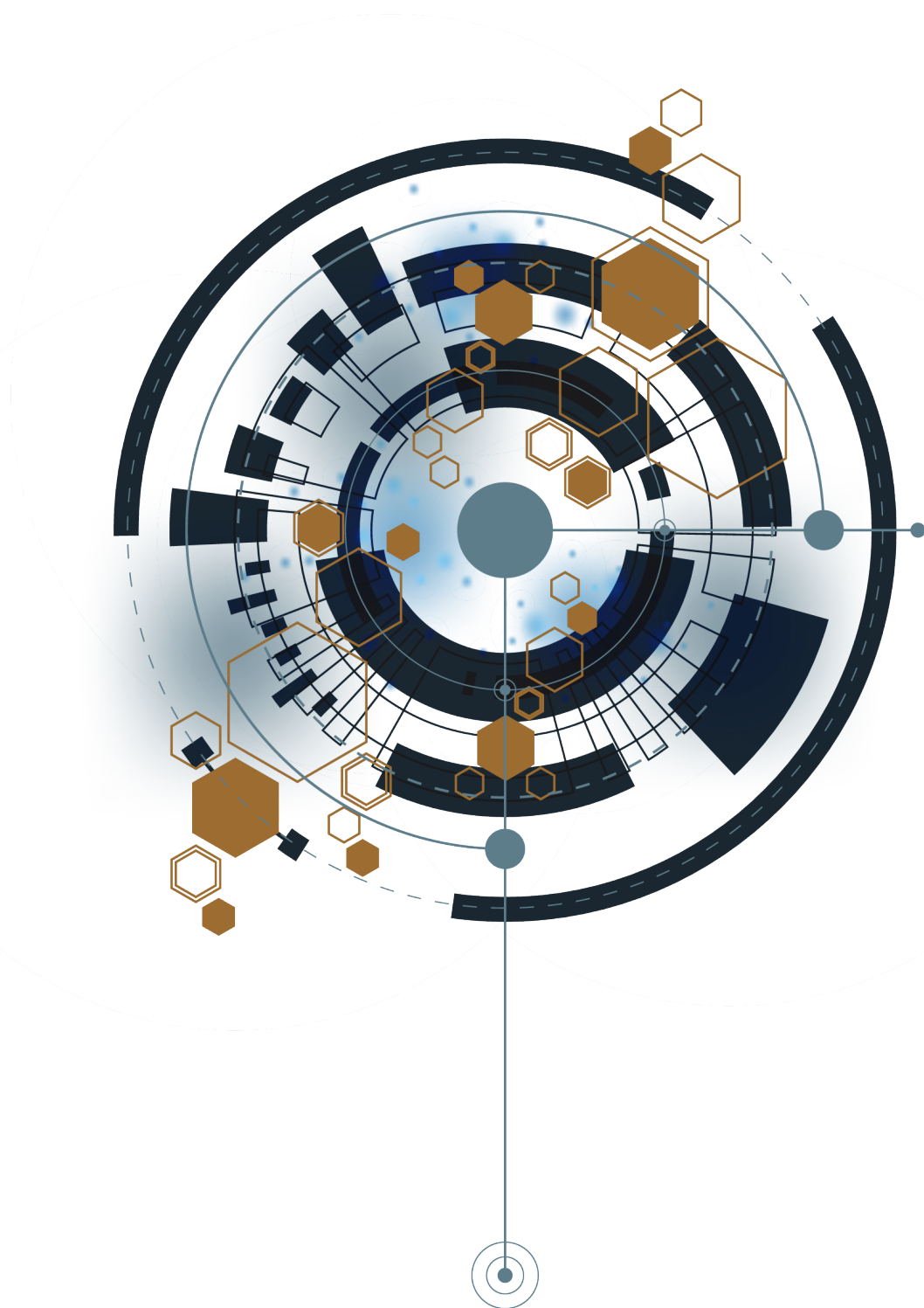
Basic  
EPS

14.97 cps

FY2021  
Dividend

9.5 cps

# FROM THE CHAIRMAN AND CEO



## A year of significant change and evolution

The 2021 financial year has been a year of significant change and evolution for the Navigator Global Investments Limited Group.

Whilst the COVID-19 pandemic has become the new normal that the world has learned to live with, we would like to acknowledge the efforts of our dedicated staff in continuing to effectively work under what can be trying conditions. We are very fortunate that we are able to accommodate our staff working from their homes, giving them the best opportunities to protect themselves and their families from contracting the coronavirus. We understand that working outside of a traditional office environment itself comes with challenges, and we commend our staff in adapting to still be able to meet their deliverables and maintain effective communication. We have hope that the uptake of available vaccines around the world will enable us to move to a position of welcoming our staff back to our offices across the globe, and enabling them to re-establish their face-to-face relationships with each other and our clients.

Despite the challenges of COVID, our people have delivered excellent results for this financial year. Not only have they been able to deliver a transformative acquisition of the NGI Strategic Portfolio, which has increased the NGI Group's investments by **\$238.1 million** as at 30 June 2021, but our core operating business, Lighthouse Investment Partners (Lighthouse), has rebuilt its AUM to pre-pandemic levels to close the financial year at **\$13.9 billion**.

All of the above has enabled us to deliver an Adjusted EBITDA of **\$31.6 million** for the 2021 financial year, which is pleasingly above the earnings guidance we provided at the time of releasing our interim results in February 2021.

## Acquisition of NGI Strategic Portfolio

As noted above, this year saw the completion of a transformative acquisition for the NGI Group. On 1 February 2021, the Group completed its acquisition of the NGI Strategic Portfolio. The Portfolio comprises passive minority stakes in six boutique alternative asset managers:



The acquisition of the Portfolio is an important step for the NGI Group in delivering on a sound growth and diversification strategy, and it creates a platform for Navigator to seek and implement other acquisition opportunities.

The Portfolio was acquired from funds managed by Dyal Capital Partners and its affiliates. Dyal Capital Partners (Dyal) is a leading provider of capital to alternative investment management companies globally.

The transaction was structured to achieve a number of core objectives for NGI:

- adding quality investments to the NGI balance sheet which have a long-term track record of generating strong returns and cash distributions to partners
- providing diversification to the Group's earnings, including added a preferred income stream support on-going cash flow and profitability
- establishing an on-going partnership with Dyal to create opportunities for additional growth

## The purchase price

The acquisition is structured in 2 stages:

1

Completed 1 February 2021

- Navigator acquired approximately 70% of the combined minority interest investments in exchange for an issue of Navigator ordinary shares and Convertible Notes
- The value of the issued shares and Convertible Notes was linked to the NGI share price on 1 February 2021
- 40,524,306 Ordinary Shares were issued with a value of **\$63.8 million**
- 102,283 Convertible Notes were issued with a value of **\$102.3 million**

2

To be completed after the end of the 2025 Calendar Year

- Navigator will acquire the remaining 30% interest in the minority interest investments after the end of the 2025 calendar year.
- The remaining interest will be acquired for cash, and is calculated based on an agreed formula linked to the earnings produced over the next 5 calendar years, capped at \$200 million.
- This future payment was recognised in the balance sheet as a redemption liability at a fair value of **\$69.1 million** on 1 February 2021.

The total purchase price was therefore **\$235.2 million**, for which NGI acquired **\$219.4 million of investments** and **\$15.8 million of cash**. There was no goodwill or bargain recognised in relation to the acquisition.

## Portfolio performance and distributions

Navigator is entitled to a preferred distribution arrangement until the end of the first five years, after which it will acquire the remaining 30% interest in the NGI Strategic Portfolio and be entitled to the entire distribution stream.

This preferred distribution is \$17 million for the FY2021 profit sharing period, indexed at 3% per annum thereafter. Navigator is also entitled to 20% of any distributions above this preferred distribution amount.

The distributions earned for the FY2021 profit sharing period were **\$28.9 million**, of which Navigator's share is **\$19.5 million**. As the transaction closed during the financial year, \$3.7 million of Navigator's distributions will be recognised in the profit and loss statement, whilst the remaining \$15.8 million is accounted for as acquired cash.

The managers within the NGI Strategic Portfolio have all performed well since the transaction closed on 1 February 2021. This has been due to either strong investment performance over the past 5 months, good net capital inflows, or a combination of both. One manager had a decrease in assets under management attributable to the sale of certain of its assets during the period.

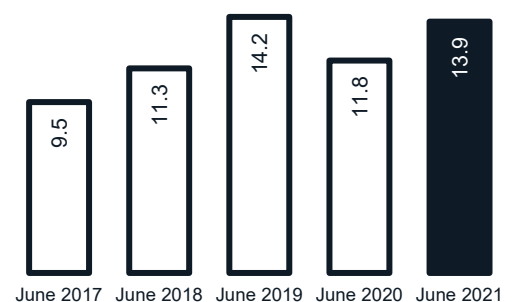
As a result of the increase in assets under management across the NGI Strategic Portfolio, the fair value of the investments as at 30 June 2021 is estimated at **\$238.1 million**. Similarly, the estimate of the amount of the redemption payment due in 2026 has also been increased to **\$79.7 million**. The net effect of these two increases to fair value estimates results in an \$8.0 million unrealised net gain in fair value in the profit and loss statement. However, since the net gain is unrealised and both the assets and liability are long term in nature, this amount has been excluded from the Group's Adjusted EBITDA of \$31.6 million.

## Rebuilding Lighthouse AUM

The Group finished the 2020 financial year impacted by some of the significant negative market reaction from the initial outbreak of the COVID-19 pandemic. Some of our Lighthouse portfolios had experienced large draw downs in March 2020, and by June 2020 AUM was reflecting both the impact of this negative performance and the expected increase in redemption demand as a response.

We are very pleased that despite this difficult start to the year, Lighthouse was able to reverse these impacts through a strong investment performance result across its portfolios, particularly in the first half of the financial year. These investment performance results also aided client retention efforts, enabling the Lighthouse team to significantly reduce the quantum of redemptions over the course of the year. Lighthouse also saw opportunities for new clients emerge, showing positive net inflows in both its Hedge Fund and Managed Account Services products. These service offerings remain a key area of expected future growth.

The combined effect of investment performance and client retention has led to an 18% increase in Lighthouse AUM over the year, to close at **\$13.9 billion** as at 30 June 2021.





## Operating performance

### FY 21 operating performance

The Operating and Financial Review on pages 9 to 26 sets out detailed information on the Group's activities for FY2021. We take this opportunity to highlight a few key points:

- Navigator delivered adjusted EBITDA of \$31.6 million (with statutory EBITDA of \$37.8 million).
- Management fee revenue was \$75.6 million for the year, a decrease of 14% on the prior year.
- Performance fee revenue for the year was \$13.5 million, an increase of \$8.0 million on the previous financial year. Strong investment performance, particularly in the first half of the financial year, drove the significant increase.
- Accounting income from the NGI Strategic Portfolio was \$3.7 million, however the full benefit of the FY2021 profit sharing on the Portfolio was \$19.5 million when taking into account the \$15.8 million of cash acquired in the transaction.
- Operating expenses (net of revenue from fund expense reimbursements and provision of office space, and adding back cash lease payments now recognised as a financing cost) decreased by \$0.5 million on the prior year. Increases in staff costs, primarily due to higher variable compensation, were off-set by cost reductions across most other expenditure areas.

### 5-year historical performance

The Board considers EBITDA to be the most relevant measure of the Company's overall financial performance.

Statutory EBITDA for 2021 increased by 24% on the prior year, a reflection in the strong recovery of the Lighthouse business after the beginning of the pandemic, as well as the addition of income from the acquisition of the NGI Strategic Portfolio during the year.

|                                                       | 2017          | 2018          | 2019          | 2020          | 2021             |
|-------------------------------------------------------|---------------|---------------|---------------|---------------|------------------|
| <b>EBITDA (USD millions)</b>                          | <b>29.848</b> | <b>34.212</b> | <b>37.652</b> | <b>30.518</b> | <b>37.803</b>    |
| Cash flows from operating activities (USD millions)   | 30.088        | 32.921        | 22.565        | 32.562        | 22.199           |
| Dividends per share for the financial year (US cents) | 14.0          | 16.0          | 17.0          | 14.0          | 9.5              |
| Dividend amount for the financial year (USD millions) | 22.648        | 26.058        | 27.281        | 22.885        | 25.419           |
| Dividend payout as a % of EBITDA                      | 76%           | 76%           | 72%           | 75%           | 80% <sup>1</sup> |
| Closing share price (dollars)                         | AUD 2.40      | AUD 5.34      | AUD 3.94      | AUD 1.19      | AUD 1.78         |
| Change in share price (dollars)                       | ▲ AUD 0.11    | ▲ AUD 2.94    | ▼ AUD 1.40    | ▼ AUD 2.75    | ▲ AUD 0.59       |

<sup>1</sup> 2021 payout ratio calculated on Adjusted EBITDA of \$31.587 million. Adjusted EBITDA excludes the impact of \$8.0 million of net unrealised changes in fair value of the NGI Strategic investment portfolio and redemption liability.

### Dividends

The Directors determined an unfranked dividend of **6.0 US cents per share** (with 100% conduit foreign income credits) payable 10 September 2021. Added to the interim dividend of 3.5 cents per share, this brings the total for the year to 9.5 US cents per share.

The FY2021 combined interim and final dividends equates to a payout ratio of **80%** of Adjusted EBITDA.

The Directors are satisfied that the current capital management policy of paying a dividend of between 70-80% of EBITDA continues to strike the right balance between rewarding shareholders and ensuring the Group can retain sufficient resources to take advantage of any growth opportunities which may arise.

**FY2021 dividends of**  
**9.5**  
**cents per share**

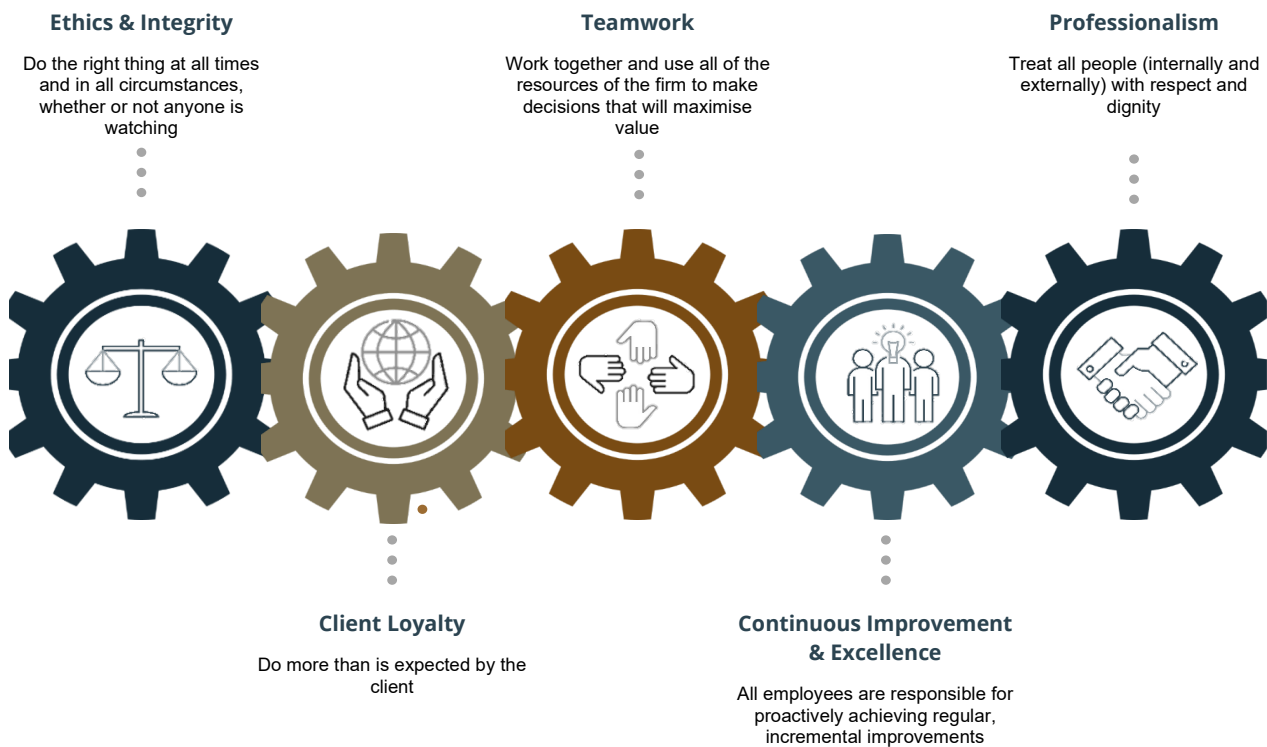
## Corporate governance

Strong governance and a culture which values ethics and integrity are a key priority for the Navigator board.

### Our core values

We are very aware that people are the heart of everything we do.

That's why our core values are centered around how we want employees to behave with our clients, our managers and with each other. These values have been the guiding force within our Lighthouse business since the beginning, and the Navigator board formally adopted these values in May 2019 to ensure that we articulate them externally as well as internally:



### Board composition

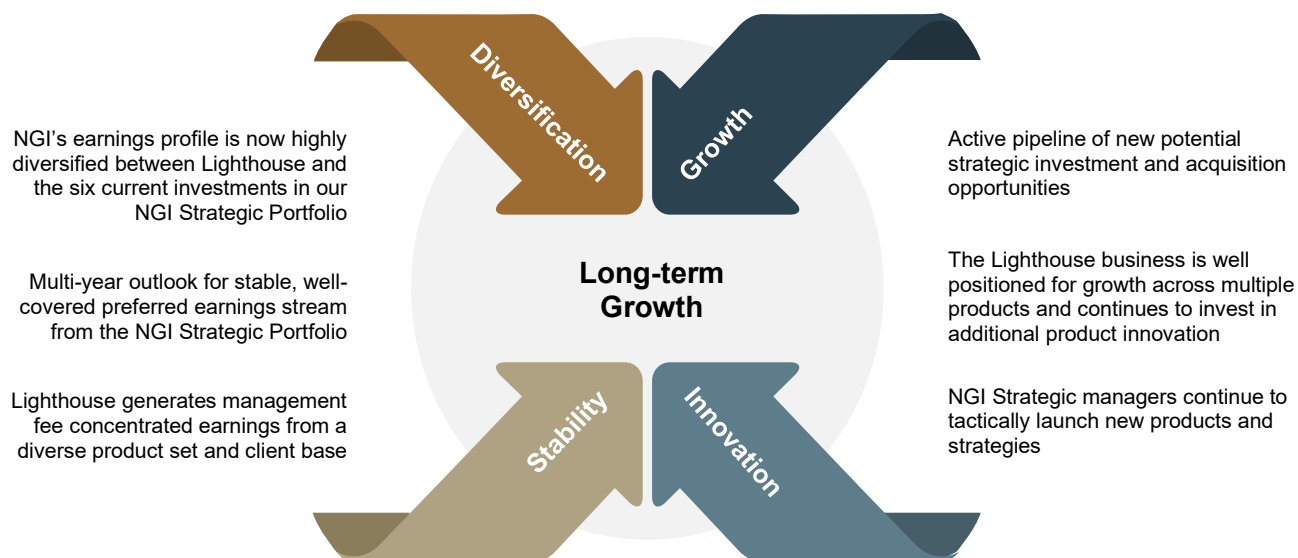
During the financial year, Navigator welcomed Ms Nicola Meaden Grenham as director on 8 October 2020, with her appointment approved by shareholders at the 2020 Annual General Meeting. Nicola brings over 30 years of knowledge and experience in the global alternative asset management sector, and she has proven to be an excellent complement to the existing Directors.

The NGI Strategic Portfolio transaction terms also include a right for Dyal to nominate a director for appointment to the board, however this right has yet to be exercised. The Navigator Board will continue to review its composition as the Group executes on its growth strategy.

## Outlook

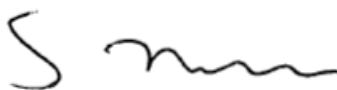
FY21 was yet another busy and challenging year. It has definitely been an exciting one in terms of growth, and has laid the ground work for even more growth by acquisition.

The NGI Group is more diversified than ever before. It is powered by high quality earnings diversified across product, client type and geography. It is also positioned with the financial resources and capabilities to drive strong long-term growth.



On behalf of the Directors, we would like to extend our thanks again to all of our staff, who have shown resilience and adaptability in responding to the necessary changes in working conditions arising from the global pandemic. They have remained focused on delivering quality investment and client service, with the goal of assisting our clients through the continuing global uncertainties. We look forward to the safe resolution of the pandemic, and in the meantime extend our hope that you and your family remain safe and well.

  
Michael Shepherd  
Chairman

  
Sean McGould  
Chief Executive Officer

# OPERATING AND FINANCIAL REVIEW



***Navigator Global Investments Limited is a diversified asset management holding company dedicated to partnering with leading management teams who operate institutional quality businesses globally, primarily in the alternative investment management sector***

The Navigator Global Investments Limited (Navigator) operates a business which is broader and more diversified than ever before. Our performance is driven by high quality earnings diversified across product, client type, geography and positioned with the financial resources and capabilities to drive strong long-term growth. Our focus is on a sector of the asset management industry experiencing strong growth and high barriers to entry.

We look for opportunities which provide exposure to high quality asset management businesses for our shareholders, and look to achieve this with flexible ownership and operating structures. With the successful acquisition of minority stakes in high quality alternative asset managers during the 2021 financial year, our business is currently structured along two key lines:



**Full/Majority owned**  
Operating businesses



**Minority stakes**  
Strategic investments



After a successful year of both organic and acquisition growth, Navigator is well positioned to continue executing its strategic plan for growth with:

- ✓ **Diversified and scaled portfolio of cash flow generating assets**
- ✓ **Clean balance sheet**
- ✓ **Large and growing addressable market**
- ✓ **Deep investment and operational expertise**
- ✓ **Dyal Capital Partners, the industry leading investor in alternative investment management companies globally, as a strategic partner and long-term shareholder**

## About Lighthouse

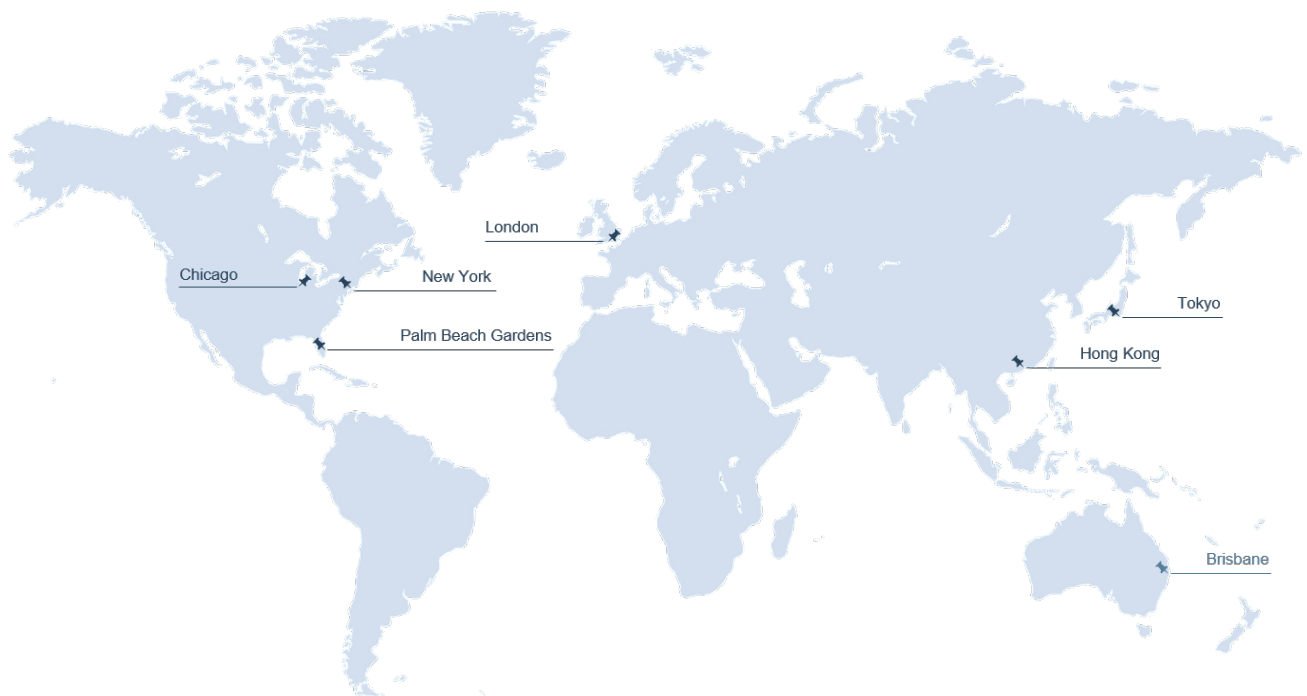
Our wholly-owned operating business is Lighthouse Investment Partners, LLC ('Lighthouse'). Lighthouse is a global investment management firm which offers hedge fund strategies to investors who are looking to diversify their asset mix and realise growth with a lower correlation to traditional equity and fixed income allocations.

Lighthouse believes the most effective way to achieve diversification from traditional markets is through exposure to intelligently designed and actively managed portfolios of hedge fund strategies. Lighthouse's overall objective is to create and deliver innovative investment solutions that compound investor capital.

As at 30 June 2021, Lighthouse is managing \$13.9 billion of assets under management.

Lighthouse has an investor base that spans North America, Europe, the Asia-Pacific and the Middle East. It's clients are primarily institutional, and include high net worth individuals, family offices, endowments, foundations, trusts, investment banks, benefit plans, pension funds, healthcare and insurance companies.

As a global business with a global client base, Lighthouse has offices in New York, Chicago, Palm Beach Gardens, London, Hong Kong and Tokyo.



# Lighthouse is a global investment firm with a diversified mix of business

The foundation for the services provided by Lighthouse is its proprietary managed accounts program. Entrepreneurial and innovative, Lighthouse has since its inception employed proprietary managed accounts. This program has allowed Lighthouse to build truly differentiated alternative asset portfolios with idiosyncratic exposures, and spurring continuing evolution.

## Hedge Fund Solutions

Lighthouse offers a broad range of hedge fund solutions, including strategic partnerships, custom managed portfolios and commingled funds.

In its **strategic partnerships**, Lighthouse works closely with large strategic investors to customise their alternative investment exposure and meet specific needs across middle office, risk monitoring and investment advisory services. Strategic partners may utilise a variety of Lighthouse's services, ranging from investments in its Hedge Funds or Commingled Funds, Customised Funds or utilisation of its Managed Account Services.

**Customised Solutions** offers investors who are able to commit to a significant investment size the ability to access the benefits of the managed account structure in their own customised portfolio while still receiving portfolio construction, manager selection and due diligence services from the Lighthouse investment team.

Lighthouse also offers a number of hedge fund solutions through its **commingled funds**, the largest strategies of which are:

- **Diversified** – a multi-strategy approach, absolute return focused with low correlation and beta to traditional markets.
- **Global Long/Short** – a global long/short equity fund seeking equity-like returns with lower volatility than traditional global equity investments.

## Hedge Funds

A growing focus of the Lighthouse business is its **Hedge Fund** offering. These products are structured as multi-portfolio manager hedge fund products.

- The largest Hedge Fund product is **North Rock**, which specialises in absolute return strategies with a low correlation to public equity markets. The North Rock fund houses multiple investment teams, representing independent investment specialists operating under North Rock's platform.
- **Mission Crest** is a multi-portfolio manager global macro hedge fund which has been incubated for several years, and which can now be accessed directly by investors.

Additional products using the multi-portfolio manager structure are in development and Lighthouse sees this as a key area for additional growth.

## Managed Account Services

Lighthouse offers dedicated **Managed Account Services** for large institutions who have significant allocations to hedge fund assets.

Managed Account Services provides these clients with access to the benefits of a managed account structure, allowing them to maintain control of manager selection and allocation decisions.

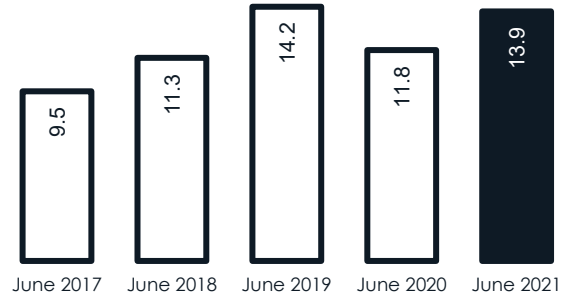
Lighthouse offers clients a unique skill set and knowledge which allows us to provide them with efficient onboarding, specialised legal structuring and compliance services, counterparty management and robust operational oversight. Internally built expertise also means a high level of customisation, and support purpose-built tools for advanced portfolio analytics, risk management and treasury functionality.

Lighthouse has built its infrastructure over time to handle the complexity of operating a large account program in terms of number of managers strategies and assets under management.

## Assets under management (AUM)

After experiencing a significant reduction to AUM at the beginning of the financial year due to the impacts on performance of the turbulent and challenging markets caused by the COVID-19 pandemic, strong investment performance from Lighthouse since the September 2020 quarter has grown AUM back to pre-pandemic levels.

We have seen a shift in how some of our key strategic partnership clients choose to utilise our services. For the past several years, some clients have restructured their assets with us to move away from solely customised portfolios, to holding assets across commingled funds, customised funds and using our managed account services to better manage their own separate hedge fund asset exposures. In particular, the largest Hedge Fund product, North Rock, has drawn particular attention from our larger strategic clients.



|                             | 30 June 2020        | Net Flows            | Performance          | 30 June 2021        |
|-----------------------------|---------------------|----------------------|----------------------|---------------------|
| <b>Hedge Fund Solutions</b> |                     |                      |                      |                     |
| Commingled Funds            | USD 3.76 bn         | ▼ USD 1.48 bn        | ▲ USD 0.66 bn        | USD 2.94 bn         |
| Customised Solutions        | USD 3.75 bn         | ▼ USD 0.51 bn        | ▲ USD 0.92 bn        | USD 4.16 bn         |
| Hedge Funds                 | USD 1.00 bn         | ▲ USD 0.49 bn        | ▲ USD 0.19 bn        | USD 1.68 bn         |
| Managed Account Services    | USD 3.26 bn         | ▲ USD 1.33 bn        | ▲ USD 0.56 bn        | USD 5.15 bn         |
| <b>Combined total</b>       | <b>USD 11.77 bn</b> | <b>▼ USD 0.17 bn</b> | <b>▲ USD 2.33 bn</b> | <b>USD 13.93 bn</b> |

## Hedge Fund Solutions

### Commingled Funds

The negative investment performance experienced by the multi-strategy portfolios in March 2020 had the biggest impact on the Commingled Funds in terms of redemption pressure. Whilst redemptions were at higher than historical levels in the first six months of the calendar year, strong rebound performance by these funds over the course of the financial year helped to stem redemptions in each progressive quarter. The below chart shows commingled fund net outflow for each financial quarter:



Given the headwinds to the Commingled Funds which existed at the beginning of the financial year, the trend in reduced outflows provides confidence that the AUM in commingled funds has stabilised.

### Customised Solutions

Customised Solutions AUM grew by 11% or \$410 million to close the financial year at \$4.16 billion.

Strong investment performance significantly grew AUM, which more than off-set the overall net redemptions experienced over the financial year.

The largest outflow quarter was September 2020, where the \$380 million net outflow was not unexpected coming off the March 2020 performance of the multi-strategy products.



## Assets under management (AUM)(continued)

### Hedge Funds

Lighthouse's Hedge Fund products increased an impressive 68% to be \$1.68 billion of AUM as at 30 June 2021. Whilst strong investment performance was a key contributor to growth, increasing AUM by \$190 million, these funds also attracted net inflows of \$490 million over the year.

The Hedge Fund products continue to be of significant interest to both our existing clients and potential new clients. We expect these products to continue to drive AUM growth in the next financial year.

### Managed Account Services

AUM in Managed Account Services increased 58% over the financial year to end at \$5.15 billion. Over 70% of that growth was due to net inflows of \$1.33 billion.

The year commenced positively with two new clients in July 2020 who funded a combined \$400 million. A third new client commenced during the December quarter with an initial funding of \$200 million.

The remaining increase in AUM was due to additional net flows from existing clients.

There is significant interest in the Managed Account Service capabilities, and it is anticipated that it will continue to be an important source of AUM growth for Lighthouse.

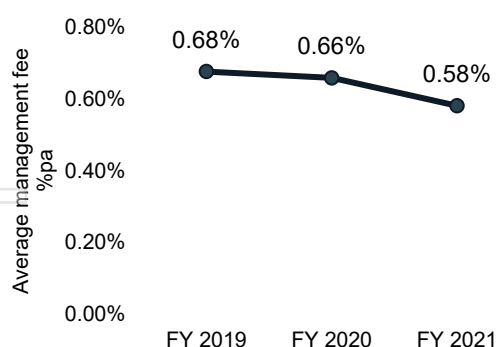
## Fees

Lighthouse revenue from clients is largely generated by management fees, although it has a number of portfolios across both Commingled funds and Customised solutions clients which also may generate a performance fee:

- Some Commingled funds have share classes which have a management fee and include a performance fee. Generally, where a performance fee arrangement is in place, the management fee rate for that share class is lower. The varying fee options for a particular Commingled fund allow investors to select a fee structure which best suits their requirements.
- Fee arrangements for Customised solutions clients are negotiated individually. Whilst most arrangements involve only a management fee, some clients also have a performance fee component as part of their fee structure.

### Management fee rates

The average management fee for the 2021 financial year was 0.58% per annum (2020: 0.66% per annum).



This management fee rate represents the blended net management fee rate across all AUM. While there are a number of factors which impact the average management fee rate across periods, the main driver is the relative proportion of AUM invested across Commingled Funds, Customised Solutions funds and Managed Account Services clients.

The indicative range for management fee rates for each of these services is as follows:

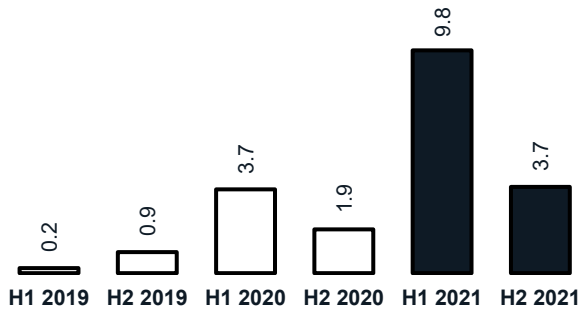
| Indicative management fee range |               |
|---------------------------------|---------------|
| Commingled Funds                | 0.50%-2.00%pa |
| Customised Solutions            | 0.45%-0.90%pa |
| Managed Account Services        | Up to 0.50%pa |

Management fee rebate arrangements may also apply to fees charged to particular clients within Commingled Fund structures. Fee rebates are directly off-set against management fee revenue.

## Performance fees

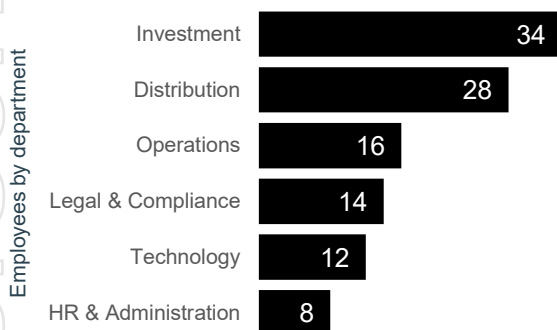
Strong performance, particularly in the first half of the financial year resulted in Lighthouse earning performance fee revenue for the year of \$13.5 million, up \$8.0 million on the prior year.

Performance fees are variable in nature, and it is difficult to forecast how much, if any, performance fee revenue will be earned by the Group in future periods



## People

Lighthouse has 112 direct employees across the following functional divisions as at 30 June 2021 (2020: 111):



There are also 24 employees as at 30 June 2021 who's employment cost is included in both the 'Revenue from reimbursement of fund operating expenses' and 'Reimbursable fund operating expenses' lines of the profit and loss statement and in Note 4 of the financial statements

## About NGI Strategic Holdings

NGI Strategic Holdings was established as a division of Navigator during the 2021 financial year to commence a new initiative for making investments in high quality boutique alternative asset managers.

The first transaction completed for this strategic initiative was the acquisition of a portfolio of six minority interests in alternative asset managers in February 2021, which is referred to as the NGI Strategic Portfolio..

As at 30 June 2021, the NGI Strategic Holdings portfolio was comprised of passive minority interests in the following asset managers:



- **Firm AUM:** US\$9.6 billion
- **Year founded:** 2005
- **Headquarters:** New York, USA
- **Investment Strategy:** Structured public and private credit strategies across high yield asset-based securities, commercial and residential credit



- **Firm AUM:** US\$8.9 billion
- **Year founded:** 2004
- **Headquarters:** New York, USA
- **Investment Strategy:** A global, alternative investment management firm operating across a broad range of derivatives-based strategies with a deep understanding of volatility



- **Firm AUM:** US\$8.0 billion
- **Year founded:** 1991
- **Headquarters:** Paris, France
- **Investment Strategy:** Global quantitative and systematic strategies



- **Firm AUM:** US\$6.3 billion
- **Year founded:** 1981
- **Headquarters:** New York, USA
- **Investment Strategy:** Multi-strategy across various credit and relative value strategies, including performing credit (CLOs and bank loan SMAs)

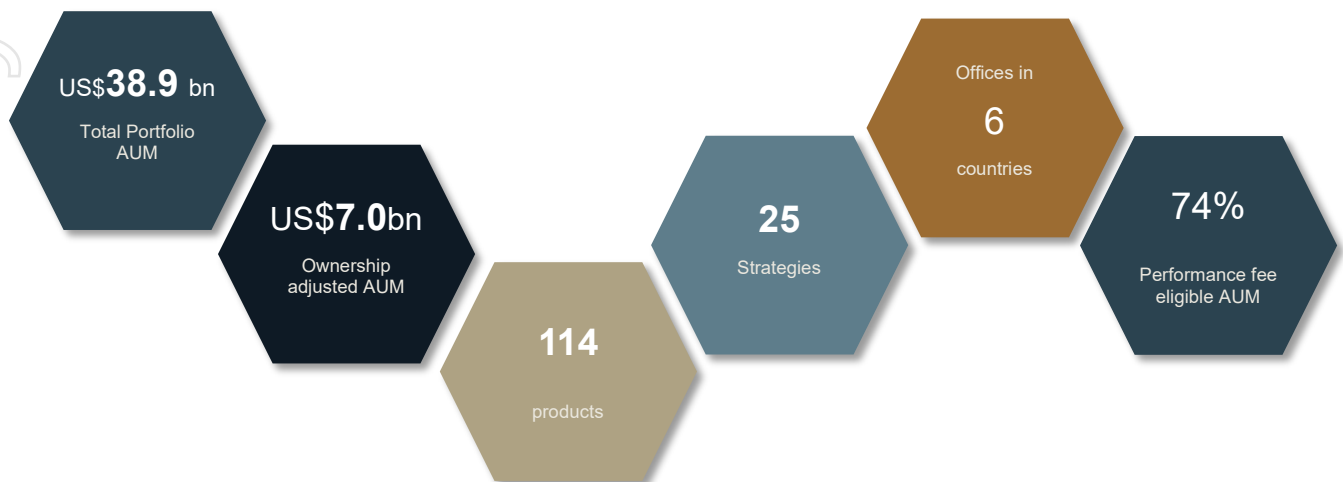


- **Firm AUM:** US\$3.6 billion
- **Year founded:** 2003
- **Headquarters:** New York, USA
- **Investment Strategy:** Global commodities specialist platform with exposure to energy, metals and agricultural sectors



- **Firm AUM:** US\$2.5 billion
- **Year founded:** 1995
- **Headquarters:** New York, USA
- **Investment Strategy:** Global macro

The key characteristics of the NGI Strategic Portfolio are:

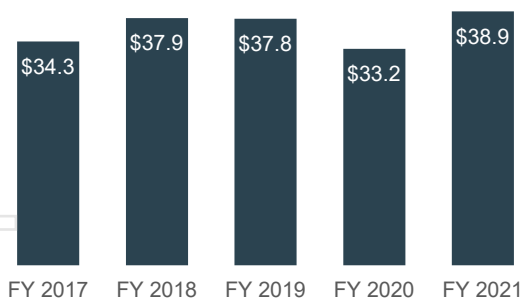


AUM figures are as of 30 June 2021.

Estimated performance fee eligible AUM is based on March-July AUM figures, depending on the manager

Whilst it has only been 5 months since the NGI Strategic Portfolio was acquired, we have been pleased by the contribution of the Portfolio to Navigator's operating performance for the 2021 financial year.

## Assets under management (AUM)



The NGI Strategic Portfolio total AUM is at its highest levels than over the previous five years, showing a 17% increase for the financial year, and a 9% increase over the six months to 30 June 2021.

Ownership adjusted total AUM of \$7.0 billion is up from \$5.9 billion at the end of the prior comparative period<sup>1</sup>.

Strategies across the NGI Strategic Portfolio generated strong relative returns for their clients throughout the 2021 financial year and continue to show a low correlation to one another. We are seeing sustained and diversified client demand across the managers.

<sup>1</sup> Historical portfolio AUM has been adjusted to reflect one manager's 2021 sale of certain assets. The sale is not expected to have a material impact on the earnings outlook of that manager.

## The transaction on 1 February 2021

The acquisition of the NGI Strategic Portfolio has been undertaken in two parts.

### Stage 1 Completed 1 February 2021

Navigator acquired approximately 70% of the combined minority interest investments in exchange for an issue of Navigator ordinary shares and Convertible Notes (the **upfront consideration**).

|                                                               |                                   |                      |
|---------------------------------------------------------------|-----------------------------------|----------------------|
| The value of the upfront consideration on 1 February 2021 is: | Value of shares issued            | 63.8 million         |
|                                                               | Value of Convertible Notes issued | 102.3 million        |
|                                                               | <b>Upfront consideration</b>      | <b>166.1 million</b> |

### Stage 2 To be completed after the end of the 2025 Calendar Year

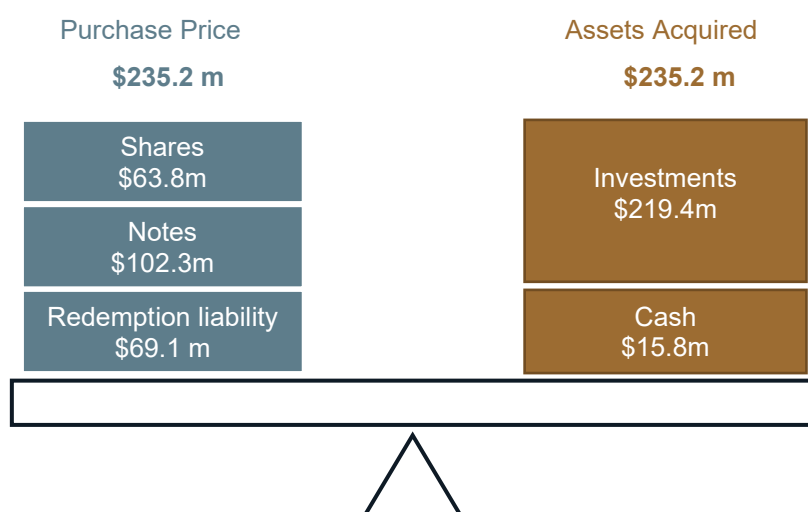
Navigator will acquire the remaining 30% interest in the minority interest investments after the end of the 2025 calendar year. This will be acquired for cash, and is calculated based on an agreed formula linked to the earnings produced over the next 5 calendar years, and is capped at \$200 million. Navigator recognises this future payment (the **redemption liability**) in the balance sheet at its fair value. This redemption liability is contingent consideration.

|                                                                |                               |                     |
|----------------------------------------------------------------|-------------------------------|---------------------|
| The value of the deferred consideration on 1 February 2021 is: | Redemption liability          | 69.1 million        |
|                                                                | <b>Deferred consideration</b> | <b>69.1 million</b> |

|                            |                        |
|----------------------------|------------------------|
| <b>Total consideration</b> | <b>\$235.2 million</b> |
|----------------------------|------------------------|

### Purchase price vs fair value of acquired assets

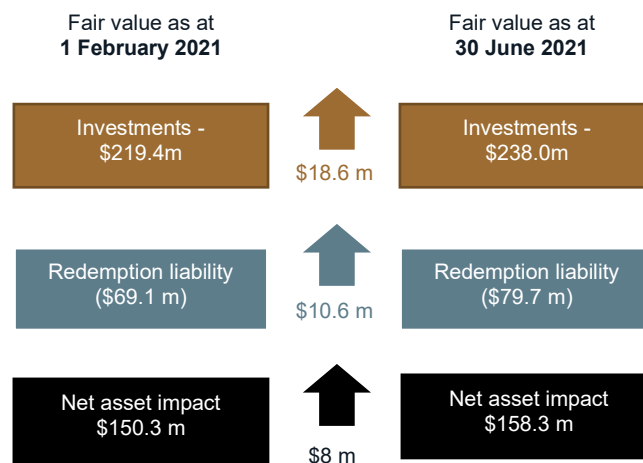
The total consideration (purchase price) has been assessed as being equivalent to the fair value of the assets acquired in the transaction. Navigator did not recognise any bargain or goodwill in relation to the acquisition.



## The assets and liabilities as at 30 June 2021

As both the investments acquired and the redemption liability are recognised at their fair value on the balance sheet, Navigator reassessed the fair value as at balance date.

Given the overall positive growth in AUM and performance across the NGI Strategic Portfolio, the fair values of both the investments and the redemption liability have increased over the 5 months to 30 June 2021:



Changes in the fair value of both the investments and the redemption liability are recognised in the profit and loss statement.

## Distributions

### Profit share arrangement

A profit sharing arrangement is in place over the next 5 years until Navigator acquires the remaining 30% of the combined minority interest investments.

This profit sharing arrangement includes Navigator being entitled to a preferred distribution amount, and retaining 20% of any amounts in excess of this preferred distribution amount as follows:

|                                                            | FY21     | FY22     | FY23     | FY24     | FY25     |
|------------------------------------------------------------|----------|----------|----------|----------|----------|
| Preferred distribution amount                              | \$17.0 m | \$17.5 m | \$18.0 m | \$18.6 m | \$19.1 m |
| Share of amount in excess of preferred distribution amount | 20%      | 20%      | 20%      | 20%      | 20%      |

### FY2021 profit share and accounting treatment

The NGI Strategic Portfolio earned combined distributions from the managers of **\$28.9 million** for the FY2021 profit sharing period.

The FY2021 profit sharing period was agreed to include all distributions received by the NGI Strategic Portfolio which relate to calendar year 2020 distributions made by the managers prior to 1 February 2021, and any distributions received between 1 February 2021 and 30 June 2021.

Given the acquisition occurred part way through the financial year, the accounting treatment for FY2021 does not match the profit share calculation, as Navigator can only recognise the portion of distributions received **after** 1 February 2021 as income in its profit and loss statement.

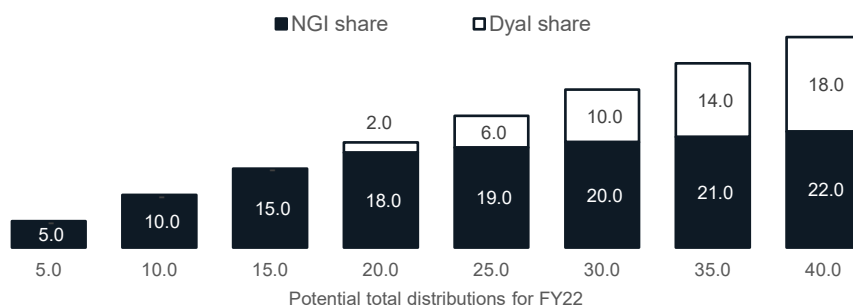
The following is a reconciliation of the profit share calculation to the amount of net distribution income recognised in the profit and loss statement:

|                                                                 | Profit share    | Accounting treatment                                |
|-----------------------------------------------------------------|-----------------|-----------------------------------------------------|
| Distributions received prior to 1 February 2021                 | \$15.8m         | <b>\$15.8m</b> Acquired assets in the Balance Sheet |
| Distributions received between 1 February 2021 and 30 June 2021 | \$13.1m         | \$13.1m                                             |
| Dyal's profit share (net of applicable portfolio expenses)      | (\$9.4m)        | (\$9.4m)                                            |
|                                                                 |                 | Net distribution to Navigator                       |
|                                                                 |                 | <b>\$3.7m</b>                                       |
| <b>Benefit to Navigator</b>                                     | <b>\$19.5 m</b> | <b>\$19.5 m</b>                                     |

## FY2022 - 2025 distributions

From FY2022, the accounting treatment for the distributions received under the profit share is simplified, and all distributions are recognised as income in the profit and loss as and when they are received.

The following chart demonstrates Navigator's FY2022 calculated profit share amount for a range of different potential FY2022 total distribution amounts, where Navigator is entitled to the first \$17.5 million of distributions received plus 20% of the distributions above \$17.5 million:



# Navigator Group Results

## FY21 Adjusted EBITDA of \$31.6m

|                                                 | Statutory<br>USD millions | Adjusted<br>USD millions | Excluded from<br>Adjusted<br>USD millions |     |
|-------------------------------------------------|---------------------------|--------------------------|-------------------------------------------|-----|
| Management fees                                 | 75.6                      | 75.6                     | -                                         |     |
| Performance fees                                | 13.5                      | 13.5                     | -                                         |     |
| Reimbursement of fund operating expenses        | 17.0                      | -                        | 17.0                                      | 1   |
| Revenue from provision of serviced office space | 1.8                       | -                        | 1.8                                       | 1   |
| Net distributions from NGI Strategic portfolio  | 3.7                       | 3.7                      | -                                         |     |
| <b>Total revenue</b>                            | <b>111.6</b>              | <b>92.8</b>              | <b>18.8</b>                               |     |
| Operating expenses                              | (79.0)                    | (63.4)                   | (15.6)                                    | 1 2 |
| <b>Result from operating activities</b>         | <b>32.6</b>               | <b>29.4</b>              | <b>(3.2)</b>                              | 2   |
| Net finance income/(costs)                      | 10.8                      | 2.8                      | (8.0)                                     | 3   |
| Non-operating expenses                          | (5.6)                     | (0.5)                    | 5.1                                       | 4   |
| <b>EBITDA</b>                                   | <b>37.8</b>               | <b>31.6</b>              | <b>(6.2)</b>                              |     |

- 1 These revenue are a direct reimbursement of expenses incurred and on-charged to other parties at no mark-up. They have been off-set directly against expenses in the presentation of "Adjusted EBITDA"
- 2 Following the adoption of AASB 16 *Leases*, the office lease component of occupancy expense is recognised below the EBITDA line as a financing activity. The net cash lease payments of \$3.2 million made during the year are adjusted against EBITDA so that it represents a closer measure of the annual cash operating cost associated with the Group's various office premises leases.
- 3 On acquiring the NGI Strategic portfolio the Group recognised both investments and a liability for contingent consideration (the redemption liability) in the balance sheet at fair value. Changes in the fair value of these assets and liability have resulted in a net movement of \$8.0m being recognised in the profit and loss statement. This net change in fair value has been excluded from the presentation of 'Adjusted EBITDA'
- More details in relation to the distributions from NGI Strategic portfolio are set out on page 19.
- 4 The Group has incurred legal, tax and other professional services costs incurred in relation to the acquisition of the NGI Strategic Portfolio. \$5.1 million of these costs have been expensed and are considered non-recurring.



The below presentation of the Group's results is a non-IFRS measure and is intended to show the Group's performance before the impact of expense items such as depreciation, amortisation, and non-operating items such as net interest income. Net profit before and after income tax reconciles to the income statement on page 46.

|                                                                              | Consolidated USD millions |                 |                         |
|------------------------------------------------------------------------------|---------------------------|-----------------|-------------------------|
|                                                                              | 2021                      | 2020            | Increase/<br>(decrease) |
| Management fee revenue                                                       | 75.571                    | 87.511          | (14%)                   |
| Performance fee revenue                                                      | 13.532                    | 5.576           | 143%                    |
| Revenue from reimbursement of fund operating expenses                        | 17.027                    | 7.068           | 141%                    |
| Revenue from provision of office space and services                          | 1.828                     | 1.354           | 35%                     |
| Net distribution income from strategic investment portfolio                  | 3.661                     | -               | 100%                    |
| <b>Total income</b>                                                          | <b>111.619</b>            | <b>101.509</b>  | 10%                     |
| Employee expense                                                             | (47.916)                  | (44.216)        | 8%                      |
| Professional and consulting expense                                          | (5.036)                   | (6.344)         | (21%)                   |
| Reimbursable fund operating expenses                                         | (17.027)                  | (7.068)         | 141%                    |
| Occupancy expense                                                            | (1.180)                   | (1.583)         | (25%)                   |
| Information and technology expense                                           | (3.372)                   | (3.540)         | (5%)                    |
| Distribution expense                                                         | (1.788)                   | (2.798)         | (36%)                   |
| Other operating expenses <sup>1</sup>                                        | (2.652)                   | (3.795)         | (30%)                   |
| <b>Total operating expenses<sup>1</sup></b>                                  | <b>(78.971)</b>           | <b>(69.346)</b> | 14%                     |
| <b>Result from operating activities<sup>1</sup></b>                          | <b>32.648</b>             | <b>32.163</b>   | 2%                      |
| Net finance income, excluding interest                                       | 10.803                    | 0.921           | 1073%                   |
| Other non-operating expenses                                                 | (5.648)                   | (2.566)         | 120%                    |
| <b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b> | <b>37.803</b>             | <b>30.518</b>   | 24%                     |
| Net interest expense                                                         | (0.796)                   | (0.651)         | 22%                     |
| Depreciation and amortisation                                                | (4.525)                   | (3.998)         | 13%                     |
| <b>Profit before income tax</b>                                              | <b>32.482</b>             | <b>25.869</b>   | 26%                     |
| Income tax expense                                                           | (5.727)                   | (7.721)         | (26%)                   |
| <b>Net profit after income tax</b>                                           | <b>26.755</b>             | <b>18.148</b>   | 47%                     |
| Basic EPS (cents per share)                                                  | <b>14.97</b>              | <b>11.19</b>    | 34%                     |

The Adjusted EBITDA below adds back net cash lease payments made during the financial year in order to reflect the Group's EBITDA prior to the adoption of AASB 16 where the office lease component of occupancy expense is treated as a financing activity.

### ADJUSTED EBITDA

|                                                                                                | Consolidated USD millions |               |                         |
|------------------------------------------------------------------------------------------------|---------------------------|---------------|-------------------------|
|                                                                                                | 2021                      | 2020          | Increase/<br>(decrease) |
| <b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>                   | <b>37.803</b>             | <b>30.518</b> | 24%                     |
| Additional cash payments made for office leases (net)                                          | (3.290)                   | (2.238)       | 47%                     |
| Non-recurring transaction costs expensed                                                       | 5.101                     | 1.799         | 184%                    |
| Net fair value impact of the NGI Strategic portfolio and liability                             | (8.026)                   | -             | 100%                    |
| Impairment loss                                                                                | -                         | 0.769         | 100%                    |
| <b>Adjusted Earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA)</b> | <b>31.587</b>             | <b>30.846</b> | 2%                      |

## Revenue

### Management fee revenue

**\$75.6 million (▼ 14% pcpc)**

Management fees decreased to \$75.6 million in FY2021, mainly due to the shift in the AUM mix away from commingled funds, which generally have higher management fee rates, to customised and managed account services assets which have lower management fee rates. This change in AUM mix is reflected in the lower average management fee rate, which decreased to 0.58% per annum for this year (FY2020 0.66% per annum).

Page 13 shows changes in AUM over FY2021 across the various services provided by Lighthouse.

### Performance fee revenue

**\$13.5 million (▲ 143% pcpc)**

The Group earns performance fees on select portfolios. The fees represent an agreed share of investment outperformance of a fund or portfolio over a defined benchmark and/or high watermark and may be subject to hurdles.

Performance fee revenue for the year was \$13.5 million, an increase of \$8.0 million on the previous financial year. The Lighthouse portfolios generally performed well over the course of the year, particularly in the first half.

Approximately 58% of the performance fees have been earned from Commingled Funds. Additional Share classes have been introduced during the year to select Commingled Funds which have a fee structure that has a lower management fee, but allows Lighthouse to earn a performance fee.

### Revenue from reimbursement of fund operating expenses

**\$17.0 million (▲ 141% pcpc)**

The Group is entitled to reimbursement for fund expenses that it has paid on behalf of the funds. While the funds generally pay their own operating expenses directly, there are some expenses, such as financial data services, software and technology expenses, where it is more practical for the Group to incur and pay the expense and then be reimbursed by the relevant fund(s).

The reimbursement is recognised as revenue, and there is a corresponding off-setting expense. As the revenue and expense directly off-set, there is no net impact on profit.

Revenue from reimbursement of fund operating expenses and reimbursable fund operating expenses incurred for the year were both \$17.0 million (2019: \$7.1 million). The significant increase on the prior year is due to the introduction of new expense payment and reimbursement arrangements commencing from 1 January 2021 with some of the Group's funds.

### Revenue from provision of office space and services

**\$1.8 million (▲ 35% pcpc)**

The Group provides office space and services to a number of external parties at its New York and London offices. This revenue is a direct recharge of occupancy and professional fees incurred by the Group.

### Net distributions from the NGI Strategic Portfolio

**\$3.7 million (no pcpc)**

The Group acquired the NGI Strategic Portfolio on 1 February 2021. Page 19 sets out additional information regarding the acquisition and calculation of Navigator's share of distributions received.

The terms of the acquisition included an agreement between the parties to share distributions received by the NGI Strategic Portfolio.

#### Agreed profit share for FY2021

|                                              |                |
|----------------------------------------------|----------------|
| Distributions received after 1 February 2021 | \$13.1 million |
| Dyal profit share                            | \$9.4 million  |

|                                             |                      |
|---------------------------------------------|----------------------|
| <b>Net distribution income to Navigator</b> | <b>\$3.7 million</b> |
|---------------------------------------------|----------------------|

Navigator received **\$15.8 million** in cash on acquisition relating to distributions received prior to 1 February 2021. This amount is included in the profit share calculation, but is not recognised as income in the profit and loss statement. Rather, this \$15.8 million is accounted for as cash acquired on the balance sheet in accordance with AASB 3 *Business Combinations*.

## Operating expenses

### Employee expense

**\$47.9 million (▲ 8% pcpc)**

There was a \$3.7 million increase in employee expense for the Group as compared to the prior year.

Whilst fixed compensation remains largely flat compared to the prior year, the variable compensation was 13% higher. This increase reflects:

- A higher level of performance fees in the FY21 result, which contributes a greater amount to the variable compensation pool; and
- A variable compensation award to key staff involved in the successful completion of the NGI strategic portfolio.

### Professional & consulting fees

**\$5.0 million (▼ 21% pcpc)**

The Group utilises a number of expert consultants across its business, in particular to provide specialist assistance and support in technology, legal, managed account services and investment process. Professional and consulting fees vary depending on the specific projects and operating needs in each period.

### Occupancy expense

**\$1.2 million (▼ 25% pcpc)**

Occupancy expense relates to short-term leases and common area maintenance costs. Office premises rent expense previously included as occupancy expense is now reclassified as a financing activity.

Occupancy expense for year ended 30 June 2021 is \$1.2 million (2020: \$1.6 million).

Adjusted EBITDA on page 21 includes an additional \$3.3 million of cash payments made for office leases (net of additional cash rent received from sub-leases) so that it represents a closer measure of the annual cash operating cost associated with the Group's various office premises leases.

### Information and technology expenses

**\$3.4 million (▼ 5% pcpc)**

There has been a \$0.2 million or 5% decrease in information and technology expenses. Technology is a core operating requirement for business operations, and technology costs are expected to continue at current levels.

### Distribution expense

**\$1.8 million (▼ 36% pcpc)**

Distribution expense relates to third party distribution arrangements, whereby ongoing payments are made to third parties in relation to clients they have introduced and who continue to be invested in Group portfolios. Distribution expense does not include rebates on management fees paid to clients, as these are off-set directly against management fee revenue.

The distribution expense for this financial year was \$1.8 million (2020: \$2.8 million). This reduction is largely due to the reduction in Commingled fund AUM over the year, and at present represents 2.4% of management fee revenue (2020: 3.2%).

### Other expenses

**\$2.7 million (▼ 30% pcpc)**

Other expenses were \$2.7 million for the year. Other expenses mainly comprises general administration costs, regulatory fees and charges, travel and entertainment expenses.

The decrease on the prior year largely related to a \$0.7m reduction in travel expenses for the 2021 financial year due to the pandemic.

### Income tax expense

The Group recognises an accounting tax expense in its income statement at an effective tax rate of 17.6% (2020: 29.9%). The effective tax rate reflects:

- the proportion of income earned in the various jurisdictions in which the Group operates;
- in the case of income earned in the United States, this income is taxed at a rate which is a combination of the United States federal tax rate of 21%, individual United States state-based taxes; and,
- the effect of other permanent and temporary tax adjustments.

The Group has significant tax losses available to off-set its tax liabilities, and hence there is no tax payable in relation to this accounting tax expense other than in relation to some relatively nominal United States state-based taxes. It is expected that taxes will be payable on the NGI Strategic Portfolio income earned in the United States from the 2022 financial year.

## A balance sheet positioned for growth

### Consolidated USD millions

|                                      | 2021          | 2020         |
|--------------------------------------|---------------|--------------|
| <b>Assets</b>                        |               |              |
| Cash                                 | 52.097        | 27.032       |
| Receivables                          | 20.955        | 16.047       |
| Investments                          | 252.151       | 14.734       |
| Intangible assets                    | 94.418        | 94.513       |
| Right-of-use (lease) assets          | 13.700        | 19.280       |
| Recognised deferred tax assets       | 40.620        | 45.972       |
| <b>Liabilities</b>                   |               |              |
| Lease liabilities                    | 22.062        | 23.160       |
| Other financial liabilities          | 81.264        | -            |
| <b>Net tangible assets per share</b> | <b>109.47</b> | <b>25.18</b> |

### Cash

The Group's cash balance increased \$25.1 million on the prior period, with the increase largely related to the cash acquired with and distributions received from the NGI Strategic Portfolio.

### Receivables

Receivables relates mainly to management fees, performance fees and reimbursements owing for fund expenses for which payment has not yet been received as at 30 June 2021. The increase in this balance compared to the prior year is consistent with higher performance fees accrued as at balance date compared to the prior year.

### Investments

The Group holds significant investments at fair value on its balance sheet:

- The Group completed a significant transaction to acquire a portfolio of minority investment stakes in alternative asset managers. The investments acquired are recognised at fair value through the profit and loss statement, and fair value has been estimated at \$238.1 million as at 30 June 2021.
- The Group holds \$14.1 million of investments in Lighthouse funds. Investments are held for a number of reasons, including to meet regulatory commitments, contractual requirement of a customised client mandate, or to seed a new product which will be offered to external investors in the future.

### Intangible assets

When the Company acquired Lighthouse in January 2008, it recognised \$499.5 million of goodwill in relation to the transaction. An impairment loss of \$405.7 million was recognised against the goodwill balance in the 2009 financial year. The Company has continued to carry a written-down goodwill balance of \$93.8 million since that time.

### Right-of-use assets

The Group recognises right-of-use (ROU) assets in relation to certain office leases. The reduction in the ROU asset to \$13.7 million compared to the prior year is due to ongoing depreciation and the sub-leasing of space at the Group's Chicago office during the year.

### Deferred tax assets

The Group's balance sheet includes a deferred tax asset of \$40.6 million which is comprised of carried forward tax losses and deductible temporary differences relating to the US tax consolidated groups.

### Lease liabilities

The Group has a number of office premises leases in various locations around the world, and has recorded a lease liabilities of \$22.1 million as at 30 June 2021 (2020: \$23.2 million). Lease payments are allocated between principal and finance cost in the Statement of Cash Flows.

### Other financial liabilities

The majority of other financial liabilities relates to the redemption liability, which is the estimated fair value of the contingent consideration Navigator will pay in FY2026 to acquire the remaining share of interests in the NGI Strategic Portfolio. Additional details in relation to the redemption liability are included on page 18.

## COVID-19 impact

The COVID-19 had continued to create disruption to businesses across every industry.

The Group is in a more fortunate position than most in that whilst our business and operations have certainly been impacted by the pandemic, and will likely continue to be so for some time, we have not experienced some of the acute issues that have arisen for businesses in other industries that have been more directly affected. The key implications and impacts for the business as a result of the pandemic are outlined below.

The Group's response and management plans for the pandemic have focused on:

- Ensuring the well-being of our staff, including the implementation of work-from-home capability as and when required across all of our offices globally;
- Assisting our clients to understand the impacts on their investment portfolios and working with them to adapt their investment allocations in response to changing market conditions; and
- Ensuring that we keep stakeholders informed of key impacts on the business.

### Business and economic factors

As the Group operates in the alternative asset management industry, business and economic factors have had the largest potential impact on our business.

Despite the initial negative business impact from the extreme volatility of global markets in March 2020, the business has recovered well. Both Lighthouse and the NGI Strategic portfolio have delivered strong investment results and grown AUM through a combination of investment performance and net capital inflows over the year.

### Amounts receivable from external parties

The majority of our revenue is earned from products managed by the Group, and we have historically had a very low default rate in relation to our trade and other receivables. The pandemic has not had any impact on the expectation that all of the Group's trade and other receivables will be received in accordance with normal trading terms.

Cash distributions received by the NGI Strategic Portfolio were also within expectations.

### Supply chains

The nature of the Group's operations means that it is not dependent on supply chains for obtaining inventory or consumables critical to the Group being able to provide its services.

Key service providers have been able to continue to provide services to the Group without significant interruption despite 'stay-at-home' orders applying in various global locations out of which they may operate.

### Exposures to overseas operations, transactions and currencies

The Group's functional currency is USD and the majority of its assets, liabilities, revenues and expenses are denominated in USD. Volatility in the AUD:USD exchange rate over the financial year has not resulted in any material losses to the Group.

### Containment measures

The Group has been very fortunate that we have been able to continue to operate under a work-from-home model where necessary with minimal disruptions. The Group has and will continue to adhere to all local health, social distancing and travel advice/guidelines. Throughout the year, the Group has:

- eliminated non-essential travel;
- restricted of access to our office premises in accordance with local guidelines; and
- utilised digital technologies, particularly for online collaboration and meetings.

### Government support and assistance

The Group has not applied for any government or other support or assistance.

### Cash flow management

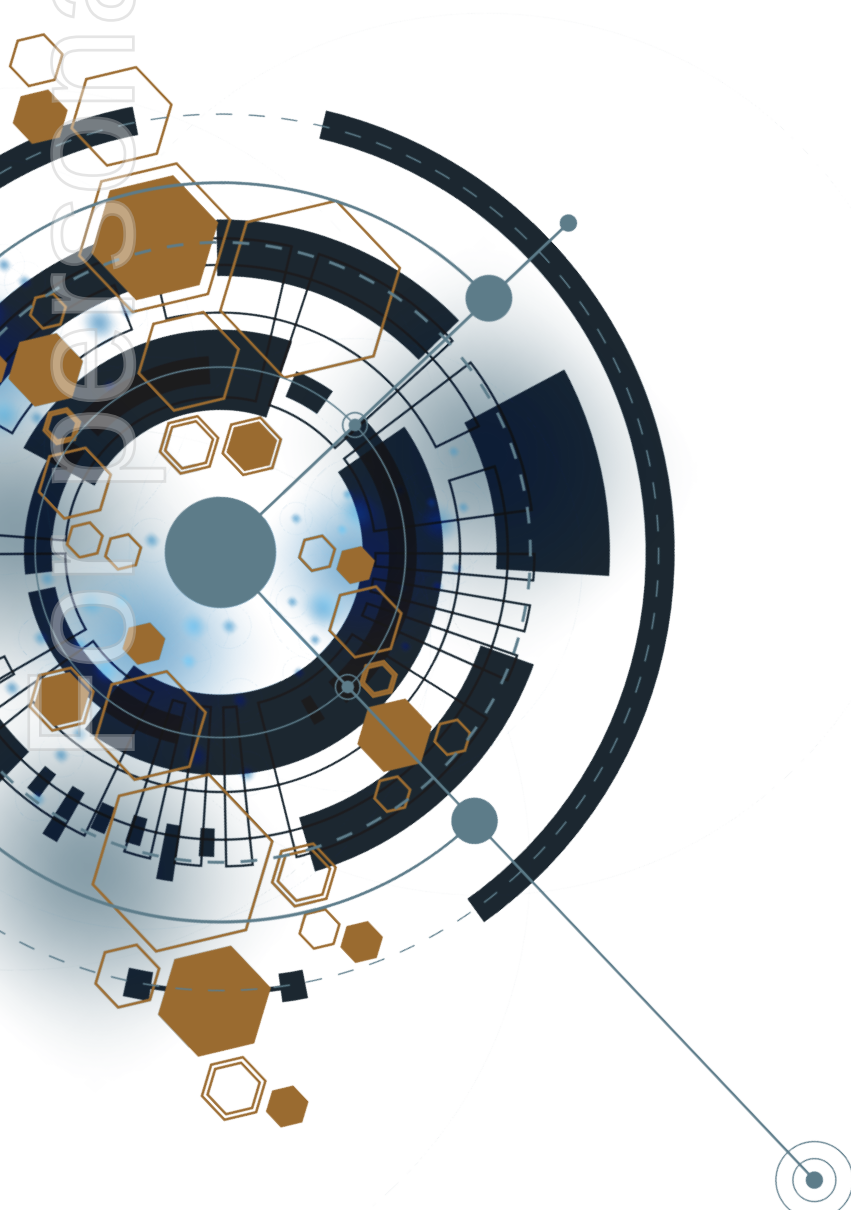
The Group has not experienced any cash flow issues, and expects to be able to appropriately manage its cash flow in both the short and long term.

### Debt and lease contracts

The Group has a \$15 million Credit Facility which matures on 27 July 2022.

There have not been any modifications to our existing leases. The Group entered into a sub-lease of its Chicago office during the year due to a reduction in headcount in November 2019, which was prior to the pandemic.

# DIRECTORS' REPORT





The Directors present their report together with the financial statements of the Group comprising Navigator Global Investments Limited ('Navigator' or 'the Company') and its subsidiaries for the year ended 30 June 2021 and the auditor's report thereon.

The Directors of the Company at any time during or since the end of the financial year are:



**Michael Shepherd, AO**  
**Chairman and Independent non executive director**

*Appointed 16 December 2009*  
**Chairman of the Remuneration and Nominations Committee**  
**Member of the Audit and Risk Committee**

Michael has extensive experience in financial markets and the financial services industry having held a range of senior positions including Vice Chairman of ASX Limited, and directorships of several of ASX's subsidiaries including Australian Clearing House Pty Ltd.

Currently, Michael is Chairman of the Shepherd Foundation, an independent director of Investsmart Group Limited, and is an independent Compliance Committee Member for UBS Global Asset Management (Australia) Limited.

Michael is also a Senior Fellow (SF Fin), Life Member and past President of the Financial Services Institute of Australasia and a Member of the Australian Institute of Company Directors.

**Fernando (Andy) Esteban**  
**Independent non executive director**

*Appointed 18 June 2008*  
**Chairman of the Audit and Risk Committee**  
**Member of the Remuneration and Nominations Committee**



Andy holds a Bachelor of Business majoring in Accounting, is a CPA and a Member of the Australian Institute of Company Directors.

He has over 35 years' experience in the financial services industry, of which 21 years were with Perpetual Trustees Australia Ltd. In 1999 he established FP Esteban and Associates, a private business specialising in implementing and monitoring risk management and compliance frameworks in the financial services industry.

He has provided consulting services to a number of domestic and global organisations in Australia and South East Asia. From July 2005 until June 2008 he was an independent director of Credit Suisse Asset Management (Australia) Ltd.



**Nicola Meaden Grenham**  
**Non executive director**

*Appointed 8 October 2020*  
**Member of the Remuneration & Nominations Committee**

Nicola is a specialist in alternative investments with significant knowledge and experience of strategic business development and investment management in hedge funds and private markets.

From 2008 to 2012, Nicola was CEO of Alpha Strategic Plc, a UK listed company which provided independent, owner-managed investment managers with access to passive minority equity capital. She currently runs Dumas Capital Ltd, a company she founded in 2004 which provides strategic advisory and research services in the alternative investment sector.

She is a Member of the Conseil de Pilotage Stratégique of BlackRock France S.A.S, chairs the Executive Committee of the Capital Holdings Funds Plc; and serves as an independent director on alternative investment funds.

**Andrew Blum**  
Non executive director

*Appointed 17 October 2012*  
Member of the Audit and Risk Committee



Andrew is the founder and principal of Chicago-based DSC Advisors, LP (DSC), which is the investment manager of Delaware Street Capital Master Fund, LP. Delaware Street Capital Master Fund, LP holds a substantial shareholding in Navigator.

DSC invests in a wide array of companies and industries seeking to identify and acquire undervalued securities and sell-short overvalued securities.

Prior to forming DSC, he was a founder and Principal of Walton Street Capital, LLC, and prior thereto worked as a Vice President at JMB Realty Corporation and as an Associate at Goldman Sachs.



**Randall Yanker**  
Independent Non executive

*Appointed 14 October 2014*  
*Resigned 8 April 2021*

Randall has extensive experience in the investment management, and in particular hedge funds. He co-founded Alternative Asset Managers, L.P. ('AAM') in 2004, which is a private investment firm with primary focus on making strategic investments in the asset management sector.

Prior to AAM, Randall was responsible for establishing multi-billion dollar global alternative investment and hedge fund platforms as CEO of Lehman Brothers Alternative Investment Management, and before that was a Managing Director of Swiss Bank Corp.

He is a graduate of Harvard College (1983) with a degree in Economics, and serves on the board and is a Trustee of The New School University, a Trustee of SEI Advisors' Inner Circle Fund III, and Advisory Board member of HF2 Financial Management.

**Sean McGould**  
Executive Director & Chief Executive Officer

*Appointed 3 January 2008*



Sean is the co-founder of Lighthouse and has served as its Chief Executive Officer, President and Co-Chief Investment Officer since inception.

He supports the investment team in the manager search, selection and review process and is the Chairman of the Investment Committee. Sean has been overseeing all aspects of the portfolios since August 1996.

For more than 20 years, Sean has been investing in various alternative investment strategies. Prior to founding Lighthouse, Sean was the director of the Outside Trader Investment Program at Trout Trading Management Company and was responsible for the allocation of the fund's assets to external alternative asset strategies. Prior to Trout, Sean worked for Price Waterhouse and passed the Certified Public Accountant examination.



## Board and Committee meetings

The agenda for meetings is prepared by the Company Secretary in consultation with the Chairman and Chief Executive Officer, and is set to ensure adequate coverage of strategic, operational, financial and governance matters.

Board papers are circulated in advance of the meetings. Senior executives are invited to attend board meetings, however the directors may have closed sessions without executive involvement during meetings at their discretion.

### Board meetings

The number of meetings of the Company's board of directors during the year ended 30 June 2021, and the number of meetings attended by each director were:

|                  | Held | Attended |
|------------------|------|----------|
| Michael Shepherd | 12   | 12       |
| Fernando Esteban | 12   | 11       |
| Andy Bluhm       | 12   | 12       |
| Randall Yanker   | 10   | 9        |
| Nicola Grenham   | 8    | 8        |
| Sean McGould     | 12   | 12       |

### Audit and Risk Committee meetings

The number of meetings the Audit and Risk Committee held during the year ended 30 June 2021, and the number of meetings attended by each Committee Member were:

|                  | Held | Attended |
|------------------|------|----------|
| Michael Shepherd | 2    | 2        |
| Fernando Esteban | 2    | 2        |
| Andy Bluhm       | 2    | 2        |

### Remuneration and Nominations Committee meetings

The number of meetings the Remuneration and Nomination Committee held during the year ended 30 June 2021, and the number of meetings attended by each Committee Member were:

|                  | Held | Attended |
|------------------|------|----------|
| Michael Shepherd | 2    | 2        |
| Fernando Esteban | 2    | 2        |
| Randall Yanker   | 1    | -        |
| Nicola Grenham   | 1    | 1        |

## Company secretary

Ms Amber Stoney BCom (Hons) CA holds the position of company secretary. Amber has held this position for most of her tenure at Navigator, specifically for the periods 15 March 2007 to 20 November 2008, 18 July 2011 to 9 May 2016 and from 27 June 2016. Amber also holds the position of Chief Financial Officer of Navigator. Prior to joining the Company in 2003, Amber was a senior manager at KPMG, specialising in the funds management industry.

## Corporate governance

The Group recognises the value of good corporate governance. The board believes that effective governance processes and procedures add to the performance of the Group and engenders the confidence of the investment community.

The Company has adopted Listing Rule 4.10.3 which allows companies to publish their corporate governance statement on their website rather than in their annual report. The directors have reviewed the statement, and a copy of the statement, along with any related disclosures, is available at:

<http://www.navigatorglobal.com.au/site/about/corporate-governance>

## Principal activities

The principal activities of the Group during the course of the financial year were:

- the provision of investment management products and services to investors globally through wholly-owned subsidiary Lighthouse Investment Partners, LLC; and
- investment in a portfolio of minority interests in six alternative asset management companies.

## Operating and financial review

Information on the operations and financial position of the Group and its business strategies and prospects is included in this annual financial report on pages 9 to 26.

## Dividends

The directors have determined an unfranked dividend of United States (US) 6.0 cents per share (with 100% conduit foreign income credits). The dividend will be paid on 10 September 2021.

| Declared and paid during the year ended 30 June 2021 | Cents per share | Total amount US\$'000 | Date of payment  |
|------------------------------------------------------|-----------------|-----------------------|------------------|
| Final 2020 ordinary                                  | 5.5             | 9,217                 | 4 September 2020 |
| Interim 2021 ordinary & convertible notes            | 3.5             | 9,204                 | 12 March 2021    |
| <b>Total amount</b>                                  |                 | <b>18,421</b>         |                  |

Together with the unfranked interim dividend of USD 3.5 cents per share paid to shareholders on 12 March 2021, the total dividend to be paid in relation to the financial year ended 30 June 2021 will be USD 9.5 cents per share.

## Significant changes in state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this financial report.

## Likely developments and expected results

Further information on likely developments in the operations of the Group and the expected results of operations on pages 9 to 26.

## Events subsequent to end of financial year

There has not arisen in the interval between the end of the reporting period and the date of this report, any item, transaction or event of a material nature, likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## Directors' interests

The relevant interest of each director in the shares issued by the Company at the date of this report is as follows:

| Director         | Ordinary shares | Notes                                                                                                                                                                                     |
|------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Michael Shepherd | 125,000         | 125,000 shares are held indirectly by Tidala Pty Ltd as Trustee for the Shepherd Provident Fund                                                                                           |
| Fernando Esteban | 27,000          | 27,000 shares are held indirectly by FJE Superannuation Fund                                                                                                                              |
| Andy Bluhm       | 10,101,982      | 10,101,982 shares are held indirectly by Delaware Street Capital Master Fund, LP (DSC). Mr Bluhm is the founder and principal of DSC Advisors, LP, which is the investment manager of DSC |
| Nicola Grenham   | 6,450           | 6,450 shares are held directly                                                                                                                                                            |
| Sean McGould     | 19,438,083      | 19,436,083 shares are held indirectly by SGM Holdings, LLC                                                                                                                                |

# This Remuneration Report for the Company and its controlled entities for the year ended 30 June 2021 forms part of the Directors' Report and is audited in accordance with section 300A of the Corporations Act 2001.

## Contents

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## Reporting in United States dollars

In this report the remuneration and benefits reported have been presented in US dollars ('USD'). This is consistent with the functional and presentation currency of the Group. Where compensation for Australian-based employees is paid in Australian dollars, it is converted to USD for reporting purposes based on either specific transaction exchange rates, or the average exchange rate for the payment period as appropriate. The Australian dollar based compensation paid during the year ended 30 June 2021 was converted to USD at an average exchange rate of AUD/USD 0.7471 (2020: AUD/USD 0.6741).

The Remuneration Report outlines the remuneration arrangements for the Group's key management personnel. Key management personnel are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the activities of the Group. With the establishment of the NGI Strategic Holdings business, as well as some internal review of the internal management structure within Lighthouse, there have been a number of changes in key management personnel compared to the prior year.

Key management personnel during the year ended 30 June 2021 were:

| Name                    |                                                                                                                | Term                            |
|-------------------------|----------------------------------------------------------------------------------------------------------------|---------------------------------|
| Non-Executive Directors |                                                                                                                |                                 |
| Michael Shepherd        | Chairman and Non-Executive Director                                                                            | Full year                       |
| Fernando Esteban        | Non-Executive Director                                                                                         | Full year                       |
| Andy Bluhm              | Non-Executive Director                                                                                         | Full year                       |
| Nicola Grenham          | Non-Executive Director                                                                                         | Appointed 8 October 2020        |
| Randall Yanker          | Non-Executive Director                                                                                         | Resigned 7 April 2021           |
| Executive Director      |                                                                                                                |                                 |
| Sean McGould            | Group Chief Executive Officer and President & Co-Chief Investment Officer, Lighthouse Investment Partners, LLC | Full year                       |
| Executives              |                                                                                                                |                                 |
| Rob Swan                | Chief Operating Officer, Lighthouse Investment Partners, LLC                                                   | Full year                       |
| Amber Stoney            | Chief Financial Officer and Company Secretary, Navigator Global Investments Limited                            | Full year                       |
| Ben Browning            | Executive Managing Director, Lighthouse Investment Partners, LLC                                               | Appointed KMP 20 April 2021     |
| Ross Zachary            | Managing Director of Strategic Corporate Development, NGI Strategic Holdings                                   | Appointed KMP 13 August 2020    |
| Kelly Perkins           | Co-Chief Investment Officer, Lighthouse Investment Partners, LLC                                               | Ceased KMP duties 1 July 2020   |
| Scott Perkins           | Executive Managing Director, Lighthouse Investment Partners, LLC                                               | Ceased KMP duties 20 April 2021 |

# Remuneration report (audited)

## Overview of remuneration policy and approach

The overall objectives of the Group's remuneration policies are to:

- embed a culture that promotes the Group's core values
- support the business strategy of the Group by attracting, retaining and rewarding quality staff
- encourage appropriate performance and results to uphold client and shareholder interests
- properly reflect each individual's duties and responsibilities

When setting the Group's approach to remuneration, the Board keeps three key factors front-of-mind:

1

### Operations are based in the US

Navigator is an Australian company listed on the Australian Securities Exchange, however the Group's operations are predominantly based in the United States. To be effective in attracting and retaining high quality staff, remuneration arrangements must therefore be aligned to the expectations of people who are employed in the United States alternative asset management industry.

These remuneration arrangements may diverge from arrangements which would be considered industry practice within Australia. The quantum and proportion of variable remuneration to total remuneration packages is one such area.

2

### Variable remuneration is a major component

The remuneration arrangements in place for the Group are generally structured around setting a relatively low fixed remuneration amount, and having the opportunity to earn variable remuneration as a major component of overall remuneration. This is particularly true for our United States based senior management. The Board believes this provides a dynamic basis to be able to adjust the Group's total remuneration expense, and is also consistent with United States industry practice.

This approach to remuneration has been in place for well over a decade. Select senior Lighthouse executives have had bonus entitlements specified in their employment contracts since Lighthouse joined the Navigator Group in 2008, and these contractual arrangements remain in place (see page 39 for additional details).

3

### Simplicity

A simple, direct metric for setting annual variable remuneration provides an incentive structure that is easily understandable to both staff and shareholders. An increase in operating results therefore translates into both an increase in variable compensation for staff and improved returns for shareholders.

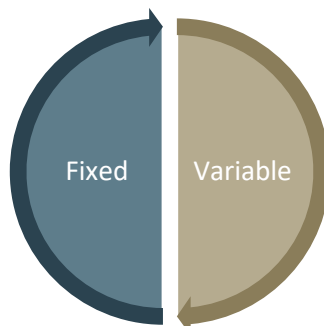
This simplicity also extends to the Board exercising its discretion in setting the total amount of variable compensation, as well as the CEO being able to exercise discretion in allocating bonuses to individuals based on their performance and contribution. Whilst individual results are important, we also encourage a culture which is able to reward effort, ethical behaviour and commitment outside of formulaic metrics.

The Board is satisfied that the current arrangements are consistent with alternative asset management industry practice in the United States, and allow employees to focus on achieving results for clients, which is ultimately in the long-term interests of shareholders.

# Remuneration report (audited)

## Remuneration structure

The remuneration of staff across the Group, including our senior executives, is comprised of two key components:



### Fixed

Fixed remuneration is comprised of:

- ▶ base salary; and
- ▶ employer contributions to superannuation and retirement plans and health care benefits.

Fixed remuneration is generally determined by reference to benchmark information where available, and having regard to responsibilities, performance, qualifications and experience.

For senior employees, fixed remuneration is also determined in accordance with the general principle that fixed remuneration is the smaller component of their overall compensation package.

Fixed remuneration is reviewed at least annually, or on promotion, to ensure that it is competitive and reasonable. There are no guaranteed increases to the fixed remuneration amount.

The amount of fixed remuneration is not dependent on the satisfaction of a performance condition, or the performance of the Group or business unit, the Company's share price, or dividends paid by the Company.

### Variable

Variable remuneration is comprised of participation in a cash bonus pool.

While the Group does not currently have any equity compensation arrangements in place, should these be enacted, variable remuneration would also include participation in such arrangements for select employees.

The existing variable remuneration arrangements are short-term in nature, and are designed to motivate staff to create value for both:

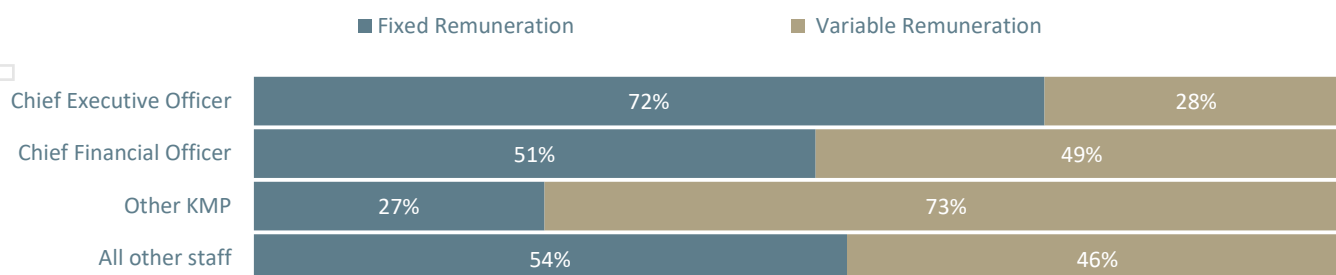
- ▶ our clients, through investment returns and a high level of client service; and
- ▶ the Company's shareholders

The performance of individual staff members, including senior executives, is conducted at least annually, after which the award of variable remuneration is considered.

The Board:

- ▶ approves the overall size of the variable remuneration pool,
- ▶ approves an award to the CEO,
- ▶ confirms any contractual obligations regarding variable remuneration have been complied with, and
- ▶ delegates authority to the CEO to exercise his discretion to make variable remuneration allocations to individual staff.

For the 2021 financial year, the proportion of fixed remuneration as compared to performance linked remuneration across the Group was as follows:



Further detail regarding the methodology for determining the 2021 financial year variable remuneration pool is contained on page 36.

# Remuneration report (audited)

## Long term incentive arrangements

The Group does not currently have any equity incentive schemes or other long-term incentive arrangements in place.

The Board acknowledges that an equity incentive scheme is a common component of corporate remuneration structures, and regularly reviews whether the implementation of equity incentive arrangements for senior employees would be an appropriate addition to the Group's remuneration structure.

The Board continues to consider the implementation of appropriate long term incentive arrangements, particularly to incentivise key individuals to build on the NGI Group success in the 2021 financial year in executing its strategy for growth.

## Other benefits

Employees are entitled to additional benefits that may include educational assistance, adoption assistance and health care benefits.

Employees are also able to make investments into Lighthouse managed funds without incurring a management fee. There is no incremental cost incurred by the Group in providing fee-free investment management services via the Lighthouse funds to employees. Having employees invest their own assets into Lighthouse managed funds is viewed positively by clients and potential clients as it demonstrates an alignment of interest between the Lighthouse employee and future investment results for clients. Nil fee arrangements for employees is common practice in the United States asset management industry.

## Relationship between remuneration policy and company performance

In implementing the remuneration policy and structure, the Board has had regard to what it considers to be the key measure of the profitability of the Company:

**EBITDA - earnings before interest, tax, depreciation, and amortisation from continuing operations.**

As an asset management business, the Group's EBITDA is largely consistent with the cash flow which it generates from its operating activities, and which is available to pay dividends to shareholders. It is for this reason that NGI's dividend policy has been set as a pay-out ratio based on EBITDA.

The following table shows how cash bonuses paid to key management personnel compares to EBITDA and cash flows from operating activities over the past 5 years:

|                                                          | US\$'000 |        |                     |        |        |
|----------------------------------------------------------|----------|--------|---------------------|--------|--------|
|                                                          | 2021     | 2020   | 2019                | 2018   | 2017   |
| EBITDA                                                   | 37,803   | 30,518 | 37,652              | 34,212 | 29,848 |
| Cash flows from operating activities                     | 22,199   | 32,562 | 22,565 <sup>1</sup> | 32,921 | 30,088 |
| Dividends paid during the financial year                 | 18,421   | 28,208 | 27,451              | 24,390 | 21,023 |
| Closing share price (AUD dollars)                        | 1.78     | 1.19   | 3.94                | 5.34   | 2.40   |
| Change in share price (AUD dollars)                      | 0.59     | (2.75) | (1.40)              | 2.94   | 0.11   |
| <b>Key management personnel:</b>                         |          |        |                     |        |        |
| Bonus                                                    | 2,963    | 3,091  | 4,671 <sup>2</sup>  | 3,967  | 3,293  |
| Bonus as a % of EBITDA                                   | 8%       | 10%    | 12%                 | 12%    | 11%    |
| Bonus as a % of dividends paid during the financial year | 16%      | 11%    | 17%                 | 16%    | 16%    |

<sup>1</sup> Reflects the change in US employee bonus cycle from calendar years to financial years in 2019.

<sup>2</sup> Includes bonus amounts for the 12 months to 31 December 2018 and 6 months to 30 June 2019 for Sean McGould and Scott Perkins.

## Remuneration report (audited)

### Variable compensation for the 2021 financial year

The Board believes in a simple, direct methodology for balancing how we reward staff and deliver value to shareholders through company financial performance.

#### Lighthouse variable compensation arrangements

The Board retains the discretion to vary the final amounts approved after calculation based on the above pools, to ensure that they can also factor in extenuating circumstances.

##### Lighthouse general pool

| Company performance metric                                                                                     | Basis of variable remuneration                          |
|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| Lighthouse EBITDA<br>(excluding performance fees,<br>before bonuses and adjusted for<br>other specified items) | 30-35% allocated to<br>Lighthouse general bonus<br>pool |

All Lighthouse staff are eligible to participate in the Lighthouse general bonus pool, the amount of which is calculated as 30-35% of Lighthouse's EBITDA (before the bonus pools and excluding performance fee revenue and adjusted for other specified items).

Allocation of the Lighthouse general bonus pool to staff (other than as noted below) is determined by the CEO in accordance with remuneration structure and guidelines established by the Remuneration and Nominations Committee.

No individual bonus can be greater than 10% of the Lighthouse general bonus pool without board approval.

A bonus for the CEO is determined and approved by the board based on an assessment of his performance. This bonus amount forms part of the overall Lighthouse general bonus pool.

##### Lighthouse incentive fee pool

| Company performance metric | Basis of variable remuneration                          |
|----------------------------|---------------------------------------------------------|
| Performance fees           | 50% allocated to Lighthouse<br>incentive fee bonus pool |

Senior members of the Lighthouse investment team are eligible to participate in a bonus pool determined as 50% of performance fee revenue earned by the Lighthouse business from its Commingled Funds and Customised Solutions portfolios.

This pool is allocated at the discretion of the CEO based on his assessment of the contribution of each eligible staff member to the creation of the performance fee revenue. These staff members may still also receive an allocation from the general bonus pool.

#### NGI Strategic and Corporate variable compensation arrangements

Discretionary bonuses totalling \$945,104 were awarded for staff who:

- directly contributed to the operation of the listed parent company, namely staff involved in finance and company secretarial functions in Australia; and/or
- were responsible for the successful completion of the NGI Strategic portfolio acquisition. These awards were based on the relevant individual's contribution in assessing, negotiating and implementing what was a high value and complex transaction.

The Remuneration and Nominations Committee recommends a bonus amount for the Chief Financial Officer, which is allocated from the Corporate bonus pool.



# Remuneration report (audited)

## CEO remuneration arrangements

Mr McGould performs two key roles for the Group. He is both:

- Chief Executive Officer of the NGI Group; and
- Co-Chief Investment Officer of Lighthouse.

The Board considers that Mr McGould's remuneration needs to encompass both of these roles, and that it should also be structured so that it is consistent with remuneration principles which operate in the United States alternative asset management industry. In previous years, this meant that Mr McGould's remuneration was substantially weighted towards variable remuneration.

Mr McGould's base salary was increased to \$1,000,000 effective from 1 July 2020, which is the first increase to his base salary of \$250,000 since he joined the Group in 2008. Mr McGould's base salary was increased in acknowledgment of the increased scope of his role with the implementation of the new NGI Strategic Investment business during the 2021 financial year. Mr McGould is also entitled to receive health care benefits and retirement benefits.

The Board has not set specific key performance indicators (KPIs) for the CEO. Instead, the Board awards Mr McGould a discretionary bonus amount, taking into account the following factors:

- investment results achieved for clients;
- achievement of board-approved budgets and targets, strategic goals, capital and business restructuring and development of new business opportunities;
- growth in AUM, through both net investment flows and investment performance of Lighthouse portfolios; and
- Group financial results and dividends paid to shareholders.

The CEO's bonus is capped at a maximum of 10% of the Lighthouse general bonus pool. In practice, this means that Mr McGould's variable remuneration is constrained by the profitability of the Group's main operating business unit.

Mr McGould received a bonus of \$400,000 for the year ended 30 June 2021, which is the equivalent of his bonus in the prior year. This amount was set taking into account the increase in his base salary which came into effect from 1 July 2020, and his total fixed and variable compensation acknowledges his contribution to both the significant recovery of the Lighthouse business since the worst impact of the pandemic in March 2020, as well as his oversight of the completion of the NGI Strategic portfolio acquisition.

## Non-executive director remuneration

Non-executive directors may receive director fees. The Company's policy is to remunerate non-executive directors at market rates for comparable companies having regard to the time commitments and responsibilities assumed. The aggregate of non-executive director fees is capped at a maximum of \$750,000 per annum (including superannuation), as approved by shareholders at the AGM held on 20 November 2014.

Fees paid to non-executive directors are USD, and for the 2021 financial year were as follows:

|                         |                                                |
|-------------------------|------------------------------------------------|
| Chairman                | USD 170,000 per annum<br>(plus superannuation) |
| Non-executive directors | USD 100,000 per annum<br>(plus superannuation) |

Australian based non-executive directors are also entitled to superannuation. For the financial year ended 30 June 2021 actual remuneration for non-executive directors was \$445,516 (2020: \$393,630). An increase associated with an additional non-executive director for a seven-month period compared to the prior year. A Bluhm has elected not to receive remuneration from the Company for his role as a non-executive director.

Non-executive directors' fees cover all main board activities and membership of any committee. Executive and non-executive directors may be reimbursed for reasonable expenses properly incurred in their role as a director. Non-executive directors are not entitled to participate in executive remuneration schemes, may not receive performance-linked equity or bonus payments, and are not provided with retirement benefits other than statutory superannuation entitlements. Non-executive directors are not entitled to any benefits or payments on retirement from office.



# Remuneration report (audited)

## Key management personnel remuneration disclosures

### Directors' and executive officers' remuneration

The following remuneration was paid to key management personnel during the financial year:

| Benefit Category            |      | Short-term    |           |                    | Post-employment          | Other long-term    | Total     |
|-----------------------------|------|---------------|-----------|--------------------|--------------------------|--------------------|-----------|
|                             |      | Salary & fees | Bonus     | Other <sup>1</sup> | Pension & superannuation | Long service leave |           |
|                             |      | \$            | \$        | \$                 | \$                       | \$                 | \$        |
| Non-Executive Directors     |      |               |           |                    |                          |                    |           |
| Michael Shepherd            | 2021 | 170,000       | -         | -                  | 15,830                   | -                  | 185,830   |
|                             | 2020 | 170,000       | -         | -                  | 14,130                   | -                  | 184,130   |
| Fernando Esteban            | 2021 | 100,000       | -         | -                  | 9,500                    | -                  | 109,500   |
|                             | 2020 | 100,000       | -         | -                  | 9,500                    | -                  | 109,500   |
| Nicola Grenham <sup>2</sup> | 2021 | 73,242        | -         | -                  | -                        | -                  | 73,242    |
| Randall Yanker <sup>3</sup> | 2021 | 76,944        | -         | -                  | -                        | -                  | 76,944    |
|                             | 2020 | 100,000       | -         | -                  | -                        | -                  | 100,000   |
| Executive Director          |      |               |           |                    |                          |                    |           |
| Sean McGould                | 2021 | 1,000,000     | 400,000   | 22,671             | 17,400                   | -                  | 1,440,071 |
|                             | 2020 | 250,000       | 400,000   | 21,620             | 17,100                   | -                  | 688,720   |
| Executives                  |      |               |           |                    |                          |                    |           |
| Rob Swan                    | 2021 | 250,000       | 870,000   | 22,671             | 17,400                   | -                  | 1,160,071 |
|                             | 2020 | 250,000       | 920,000   | 21,620             | 17,100                   | -                  | 1,208,720 |
| Amber Stoney                | 2021 | 236,329       | 242,807   | -                  | 16,031                   | 3,661              | 498,828   |
|                             | 2020 | 215,808       | 20,589    | -                  | 14,129                   | 9,780              | 260,306   |
| Ben Browning <sup>4</sup>   | 2021 | 52,083        | 300,000   | 4,834              | 2,500                    | -                  | 359,417   |
| Ross Zachary <sup>5</sup>   | 2021 | 226,484       | 550,000   | 20,735             | 20,780                   | -                  | 817,999   |
| Kelly Perkins <sup>6</sup>  | 2021 | -             | -         | -                  | -                        | -                  | -         |
|                             | 2020 | 250,000       | 1,150,000 | 21,620             | 22,975                   | -                  | 1,444,595 |
| Scott Perkins <sup>7</sup>  | 2021 | 197,917       | 600,000   | 17,837             | 5,000                    | -                  | 820,754   |
|                             | 2020 | 250,000       | 600,000   | 21,620             | 7,500                    | -                  | 879,120   |
| Total                       | 2021 | 2,382,999     | 2,962,807 | 88,748             | 104,441                  | 3,661              | 5,542,656 |
|                             | 2020 | 1,585,808     | 3,090,589 | 86,480             | 102,434                  | 9,780              | 4,875,091 |

<sup>1</sup> Other short-term fixed remuneration amounts relate to health care benefits paid on behalf of US based staff.

<sup>2</sup> Appointed as a director 8 October 2020

<sup>3</sup> Resigned as a director on 8 April 2021

<sup>4</sup> Commenced duties as KMP 20 April 2021 therefore remuneration represents a partial year.

<sup>5</sup> Commenced duties as KMP 13 August 2020 therefore remuneration represents a partial year.

<sup>6</sup> Ceased KMP duties from 1 July 2020 therefore no remuneration for 2021 financial year.

<sup>7</sup> Ceased KMP duties from 20 April 2021 therefore remuneration represents a partial year.

# Remuneration report (audited)

## Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive bonuses awarded as remuneration to key management personnel of the Group in the current reporting period are detailed below:

|               | Included in remuneration | Proportion of remuneration which is performance based | % Vested in year  | % Forfeited in year |
|---------------|--------------------------|-------------------------------------------------------|-------------------|---------------------|
| Sean McGould  | \$400,000                | 28%                                                   | 100% <sup>1</sup> | 0%                  |
| Rob Swan      | \$870,000                | 75%                                                   | 100% <sup>2</sup> | 0%                  |
| Amber Stoney  | \$242,807                | 49%                                                   | 100% <sup>1</sup> | 0%                  |
| Ben Browning  | \$300,000                | 83%                                                   | 100% <sup>1</sup> | 0%                  |
| Ross Zachary  | \$550,000                | 67%                                                   | 100% <sup>1</sup> | 0%                  |
| Scott Perkins | \$600,000                | 73%                                                   | 100% <sup>1</sup> | 0%                  |

<sup>1</sup> Bonus is paid annually on a financial year basis. No amounts vest in future financial years in respect of the financial year ended 30 June 2021.

<sup>2</sup> Per his service agreements, Rob Swan is entitled to semi-annual compensation calculated as 1.00% of the gross revenue of Lighthouse Investment Partners, LLC. No amounts vest in future financial years in respect of the financial year ended 30 June 2021. This arrangement has been in place since the acquisition of Lighthouse in 2008.

## Contractual arrangements for senior executives

The Group has entered into service agreements with each member of key management personnel. These agreements specify the duties and obligations to be fulfilled.

### US-based executives

#### Service Agreements

Sean McGould, Scott Perkins, and Rob Swan entered into service agreements commencing on 7 March 2011. The agreements were for an initial term of four years and thereafter automatically extend for a one-year term unless either the Group or the employee gives not less than sixty days' notice of their intention not to extend the agreement.

Ross Zachary entered into a service agreement on 19 December 2016. Ben Browning entered into a service agreement commencing on 7 December 2020.

#### Termination

The Group may terminate the agreements of US-based executives at any time for gross negligence or wilful misconduct ('Good Cause Termination'). In these circumstances there is no entitlement to a termination payment.

The Group may terminate the agreement for any reason other than gross negligence or wilful misconduct at any time by giving not less than sixty days' notice.

The employee may terminate the agreement at any time if the Group fails to comply in any material respect with the terms of the agreement, there is a material reduction in the compensation opportunities or there is a material and unconsented change to responsibilities.

The employee may terminate the agreement and their employment at any time for any reason other than those noted above by giving not less than sixty days' notice.

## Potential Termination Benefits

Shareholders approved potential termination benefit arrangements at the 2018 Annual General Meeting for US-based executives as follows:

- A severance payment of up to \$1 million on cessation of employment, except where their employment has been terminated for Cause as defined by their employment contract. Any severance payment made is in lieu of any unpaid short-term incentive bonus which they would otherwise be entitled to receive for their performance during the relevant year in which they ceased employment. The amount of the severance payment will be pro-rata'd based on the number of days of service provided by the US Relevant Executive during a year prior to cessation of their employment.
- Restraint payments may be paid to enforce post-employment restraint clauses if considered necessary and/or appropriate to protect matters such as confidential information or intellectual property. In some jurisdictions, restraint clauses may be legally unenforceable, or difficult to successfully enforce, without payment.

The amount of the restraint payment is determined based on the following circumstances:

- If employment ceases due to termination for Cause, their providing notice to the Company, or them not renewing their contract then:
  - they will be entitled to restraint payments for 6 months at their monthly base salary, and
  - the Board will have the option, but not the obligation, to extend the restraint period for up to an additional 6 months by paying the Relevant Executive a restraint payment of up to USD 166,667 per month.

## Remuneration report (audited)

- If employment ceases due to the Company providing the required contractual notice, the Board has the discretion, but not the obligation, to enforce the restraint clauses in the employment contract for up to 12 months by paying the Relevant Executive a restraint payment of up to USD 166,667 per month.
- These payments are capped at a maximum of \$2 million.

### **Participation in incentive plans**

Sean McGould, Ross Zachary, Ben Browning and Scott Perkins are entitled to participate in incentive plans, including equity-based plans.

Rob Swan, in addition to his base salary, is entitled to semi-annual compensation calculated as 1.00% of the gross revenue of Lighthouse Investment Partners, LLC for the relevant six-month period and is entitled to participate in equity-based plans.

### **Australian Based executives**

#### **Service Agreement**

Amber Stoney is engaged pursuant to an executive services agreement. Ms Stoney's working hours are 25 hours per week for a base salary of A\$330,000 per annum inclusive of superannuation, and a short-term incentive bonus of up to 20% of this amount.

#### **Termination**

The Group may terminate Ms Stoney's executive services agreement at any time, without notice for a number of reasons including bankruptcy, gross negligence or wilful and serious misconduct. In these circumstances there is no entitlement to a termination payment. Ms Stoney may terminate the agreement at any time by giving 6 months' notice and the Group may terminate the agreement at any time by giving 6 months' notice or payment in lieu.

### **Participation in incentive plans**

The Board may award Ms Stoney an additional short-term incentive bonus amount at their discretion. This discretion was exercised in the 2021 financial year in acknowledgement of Ms Stoney's contribution to the successful completion of the complex NGI Strategic Portfolio acquisition. Ms Stoney is eligible to participate in any equity-based incentive plans.

### **Non-executive directors**

#### **Service Agreement**

Enter into agreements with each non-executive director at the time of their appointment as a director. Each agreement sets out the rights and obligations of the director, including:

- Attendance at board meetings
- Prior approval for acceptance of additional roles outside Navigator
- Independence requirements and notification of interests
- Remuneration
- Provision of a Deed of Indemnity, Insurance and Access

Directors are also required to enter a Director's Interest Disclosure Agreement at the time of their appointment.

#### **Termination**

A director may resign at any time by providing notice to the Chairman.

Non-executive directors are required to be elected by shareholders at the next annual general meeting following their appointment. Directors do not have a fixed term, however they must be re-elected by shareholders at an annual general meeting at least every three years.

A director may be requested to retire from the Board should they fail to attend three consecutive board meetings without a leave of absence. In addition, a director may cease to hold office if they become a disqualified person under the Corporations Act 2001.

Non-executive directors are not entitled to any benefits or payments on retirement from office.

### **Participation in incentive plans**

Non executive directors are not entitled to participate in any incentive plans.

Non-executive directors are not entitled to participate in executive remuneration schemes, may not receive performance-linked equity or bonus payments, and are not provided with retirement benefits other than statutory superannuation entitlements.

## Remuneration report (audited)

### Analysis of performance rights over equity instruments granted as remuneration

As at 30 June 2021 and 30 June 2020 there were no outstanding performance rights granted to any key management person of the Group.

### Additional information

#### Movement in shares

The movement during the reporting period in the number of shares in the Company held, directly, indirectly or beneficially, by key management personnel, including their related parties, is as follows:

|                   | Balance<br>1 July 2020 | Purchases          | Sales                    | Balance<br>30 June 2021 <sup>1</sup> |
|-------------------|------------------------|--------------------|--------------------------|--------------------------------------|
| <b>Directors</b>  |                        |                    |                          |                                      |
| Michael Shepherd  | 125,000                | -                  | -                        | 125,000                              |
| Fernando Esteban  | 27,000                 | -                  | -                        | 27,000                               |
| Andy Bluhm        | 13,101,982             | -                  | (3,000,000) <sup>2</sup> | 10,101,982                           |
| Nicola Grenham    | -                      | 6,450 <sup>3</sup> | -                        | 6,450                                |
| Sean McGould      | 19,438,083             | -                  | -                        | 19,438,083                           |
| <b>Executives</b> |                        |                    |                          |                                      |
| Rob Swan          | 2,936,512              | -                  | -                        | 2,936,512                            |
| Amber Stoney      | 180,374                | -                  | -                        | 180,374                              |
| Ross Zachary      | -                      | 20,000             | -                        | 20,000                               |

<sup>1</sup> Refer to page 31 for details on direct and indirect shareholdings.

<sup>2</sup> On 28 February 2021, 3,000,000 shares were sold by Delaware Street Capital Master Fund, LP in an off-market trade during an open Trading Window.

<sup>3</sup> Shares acquired 1 March 2021 directly by N Grenham.

### Other transactions with key management personnel

There were no other transactions with key management personnel during the year.

## Indemnification and insurance

The Company has a Deed of Indemnity, Insurance and Access in place with each of the Directors ('the Deeds'). Pursuant to the Deeds, the Company indemnifies each Director to the extent permitted by law for losses and liabilities incurred by the Director as an officer of the Company or of a subsidiary. This indemnity remains in force for a period of 7 years from the date the Director ceases to hold office as a director of the Company.

In addition, the Company will advance reasonable costs incurred or expected to be incurred by the Director in defending relevant proceedings on terms determined by the Board. No such advances were made during the financial year.

During the year, the Group paid insurance premiums to insure the Directors and Officers of the Company. The terms of the contract prohibit the disclosure of the premiums paid.

## Auditor

Ernst & Young is the auditor of the Group in accordance with section 327 of the Corporations Act 2001.

## Non-audit services

There was \$59,308 relating to non-audit services provided by the entity's auditors during the financial year to review the explanatory memorandum which detailed the accounting treatment for the business combination announced in August 2020.

Details of remuneration paid to auditors is presented in Note 24 of the financial statements.

## Indemnification

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount).

No payment has been made to indemnify Ernst & Young Australia during or since the end of the financial year.

## Auditor's independence declaration

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 43 and forms part of the directors' report for the financial year ended 30 June 2021.

## Environmental regulation

The Group is not subject to any particular or significant environmental regulation under any Australian Commonwealth, State or Territory legislation.

## Rounding of amounts

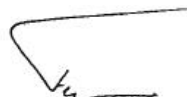
In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of directors:



**Michael Shepherd, AO**

Chairman and Non-Executive Director



**F P (Andy) Esteban**

Non-Executive Director

Sydney, 19 August 2021



**Building a better  
working world**

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## **Auditor's Independence Declaration to the Directors of Navigator Global Investments Limited**

As lead auditor for the audit of Navigator Global Investments Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

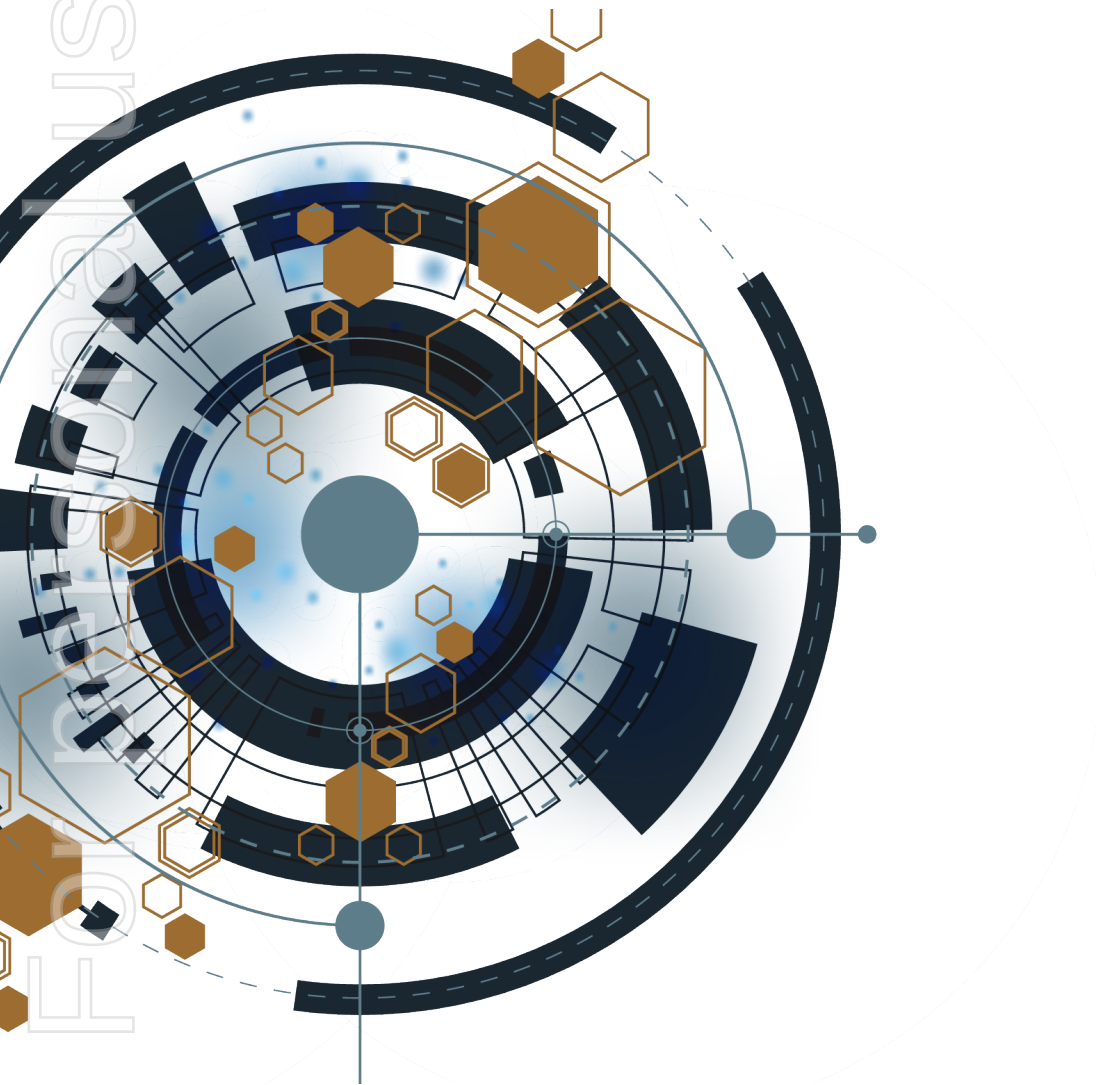
- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Navigator Global Investments Limited and the entities it controlled during the financial year.

Ernst & Young

Rebecca Burrows  
Partner  
19 August 2021

# FINANCIAL STATEMENTS



|                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                              |
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# INCOME STATEMENT

For the year ended 30 June 2021

## Consolidated USD'000

|                                                       | Note | 2021           | 2020           |
|-------------------------------------------------------|------|----------------|----------------|
| Management fee revenue                                | 3(a) | 75,571         | 87,511         |
| Performance fee revenue                               | 3(a) | 13,532         | 5,576          |
| Revenue from reimbursement of fund operating expenses | 3(a) | 17,027         | 7,068          |
| Revenue from provision of office space and services   | 3(a) | 1,828          | 1,354          |
| <b>Total revenue</b>                                  |      | <b>107,958</b> | <b>101,509</b> |
| Other income                                          | 3(b) | 3,661          | -              |
| Expenses                                              | 4    | (89,144)       | (75,910)       |
| <b>Results from operating activities</b>              |      | <b>22,475</b>  | <b>25,599</b>  |
| Finance income                                        | 5(a) | 22,692         | 1,234          |
| Finance costs                                         | 5(a) | (12,685)       | (964)          |
| <b>Profit before income tax</b>                       |      | <b>32,482</b>  | <b>25,869</b>  |
| Income tax expense                                    | 7(a) | (5,727)        | (7,721)        |
| <b>Profit for the period</b>                          |      | <b>26,755</b>  | <b>18,148</b>  |
| <b>Attributable to equity holders of the parent</b>   |      | <b>26,755</b>  | <b>18,148</b>  |

## Earnings per share

## Consolidated US cents

|                            |   | 2021  | 2020  |
|----------------------------|---|-------|-------|
| Basic earnings per share   | 9 | 14.97 | 11.19 |
| Diluted earnings per share | 9 | 10.86 | 11.19 |

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

Consolidated USD'000

|                                                                                                    | Note | 2021          | 2020           |
|----------------------------------------------------------------------------------------------------|------|---------------|----------------|
| <b>Profit attributable to equity holders of the parent</b>                                         |      | <b>26,755</b> | <b>18,148</b>  |
| <b>Other comprehensive income</b>                                                                  |      |               |                |
| <i>Other comprehensive income not to be reclassified to profit and loss in subsequent periods:</i> |      |               |                |
| Change in fair value of financial assets at fair value through other comprehensive income          | 5(b) | (1,237)       | (3,799)        |
| Income tax on financial assets at fair value through other comprehensive income                    | 5(b) | 302           | 926            |
| <b>Other comprehensive loss for the year</b>                                                       |      | <b>(935)</b>  | <b>(2,873)</b> |
| <b>Total comprehensive income for the year, net of tax</b>                                         |      | <b>25,820</b> | <b>15,275</b>  |
| <b>Attributable to equity holders of the parent</b>                                                |      | <b>25,820</b> | <b>15,275</b>  |

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

Consolidated USD'000

|                                                                  | Note  | 2021           | 2020           |
|------------------------------------------------------------------|-------|----------------|----------------|
| <b>Assets</b>                                                    |       |                |                |
| Cash                                                             | 6(a)  | 52,097         | 27,032         |
| Trade and other receivables                                      | 10    | 20,955         | 16,047         |
| Current tax assets                                               | 7(b)  | 53             | 19             |
| <b>Total current assets</b>                                      |       | <b>73,105</b>  | <b>43,098</b>  |
| Investments recognised at fair value                             | 11    | 252,151        | 14,734         |
| Plant and equipment                                              | 12    | 6,255          | 7,389          |
| Right-of-use assets                                              | 13    | 13,700         | 19,280         |
| Deferred tax assets                                              | 7(c)  | 40,620         | 45,972         |
| Intangible assets                                                | 14    | 94,418         | 94,513         |
| Other non-current assets                                         | 10    | 6,331          | 2,503          |
| <b>Total non-current assets</b>                                  |       | <b>413,475</b> | <b>184,391</b> |
| <b>Total assets</b>                                              |       | <b>486,580</b> | <b>227,489</b> |
| <b>Liabilities</b>                                               |       |                |                |
| Trade and other payables                                         | 15    | 11,492         | 2,944          |
| Lease liabilities                                                | 13    | 3,260          | 2,377          |
| Employee benefits                                                | 16    | 917            | 485            |
| <b>Total current liabilities</b>                                 |       | <b>15,669</b>  | <b>5,806</b>   |
| Trade and other payables                                         | 15    | 243            | 218            |
| Lease liabilities                                                | 13    | 18,802         | 20,783         |
| Employee benefits                                                | 16    | 1              | 90             |
| Other financial liabilities                                      | 17    | 81,264         | -              |
| <b>Total non-current liabilities</b>                             |       | <b>100,310</b> | <b>21,091</b>  |
| <b>Total liabilities</b>                                         |       | <b>115,979</b> | <b>26,897</b>  |
| <b>Net assets</b>                                                |       | <b>370,601</b> | <b>200,592</b> |
| <b>Equity</b>                                                    |       |                |                |
| Share capital                                                    | 19(a) | 320,146        | 257,355        |
| Non-share capital                                                | 19(b) | 99,818         | -              |
| Reserves                                                         | 19(c) | 33,006         | 13,682         |
| Accumulated losses                                               |       | (82,369)       | (70,445)       |
| <b>Total equity attributable to equity holders of the parent</b> |       | <b>370,601</b> | <b>200,592</b> |

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

Consolidated USD'000

Amounts attributable to equity holders of the parent

|                                                                                               | Note  | Share Capital  | Non-Share Capital | Share Based Payments Reserve | Fair Value Reserve | Translation Reserve | Parent Entity Profits Reserve | Accumulated Losses | Total Equity   |
|-----------------------------------------------------------------------------------------------|-------|----------------|-------------------|------------------------------|--------------------|---------------------|-------------------------------|--------------------|----------------|
| <b>Balance at 1 July 2019</b>                                                                 |       | <b>257,355</b> | -                 | <b>13,326</b>                | <b>2,025</b>       | <b>850</b>          | <b>16,918</b>                 | <b>(76,949)</b>    | <b>213,525</b> |
| Net profit for the year                                                                       |       | -              | -                 | -                            | -                  | -                   | -                             | 18,148             | 18,148         |
| Transfer to parent entity profits reserve <sup>1</sup>                                        |       | -              | -                 | -                            | -                  | -                   | 11,644                        | (11,644)           | -              |
| <b>Other comprehensive income</b>                                                             |       |                |                   |                              |                    |                     |                               |                    |                |
| Net change in fair value of financial assets at fair value through other comprehensive income | 5(b)  | -              | -                 | -                            | (3,799)            | -                   | -                             | -                  | (3,799)        |
| Income tax on other comprehensive income                                                      | 5(b)  | -              | -                 | -                            | 926                | -                   | -                             | -                  | 926            |
| Total other comprehensive loss, net of tax                                                    |       | -              | -                 | -                            | (2,873)            | -                   | -                             | -                  | (2,873)        |
| <b>Total comprehensive income for the year, net of tax</b>                                    |       | <b>-</b>       | <b>-</b>          | <b>-</b>                     | <b>(2,873)</b>     | <b>-</b>            | <b>11,644</b>                 | <b>6,504</b>       | <b>15,275</b>  |
| Dividends to equity holders                                                                   | 8     | -              | -                 | -                            | -                  | -                   | (28,208)                      | -                  | (28,208)       |
| <b>Balance at 30 June 2020 and 1 July 2020</b>                                                |       | <b>257,355</b> | -                 | <b>13,326</b>                | <b>(848)</b>       | <b>850</b>          | <b>354</b>                    | <b>(70,445)</b>    | <b>200,592</b> |
| Net profit for the year                                                                       |       | -              | -                 | -                            | -                  | -                   | -                             | 26,755             | 26,755         |
| Transfer to parent entity profits reserve <sup>1</sup>                                        | 23    | -              | -                 | -                            | -                  | -                   | 29,463                        | (29,463)           | -              |
| <b>Other comprehensive income</b>                                                             |       |                |                   |                              |                    |                     |                               |                    |                |
| Net change in fair value of financial assets at fair value through other comprehensive income | 5(b)  | -              | -                 | -                            | (1,237)            | -                   | -                             | -                  | (1,237)        |
| Income tax on other comprehensive income                                                      | 5(b)  | -              | -                 | -                            | 302                | -                   | -                             | 1                  | 303            |
| Total other comprehensive loss, net of tax                                                    |       | -              | -                 | -                            | (935)              | -                   | -                             | 1                  | (934)          |
| <b>Total comprehensive income for the year, net of tax</b>                                    |       | <b>-</b>       | <b>-</b>          | <b>-</b>                     | <b>(935)</b>       | <b>-</b>            | <b>29,463</b>                 | <b>(2,707)</b>     | <b>25,821</b>  |
| Issue of share capital                                                                        | 19(a) | 63,821         | -                 | -                            | -                  | -                   | -                             | -                  | 63,821         |
| Issue of convertible notes                                                                    | 19(b) | -              | 100,743           | -                            | -                  | -                   | -                             | -                  | 100,743        |
| Transaction costs                                                                             | 2     | (1,030)        | (925)             | -                            | -                  | -                   | -                             | -                  | (1,955)        |
| Dividends to equity holders                                                                   | 8     | -              | -                 | -                            | -                  | -                   | (9,204)                       | (9,217)            | (18,421)       |
| <b>Total transactions with owners</b>                                                         |       | <b>62,791</b>  | <b>99,818</b>     | <b>-</b>                     | <b>-</b>           | <b>-</b>            | <b>(9,204)</b>                | <b>(9,217)</b>     | <b>144,188</b> |
| <b>Balance at 30 June 2021</b>                                                                |       | <b>320,146</b> | <b>99,818</b>     | <b>13,326</b>                | <b>(1,783)</b>     | <b>850</b>          | <b>20,613</b>                 | <b>(82,369)</b>    | <b>370,601</b> |

<sup>1</sup> Relates to the net profit of the parent entity (Navigator Global Investments Limited)

The accompanying notes form part of these consolidated financial statements

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

Consolidated USD'000

|                                                                                  | Note | 2021            | 2020            |
|----------------------------------------------------------------------------------|------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                                      |      |                 |                 |
| Cash receipts from operating activities                                          |      | 103,613         | 106,509         |
| Cash paid to suppliers and employees                                             |      | (80,408)        | (71,483)        |
| Cash generated from operations                                                   |      | 23,205          | 35,026          |
| Bank interest received                                                           |      | 4               | 166             |
| Lease interest received                                                          |      | 9               | 13              |
| Lease interest paid                                                              |      | (912)           | (823)           |
| Income taxes paid                                                                |      | (107)           | (21)            |
| <b>Net cash from operating activities</b>                                        | 6(b) | <b>22,199</b>   | <b>34,361</b>   |
| <b>Cash flows from investing activities</b>                                      |      |                 |                 |
| Distributions received from investments                                          |      | 13,357          | 1               |
| Acquisition of plant and equipment                                               |      | (1,499)         | (4,204)         |
| Proceeds from disposal of investments                                            |      | 3,250           | 561             |
| Acquisition of investments                                                       |      | (210)           | (414)           |
| Acquired cash through business combination                                       | 2    | 16,028          | -               |
| Transaction costs associated with business combination                           |      | (5,101)         | (1,799)         |
| Acquisition of other non-current assets                                          |      | (32)            | (916)           |
| <b>Net cash from/(used in) investing activities</b>                              |      | <b>25,793</b>   | <b>(6,771)</b>  |
| <b>Cash flows from financing activities</b>                                      |      |                 |                 |
| Transaction costs associated with the issue of shares and notes                  |      | (1,969)         | -               |
| Lease payments received from finance leases                                      |      | 112             | 108             |
| Payment of principal portion of lease liabilities                                |      | (2,498)         | (1,536)         |
| Dividends paid to equity holders                                                 |      | (18,421)        | (28,208)        |
| <b>Net cash used in financing activities</b>                                     |      | <b>(22,776)</b> | <b>(29,636)</b> |
| <b>Net increase in cash</b>                                                      |      | <b>25,216</b>   | <b>(2,046)</b>  |
| Cash balance at 1 July                                                           |      | 27,032          | 29,029          |
| Effect of exchange rate fluctuations on cash balances held in foreign currencies |      | (151)           | 49              |
| <b>Cash balance as at 30 June</b>                                                | 6(a) | <b>52,097</b>   | <b>27,032</b>   |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## Results for the year

This section of the notes to the financial statements focuses on the results and performance of the Navigator Global Investments Limited Group. On the following pages you will find disclosures explaining the Group's results for the year, segment information, taxation and earnings per share.

Where an accounting policy or key estimate is specific to a single note, the policy or estimate is described in the note to which it relates.

### 1. Operating segments

As at 30 June 2021, the Group had two reportable segments:

- Lighthouse Group, which operates as a global absolute return funds manager for investment vehicles; and
- NGI Strategic Group, was established during the financial year following the business combination outlined in Note 2. This division holds several strategic investments on a minority basis in a number of alternative asset management entities.

Corporate includes assets, liabilities and corporate expenses relating to the parent entity, Navigator Global Investments Limited, and balances that are eliminated on consolidation of the Group.

Corporate is not considered to be an operating segment.

No operating segments have been aggregated to form the above reportable operating segments.

The CEO is responsible for day-to-day operations and the implementation of the Group's business strategy. Internal management reports are provided to the CEO on a monthly basis including separate analysis for the Lighthouse and NGI Strategic groups to monitor the operating results of its business for the purpose of making decisions about resource allocation and performance assessment.

Business unit performance is evaluated based on the financial information as set out below, as well as other key metrics such as Assets under Management and the average management fee rate.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 1. Operating segments (continued)

|                                                                     | Lighthouse<br>US\$'000 |                | NGI Strategic<br>US\$'000 |          | Corporate & Adjustments<br>US\$'000 |                | Consolidated<br>US\$'000 |                |
|---------------------------------------------------------------------|------------------------|----------------|---------------------------|----------|-------------------------------------|----------------|--------------------------|----------------|
|                                                                     | 2021                   | 2020           | 2021                      | 2020     | 2021                                | 2020           | 2021                     | 2020           |
| Revenue                                                             | 88,762                 | 92,953         | -                         | -        | 341                                 | 134            | 89,103                   | 93,087         |
| Other revenue                                                       | 18,855                 | 8,422          | -                         | -        | -                                   | -              | 18,855                   | 8,422          |
| <b>Total revenue from contracts with customers</b>                  | <b>107,617</b>         | <b>101,375</b> | <b>-</b>                  | <b>-</b> | <b>341</b>                          | <b>134</b>     | <b>107,958</b>           | <b>101,509</b> |
| Other income                                                        | -                      | -              | 3,661                     | -        | -                                   | -              | 3,661                    | -              |
| Operating expenses (excluding depreciation and amortisation)        | (75,166)               | (68,012)       | (397)                     | -        | (3,408)                             | (1,332)        | (78,971)                 | (69,344)       |
| <b>Result from operating activities</b>                             | <b>32,451</b>          | <b>33,363</b>  | <b>3,264</b>              | <b>-</b> | <b>(3,067)</b>                      | <b>(1,198)</b> | <b>32,648</b>            | <b>32,165</b>  |
| Net finance income / (costs) (excluding interest)                   | 2,928                  | 887            | 8,026                     | -        | (151)                               | 34             | 10,803                   | 921            |
| Other non-operating expenses                                        | (548)                  | (769)          | (5,005)                   | -        | (95)                                | (1,799)        | (5,648)                  | (2,568)        |
| <b>Earnings before interest, tax, depreciation and amortisation</b> | <b>34,831</b>          | <b>33,481</b>  | <b>6,285</b>              | <b>-</b> | <b>(3,313)</b>                      | <b>(2,963)</b> | <b>37,803</b>            | <b>30,518</b>  |
| Interest revenue                                                    | 142                    | 58             | 1                         | -        | -                                   | 116            | 143                      | 174            |
| Interest expense                                                    | (914)                  | (824)          | -                         | -        | (25)                                | (1)            | (939)                    | (825)          |
| Depreciation and amortisation                                       | (4,489)                | (3,981)        | -                         | -        | (36)                                | (17)           | (4,525)                  | (3,998)        |
| <b>Reportable segment profit / (loss) before income tax</b>         | <b>29,570</b>          | <b>28,734</b>  | <b>6,286</b>              | <b>-</b> | <b>(3,374)</b>                      | <b>(2,865)</b> | <b>32,482</b>            | <b>25,869</b>  |
| Income tax expense                                                  | (6,525)                | (7,721)        | 798                       | -        | -                                   | -              | (5,727)                  | (7,721)        |
| <b>Reportable segment profit / (loss) after income tax</b>          | <b>23,045</b>          | <b>21,013</b>  | <b>7,084</b>              | <b>-</b> | <b>(3,374)</b>                      | <b>(2,865)</b> | <b>26,755</b>            | <b>18,148</b>  |
| Segment assets                                                      | 206,214                | 215,983        | 267,679                   | -        | 12,687                              | 11,506         | 470,876                  | 227,489        |
| Segment liabilities                                                 | (21,909)               | (25,985)       | (90,815)                  | -        | (3,255)                             | (912)          | (107,842)                | (26,897)       |
| <b>Net assets</b>                                                   | <b>184,305</b>         | <b>189,998</b> | <b>176,864</b>            | <b>-</b> | <b>9,432</b>                        | <b>10,594</b>  | <b>370,601</b>           | <b>200,592</b> |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 2. Business Combination

### NGI Strategic Portfolio investments

On 1 February 2021, the Group acquired six minority ownership interests in leading established alternative asset managers ('the portfolio' or 'portfolio investments'). The portfolio represents a well-diversified group of established firms with strong leadership and track records of delivering results to their clients through multiple market cycles.

As part of the transaction, the Group acquired controlling interest in two partnerships; 71% of NGI Strategic Holdings (A) LP and 56% of NGI Strategic Holdings (B) LP. These partnerships house five of the investments with the vendors retaining a minority interest which will be mandatorily redeemed in 5 years for an agreed redemption price (treated as deferred consideration). One of the investments is held through a newly formed Australian subsidiary; NGI Strategic Australia Pty Ltd. Minority interest holders are entitled to an ongoing profit share for distributions received over an agreed minimum level. For the five months ended 30 June 2021, the portfolio of investments contributed revenue of \$13.1 million and profit of \$20.7 million prior to profit share arrangements or \$11.2 million after profit share arrangements. A portion of the \$9.4 million profit share owing to minority interests included distributions relating to 2020 calendar year which the Group received as cash on acquisition.

If the acquisition had occurred on 1 July 2020, management estimates that contributed revenue would have been \$28.9 million and profit of \$34.8 million prior to profit share arrangements or \$25.4 million attributable to the Group.

#### a) Consideration transferred

The following summarises the acquisition date fair value of each class of consideration transferred:

|                                                             |             | US\$'000       |
|-------------------------------------------------------------|-------------|----------------|
| <b>Upfront consideration</b>                                | <b>Note</b> |                |
| Equity instruments (40,524,306 ordinary shares) (i)         | 19(a)       | 63,821         |
| Convertible notes (102,283 notes @ \$1,000 face value) (ii) | 17(a)       | 102,283        |
| <b>Deferred consideration</b>                               |             |                |
| Redemption payment for Class II shares (iii)                | 17(b)       | 69,071         |
| <b>Total consideration transferred</b>                      |             | <b>235,175</b> |

(i) The fair value of ordinary shares issued was based on the listed share price of the Company at 31 January 2021 of \$1.57 per share (A\$2.06 per share).

(ii) The fair value of convertible notes issued was based on a conversion price of \$1.51 being the USD equivalent of the 20-day VWAP of Company shares. The convertible notes represent 67,574,292 shares.

(iii) Deferred consideration represents the fair value of the redemption payment the Group has agreed to pay in 2025 to acquire the non-controlling interest in the two partnerships acquired.

The expected payment is determined as the average relevant gross earnings of the six portfolio investments (ownership adjusted) over a minimum distribution threshold.

The consideration is calculated over two discrete measurement periods; Calendar year 2021-2023 and calendar years 2024-2025, with the average relevant gross earnings multiplied by 2.25x up to a maximum undiscounted amount of \$200 million.

The fair value of deferred consideration at acquisition date involves the estimation of future cash flows and align with earnings estimates utilised to determine the fair value of the corresponding fair value of investment assets acquired. Amounts are discounted by 12% to present value, comprising of the cost of debt plus a risk premium to reflect variability in earnings. Refer to Note 20 for further details on fair value measurement.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 2. Business Combination (continued)

## b) Assets acquired and liabilities assumed

The provisionally determined fair values of the identified assets and liabilities of the NGI Strategic Portfolio at the date of acquisition are as follows:

|                                          | Note | Provisional<br>Fair value at<br>acquisition US\$'000 |
|------------------------------------------|------|------------------------------------------------------|
| Cash                                     |      | 13,234                                               |
| Receivables                              |      | 2,794                                                |
| Investments                              | 11   | 219,396                                              |
| Payables                                 |      | (249)                                                |
| <b>Fair value of net assets acquired</b> |      | <b>235,175</b>                                       |

## Analysis of cash flows at acquisition

|                                                                                                                                             | US\$'000     |
|---------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Transaction costs of the acquisition (included in cash flows from investing activities)                                                     | (5,101)      |
| Net cash acquired at acquisition date including distributions owing (included in cash flows from investing activities)                      | 16,028       |
| Transaction cost directly attributable to the issue of shares and notes as consideration (included in cash flows from financing activities) | (1,969)      |
| <b>Net cash flows on acquisition</b>                                                                                                        | <b>8,958</b> |

## Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Consideration transferred for the acquisition of an entity comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interest issued by the group
- fair value of asset or liabilities resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions measured at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

If the consideration transferred, amount of non-controlling interest (if any) and the fair value of any previously held equity interests in the acquired entity, exceeds the fair value of assets acquired, a goodwill is recorded on the balance sheet. If consideration amounts are less than the fair value of the net identifiable assets of the business acquired, the bargain difference is recorded in profit and loss.

Where deferred consideration is agreed, the amounts payable in the future are discounted to their present value as at the date of exchange. Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the profit and loss.

For business combinations achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from a remeasurement is recognised in the profit and loss.

Transaction costs associated with the acquisition are expensed as incurred.

## Non-controlling interests

When a business combination involves an agreement to purchase the non-controlling interest at a later date (referred to as a put arrangement), the Group will consider it as a discrete transaction. When the Group does not have a present ownership interest in the non-controlling interest shares, the Group has elected not to account for the non-controlling interest on initial acquisition. As a result, the redemption payment is recorded as a financial liability and the shares subject to the put are accounted for when acquired. Changes in the put liability is subsequently recognised in profit and loss, and if the option expires, is treated as a disposal of a portion of a business.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3. Revenue

## a) Revenue from contracts with customers

Consolidated US\$'000

**Operating revenue**

Management fees from commingled funds

Management fees from customised solutions clients

Management fees from managed account services clients

Performance fees

**Total operating revenue****Other revenue**

Revenue from reimbursement of fund operating expenses

Revenue from provision of office space and services

**Total other revenue****Total revenue from contracts with customers**

|                                                       | 2021           | 2020           |
|-------------------------------------------------------|----------------|----------------|
| Management fees from commingled funds                 | 43,731         | 49,917         |
| Management fees from customised solutions clients     | 22,914         | 33,052         |
| Management fees from managed account services clients | 8,926          | 4,542          |
| Performance fees                                      | 13,532         | 5,576          |
| <b>Total operating revenue</b>                        | <b>89,103</b>  | <b>93,087</b>  |
| <b>Other revenue</b>                                  |                |                |
| Revenue from reimbursement of fund operating expenses | 17,027         | 7,068          |
| Revenue from provision of office space and services   | 1,828          | 1,354          |
| <b>Total other revenue</b>                            | <b>18,855</b>  | <b>8,422</b>   |
| <b>Total revenue from contracts with customers</b>    | <b>107,958</b> | <b>101,509</b> |

**Management fees**

Management fees are received from customers for providing:

- investment management / advice and related services to commingled funds; and
- investment management / advice and / or managed account services to customised solutions clients.

Management fee revenue is based on a percentage of the customer's portfolio value and is calculated in accordance with the applicable document or agreement which creates the contractual relationship with the customer. The management fee is a single fee which covers all of the individual components which make up the management service. Management fee revenue is variable in nature as it is based on a percentage of the customer's portfolio value.

The Group's obligation to provide management services to customers is satisfied as and when the customer receives and consumes the services on a continuous basis. The Group recognises revenue for the services performed at the end of each month.

**Performance fees**

Performance fees may be received from some commingled fund share classes and some customised solutions clients.

The amount of the performance fee is calculated in accordance with the terms of the applicable contract with the customer. The entitlement to performance fees for any given performance period is dependent on the customer's portfolio achieving a positive performance, and in some cases in outperforming an agreed hurdle. Performance fees are generally also subject to a high watermark arrangement which ensures that fees are not earned more than once on the same performance.

The Group satisfies its obligations to provide services in exchange for the performance fee revenue on a continuous basis, however the right to receive the revenue is constrained by achieving the required performance hurdles and/or high watermark. As such, performance fee revenue is only recognised to the extent that it is probable that a significant reversal of the revenue will not occur. Due to the uncertainty associated with the estimate of performance fees prior to the end of the performance period, this revenue is not recognised in the income statement until the entitlement to receive the fee becomes certain, which is at the end of the relevant performance period. At all times prior to this, there is a high probability of any revenue recognised being reversed. Performance periods for performance fee arrangements range from between 1 month to 1 year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3. Revenue (continued)

## Revenue from reimbursement of fund operating expenses

The Group is entitled to reimbursement for fund expenses that it has paid on behalf of the funds. While the funds generally pay their own operating expenses directly, there are some expenses, such as financial data services, software and technology expenses, where it is more practical for the Group to incur and pay the expense and then be reimbursed by the funds.

The Group enters into contracts for the relevant good or service directly with the third party service providers, and hence the Group controls the good or service until it subsequently directs the good or service to be transferred to the fund.

As the Group controls the good or service before it is transferred, the Group is not acting in a capacity as agent for the fund. The Group is required to recognise both:

- the expense incurred under the contract with the third-party service providers (see note 4) to receive the good or service; and
- the revenue to which it expects to be entitled from the fund in exchange for transferring the good or service.

The revenue and expense in relation to these reimbursed costs directly off-set as the Group does not add a margin to the original cost of the good or service transferred to the fund.

## Revenue from the provision of office space and services

The Group has a number of agreements with external parties to license office space at its New York and London offices. As part of these agreements, licensees are charged license fees and service charges on a monthly basis.

The Group has two obligations in relation to these agreements:

- to provide office space to licensees, including services in connection with licensees' use and occupancy of the office space; and
- to provide other on-going business services.

The Group's obligation to provide office space services and its obligation to provide business services to licensees are satisfied as and when the customer receives and consumes the services on a continuous basis. The Group recognises revenue as the amount to which it has a right to invoice for the period.

The Group is entitled to:

- a license fee and an occupancy-related service charge as per the terms of the applicable contract with each licensee as it satisfies its obligations to provide office space and related services; and
- a service charge as per the terms of the applicable contract with each licensee as it satisfies its obligations to provide business services.

## Major revenue source

11% (2020: 14%) of the Group's operating revenue relates to management fees and performance fees earned on the Lighthouse Diversified commingled funds.

18% (2020: 13%) of the Group's operating revenue relates to management fees and performance fees earned on the Lighthouse Global Long/Short commingled funds.

18% (2020: 13%) of the Groups operating revenue relates to management fees and performance fees earned on the North Rock funds.

The Group's largest individual client represents 10% of operating revenue (2020: 11%).

The Group's three largest individual clients combined represent 22% of operating revenue (2020: 22%).

## b) Other income

Distribution income

Share of profits to non-controlling interest holders

## Net strategic investment income

## Distribution income

Distributions are received from investments the Group holds in unquoted securities in externally managed entities. Income is recognised on the date that the Group's right to receive payment is established.

## Consolidated US\$'000

| 2021         | 2020     |
|--------------|----------|
| 13,105       | -        |
| (9,444)      | -        |
| <b>3,661</b> | <b>-</b> |

## Share of profits to non-controlling interest holders

Non-controlling interest holders associated with the business combination completed during the period are entitled to a share of profits above a minimum level of distributions received from the six investments acquired.

As a redemption payment to acquire non-controlling interests is recorded as a liability (refer Note 17(b)), the share of profits to non-controlling interest holders is recorded through the profit and loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 4. Expenses

|                                                        | Consolidated US\$'000 |                 |
|--------------------------------------------------------|-----------------------|-----------------|
|                                                        | 2021                  | 2020            |
| <b>Operating expenses</b>                              |                       |                 |
| Employee expense                                       | (47,916)              | (44,216)        |
| Professional and consulting expenses                   | (5,036)               | (6,345)         |
| Information and technology expense                     | (3,372)               | (3,540)         |
| Reimbursable fund operating expenses                   | (17,027)              | (7,068)         |
| Occupancy expense                                      | (1,180)               | (1,583)         |
| Distribution expense                                   | (1,788)               | (2,798)         |
| Insurance                                              | (629)                 | (542)           |
| Travel expense                                         | (48)                  | (785)           |
| Other expenses                                         | (1,975)               | (2,468)         |
| <b>Total operating expenses</b>                        | <b>(78,971)</b>       | <b>(69,345)</b> |
| <b>Non-operating expenses</b>                          |                       |                 |
| Transaction costs associated with business combination | (5,101)               | (1,799)         |
| Depreciation of plant and equipment                    | (2,084)               | (1,606)         |
| Lease depreciation                                     | (2,345)               | (2,018)         |
| Amortisation of intangible assets                      | (95)                  | (374)           |
| Impairment losses                                      | -                     | (769)           |
| Loss on disposal of plant and equipment                | (548)                 | -               |
| <b>Total non-operating expenses</b>                    | <b>(10,173)</b>       | <b>(6,565)</b>  |
| <b>Total expenses</b>                                  | <b>(89,144)</b>       | <b>(75,910)</b> |

## Employee expense

The largest operating expense is employee expense which includes salaries and wages, together with the cost of other benefits provided to employees such as contributions to superannuation and retirement plans, health care benefits, educational assistance and cash bonuses. It also includes associated payroll costs such as payroll tax and payroll processing fees.

Employee expense for the year ended 30 June 2021 includes contributions to defined contribution superannuation and pension plans of \$1.2 million (2020: \$1.2 million).

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit and loss in the periods during which services are rendered by employees.

## Distribution expense

Distribution expenses are paid to external intermediaries for marketing and investor servicing, largely in relation to commingled funds. Distribution expenses are variable in line with AUM and the associated management fee revenue. This expense is recognised on an accrual basis.

## Reimbursable fund operating expenses

The Group is entitled to reimbursement for fund expenses that it has paid on behalf of the funds. While the funds generally pay their own operating expenses directly, there are some expenses, such as financial data services, software and technology expenses, where it is more practical for the Group to incur and pay the expense and then be reimbursed by the funds.

From January 2021 new cost sharing arrangements were negotiated with a fund whereby additional operating expenses such as employee costs including salaries, wages and cash bonuses are passed through for reimbursement.

A corresponding amount of revenue from reimbursement of fund operating expenses has also been recognised for the year (see Note 3).

## Occupancy expense

Under AASB 16 *Leases*, occupancy expense relates to short-term leases, common area maintenance costs and low value leases.

## Lease depreciation

Lease depreciation has been recognised in accordance with AASB 16 *Leases*. The Group's right-of-use assets are depreciated using the straight-line method over the term of each lease

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 5. Finance income and costs

## a) Recognised directly in profit and loss

|                                                        | Consolidated US\$'000 |              |
|--------------------------------------------------------|-----------------------|--------------|
|                                                        | 2021                  | 2020         |
| <b>Finance income</b>                                  |                       |              |
| Unrealised fair value changes in financial assets      | 22,549                | 727          |
| Finance income on net investment in finance lease      | 142                   | 13           |
| Interest income on bank deposits                       | 1                     | 162          |
| Net foreign exchange gain                              | -                     | 332          |
| <b>Total finance income</b>                            | <b>22,692</b>         | <b>1,234</b> |
| <b>Finance costs</b>                                   |                       |              |
| Unrealised fair value changes in financial liabilities | (10,646)              | -            |
| Lease interest expense                                 | (912)                 | (823)        |
| Net foreign exchange loss                              | (955)                 | -            |
| Bank charges                                           | (145)                 | (139)        |
| Other interest expense                                 | (27)                  | (2)          |
| <b>Total finance costs</b>                             | <b>(12,685)</b>       | <b>(964)</b> |
| <b>Net finance costs recognised in profit and loss</b> | <b>10,007</b>         | <b>270</b>   |

## Fair value movements

Financial assets (Note 11) and financial liabilities (Note 17 (b)) at fair value through profit and loss are remeasured at each reporting date. Fair value movements (unrealised) are reported in the profit and loss on as either finance income or finance costs depending on whether the fair value movements result in a net gain or net loss position for the reporting period.

## Finance income

Finance income on net investment in finance lease is recognised over the term of the lease based on a pattern reflecting a constant rate of return on the lessor's net investment in the lease. Refer to Note 13 for additional detail.

Interest income is recognised in profit and loss as it accrues.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements result in a net gain or net loss position for the reporting period.

## Finance costs

Lease interest expense relates to the Group's lease liabilities and is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Refer to Note 13 for additional detail.

Other interest expense reflects the current period finance cost associated with unwinding the discount recognised on the Group's office lease make good provision and financial liabilities recorded at amortised cost at Note 17 (a).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 5. Finance income and costs (continued)

## b) Recognised directly in other comprehensive income

## Consolidated US\$'000

|                                                                                    | 2021         | 2020           |
|------------------------------------------------------------------------------------|--------------|----------------|
| Unrealised fair value changes in financial assets                                  | (1,237)      | (3,799)        |
| Income tax expense recognised directly in equity                                   | 302          | 926            |
| <b>Finance income attributable to equity holders recognised directly in equity</b> | <b>(935)</b> | <b>(2,873)</b> |
| <b>Recognised in:</b>                                                              |              |                |
| Fair value reserve                                                                 | (935)        | (2,873)        |

Financial assets at fair value through other comprehensive income are carried in the statement of financial position at fair value, with changes in fair value reported in other comprehensive income and presented in the fair value reserve in equity (refer Note 11).

Upon sale or derecognition of these investments, any gain or loss will be transferred to retained earnings.

## 6. Cash

## a) Cash

## Consolidated US\$'000

|                                 | 2021          | 2020          |
|---------------------------------|---------------|---------------|
| Cash at bank                    | 52,097        | 16,232        |
| Term deposits less than 90 days | -             | 10,800        |
|                                 | <b>52,097</b> | <b>27,032</b> |

At balance date, AUD cash accounts earn interest of 0.01% (2020: 0.05%); USD cash accounts earn 0% (2020: between 0% and 0.73%).

The carrying amount of these assets is a reasonable approximation of fair value. The Group's exposure to interest rate and foreign currency risk on cash is disclosed in Note 20.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 6. Cash (continued)

## b) Reconciliation of cash flows from operating activities

|                                                                             |      | Consolidated US\$'000 |               |
|-----------------------------------------------------------------------------|------|-----------------------|---------------|
|                                                                             | Note | 2021                  | 2020          |
| <b>Cash flows from operating activities</b>                                 |      |                       |               |
| Profit for the period                                                       |      | <b>26,755</b>         | <b>18,148</b> |
| <i>Adjustments for:</i>                                                     |      |                       |               |
| Income tax expense, less income tax paid                                    |      | 5,620                 | 7,700         |
| Depreciation of plant and equipment                                         | 4    | 2,084                 | 1,606         |
| Lease depreciation                                                          | 4    | 2,345                 | 2,018         |
| Amortisation of intangible assets                                           | 4    | 95                    | 374           |
| Impairment losses                                                           | 4    | -                     | 769           |
| Distributions from financial assets                                         | 5(a) | (13,357)              | (1)           |
| Finance income (non-cash)                                                   |      | (133)                 | -             |
| Unrealised fair value changes in financial assets                           | 5(a) | (22,549)              | (727)         |
| Unrealised fair value changes in financial liabilities                      | 5(a) | 10,646                | -             |
| Other interest expense (non-cash)                                           | 5(a) | 27                    | 2             |
| Net foreign exchange (gain) / loss                                          | 5(a) | 955                   | (332)         |
| Loss on disposal of plant and equipment                                     | 4    | 548                   | -             |
| Transaction costs associated with business combination                      | 4    | 5,101                 | 1,799         |
| Profit share to non-controlling interest holders                            | 3(b) | 9,444                 | -             |
| <b>Operating cash flow before changes in working capital and provisions</b> |      | <b>27,581</b>         | <b>31,356</b> |
| (Increase) / decrease in receivables                                        |      | (4,343)               | 5,005         |
| (Increase) / decrease in other current assets                               |      | (446)                 | (1,562)       |
| Increase / (decrease) in payables                                           |      | (890)                 | (315)         |
| Increase / (decrease) in employee benefits                                  |      | 297                   | (123)         |
| <b>Net cash from operating activities</b>                                   |      | <b>22,199</b>         | <b>34,361</b> |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 7. Income tax

The Group has an Australian tax consolidated group and two separate US tax consolidated groups; one for the Lighthouse segment and one which includes US entities within the NGI Strategic segment. Several entities within the NGI Strategic segment are incorporated in the Cayman Islands including the partnership entities which receive distribution income from portfolio investments acquired in the current year.

Income tax expense comprises current and deferred tax and is recognised in profit and loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

## a) Reconciliation of effective tax rate

|                                                                               | Consolidated US\$'000 |                |
|-------------------------------------------------------------------------------|-----------------------|----------------|
|                                                                               | 2021                  | 2020           |
| Profit before income tax                                                      | 32,482                | 25,869         |
| Income tax using the Company's domestic tax rate of 30% (2020: 30%)           | (9,745)               | (7,760)        |
| Effect of tax rates in foreign jurisdictions                                  | 4,404                 | 1,026          |
| Non-deductible / non-assessable amounts included in accounting profit         | (220)                 | (886)          |
| Amounts not included in accounting profit                                     | 359                   | (320)          |
| Tax losses (generated)/utilised for which no deferred tax asset is recognised | (325)                 | 330            |
| Changes in estimates related to prior years                                   | (200)                 | (111)          |
| <b>Total income tax expense reported in profit and loss</b>                   | <b>(5,727)</b>        | <b>(7,721)</b> |

## b) Current tax assets and liabilities

|                         | Consolidated US\$'000 |      |
|-------------------------|-----------------------|------|
|                         | 2021                  | 2020 |
| Current tax assets      | 53                    | 19   |
| Current tax liabilities | -                     | -    |

Current tax assets and liabilities represent the amount of income taxes receivable or payable to the relevant tax authority, using rates current at reporting date. As the group has significant carried forward tax losses, these amounts are not significant.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 7. Income tax (continued)

## c) Deferred tax assets

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences related to investments in wholly-owned subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on a tax consolidated group of entities.

## Deferred tax assets (net) – US Tax Groups

Net deferred tax assets have been recognised for both US tax groups in respect of the following items:

|                                                                   |
|-------------------------------------------------------------------|
| Carried forward tax losses                                        |
| Goodwill and intangible assets                                    |
| Employee benefits                                                 |
| Financial assets at fair value through profit and loss            |
| Financial assets at fair value through other comprehensive income |
| Foreign tax credits                                               |
| Other items                                                       |

As at 30 June 2021 it is considered more likely than not that the carried forward tax losses and deductible temporary differences recorded by both US tax group's will be fully recovered. This position is supported by the current profitability of the US Lighthouse Group which is expected to continue into the future and taxable profits earned in the NGI Strategic US tax group following a full year of earnings.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve interpretations of tax law and judgements about future events. New information may become available that causes the Group to change its judgement regarding the calculation of tax balances, and such changes will impact the profit and loss in the period that such a determination is made.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The carrying value of both recognised and unrecognised deferred tax assets are reassessed at each reporting date.

## Consolidated US\$'000

| 2021          | 2020          |
|---------------|---------------|
| 36,251        | 32,455        |
| 3,074         | 11,448        |
| 71            | 92            |
| (1,329)       | (432)         |
| 581           | 264           |
| 608           | 679           |
| 1,364         | 1,466         |
| <b>40,620</b> | <b>45,972</b> |

Carried forward tax losses relating to the US Group which existed prior to 1 January 2018 have a life of 20 years, and will expire during the period from 2029 to 2038. Any tax losses incurred after 1 January 2018 will have an indefinite life.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 7. Income tax (continued)

## c) Deferred tax assets (continued)

## Deferred tax assets – Australian Group

Deferred tax assets have not been recognised in respect of the following items:

## Consolidated US\$'000

|                                  | 2021          | 2020          |
|----------------------------------|---------------|---------------|
| Deductible temporary differences | 88,653        | 80,623        |
| Tax losses                       | 3,561         | 2,962         |
|                                  | <b>92,214</b> | <b>83,585</b> |

Unrecognised deferred tax assets relating to the Australian Group of AUD\$122.7 million equivalent (2020: AUD\$121.8 million) consist of deductible temporary differences (including impairment losses recognised in previous financial years), and carried forward operating tax losses.

As at 30 June 2021, it is not probable that the Australian Group will produce sufficient taxable profits or capital gains against which these deferred tax assets can be utilised and therefore the deferred tax assets remain unrecognised.

Of the deductible temporary differences not recognised USD\$88.3 million (2020: USD\$80.6 million) relate to impairment write-downs from financial years ended 30 June 2009 and 30 June 2020 on the carrying value of the Lighthouse Group. The realisation of this tax asset is subject to the application of relevant tax legislation and the structure of any future business transactions in relation to the Lighthouse Group, if and when any such transaction was to occur. The movement in the current year is a result of foreign currency exchange.

Tax losses relating to the Australian Group and deductible temporary differences do not expire under current tax legislation.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 8. Dividends

## a) Dividends paid

The following dividends were paid by the Company:

Interim ordinary dividend for the year ended 30 June 2021 of USD 3.5 cents

Interim dividend for the year ended 30 June 2021 of USD 3.5 cents paid to convertible noteholders

Final ordinary dividend for the year ended 30 June 2020 of USD 5.5 cents

Interim ordinary dividend for the year ended 30 June 2020 of USD 8.5 cents

Final ordinary dividend for the year ended 30 June 2019 of USD 9.0 cents

## Consolidated US\$'000

| 2021          | 2020          |
|---------------|---------------|
| 6,839         | -             |
| 2,365         | -             |
| 9,217         | -             |
| -             | 13,668        |
| -             | 14,540        |
| <b>18,421</b> | <b>28,208</b> |

The Directors have determined a final unfranked dividend of USD 6.0 cents per share (with 100% conduit foreign income credits). The dividend will be paid on 10 September 2021.

The dividends were not determined or provided for as at 30 June 2021, and there are no income tax consequences.

## b) Dividend franking account

## Consolidated US\$'000

| 2021 | 2020 |
|------|------|
| 774  | 707  |

Amount of franking credits available to shareholders of Navigator Global Investments Limited for subsequent financial years

Dividends paid and declared during the 2021 financial year have been unfranked. The movement in the franking account balance relates to foreign currency movements only.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 9. Earnings per share

## Consolidated US\$'000

|                            | 2021  | 2020  |
|----------------------------|-------|-------|
| Basic earnings per share   | 14.97 | 11.19 |
| Diluted earnings per share | 10.86 | 11.19 |

## Reconciliation of earnings used in calculating earnings per share

Basic and diluted earnings per share (EPS)

## Consolidated US\$'000

|                                                                                                         | 2021   | 2020   |
|---------------------------------------------------------------------------------------------------------|--------|--------|
| Profit attributable to ordinary equity holders of the Company used in calculating basic and diluted EPS | 26,755 | 18,148 |

Weighted average number of shares used in calculating basic and diluted EPS

## '000 shares

|                                                                              | 2021    | 2020    |
|------------------------------------------------------------------------------|---------|---------|
| Weighted average number of ordinary shares used in calculating basic EPS (i) | 178,736 | 162,148 |
| Adjustment for calculation of diluted EPS:                                   |         |         |
| Convertible notes (ii)                                                       | 67,574  | -       |
| Weighted average number of ordinary shares used in calculating diluted EPS   | 246,310 | 162,148 |

(i) The weighted average number of shares takes into account the weighted average effect of shares issued as part of the business combination on 1 February 2021.

(ii) Diluted earnings per share includes potential shares associated with the convertible notes issued as part of the business combination on 1 February 2021. Shares are not weighted.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## Operating assets and liabilities

This section of the notes to the financial statements provides information on the operating assets and liabilities of the Navigator Global Investments Limited Group, including explanations of the Group's key assets used to generate operating results and the corresponding liabilities. Information on other assets and liabilities can be found in the following sections:

- Results for the year *starting from page 51*
- Capital and risk *starting from page 77*

Where an accounting policy or key estimate is specific to a single note, the policy or estimate is described in the note to which it relates.

## 10. Trade and other receivables

**Current**

Trade receivables from contracts with customers

Prepayments

Finance lease receivable

Other receivables

**Non-Current**

Guarantees and deposits

Finance lease receivable

| Note  | Consolidated US\$'000 |               |
|-------|-----------------------|---------------|
|       | 2021                  | 2020          |
|       | 18,074                | 13,674        |
|       | 2,079                 | 2,180         |
| 12(b) | 464                   | 112           |
|       | 338                   | 81            |
|       | <b>20,955</b>         | <b>16,047</b> |
|       |                       |               |
|       | 2,371                 | 2,338         |
| 12(b) | 3,960                 | 165           |
|       | <b>6,331</b>          | <b>2,503</b>  |

**Trade receivables from contracts with customers**

Trade receivables due from contracts with customers comprise management service fees, performance fees, recoverable costs, licence fees, outgoings and other operating expenses on-charged under agreements with external parties to licence office space.

Trade receivables are non-interest bearing and are generally on 30 to 90 day terms. Trade receivables are initially recognised at fair value, being the amount to which the Group has the right to invoice for the period for the services or recoverable costs provided.

Due to the short-term nature of the Group's trade receivables and the historically low default rate on payment by customers, there is no credit allowance against trade receivables as at 30 June 2021 or 30 June 2020. In determining this credit allowance, the Group has considered forward looking factors specific to the receivables and the economic environment and determined that any allowance would be insignificant.

**Other receivables and prepayments**

Other receivables and prepayments relate to items such as prepaid expenses (principally in relation to software licences and insurance policies), short-term deposits, interest receivable on cash deposits, pending redemptions from investments in Group managed products, and the current portion of finance leases receivable. Further details are provided for finance lease receivables at Note 13.

The carrying amount of these assets is a reasonable approximation of fair value. The Group's exposure to credit risk, currency risk and impairment losses related to trade and other receivables is disclosed in Note 20.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 11. Investments recognised at fair value

Consolidated US\$'000

|                                                                   | 2021           | 2020          |
|-------------------------------------------------------------------|----------------|---------------|
| Financial assets at fair value through other comprehensive income | -              | 1,489         |
| Financial assets at fair value through profit and loss            | 252,151        | 13,245        |
|                                                                   | <b>252,151</b> | <b>14,734</b> |

## Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise non-controlling equity holdings in unquoted securities of US based companies over which the Group does not have significant influence.

The Group has elected to account for these investments at fair value with changes to fair value recognised through other comprehensive income in the fair value reserve. Upon sale or derecognition of these investments, any gain or loss will be transferred to retained earnings.

Note 20 provides details on the methods used to determine fair value for measurement and disclosure purposes.

## Financial assets at fair value through profit and loss

These assets have been classified as fair value through profit and loss upon initial recognition with changes in fair value recognised in profit and loss. These investments comprise of:

- Investments in unquoted securities of Group managed entities; and
- Investments in unquoted securities of externally managed entities which comprise of the six portfolio investments acquired through a business combination during the year. Fair value movements are recorded through the profit and loss to better align with the fair value movements expected in the corresponding redemption payment liability to acquire non-controlling interests in the acquired partnerships (see Note 17).

Note 20 provides details on the methods used to determine fair value for measurement and disclosure purposes.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 12. Plant and equipment

|                                    | Consolidated US\$'000 |                               |                        |                |
|------------------------------------|-----------------------|-------------------------------|------------------------|----------------|
|                                    | Furniture & equipment | Computer equipment & software | Leasehold improvements | Total          |
| <b>Cost</b>                        |                       |                               |                        |                |
| Balance at 1 July 2019             | 2,542                 | 4,266                         | 3,152                  | 9,960          |
| Additions                          | 520                   | 2,208                         | 1,476                  | 4,204          |
| Disposals                          | -                     | (5)                           | -                      | (5)            |
| Balance at 30 June and 1 July 2020 | <b>3,062</b>          | <b>6,469</b>                  | <b>4,628</b>           | <b>14,159</b>  |
| Additions                          | 190                   | 1,272                         | 37                     | 1,499          |
| Disposals                          | (685)                 | (3)                           | (3)                    | (691)          |
| Balance at 30 June 2021            | <b>2,567</b>          | <b>7,738</b>                  | <b>4,662</b>           | <b>14,967</b>  |
| <b>Depreciation</b>                |                       |                               |                        |                |
| Balance at 1 July 2019             | (1,218)               | (3,146)                       | (805)                  | (5,169)        |
| Depreciation for the year          | (188)                 | (1,110)                       | (308)                  | (1,606)        |
| Disposals                          | -                     | 5                             | -                      | 5              |
| Balance at 30 June and 1 July 2020 | <b>(1,406)</b>        | <b>(4,251)</b>                | <b>(1,113)</b>         | <b>(6,770)</b> |
| Depreciation for the year          | (195)                 | (1,442)                       | (447)                  | (2,084)        |
| Disposals                          | 136                   | 3                             | 3                      | 143            |
| Balance at 30 June 2021            | <b>(1,465)</b>        | <b>(5,690)</b>                | <b>(1,557)</b>         | <b>(8,712)</b> |
| <b>Carrying amounts</b>            |                       |                               |                        |                |
| At 1 July 2019                     | 1,324                 | 1,120                         | 2,347                  | 4,791          |
| At 30 June and 1 July 2020         | 1,656                 | 2,218                         | 3,515                  | 7,389          |
| As at 30 June 2021                 | <b>1,102</b>          | <b>2,048</b>                  | <b>3,105</b>           | <b>6,255</b>   |

## Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and impairment.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Ongoing repairs and maintenance is expensed as incurred.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount, and are recognised in profit and loss.

## Depreciation

Depreciation is recognised in the profit and loss on a straight-line basis over the estimated useful life of the asset as follows:

|                                  |            |
|----------------------------------|------------|
| Leasehold improvements:          | Lease term |
| Computer software and equipment: | 2-3 years  |
| Furniture and equipment:         | 5-20 years |

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually. The carrying value of plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 13. Leases

## a) Group as lessee

Amounts recognised in the balance sheet

## Right-of-use assets

## Consolidated US\$'000

|                              | Office premises | Total   |
|------------------------------|-----------------|---------|
| Balance at 1 July 2019       | 14,101          | 14,101  |
| Additions                    | 7,197           | 7,197   |
| Depreciation for the period  | (2,018)         | (2,018) |
| Balance at 30 June 2020      | 19,280          | 19,280  |
| Additions                    | 620             | 620     |
| Sub-leased during the period | (3,855)         | (3,855) |
| Depreciation for the period  | (2,345)         | (2,345) |
| Balance at 30 June 2021      | 13,700          | 13,700  |

## Lease liabilities

## Consolidated US\$'000

|                                 | Balance at<br>30 June 2020 | Cash flows | Foreign<br>exchange | New leases | Transfer to<br>current | Balance at<br>30 June 2021 |
|---------------------------------|----------------------------|------------|---------------------|------------|------------------------|----------------------------|
| Lease liabilities - current     | 2,377                      | (2,498)    | -                   | 399        | 2,982                  | 3,260                      |
| Lease liabilities – non-current | 20,783                     | -          | 780                 | 221        | (2,982)                | 18,802                     |
|                                 | 23,160                     | (2,498)    | 780                 | 620        | -                      | 22,062                     |

Lease payments have been discounted using the following incremental borrowing rates:

Office premises: 3.00% to 4.36%

The Group discounts lease payments using each lease's incremental borrowing rate and are determined for each lease based on its maturity profile.

The rates for US based leases were determined in reference to the 1 month USD Swap Monthly Money rate to effectively swap the Group's current Line of Credit borrowing rate (1 month USD LIBOR) to a fixed longer term borrowing. For non-US based leases, comparable country specific reference rates were selected. All rates were supplemented by a margin to reflect a leasing risk premium.

The Group classifies interest paid as cash flows from operating activities.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 13. Leases (continued)

## Contractual cash flows

|                                                          | Consolidated US\$'000 |               |                     |                |           |           |                      |
|----------------------------------------------------------|-----------------------|---------------|---------------------|----------------|-----------|-----------|----------------------|
|                                                          | 2021<br>Total         | 2020<br>Total | 6 months<br>or less | 6-12<br>months | 1-2 years | 2-5 years | More than<br>5 years |
| 30 June 2020 Lease liabilities – undiscounted            | -                     | 27,292        | 1,430               | 1,837          | 3,629     | 9,540     | 10,856               |
| 30 June 2021 Lease liabilities – undiscounted            | 25,429                | -             | 1,951               | 2,125          | 3,649     | 9,022     | 8,682                |
| Future finance charges                                   | (3,367)               | (4,132)       |                     |                |           |           |                      |
| Lease liabilities in the statement of financial position | 22,062                | 23,160        |                     |                |           |           |                      |
| Current                                                  | 3,260                 | 2,377         |                     |                |           |           |                      |
| Non-current                                              | 18,802                | 20,783        |                     |                |           |           |                      |

## Amounts recognised in the statement of profit and loss

|                                                                                                                              | Consolidated US\$'000 |      |
|------------------------------------------------------------------------------------------------------------------------------|-----------------------|------|
|                                                                                                                              | 2021                  | 2020 |
| Lease interest expense (included in finance costs)                                                                           | 912                   | 823  |
| Expense relating to short-term leases (included in occupancy expense)                                                        | 253                   | 520  |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in occupancy expense) | 19                    | 18   |
| Income from subleasing right-of-use assets (included in finance income)                                                      | 142                   | 13   |

Total cash outflow for leases in 2021 was \$3.6 million (2020: \$2.8 million).

## Lease accounting policies

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred or restoration obligations, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method over the term of the lease. An impairment review is undertaken for any right-of-use lease asset that shows indicators of impairment, and an impairment loss is recognised against any right-of-use lease asset that is impaired.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office premises that have a lease term of 12 months or less, and leases of low-value assets comprising certain equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the remaining lease payments, 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.

Lease liabilities include the net present value of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments (linked to an index or a rate), and any expected residual value guarantee payments.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Possible future cash outflows amounting to \$14.1 million (2020: \$13.5 million) were not included in the lease liability because it is not reasonably certain that the leases will be extended.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 13. Leases (continued)

## b) Group as sublessor

Amounts recognised in the balance sheet

|                                                                 |               | Consolidated US\$'000 |                     |                |           |           |                      |
|-----------------------------------------------------------------|---------------|-----------------------|---------------------|----------------|-----------|-----------|----------------------|
| Note                                                            | 2021<br>Total | 2020<br>Total         | 6 months<br>or less | 6-12<br>months | 1-2 years | 2-3 years | More than<br>3 years |
| 30 June 2020 Finance lease receivable – undiscounted            | -             | 290                   | 60                  | 60             | 120       | 50        | -                    |
| 30 June 2021 Finance lease receivable – undiscounted            | 5,548         | -                     | 333                 | 395            | 735       | 709       | 3,376                |
| Unearned finance income                                         | (1,124)       | (13)                  |                     |                |           |           |                      |
| Finance lease receivable in the statement of financial position | 4,424         | 277                   |                     |                |           |           |                      |
| Current                                                         | 10 464        | 112                   |                     |                |           |           |                      |
| Non-current                                                     | 10 3,960      | 165                   |                     |                |           |           |                      |

Amounts recognised in the statement of profit and loss

|                                               |  | Consolidated US\$'000 |      |
|-----------------------------------------------|--|-----------------------|------|
|                                               |  | 2021                  | 2020 |
| Finance income on net investment in the lease |  | 142                   | 13   |

Total cash inflows for subleases in 2021 was \$121 thousand (2020: \$121 thousand). Rent received for the new sublease arrangement will commence in August 2021 following a six month rent abatement period.

The Group currently subleases one of its office premises. Under AASB 16, this is classified as a finance lease as the sublease is for the whole of the remaining term of the head lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. At inception of each sublease, the Group determines whether it is a finance lease or an operating lease. It assesses the lease

classification with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If an arrangement contains lease and non-lease components, the Group applies AASB 15 to allocate the consideration in the contract.

Finance income is recognised over the term of the sublease based on a pattern reflecting a constant rate of return on the lessor's net investment in the lease. For purposes of calculating finance income on the sublease, the Group has used the incremental borrowing rate on the head lease.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 14. Intangible assets

## Consolidated US\$'000

|                                           | Goodwill  | Trademarks | Software | Client relationships | Total     |
|-------------------------------------------|-----------|------------|----------|----------------------|-----------|
| <b>Cost</b>                               |           |            |          |                      |           |
| Balance at 1 July 2019                    | 499,519   | 1,900      | 2,050    | 1,077                | 504,546   |
| Additions                                 | -         | -          | -        | -                    | -         |
| Balance at 30 June and 1 July 2020        | 499,519   | 1,900      | 2,050    | 1,077                | 504,546   |
| Additions                                 | -         | -          | -        | -                    | -         |
| Balance at 30 June 2021                   | 499,519   | 1,900      | 2,050    | 1,077                | 504,546   |
| <b>Amortisation and impairment losses</b> |           |            |          |                      |           |
| Balance at 1 July 2019                    | (405,718) | (1,093)    | (1,925)  | (154)                | (408,890) |
| Amortisation for the year                 | -         | (95)       | (125)    | (154)                | (374)     |
| Impairment losses                         | -         | -          | -        | (769)                | (769)     |
| Balance at 30 June and 1 July 2020        | (405,718) | (1,188)    | (2,050)  | (1,077)              | (410,033) |
| Amortisation for the year                 | -         | (95)       | -        | -                    | (95)      |
| Impairment losses                         | -         | -          | -        | -                    | -         |
| Balance at 30 June 2021                   | (405,718) | (1,283)    | (2,050)  | (1,077)              | (410,128) |
| <b>Carrying amounts</b>                   |           |            |          |                      |           |
| At 1 July 2019                            | 93,801    | 807        | 125      | 923                  | 95,656    |
| At 30 June and 1 July 2020                | 93,801    | 712        | -        | -                    | 94,513    |
| At 30 June 2021                           | 93,801    | 617        | -        | -                    | 94,418    |

## Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the Group's accounting policy relating to the measurement of goodwill at initial recognition, see Note 2.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

## Other intangible assets

Other intangible assets acquired by the Group, which have finite lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

## Client relationships

The Group's United States subsidiary, Lighthouse Investment Partners, LLC (Lighthouse) acquired the rights to manage assets on behalf of clients from Mesirow Advanced Strategies (MAS). A straight-line amortisation basis was selected over a period of 7 years.

During the 2020 financial year, due to a higher than anticipated level of redemptions on the MAS assets, it was determined that the economic benefits associated with the client relationships had been materially consumed and the associated intangible asset was impaired to \$nil.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 14. Intangible assets (continued)

## Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in profit and loss over their estimated useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

|                                        |          |
|----------------------------------------|----------|
| Trademarks                             | 20 years |
| Capitalised software development costs | 5 years  |

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## Impairment testing of intangible assets

The carrying amounts of the Group's intangible assets which have an indefinite life are reviewed at least annually, or when an impairment indicator exists. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit and loss. An impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

## Cash Generating Units

The Group has two CGU's; the US Lighthouse Group (US CGU) and NGI Strategic Group (Strategic CGU) which was formed in the current period following business combination. Corporate costs, assets and liabilities associated with the Australian corporate business are allocated accordingly between each CGU.

## Impairment testing as at 30 June

Intangible assets subject to impairment testing, remain within the US based funds management cash generating unit (US CGU). Nil intangibles are associated with the NGI Strategic CGU, and with no indicators of impairment at 30 June 2021 an impairment assessment is not required.

|                           | Consolidated US\$'000<br>Carrying Amount |               |
|---------------------------|------------------------------------------|---------------|
|                           | 2021                                     | 2020          |
| <b>US CGU</b>             |                                          |               |
| Goodwill                  | 93,801                                   | 93,801        |
| Trademarks                | 617                                      | 712           |
| Software                  | -                                        | -             |
| <b>US CGU intangibles</b> | <b>94,418</b>                            | <b>94,513</b> |
| <b>NGI Strategic CGU</b>  | -                                        | -             |
| <b>Total intangibles</b>  | <b>94,418</b>                            | <b>94,513</b> |

The carrying value of the CGU tested at 30 June 2021 includes \$6.2 million of directly attributable plant and equipment (2020: \$7.3 million).

Impairment testing carried out on the US CGU as at 30 June 2021 and 30 June 2020 did not result in the recognition of any impairment losses.

## Recoverable amount

The recoverable amount of the CGU was determined based on a value-in-use calculation.

The calculation utilises five years of cash flow projections. The first three years of these projections are based on financial forecasts approved by the board of directors, which are then extrapolated over an additional two years.

Revenue for the additional two years is extrapolated using an industry long term growth rate. Investment management costs and operating expenses are extrapolated based on ratios consistent with the third year of the approved financial forecasts.

Key assumptions used in the calculation are discount rates and terminal value growth rates:

| Key assumption                         | 2021  | 2020  |
|----------------------------------------|-------|-------|
| Discount rate                          | 12.1% | 12.2% |
| Long term & terminal value growth rate | 2.2%  | 1.6%  |

The discount rate is a post-tax measure calculated based on US risk factors as well as other risk factors specific to the industry and operational nature of the business, including an assumed debt leveraging of 10% (2020: 20%) at a market interest rate of 3.59% (2020: 3.58%). The terminal growth rate is based on the forecast long-term growth rate for Open-End Investment Funds in the United States.

A reasonably possible change in these assumptions would not result in an implied impairment of this CGU.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 15. Trade and other payables

Consolidated US\$'000

**Current**

|                                                  |       |       |
|--------------------------------------------------|-------|-------|
| Trade creditors                                  | 288   | 152   |
| Distribution costs payable                       | 472   | 750   |
| Accruals                                         | 1,122 | 1,476 |
| Profit share payable to non-controlling interest | 9,444 | -     |
| Other payables                                   | 166   | 566   |

**Non-current**

|                             |     |     |
|-----------------------------|-----|-----|
| Other long-term liabilities | 243 | 218 |
|-----------------------------|-----|-----|

| 2021          | 2020         |
|---------------|--------------|
| 288           | 152          |
| 472           | 750          |
| 1,122         | 1,476        |
| 9,444         | -            |
| 166           | 566          |
| <b>11,492</b> | <b>2,944</b> |
| 243           | 218          |
| <b>243</b>    | <b>218</b>   |

Trade creditors are non-interest bearing and normally settle on 30 to 90 day terms.

The carrying amount of these liabilities is a reasonable approximation of fair value. The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 20.

## 16. Employee benefits

Consolidated US\$'000

**Current**

|                                  |     |     |
|----------------------------------|-----|-----|
| Short-term incentives            | 696 | 371 |
| Liability for annual leave       | 129 | 114 |
| Liability for long service leave | 92  | -   |

**Non-current**

|                                  |   |    |
|----------------------------------|---|----|
| Liability for long service leave | 1 | 90 |
|----------------------------------|---|----|

| 2021       | 2020       |
|------------|------------|
| 696        | 371        |
| 129        | 114        |
| 92         | -          |
| <b>917</b> | <b>485</b> |
| 1          | 90         |

## Short-term benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be measured reliably. These liabilities are not discounted.

## Long-term benefits

The Group's obligation in relation to long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The discount rate used is the relevant corporate bond rate at reporting date.

Once benefits become entitled they are transferred to short-term benefits on the basis they can be taken at the employee's request. Amounts are not discounted once reclassified.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 17. Other financial liabilities

Consolidated US\$'000

## Non-current

## Financial liabilities at amortised cost

Convertible notes (a)

## Financial liabilities at fair value

Redemption payment liability (b)

|                                  | 2021          | 2020     |
|----------------------------------|---------------|----------|
| Convertible notes (a)            | 1,547         | -        |
| Redemption payment liability (b) | 79,717        | -        |
|                                  | <b>81,264</b> | <b>-</b> |

## Financial liabilities at amortised cost

Classified at initial recognition, financial liabilities are initially recorded at fair value net of directly attributable transaction costs. Subsequently the liability is measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit and loss for the amortisation process and on derecognition.

Amortised cost is calculated by taking into account any discount or premium on acquisition and associated transaction costs. The effective interest rate amortisation is included as finance costs in the statement of profit and loss.

## Financial liabilities at fair value through profit and loss

Financial liabilities are classified as fair value through profit and loss when it is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) its designated at fair value through profit and loss. Measurement is at fair value at initial recognition and at each balance date with any gains or losses arising on changes in fair value recognised as finance costs in the statement of profit and loss.

Note 20 provides details on the methods used to determine fair value for measurement and disclosure purposes.

## a) Convertible Notes

Issue of convertible notes through business combination

Transaction costs

Amount classified as equity (net of transaction costs \$925,227)

Accreted interest

## Compound instruments

Component parts of a compound instrument are classified separately as financial liabilities and equity in accordance with the substance of contractual arrangements and the definitions of a financial liability and equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset is considered the financial liability component. This amount is recorded as a liability on an amortised cost basis using the effective interest rate method until extinguished upon conversion or at the instruments maturity date.

The conversion option classified as equity is determined by the deducting the amount of the liability component from the fair value of the compound instrument as a whole, net of tax and not remeasured. The equity component will remain in equity until the conversion option is exercised when it is transferred to share capital or retained earnings if unexercised at maturity date.

Note

Consolidated US\$'000

|       | 2021           | 2020     |
|-------|----------------|----------|
| 2     | 102,283        | -        |
|       | (939)          | -        |
|       | <b>101,344</b> | <b>-</b> |
| 19(b) | (99,818)       | -        |
|       | 21             | -        |
|       | <b>1,547</b>   | <b>-</b> |

Navigator Global Investments Limited issued 102,283 convertible notes for \$102.3 million on 1 February 2021 as part consideration to acquire minority interests in six asset managers (refer Note 2). Each note has a face value of \$1,000 and is convertible into fully paid ordinary shares of the parent of the Group. Total notes on issue equate to 67,574,292 shares and are converted at the option of the holder at any time and at the option of the issuer after two years (subject to maximum ownership limits).

The notes are required to be converted on their 10 year maturity date. To the extent regulatory requirements prohibit conversion into Navigator Global Investment securities by maturity date,

alternative options are available to both parties to allow conversion. In the remote instance this cannot occur by the 10 year maturity date a provision is available for unconverted notes to be redeemed for cash at the prevailing share price. The convertible notes are considered a compound instrument with the presentation of the equity portion explained in Note 19.

The convertible notes are non-interest bearing and entitled to participate in discretionary dividends declared by the company. No voting rights are associated with the convertible notes.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 17. Other financial liabilities (continued)

## b) Redemption payment liability

Fair value of redemption payment liability at acquisition

Unrealised fair value changes recognised in profit and loss

**Fair value at 30 June**

| Note | Consolidated US\$'000 |          |
|------|-----------------------|----------|
|      | 2021                  | 2020     |
| 2    | 69,071                | -        |
|      | 10,646                | -        |
|      | <b>79,717</b>         | <b>-</b> |

The Group has a written put arrangement over the non-controlling interest in acquired partnerships; NGI Strategic Holdings (A) Limited Partnership and NGI Strategic Holdings (B) Limited Partnership. The deferred consideration relating to the business combination completed during the period (Refer Note 2), represents the fair value of non-controlling interest held by the vendor which the Group has an obligation to acquire in 2025. Once this redemption payment is made, the two acquired partnerships will be wholly owned entities by the Group.

The fair value of estimated consideration is calculated over two discrete measurement periods; Calendar year 2021-2023 and calendar years 2024-2025, and payable in financial year ending 2026. The amount is determined as the average relevant gross earnings of the six portfolio investments (ownership adjusted) over a minimum distribution threshold with the average relevant gross earnings multiplied by 2.25x up to a maximum undiscounted amount of \$200 million.

The fair value at balance date involves the estimation of future cash flows and align with earnings estimates utilised to determine the fair value of the corresponding fair value investment assets. Amounts are discounted by 12% to present value, comprising of the cost of debt plus a risk premium to reflect variability in earnings.

As the redemption payment is considered contingent consideration, fair value movements are recorded through profit and loss and discounted to determine its present value. Further details on fair value measurement including sensitivities is outlined in Note 20.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## Capital and risk

This section of the notes to the financial statements provides information on how Navigator Global Investments Limited manages its capital and financial risk. On the following pages you will find disclosures explaining the Group's:

- capital management, including structure, policies, and related accounts balances; and
- exposure to financial risks, including market risks, credit risk, liquidity risk, and the risk arising from financial instruments.

Where an accounting policy or key estimate is specific to a single note, the policy or estimate is described in the note to which it relates.

## 18. Capital management

Capital management of the Group focuses on aiming to ensure:

- that the Group continues as a going concern;
- there is sufficient cash flow to meet operating requirements;
- flexibility is maintained for future business expansion; and
- that the payment of dividends is supported in accordance with the Group's dividend policy.

The Company's capital comprises ordinary shares and convertible notes on issue.

### Line of Credit

The Group maintains a \$15 million Line of Credit which matures on 27 July 2022. The facility is secured by a charge over certain Group assets. This Line of Credit has not been drawn during the year ended 30 June 2021 and remains undrawn at the date of this report.

## 19. Capital and reserves

### a) Share capital

#### Ordinary shares

Opening balance 1 July

Shares issued through a business combination

Less: Transaction costs arising on share issue

**Total share capital at 30 June**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. The Company does not have authorised capital or par value in respect of issued shares. All ordinary shares rank equally with regard to the Company's residual assets. Ordinary shares have the right to receive dividends as declared and are entitled to one vote per share at general meetings of the Company.

## Regulatory Capital Requirements

The following capital requirements were complied with throughout the year:

- LHP Ireland Fund Management Limited, a wholly owned subsidiary, is required by Central Bank of Ireland to maintain a prescribed capital amount, determined as:
  - a base requirement of 125 thousand Euros
  - plus .02% of excess over 250 million Euros in assets under management,
  - plus an additional .01% of the assets under management for potential liability risk.
- LH NR UK (Management) LLP, a wholly owned partnership is required by Financial Conduct Authority to have capital requirements in three forms:
  - Permanent minimum capital requirement;
  - Fixed overhead requirement of 25% of fixed overheads; and
  - Risk responsive computation for potential liability risk.

Note

| Shares '000    |                | US\$'000       |                |
|----------------|----------------|----------------|----------------|
| 2021           | 2020           | 2021           | 2020           |
| 162,148        | 162,148        | 257,355        | 257,355        |
| 40,524         | -              | 63,821         | -              |
| -              | -              | (1,030)        | -              |
| <b>202,672</b> | <b>162,148</b> | <b>320,146</b> | <b>257,355</b> |

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 19. Capital and reserves (continued)

## b) Non-share capital

Non-share capital of \$99.8 million represents the equity component of 102,283 convertible notes issued as part consideration to acquire minority interests in six asset managers (refer Note 2). The liability component is included in Other financial liabilities (refer Note 17) including the Group's accounting policy for compound instruments.

The fair value of conversion obligation relating to convertible notes is \$100.7 million, offset by \$0.9 million directly attributable transaction costs.

## c) Nature and purpose of reserves

## Consolidated US\$'000

Parent entity profits reserve

Translation reserve

Fair value reserve

Share-based payments reserve

2021

2020

20,613

354

850

850

(1,783)

(848)

13,326

13,326

33,006

13,682

The parent entity profits reserve comprises the balance of accumulated profit for the Company not yet distributed as dividends and represents profits available for distribution to shareholders as dividends in future years.

The translation reserve is used to record foreign currency differences arising from the translation of the financial statements of operations which have a functional currency that is different to the Group's presentation currency.

The fair value reserve comprises of the increase or decrease in the fair value of financial assets at fair value through other comprehensive income above or below their original purchase value. Cumulative fair value adjustments are transferred to retained earnings upon derecognition, \$nil were transferred in the current period (2020: \$nil).

The share-based payments reserve records share based payments associated with historical performance rights and share options.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 20. Financial risk management

## Classes of financial instruments

The Group held the following non-derivative financial assets and liabilities:

| Classification                                                    | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Note           |
|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <b>Assets</b>                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                |
| Financial assets at amortised cost                                | The carrying amount of these assets is a reasonable approximation of fair value <ul style="list-style-type: none"> <li>Cash</li> <li>Trade and other receivables</li> </ul>                                                                                                                                                                                                                                                                                                                                                                     | 6<br>10        |
| Financial assets at fair value through profit and loss            | <ul style="list-style-type: none"> <li>Investments in unquoted securities of Group managed entities</li> <li>Investments in unquoted securities of externally managed entities. The Group does not have significant influence over any of the six investments acquired as a portfolio during the period. Fair value movements in these assets through profit and loss align with the corresponding movements in financial liability (see below).</li> </ul> <p>Fair value movements in these assets are recognised through profit and loss.</p> | 11<br>11       |
| Financial assets at fair value through other comprehensive income | <ul style="list-style-type: none"> <li>Non-controlling equity holdings in three US based companies over which the Group does not have significant influence.</li> </ul> <p>Fair value movements in these assets are recognised through other comprehensive income.</p>                                                                                                                                                                                                                                                                          | 11             |
| <b>Liabilities</b>                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                |
| Financial liabilities at amortised cost                           | The carrying amount of these assets is a reasonable approximation of fair value <ul style="list-style-type: none"> <li>Trade and other payables</li> <li>Lease liabilities</li> <li>Convertible note liability</li> </ul>                                                                                                                                                                                                                                                                                                                       | 15<br>13<br>17 |
| Financial liability at fair value through profit and loss         | <ul style="list-style-type: none"> <li>Redemption payment liability which represents the obligation to acquire the remaining partnership shares in NGI Strategic Holdings (A) LP and NGI Strategic Holdings (B) LP. These partnerships hold minority interest investments in a portfolio of six external asset managers in the US and France.</li> </ul> <p>Fair value movements including the unwinding of discounts are recognised through profit and loss.</p>                                                                               | 17             |

## Derecognition of financial instruments

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which control, or substantially all the risks and rewards of ownership are transferred.

The Group derecognises a financial liability when its obligations under the liability is discharged or cancelled or expire.

## Offset of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to either to settle on a net basis or to realise the asset and settle the liability simultaneously

## Fair value of financial instruments

## Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The different levels of fair value hierarchy are:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 20. Financial risk management (continued)

## Fair value measurements

The following table shows the fair values of financial assets and their levels in the fair value hierarchy.

|                                                                          | Note  | Level 1 | Level 2 | Level 3 | Total   |
|--------------------------------------------------------------------------|-------|---------|---------|---------|---------|
| 30 June 2020                                                             |       |         |         |         |         |
| <b>Financial assets at fair value through other comprehensive income</b> |       |         |         |         |         |
| Investment in unquoted securities of externally managed entities         | 11    | -       | -       | 1,489   | 1,489   |
| <b>Financial assets at fair value through profit and loss</b>            |       |         |         |         |         |
| Investments in unquoted securities of Group managed entities             | 11    | -       | 13,245  | -       | 13,245  |
| 30 June 2021                                                             |       |         |         |         |         |
| <b>Financial assets at fair value through other comprehensive income</b> |       |         |         |         |         |
| Investment in unquoted securities of externally managed entities         | 11    | -       | -       | -       | -       |
| <b>Financial assets at fair value through profit and loss</b>            |       |         |         |         |         |
| Investments in unquoted securities of externally managed entities        | 11    | -       | -       | 238,068 | 238,068 |
| Investments in unquoted securities of Group managed entities             | 11    | -       | 14,083  | -       | 14,083  |
| <b>Financial liabilities</b>                                             |       |         |         |         |         |
| Redemption payment liability                                             | 17(b) | -       | -       | 79,717  | 79,717  |

There were no transfers between levels during the financial years ended 30 June 2021 or 30 June 2020.

## Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial instruments that are not in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If the significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3, as is the case for unlisted equity securities.

Specific valuation techniques used to value level 2 and level 3 financial assets are outlined below. Valuation techniques used to value level 3 financial liabilities as well as detailed movements in fair value is detailed in Note 17(b).

## Share in unquoted securities of Group managed entities

The Group holds investments in Group managed entities. Each investment entity has an external administrator who is responsible for determining the fair value of the underlying investments of each entity and using this to calculate the net asset value per share at which any investor in the entity can redeem their investment holding ('the exit price'). The fair value of these investments as at 30 June 2021 and 30 June 2020 is the exit price as calculated and provided by the external administrator of the investment entities. All significant inputs required to fair value the investments are therefore observable.

## Unquoted securities of externally managed entities

The shares held in other externally managed entities are unquoted and are considered level 3 as the inputs to the fair value are not based on observable market prices.

## Operator of an online marketplace for alternative investments

This investment remains at \$nil fair value as no further evidence suggests and improvement in the future viability of this investment.

## Alternative asset managers

During the period the Group acquired a portfolio of six investments in alternative asset managers, each operating within their own niche market. Fair values as at acquisition date and balance date have been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs including forecasted cash flows, growth rates and the discount rate on management and performance fee income streams. The probabilities of various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these investments where movements are recorded in profit and loss. Further details and sensitivities for significant unobservable inputs are outlined in the next section.

## Boutique asset managers

Due to significant uncertainty as to the on-going viability of this investment, the carrying value of this investment continues to be \$nil after it was revalued to \$nil during the 2020 financial year.

## Text analytics platform provider

The fair value of this investment was previously based on the transaction price per share from a historical capital raise. The entity has diminishing cash reserves and is reliant upon a further successful capital raise to continue as a going concern. Due to the significant uncertainty on the ability to raise cash, the carrying value of the investment was revalued to \$nil at 30 June 2021 (2020: \$1.5 million).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 20. Financial risk management (continued)

## Movement in Level 3 financial instruments

The following table presents the change in level 3 assets for the financial years ended 30 June 2021 and 30 June 2020. Movement in level 3 financial liabilities are outlined in Note 17. There were no transfers between categories.

|                                                                      | Note | Investment in unquoted securities<br>Through profit and loss | Through other comprehensive income |
|----------------------------------------------------------------------|------|--------------------------------------------------------------|------------------------------------|
| <b>Opening balance 1 July 2019</b>                                   |      | -                                                            | 5,288                              |
| Increase/(Decrease) in fair value through other comprehensive income |      | -                                                            | (3,799)                            |
| <b>Closing balance 30 June 2020</b>                                  |      | -                                                            | 1,489                              |
| Acquisition through business combination at fair value               | 2    | 219,396                                                      | -                                  |
| Increase/(Decrease) in fair value                                    |      | 18,672                                                       | (1,489)                            |
| <b>Closing balance 30 June 2021</b>                                  |      | 238,068                                                      | -                                  |

## Significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair valuation measurements categorised within level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 30 June 2021 are shown below:

| Description                                                                                                                | Valuation technique | Fair value at |              | Unobservable inputs                                                                                                                             | Sensitivity of the input to fair value                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------|---------------------|---------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                            |                     | 30 June 2021  | 30 June 2020 |                                                                                                                                                 |                                                                                                                                       |
| Unlisted equity securities in externally managed asset management entities, recorded at fair value through profit and loss | DCF                 | 238,068       | -            | Growth rate for cash flows for subsequent years ranged from 5 -7.5%                                                                             | A 1% increase/(decrease) in the growth rate would result in a \$20.1 million increase/(decrease) in the fair value                    |
|                                                                                                                            |                     |               |              | WACC applied to management fee income stream ranged from 13 – 15% depending on the perceived entity specific risk applicable to each investment | A 0.5% increase/(decrease) in the WACC would result in a \$7.1 million (decrease)/increase in the fair value                          |
|                                                                                                                            |                     |               |              | Discount rate of 24.92% applied to performance fee income stream which considered significant variability in earnings                           | A 0.5% increase/(decrease) in the discount rate would result in a \$1.5 million (decrease)/increase in the fair value                 |
|                                                                                                                            |                     |               |              | A discount of 30% was applied to account for the lack of marketability on the small ownership percentages held in these entities                | A 5% increase/(decrease) in the lack of marketability discount would result in a \$17.0 million (decrease)/increase in the fair value |
| Unlisted equity securities in externally managed entities recorded at fair value through other comprehensive income        | Market approach     | -             | 1,489        | A share price from a historical capital raise was utilised as an indicative fair value price for equity held                                    | 2020: A 5% increase/(decrease) in the price per share would result in a \$52 thousand (decrease)/increase in the fair value           |
| Redemption payment liability recorded at fair value through profit and loss                                                | DCF                 | (79,717)      | -            | Growth rate for cash flows for subsequent years ranged from 5 -7.5%                                                                             | A 1% increase/(decrease) in the growth rate would result in a \$4.9 million increase/(decrease) in the fair value                     |
|                                                                                                                            |                     |               |              | Discount rate of 12% was applied incorporating a risk premium for variability in future cashflows which determine the redemption payment owing  | A 1% increase/(decrease) in the discount rate would result in a \$3.7 million (decrease)/increase in the fair value of the liability  |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 20. Financial risk management (continued)

## Financial Risk Management

The Group has direct and indirect exposure to credit risk, liquidity risk and market risk (including currency risk, interest rate risk and equity price risk) arising from its activities.

These risks can impact the Group's net profit and total equity value through:

- fluctuations in the value of the Group's investments and other financial assets and liabilities;
- the effect of market risks on the Group's Assets Under Management (AUM), which can impact management and performance fees; and
- the amount of interest earned on the Group's cash balances.

## Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash deposits and receivables. The carrying amount of these financial assets represents the Group's maximum credit risk exposure.

## Cash and lease guarantee deposits

Cash and lease guarantee deposits held in Australia are held with bank counterparties which are rated A-1+ (Standard & Poor's).

Cash and lease guarantee deposits held in the United States are held in deposit accounts which are rated A / A-1 (Standard & Poor's).

## Trade and other receivables

At reporting date, 60% of the Group's trade and other receivables related to amounts receivable from products managed by the Group (2020: 70%).

As at reporting date, the Group did not have any receivables which were past due. Due to the short-term nature of the Group's trade receivables, the fact that the majority relate to Group managed products, and the historically low default rates, the application of the expected credit loss model has not resulted in the recording of a material credit allowance as at 30 June 2021 or 30 June 2020. In determining this credit allowance, the Group has considered forward looking factors specific to the receivables and the economic environment.

## Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

## Interest rate risk

As at 30 June 2021, the Group's exposure to interest rate risk relates primarily to the Group's cash and term deposits which mature in less than 90 days.

A change in interest rates at reporting date would not have impacted the carrying value of the Group's variable rate deposits, and would therefore not have impacted the Group's equity or profit and loss.

The redemption payment liability is also exposed to interest rate risk in the form of the cost of debt included within the discount rate. Refer to sensitivities for level 3 unobservable inputs performed above for impact on the Group's profit and loss.

## Price risk

The Group is exposed to price risk in relation to the value of its investments, and indirectly through the impacts on management and performance fees earned from the fluctuations in the value of the AUM in the investment products it manages due to market price movements.

## Management fees

The Group earns management fees as a percentage of the assets it manages on behalf of its funds and clients. Management fees will be impacted by changes in the value of these assets from movements in the individual prices of the underlying securities held as well as the fluctuations in exchange rates for assets which are not denominated in USD. The following table summarises the sensitivity of management fees to a change in AUM due to movements in market prices:

|                                              | Consolidated US\$'000 |         |
|----------------------------------------------|-----------------------|---------|
|                                              | 2021                  | 2020    |
| <b>Profit and loss (decrease) / increase</b> |                       |         |
| Fair value + 5%, net of tax                  | 2,834                 | 3,070   |
| Fair value - 5%, net of tax                  | (2,834)               | (3,070) |

The impact of any change to management fees due to changes in AUM from inflows and outflows of assets by clients due to changes in market prices has not been estimated.

## Performance fees

The Group earns performance fees from some of its funds and clients. The Group's entitlement to performance fees varies between the relevant funds and clients, and generally is dependent on the relevant fund or client portfolio outperforming a high watermark and in some cases a benchmark hurdle over a performance period. Given the nature of performance fees, the Group is subject to the risk that in any given financial year it may earn no performance fees.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 20. Financial risk management (continued)

## Investments

The Group's investments comprise:

- Unquoted securities of US based companies externally managed which have been designated as fair value through other comprehensive income. Refer above for level 3 significant unobservable inputs into fair values and sensitivities for each.
- Unquoted securities of externally managed entities in a portfolio of alternative asset managers. Refer above for level 3 significant unobservable inputs into fair values and sensitivities for each.
- Unquoted securities of investment funds managed by the Group. Fair value movements for these level 2 investments are recorded through profit and loss. The following table summarises the sensitivity of the fair value (after tax) of these assets to movements in market prices:

|                                                                              | Consolidated US\$'000 |       |
|------------------------------------------------------------------------------|-----------------------|-------|
|                                                                              | 2021                  | 2020  |
| Financial assets at fair value through profit and loss – Level 2 investments |                       |       |
| <b>Profit and loss (decrease) / increase</b>                                 |                       |       |
| Fair value + 5%, net of tax                                                  | 528                   | 465   |
| Fair value - 5%, net of tax                                                  | (528)                 | (465) |

## Currency risk

The Group is exposed to currency risk on revenue, expenses, receivables, and payables that are denominated in a currency other than the respective functional currencies of the Group entities. The following significant exchange rates applied during the year:

|                            | 2021   | 2020   |
|----------------------------|--------|--------|
| AUD/USD: Average rate      | 0.7471 | 0.6713 |
| AUD/USD: 30 June spot rate | 0.7518 | 0.6863 |
| GBP/USD: Average rate      | 1.3462 | n/a    |
| GBP/USD: 30 June spot rate | 1.3819 | n/a    |

At reporting date, the Group's direct exposure to currency risk relates to:

- AUD denominated balances recognised by Navigator Global Investments Limited which has a functional currency of USD. Due to Navigator Global Investments Limited's position as the parent entity of the Australian listed group, it retains a number of working capital balances denominated in AUD which include cash, current receivables, current trade and other payables and employee benefits.
- AUD & GBP denominated balances recognised by the Lighthouse Group which has a functional currency of USD. These balances comprise of trade receivables due from a third party for management and performance fees on funds for which Lighthouse performs investment services.

The following table summarises the sensitivity of these balances held at reporting date to movement in the AUD/USD and GBP/USD exchange rate, with all other variables held constant.

|                                          | Consolidated US\$'000 |       |
|------------------------------------------|-----------------------|-------|
|                                          | 2021                  | 2020  |
| AUD/USD: appreciation of 10%, net of tax | 217                   | 112   |
| AUD/USD: depreciation of 10%, net of tax | (217)                 | (112) |
| GBP/USD: appreciation of 10%, net of tax | 221                   | n/a   |
| GBP/USD: depreciation of 10%, net of tax | (221)                 | n/a   |

One of the investments acquired through the business combination during the year is an entity based in France reporting in Euro. The entity will be exposed to currency risk when this entity makes distributions. As the investment held is a non-monetary asset, sensitivity on the currency impact on recorded fair values is not required.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 20. Financial risk management (continued)

## Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it has sufficient resources available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains 12 month rolling forecasts and 5 year cash projections, which assist it in monitoring cash flow requirements. The Group ensures that it has sufficient cash on demand to meet operational requirements in the short term and has appropriate strategies in place to satisfy long term obligations.

The Group also has access to a \$15 million line of credit (refer Note 18) which to date has not been required as it remains undrawn. This approach excludes the potential impact of extreme circumstances which cannot be predicted.

The following are the contractual maturities of non-derivative financial liabilities as at balance date:

## Consolidated US\$'000

| Note                                   | Carrying value | Contractual cash flows | 6 months or less | 6-12 months     | 1-2 years | 2-5 years   | More than 5 years |
|----------------------------------------|----------------|------------------------|------------------|-----------------|-----------|-------------|-------------------|
| <b>30 June 2021</b>                    |                |                        |                  |                 |           |             |                   |
| Trade and other payables – current     | 15             | 11,492                 | (11,492)         | (11,492)        | -         | -           | -                 |
| Trade and other payables – non-current | 15             | 50                     | (50)             | -               | -         | (50)        | -                 |
| Convertible note                       | 17             | 1,547                  | (2,143)          | -               | -         | -           | (2,143)           |
| Redemption payment liability           | 17             | 79,717                 | (141,967)        | -               | -         | (141,967)   | -                 |
|                                        |                | <b>92,806</b>          | <b>(155,652)</b> | <b>(11,492)</b> | <b>-</b>  | <b>(50)</b> | <b>(2,143)</b>    |
| <b>30 June 2020</b>                    |                |                        |                  |                 |           |             |                   |
| Trade and other payables – current     | 15             | 2,944                  | (2,944)          | (2,944)         | -         | -           | -                 |
| Trade and other payables – non-current | 15             | 50                     | (50)             | -               | -         | (50)        | -                 |
|                                        |                | <b>2,994</b>           | <b>(2,994)</b>   | <b>(2,944)</b>  | <b>-</b>  | <b>-</b>    | <b>(50)</b>       |

Refer to Note 13 for contractual maturities of the Group's lease liabilities.

## Trade and other payables

It is not expected that the cash flows included in the maturity analysis for these liabilities could occur significantly earlier, or at significantly different amounts.

## Convertible note

The undiscounted cash flows included in the maturity analysis for the convertible note is management's estimate of the conversion option that will be settled by the exchanged of cash for those notes unable to be converted to Navigator Global Investment securities by the maturity date. The timing of these cash flows would not occur earlier, however may be for a differing amount depending on the volume of unconverted notes as at maturity date.

## Redemption payment liability

The undiscounted cash flows associated with the redemption payment liability is an estimate of the contingent consideration payable based on unobservable inputs into the fair value calculation as at 30 June 2021. The future payment to redeem non-controlling interests in acquired partnerships may be significantly higher or lower based on revised estimates. The timing of such payments is not expected to occur significantly earlier than indicated.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## Group structure

This section of the notes to the financial statements outlines how the Navigator Global Investments Limited's group structure affects the financial position and performance of the Group as a whole. On the following pages you will find disclosures explaining the Group's composition and key parent entity disclosures.

Where an accounting policy or key estimate is specific to a single note, the policy or estimate is described in the note to which it relates.

## 21. Group entities

The Group's consolidated financial statements include the financial statements of Navigator Global Investments Limited and its subsidiaries:

| Name                                         | Country of incorporation | % Equity interest |      |
|----------------------------------------------|--------------------------|-------------------|------|
|                                              |                          | 2021              | 2020 |
| HFA Lighthouse Holdings Corp                 | United States            | 100               | 100  |
| HFA Lighthouse Corp                          | United States            | 100               | 100  |
| LHP Investments, LLC                         | United States            | 100               | 100  |
| Lighthouse Investment Partners, LLC          | United States            | 100               | 100  |
| Lighthouse Partners NY, LLC <sup>1</sup>     | United States            | -                 | 100  |
| Lighthouse Partners UK, LLC                  | United States            | 100               | 100  |
| North Rock Capital Management LLC            | United States            | 100               | 100  |
| NR Technology Group, LLC                     | United States            | 100               | 100  |
| NGI Strategic Holdings I, Inc <sup>2</sup>   | United States            | 100               | -    |
| NGI Strategic Holdings II, Inc <sup>2</sup>  | United States            | 100               | -    |
| NGI Strategic Australia Pty Ltd <sup>2</sup> | Australia                | 100               | -    |
| NGI Strategic Holdings Ltd <sup>2</sup>      | Cayman Islands           | 100               | -    |
| NGI Strategic Holdings (A) LP <sup>2</sup>   | Cayman Islands           | 71                | -    |
| NGI Strategic Holdings (B) LP <sup>2</sup>   | Cayman Islands           | 56                | -    |
| Lighthouse Partners Limited (HK)             | Hong Kong                | 100               | 100  |
| LHP Ireland Fund Management Limited          | Ireland                  | 100               | 100  |
| LH NR UK (Management) LLP                    | United Kingdom           | 100               | -    |
| LH NR UK Limited                             | United Kingdom           | 100               | -    |

1 Lighthouse Partners NY, LLC wound up on 31 December 2020.

2 Entities formed or acquired from business combination during the year

## Basis of consolidation

The consolidated financial statements are those of the Group, comprising Navigator Global Investments Limited and all entities that Navigator Global Investments Limited controlled during the period and at reporting date.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement in the investee and has the power to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The assets, liabilities, income and expenses of a subsidiary are included in the consolidated financial statements from the date the Group gains control, until the date the Group ceases to control the subsidiary.

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 22. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2021, the parent company of the Group was Navigator Global Investments Limited.

|                                                     | Company US\$'000 |                 |
|-----------------------------------------------------|------------------|-----------------|
|                                                     | 2021             | 2020            |
| <b>Result of the parent entity</b>                  |                  |                 |
| (Loss) / profit for the year                        | 29,463           | (80,876)        |
| Total comprehensive (loss) / income for the year    | <b>29,463</b>    | <b>(80,876)</b> |
| <b>Financial position of the parent at year end</b> |                  |                 |
| Current assets                                      | 20,926           | 12,213          |
| Total assets                                        | 353,369          | 177,375         |
| Current liabilities                                 | (1,499)          | (697)           |
| Total liabilities                                   | (3,255)          | (911)           |
| Net assets                                          | <b>350,114</b>   | <b>176,464</b>  |
| <b>Total equity of the parent comprising of</b>     |                  |                 |
| Share capital                                       | 320,146          | 257,355         |
| Non-share capital                                   | 99,818           | -               |
| (Accumulated losses) / Retained earnings            | (99,341)         | (90,123)        |
| Parent entity profits reserve                       | 20,613           | 354             |
| Translation reserve                                 | 5,070            | 5,070           |
| Share based payments reserve                        | 3,808            | 3,808           |
| Total equity                                        | <b>350,114</b>   | <b>176,464</b>  |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## Other disclosures

This section includes information that the Directors do not consider to be significant in understanding the financial performance and position of the Group, but must be disclosed to comply with the Accounting Standards, the Corporations Act 2001 or the Corporations Regulations.

## 23. Related parties

## Key management personnel remuneration

The key management personnel remuneration included in 'employee expense' (see note 3) is as follows:

|                              | Consolidated US\$ |                  |
|------------------------------|-------------------|------------------|
|                              | 2021              | 2020             |
| Short-term employee benefits | 5,434,556         | 4,762,879        |
| Long-term employee benefits  | 3,661             | 9,780            |
| Post-employment benefits     | 104,440           | 102,434          |
|                              | <b>5,542,657</b>  | <b>4,875,093</b> |

Detailed remuneration disclosures are provided in the remuneration report on pages 32 to 41.

## Individual directors' and executives' remuneration disclosure

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

## Other related party transactions

## Revenue from group managed products

During the financial year Group entities recognised management fees, performance fees and fund reimbursement revenue received or receivable of \$98,558,533 (2020: \$91,780,976) from investment products for which group entities act as general partner, investment manager or managed account service provider. Amounts receivable from these products at 30 June 2021 were \$14,504,363 (2020: \$11,254,984).

## Investment in products

As at 30 June 2021, Group entities hold \$14,082,887 of investments in products for which they act as investment manager or managed account service provider (2020: \$13,245,015). Refer note 11 for additional detail.

During the financial year, the Group recognised distributions from its investments in these products of \$nil (2020: \$669).

For the years ended 30 June 2021 and 30 June 2020, the Group has not recorded a credit allowance relating to amounts owed by related parties. Additional information regarding the Group's assessment of credit risk in relation to related party receivables and investments is disclosed in Note 20.

## Other

There have been no guarantees provided or received for any related party receivables.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 24. Auditors' remuneration

|                                                                             | Consolidated US\$ |                |
|-----------------------------------------------------------------------------|-------------------|----------------|
|                                                                             | 2021              | 2020           |
| <b>Fees to Ernst &amp; Young</b>                                            |                   |                |
| EY (Australia):                                                             |                   |                |
| Audit and review of financial reports for the Group and controlled entities | 258,617           | 94,351         |
| Other non-audit services (advisory)                                         | 59,308            | -              |
| Overseas member firms of EY (Australia):                                    |                   |                |
| Audit and review of financial reports for the Group and controlled entities | 232,094           | 151,484        |
| <b>Total fees to Ernst &amp; Young</b>                                      | <b>550,019</b>    | <b>245,835</b> |
| <b>Audit fees to other audit firms</b>                                      |                   |                |
| Other audit firms (Australia):                                              |                   |                |
| Other non-audit services (taxation)                                         | 58,833            | 20,422         |
| Other non-audit services (advisory)                                         | 5,004             | 143,107        |
| <b>Total fees to other audit firms (Australia)</b>                          | <b>63,837</b>     | <b>163,529</b> |
| Overseas member firms of other auditors:                                    |                   |                |
| Audit and review of financial reports for controlled entities               | 17,017            | 19,244         |
| Other non-audit services (taxation)                                         | 185,979           | -              |
| Other non-audit services (advisory)                                         | 275,290           | 450,000        |
| <b>Total fees to overseas member firms of other auditors</b>                | <b>478,286</b>    | <b>469,244</b> |
| <b>Total fees to other audit firms</b>                                      | <b>542,123</b>    | <b>632,773</b> |
| <b>Total auditor's remuneration</b>                                         | <b>1,092,142</b>  | <b>878,608</b> |

## 25. Commitments

At 30 June 2021 the Group had commitments of \$249 thousand (2020: nil) relating to the completion of lease fit outs for a new leased premises in Chicago.

## 26. Contingent liabilities

## Investment fund related obligations

The Company's subsidiary Lighthouse Investment Partners, LLC acts as the Investment Manager for certain private investment funds under Delaware Law, Cayman Islands Law and Irish Law. Due to its role as Investment Manager the subsidiary may be subject to contingent liabilities as a result of its obligations to the funds. The directors of Lighthouse Investment Partners, LLC consider that all obligations have been met to 30 June 2021.

## Guarantees

During the period, the Group provided a guarantee to one of the externally managed entities for its share in a banking facility. In the event of default this guarantee may be called upon which would be incurred jointly with other investors. At 30 June 2021 the facility for which the guarantee is provided is undrawn.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 27. Subsequent events

#### Events occurring after reporting period

There has not arisen in the interval between the end of the reporting period and the date of this report, any item, transaction or event of a material nature, likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## Basis of preparation

This section sets out the basis upon which the Group's financial statements are prepared as a whole. Specific accounting policies are described in their respective notes to the financial statements. This section also shows information on new accounting standards, amendments and interpretations, and whether they are effective for the current or later years. We explain how these changes are expected to impact the financial position and performance of the Group.

## 28. Corporate information

The financial report of Navigator Global Investments Limited (the 'Company') for the year ended 30 June 2021 was approved by the board of directors on the 19th day of August 2021.

The consolidated financial statements of the Company as at and for the year ended 30 June 2021 comprise the Company and its subsidiaries (the 'Group') (see Note 21).

The Company is a for profit company limited by shares incorporated in Australia and is listed on the Australian Securities Exchange. The registered office of the Company is Level 21, 10 Eagle Street, Brisbane QLD 4000.

## 29. Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards (AASB) and other authoritative pronouncements of the Australian Accounting Standards Board.

The consolidated financial statements also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

During the period, disclosures reflect changes to the comparative period to conform to the current period's presentation.

Details of the Group's accounting policies, including changes during the year, are included in Note 32 as well as within the individual notes to the financial statements.

## 30. Basis of measurement

The consolidated financial statements have been prepared on a going concern basis. The consolidated financial statements have been prepared on a historical cost basis except for the following items:

| Items                                                                  | Measurement basis |
|------------------------------------------------------------------------|-------------------|
| Financial assets and liabilities at fair value through profit and loss | Fair value        |
| Financial assets at fair value through other comprehensive income      | Fair value        |

The methods used to measure fair value are discussed further in Note 20.

## 31. Functional and presentation currency

The consolidated financial statements are presented in US dollars ('USD'), which is the Company's functional currency.

The amounts contained in this financial report have been rounded to the nearest thousand dollars in accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, unless otherwise stated.

## Translation of foreign currency

Transactions in foreign currencies are translated to the respective functional currency of Group entities at rates of exchange ruling on the date of those transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies, are recognised in profit and loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 32. Other accounting policies

## Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 7 - recognition of deferred tax assets: availability of future taxable profit against which carried forward tax losses can be used;
- Note 14 - impairment test: key assumptions underlying recoverable amounts of intangible assets;
- Note 11 - fair value measurement of investments; and
- Note 17 – other liabilities which includes a redemption payment for non-controlling interests in two partnerships acquired during the year.

## Measurement of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value. The methods used to determine fair values for measurement and / or disclosure purposes are included in the following notes:

- notes 11 and 20 - investments in financial assets at fair value through profit and loss;
- notes 11 and 20 - investment in financial assets at fair value through other comprehensive income; and
- notes 17 and 20 – financial liabilities measured at fair value with changes recorded through profit and loss.

## Changes in accounting policies

## New and amended standards

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 its operations and effective for the current reporting period:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a business (AASB 3)
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material (AASB 101 and AASB 108)
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards not yet issued in Australia (AASB 1054)

Other than applying the new definition of a business to the current year business combination, the amendments listed above did not have any impact on the Group's financial statements.

## Accounting standards and interpretations issued but not yet effective

The following Australian accounting standards and interpretations that are relevant to the Group's operations have been issued but are not yet effective and have not been adopted by the Group for the year ended 30 June 2021. These standards are not expected to have a significant impact on the Group's consolidated financial statements:

- AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- AASB 2020-3 Reference to the conceptual framework amending the following standards:
  - AASB 3 Business Combinations – referencing the conceptual framework
  - AASB 16 Property, Plant and Equipment relating to the proceeds before intended use
  - AASB 137 Provisions, Contingent liabilities and Contingent Assets relating to costs associated with onerous contracts
  - AASB 9 Financial Instruments relating to fees included in assessing a modified liability.
- AASB 2020-1 Amendments to AASB 101 regarding the classification of Liabilities as Current or Non-current
- AASB 2021-2 Amendments to Disclosure of Accounting Policies and definition of Accounting Estimates
- AASB 2021-56 Amendments to Deferred Tax related Assets and Liabilities arising from a single transaction.

# DIRECTORS' DECLARATION

In the opinion of the directors of Navigator Global Investments Limited (the 'Company'):

- (a) the consolidated financial statements and notes that are set out on pages 46 to 91, and the Remuneration report on pages 32 to 41 of the Directors' report, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2021.
  3. The directors draw attention to note 29 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.

**Michael Shepherd, AO**  
Chairman and Non-Executive Director

**F P (Andy) Esteban**  
Non-Executive Director

Sydney, 19 August 2021



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working world**

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## **Independent Auditor's Report to the Members of Navigator Global Investments Limited**

### **Report on the Audit of the Financial Report**

#### **Opinion**

We have audited the financial report of Navigator Global Investment Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 30 June 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Basis for Opinion**

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

We 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 of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## Business Combination

Refer to Note 2 of the financial report

### Why significant

During the year ended 30 June 2021, the Group completed a significant transaction to acquire six minority interests in a portfolio of asset managers. The total consideration transferred was US\$235 million, comprising both upfront and deferred elements.

We consider the acquisition accounting related to this business combination to be a key audit matter because of the complexity and judgement required in accounting for the various components of the purchase consideration and the estimation required in the measurement of the fair value of the assets acquired and the liabilities assumed at completion date. Valuation of investments recognised at fair value are inherently complex and judgmental.

Note 2 to the financial statements provides a summary of the business combination and the Group's accounting policies relating to the acquisition.

### How our audit addressed the key audit matter

Our audit procedures of the business combination included the following:

- Assessed whether the transaction was accounted for in accordance with applicable Australian Accounting Standards;
- Assessed the Group's determination of the business combination accounting including identification and fair value attributable to assets acquired and liabilities (including contingent liabilities) assumed;
- Evaluated the Group's determination of fair value of the deferred consideration;
- Assessed the reasonability of key assumptions used in the valuation of the assets acquired and liabilities (including contingent liabilities) assumed; and
- Tested the mathematical accuracy of the valuation models.

Our valuation specialists were involved in the assessment of the valuation methodologies and key assumptions used by the Group.

We assessed the adequacy of the Group's disclosures in Note 2 to the financial statements.

## Investment Existence and Valuation

Refer to Note 11 and Note 20 of the financial report

### Why significant

The Group has a significant investment portfolio comprising primarily of six minority interests in unlisted investment managers. As at 30 June 2021, the value of these unlisted investments was US\$231 million which equates to 49% of total assets.

### How our audit addressed the key audit matter

Our audit procedures relating to the valuation of the investments included the following:

- Obtained an understanding of the key processes adopted by management to determine the fair value of the investments at balance date;

As detailed in the Group's accounting policy described in note 11, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards.

Key assumption such as the growth rates and discount rates applied to the management fee and performance fee income streams can have a significant impact on the fair value of these financial assets and amounts recorded in the financial report. Accordingly, the valuation of the investments was considered a key audit matter.

Note 11 to the financial statements provides a summary of the Group's accounting policy relating to the investments and note 20 include the disclosures relating to the significant unobservable inputs to the valuation.

- Obtained and considered the assurance report on the internal controls of the investment manager's administrators in relation to fund administration services for the year ended 30 June 2021 and considered the auditor's qualifications and objectivity and the results of their procedures;
- Confirmed the ownership interest with the respective investee fund managers at 30 June 2021;
- Obtained the most recent audited financial statements of the underlying investment funds, reviewing the nature of the underlying investments held and the recorded fair values of the investments including the accounting basis adopted for such valuations;
- Reviewed the independence, competence and objectivity of the auditing firms of the managers and reviewed the content of their audit opinions; and
- Obtained from management their assessment of the most recent unaudited financial information of the asset managers and evaluated the reasonableness of any material fair value movements (or the lack thereof) within the discounted cash flow models supporting the fair value.

Our valuation specialists were involved in the assessment of the valuation methodologies and assumptions used by the Group.

We assessed the adequacy of the Group's disclosures in Note 11 and 20 to the financial statements.

## Recoverability of the US cash generating unit

Refer to Note 14 of the financial report

### Why significant

The recoverability of the US cash generating unit ("CGU") was a key audit matter due to the value of goodwill allocated to the CGU relative to total assets and the degree of judgement involved in determining the value-in-use ("VIU") of the CGU.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- Tested the mathematical accuracy of the CGU's VIU model;

The model used by the Group to measure the VIU of the CGU is complex due to the assumptions and estimations used in forecasting the future cash flows of the CGU.

- Evaluated the Group's assumptions and estimates in relation to the forecast cash flows based on most recent Board approved forecasts by performing sensitivity analysis and evaluating and testing the key assumptions used to determine the VIU;
- Considered the accuracy of the Group's cash flow forecasts by comparing historic forecasts to actual performance;
- Involved our valuation specialists in assessing growth rate, discount rate and multiples used in the VIU model. Where applicable, we corroborated key assumptions with external information;
- Tested the forecast cash flows in the VIU model were consistent with those used to test recoverability of the CGU's deferred tax assets;
- Performed sensitivity analysis by varying key assumptions and assessing the impact on the recoverability of goodwill; and
- Assessed the adequacy of the related disclosures in the financial report.

## Recoverability of deferred tax assets

Refer to Note 7 of the financial report

### Why significant

At 30 June 2021, the Group recorded deferred tax assets of US\$40.6 million, being 9% of total assets. This amount includes US\$36.2 million of deferred tax asset for carry forward tax losses, which depending on the jurisdiction, may be subject to expiry.

At 30 June 2021, the deferred tax asset for carry forward tax losses of the US based Lighthouse Group of US\$36.2 million which existed prior to 1 January 2018 have a life of 20 years and will expire during the period from 2029 to 2038. Any tax losses incurred after 1 February 2018 have an indefinite life.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- Assessed the mathematical accuracy of the Group's deferred tax asset utilisation model;
- Agreed the amount of unused tax losses carried forward as deferred tax assets to Group's lodged income tax returns;
- Evaluated the Group's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on most recent Board approved forecasts by performing sensitivity analysis and evaluating and testing the key assumptions used to determine the amounts recognised;
- Considered the accuracy of the Group's taxable income forecasts by comparing historic forecasts to actual performance;

Assessing the recoverability of the deferred tax assets involves significant judgement, as it requires forecasting future taxable income and an assessment of the availability and expected timing of utilising the deferred tax assets, in accordance with tax laws in each applicable jurisdiction.

Accordingly, the recoverability of the deferred tax assets was considered a key audit matter.

- Tested the assumptions and estimates used in preparing the Group's taxable income forecasts were consistent with those used to assess the VIU of the Lighthouse cash generating unit;
- Involved our tax specialists to review the existence and availability of the deferred tax assets under tax laws in the applicable jurisdictions;
- Assessed the Group's determination of availability and expected timing of utilisation of deferred tax assets for consistency with tax laws in each applicable jurisdiction; and
- Assessed the adequacy of the related disclosures in the financial report.

## Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Annual Report, 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 accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 have 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 judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

## Report on the Audit of the Remuneration Report

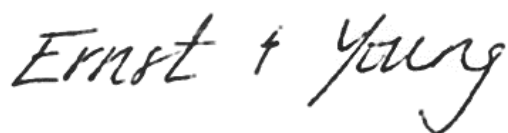
### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Navigator Global Investments Limited for the year ended 30 June 2021, 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.



Ernst & Young



Rebecca Burrows  
Partner  
Brisbane  
19 August 2021

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# SHAREHOLDER INFORMATION

# ASX additional information

As at 12 August 2021

Additional information required by the Australian Securities Exchange Limited (ASX) Listing Rules and not disclosed elsewhere in this document is set out below.

## Number of security holders and securities on issue

Navigator has issued the following securities:

- 202,672,203 Ordinary Shares held by 3,928 shareholders; and
- 102,283 Convertible Notes held by 1 noteholder.

## Substantial shareholdings

The following parties have a substantial relevant interest in ordinary shares of Navigator Global Investments Limited:

| Category                                             | Number of ordinary shares | %      |
|------------------------------------------------------|---------------------------|--------|
| Blue Owl Capital Inc. and its controlled entities    | 40,524,306                | 19.99% |
| Navigator Global Investments Limited <sup>1</sup>    | 40,524,306                | 19.99% |
| Perennial Value Management Limited                   | 23,837,421                | 11.78% |
| Sean McGould, his controlled entities and associates | 19,438,083                | 9.59%  |
| Eley Griffiths Group                                 | 13,472,096                | 6.65%  |

<sup>1</sup> The Company lodged has a substantial relevant interest in its ordinary shares due to restrictions on disposal of the shares under a Shareholder Agreement with entities associated with Blue Owl Capital Inc. A substantial shareholder notice setting out details of the Shareholder Agreement was lodged with the ASX on 1 February 2021.

## Twenty largest shareholders

| Name                                                       | Number of ordinary shares held | Percentage of capital held |
|------------------------------------------------------------|--------------------------------|----------------------------|
| Citicorp Nominees Pty Limited                              | 58,574,844                     | 28.90%                     |
| J P Morgan Nominees Australia Pty Limited                  | 54,941,731                     | 27.11%                     |
| HSBC Custody Nominees (Australia) Limited                  | 17,913,556                     | 8.84%                      |
| National Nominees Limited                                  | 16,388,454                     | 8.09%                      |
| BNP Paribas Nominees Pty Ltd                               | 10,432,259                     | 5.15%                      |
| Australian Executor Trustees Limited                       | 1,350,580                      | 0.67%                      |
| Mr Shay Shimon Hazan-Shaked                                | 1,350,000                      | 0.67%                      |
| Mr Mark Sheffield Hancock & Brig Ian Denis Westwood        | 1,030,834                      | 0.51%                      |
| CS Third Nominees Pty Limited                              | 1,021,402                      | 0.50%                      |
| HSBC Custody Nominees (Australia) Limited – GSCO ECA       | 737,262                        | 0.36%                      |
| UBS Nominees Pty Ltd                                       | 735,196                        | 0.36%                      |
| Winchester Global Trust Company Limited                    | 655,158                        | 0.32%                      |
| BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd      | 581,191                        | 0.29%                      |
| Bond Street Custodians Limited                             | 500,000                        | 0.25%                      |
| Brispot Nominees Pty Ltd                                   | 1,642,727                      | 1.01%                      |
| Krumpet No 16 Pty Limited                                  | 448,250                        | 0.22%                      |
| AMBEJO Pty Ltd                                             | 356,255                        | 0.18%                      |
| NSR Investments Pty Ltd                                    | 350,000                        | 0.17%                      |
| Mr Richard James Williams & Ms Jane Clare Frobisher Dunlop | 300,000                        | 0.15%                      |
| Active Three Services Nominees Pty Ltd                     | 280,000                        | 0.14%                      |



## Distribution of shareholdings

| Range            | Number of holders of ordinary shares | % of holders   | Number of ordinary shares | % of share     |
|------------------|--------------------------------------|----------------|---------------------------|----------------|
| 1-1,000          | 980                                  | 24.95%         | 516,549                   | 0.25%          |
| 1,001-5,000      | 1,474                                | 37.53%         | 4,070,453                 | 2.01%          |
| 5,001-10,000     | 662                                  | 16.85%         | 5,043,478                 | 2.49%          |
| 10,001-50,000    | 684                                  | 17.41%         | 14,446,875                | 7.13%          |
| 50,001 – 100,000 | 65                                   | 1.65%          | 4,721,762                 | 2.33%          |
| 100,001 and over | 63                                   | 1.60%          | 173,873,086               | 85.79%         |
| <b>Total</b>     | <b>3,928</b>                         | <b>100.00%</b> | <b>202,672,203</b>        | <b>100.00%</b> |

The number of shareholders holding less than a marketable parcel of ordinary shares is 230.

## Voting rights

### Ordinary Shares

The Company has 202,672,203 fully paid ordinary shares on issue.

The fully paid ordinary shareholders of the Company are entitled to vote at any meeting of the members of the Company and their voting rights are:

- on a show of hands – one vote per shareholder; and
- on a poll – one vote per fully paid ordinary shares.

### Convertible Notes

Noteholders do not have any voting rights on the Convertible Notes held by them.

## Restricted securities and voluntary escrow

There are no securities in voluntary escrow.

Affiliates of Blue Owl Capital Inc. have entered into a Shareholder Agreement with the Company which contains restrictions related to their holding of Shares and Convertible Notes. Blue Owl Capital Inc and its affiliates may only dispose of Ordinary Shares and Convertible Notes representing in aggregate up to 8,400,000 Ordinary Shares in the first two years to 31 January 2023, and representing in aggregate up to 40,524,306 Ordinary Shares in the first five years to 31 January 2026, other than where Blue Owl Capital Inc or its affiliates make a change of control offer in connection with the Company receiving a third party change of control offer.

## On-market buy-back

There is no current on-market buy-back.

## Stock exchange listings

The Company's securities are not listed on any other stock exchange.

## Unquoted securities

### Convertible Notes

The Company issued 102,283 Convertible Notes on 1 February 2021. No Convertible Notes have been converted or redeemed during the period between issue and 30 June 2021.

| Name                                                                                                                                                  | Number of Convertible Notes held | Percentage held |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------------|
| J P Morgan Nominees Australia Pty Limited in its capacity as custodian for Neuberger Berman Australia Ltd in its capacity as trustee for Dyal Trust I | 102,283                          | 100%            |

The 102,283 Convertible Notes will convert into 67,574,292 Ordinary Shares.

There is no price payable on conversion of the Convertible Notes.

The following sets out the key terms of the Convertible Notes:

#### Conversion number

The number of Shares to which a Convertible Noteholder will be entitled upon conversion of any of its Convertible Notes is equal to the sum of the principal amount (being the face value) of those Convertible Notes and any other amount owing to the Convertible Noteholder under that Convertible Note, divided by the Conversion Price (as defined below), rounded to the nearest whole number (or, in the case of a fraction of a Share that is exactly one half, down).

#### Potential Shares issued pursuant to Convertible Notes

67,574,292

20-day VWAP at Completion

AU\$1.96046656

#### Conversion Price

US\$1.51363776

#### Estimated value of Note Consideration

US\$102.3 million

Face value of each Convertible Note

US\$1,000

#### Number of Convertible Notes to be issued

102,283

#### Ordinary shares issued on conversion

Each Convertible Note will be convertible into Shares ranking equally with other existing fully paid ordinary shares in the Company.

The Company must procure official quotation of the Shares issued on conversion.

#### Convertible Noteholder conversion rights

A Convertible Noteholder may, at any time, require the conversion of all or some of its outstanding Convertible Notes, subject to the following regulatory restrictions:

- (a) where such conversion is a notifiable action for the Convertible Noteholder under the FATA and that Convertible Noteholder has not received FIRB approval in respect of such conversion;
- (b) where such conversion would contravene section 606 of the Corporations Act;
- (c) such conversion is subject to the expiration of a waiting period under the HSR Act, until the expiration of such waiting period; or
- (d) where such conversion is prohibited by any applicable law or regulation.

#### Company Conversion Rights

On an annual basis from the seventh anniversary of the issue date, the Company may require conversion of all or some of the Convertible Notes. Where the Company requires the conversion for some of the Convertible Notes:

- (a) the aggregate face value of all Convertible Notes to be converted on that date must be at least US\$1 million; and
- (b) if there is more than one Convertible Noteholder, the conversion must be pro rata for each Convertible Noteholder based on the number of Convertible Notes held by that Convertible Noteholder as a proportion of all Convertible Notes on issue.

#### Maturity Date

The Convertible Notes will mature on the 1 February 2031, subject to extension where a regulatory approval or consent in respect of the conversion of Convertible Notes is required.

On the Maturity Date the Convertible Notes will be converted or redeemed for cash in certain circumstances.

#### Restrictions on transfer

The Convertible Notes are transferrable:

- (a) without the prior written consent of the Company, provided that if such transfer is a notifiable action under the FATA, that the Convertible Noteholder has received FIRB approval in respect of such transfer and such transfer is not or would not otherwise be prohibited or restricted pursuant to any applicable law or regulation; or
- (b) otherwise, subject to the prior written consent of the Company (such consent may be given or withheld at the absolute discretion of the Company).

US law transfer restrictions also apply to the transfer of Convertible Notes.

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