VGI PARTNERS

ABN 33 129 188 450

2019 Annual Report

Year ended 31 December 2019

Contents

Annual General Meeting 2020

Tuesday 21 April 2020
10:30am (AEST)
The Heritage Room, Intercontinental Hotel
117 Macquarie Street
Sydney NSW 2000

Notice of the Annual General Meeting will be forwarded to all shareholders separately.

Corporate Governance

The Corporate Governance Statement of VGI Partners Limited ABN 33 129 188 450 ("VGI" or the "Company") has been approved by the Board and lodged with the ASX. A copy of the Corporate Governance Statement is available at www.vgipartners.com.

Letter from the Chairman

Dear Fellow Shareholder,

More often than not a Chairman's Letter discusses the company's financial performance for the year in review together with a review of corporate strategy and the external landscape. This approach makes good sense for an enterprise where long-term shareholder value creation is highly correlated with near-term financial performance.

For this, our inaugural Annual Report for VGI Partners as a listed company, I intend to take a different approach. At VGI Partners we actively avoid placing too much emphasis on short-term profits in our internal decision-making and so you will not find this here.

We are acutely aware that in our business a focus on short-term performance is a recipe for assured suboptimal decision-making, whether through underinvestment in investment and operational infrastructure, or by encouraging an increased risk profile to creep in to our investment portfolios in the hope that this will translate to higher performance fee revenue in the short term.

At VGI Partners what matters most to us, and should matter to all shareholders, is our success in delivering attractive risk-adjusted long-term returns for investors in the VGI Partners Funds. We prioritise the pursuit of this objective as we are confident that this is the surest path to the Company's continued long-term success.

However, while our objective is straightforward to explain, great discipline is required to consistently deliver upon it. This is particularly true in market conditions such as those we have witnessed over the last 12 months, when indices have been grinding higher and high-quality businesses are trading at valuations which imply unlikely levels of growth into perpetuity, together with an expectation that interest rates will remain low forever. Because we stay true to our investment philosophy, which has seen us operate with average net exposure of just 70% in the VGI Partners Funds over the longer term, we will typically tend to underperform the broader market in this environment. In euphoric conditions we would prefer to keep our powder dry and generate an acceptable risk-adjusted return than risk a permanent loss of capital.

Recognising the discipline required, from the day we opened the doors of VGI Partners in early 2008 we have fostered an internal environment where a single-minded prioritisation of putting the interests of our Fund investors first and focusing on generating acceptable risk-adjusted returns for our VGI Partners Funds is core to how we operate and to our culture.

This was encapsulated in our very first letter to VGI Partners Fund investors, sent in September 2009. I recently looked back over this letter, which sets out the foundation of our culture and evolution. The core message was that "It is our strong belief that portfolio concentration is the best way for us to generate superior compound returns over time providing that we adhere to our investment philosophy, work passionately and diligently and most importantly, remain humble." Another commitment articulated in the 2009 letter that remains unchanged is our intention to invest "in our infrastructure and people so as to constantly enhance our ability to manage your capital."

Back then we were managing money for just a handful of individuals and families – predominantly our friends, families and business associates. Many of these people had trusted us with their life savings and we were acutely aware that delivering on their future dreams and providing for the generations ahead was in our hands.

The weight of this responsibility shaped our early culture and assisted us in developing good disciplines working as a team; a team that assesses its own abilities and decision-making every day, and that does so harshly. Conversations in our offices have always been robust and challenging as we try to learn not only from our own mistakes but from those made by others.

Over the years, whenever we have contemplated a significant step-change, whether it be the opening of a new office, the establishment of a listed investment company, or listing VGI Partners on the ASX, my greatest priority has been that we put our investors' interests first at all times. A close second is that the initiative under consideration will not dilute or adversely affect our culture.

We have mechanisms in place that have been designed to assist in maintaining our culture. One of these is the requirement that VGI Partners staff can only invest in the VGI Partners Funds and in VGI Partners itself. VGI Partners, our employees and their families now have well over $100 million invested in the VGI Partners Funds. Nothing focuses the mind of an investment professional more than having their own hard-earned savings on the line!

We also have physical reminders in each of our offices of where we have come from and of the culture we want to maintain. To give just one example, the Harvard Business Review article "Why Winning Streaks End" hangs on the wall of our Sydney analysts' room, with its clear message that "erosion begins by removing a process or discipline", while "rooting out complacency" is the job of the leader of any enterprise. There's no message more stark than the observation that "the Chernobyl nuclear plant disaster was said to be caused by engineers neglecting small portions of routine safety checks because they had done so before, and nothing had happened."

With such effort devoted to maintaining our culture, I am pleased to report only positive progress during 2019. As shareholders would recall, the ASX listing of the Company was completed in the first half of the year in conjunction with a $300 million capital raising undertaken by our listed investment company VGI Partners Global Investments Limited. In the second half, we launched a dedicated Asian investment strategy, raising in excess of $550 million for VGI Partners Asian Investments Limited (**VG8**).

The primary benefit of the Company being listed is that it has provided all of our staff with the opportunity to benefit as owners from our future growth. Many VGI Partners team members participated in the initial public offering (**IPO**), while the team will benefit from an option scheme put in place in conjunction with listing that should see more than 6% of the Company owned by employees after five years. The heightened sense of proprietorship that now exists at every level of the organisation should only be positive for our future performance.

A further benefit of being listed is that it assists with strengthening alignment between VGI Partners Funds investors and the Company itself, while also aiding the growth of our business. We made a purposeful decision to make access to the Company's IPO available only to VGI Partners Funds investors for this reason, while the ability to offer participants in the initial public offering of VG8 valuable free "alignment shares" in VGI Partners was undoubtedly a factor in the success of this record-breaking capital raising. It was also important that we were able to meet all upfront costs of this raising, in cash, from our own resources. This would not have been feasible without the capital raised through the ASX listing of VGI Partners.

Meeting the establishment costs of VG8 was our largest single investment during the year. However, we also continue to invest in all aspects of our operations, and added capability across our investment, finance, operations and investor relations functions during the course of 2019. Expansion of the team in Tokyo and the recruitment of our first data scientist in New York are just two elements of this ongoing commitment to investing in our capabilities.

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Turning now to the future, shareholders should not expect any change in our singular focus on providing investors in the VGI Partners Funds with capital growth over the long term.

We are aware that the market is a great equaliser over time, and it is only through continued commitment to our investment philosophy and process that we can hope to continue to deliver attractive risk-adjusted returns.

We look forward to the year ahead and thank you for your ongoing support of VGI Partners.

Yours faithfully,

Robert M P Luciano, CFA
Executive Chairman and Managing Director
Sydney
27 February 2020

Charitable Initiatives

VGI Partners has actively supported charitable and community causes since its establishment in 2008. Over the years, we have supported charitable organisations with monetary donations and by managing pro bono funds through our unlisted vehicles, rebating management and performance fees to the charitable investor in the form of additional units or shares, where those fees would otherwise be payable to VGI Partners.

Since 2008, VGI Partners has donated approximately $1.3 million in cash to selected charitable initiatives, and rebated more than $3.9 million in management and performance fees to charitable investors whose investment is managed on a pro bono basis.

As the firm has grown, the opportunity for VGI Partners to increase its charitable footprint in community initiatives resulted in the formation of the VGI Partners Foundation in 2018. The Foundation aims to make a sustainable difference to the health and wellbeing of Australian children, and to support the communities and families of people who have made a significant personal sacrifice while contributing to Australian society.

Total charitable contributions from inception

$5.8m

Total management and performance fees foregone

$3.9m

Cash and in kind donations from inception to 2019

$1.3m

Donations to the VGI Partners Foundation since inception in 2018

$0.6m

We have also established a new Charitable Foundation Class in the VGI Partners Master Fund, our flagship fund. This class has $40 million capacity, with investment terms mirroring those of the existing client classes, except that 100% of management and performance fees that would otherwise be payable to VGI Partners will be donated in perpetuity to The VGI Partners Foundation. As at 31 December 2019, investment in the Charitable Foundation Class stood at $28 million, representing approximately $420,000 in management fees being donated to The Foundation each year.

Pro bono funds managed by VGI Partners

Future Generation INVESTMENT & SOCIAL RETURNS

THE ORAH FUND Invest to do well... and good

SYDNEY SWANS FOUNDATION

Australian Philanthropic Services Simple. Strategic. Rewarding.

Jewish Holocaust Centre Foundation

VGI PARTNERS Foundation

The VGI Partners Foundation operates as an independent public ancillary fund, with a vision to catalyse positive change in society. To achieve this, the Foundation is committed to actively growing the capacity and sustainability of vetted Australian charities that put contributions to good use. Donations have supported the ongoing efforts of The VGI Partners Foundation in the key focus areas of:

- achieving further social cohesion;
- promoting the health and wellbeing of Australian children; and
- supporting the communities and families of people who have made a significant personal sacrifice while contributing to Australian society.

The Foundation provides ongoing support to the following eligible organisations.

Wanderers Education Program

"Proudly supporting members of the Special Air Service Regiment through the Wanderers Education Program"

The Wanderers Education Program provides members of the Australian Special Air Service Regiment (**SASR**) with merit-based higher and vocational education and other professional and personal development opportunities, to help build individual and family resilience, and prepare SASR members for post-service life.

SYDNEY CHILDREN'S HOSPITAL RANDWICK

The Sydney Children's Hospitals Foundation funds vital clinical care for children across the Sydney Children's Hospitals Network, so they can have the best possible hospital treatment and experience. It also invests in research that will change and save more lives in the future. By discovering better ways to diagnose, treat or prevent childhood disease and injuries, the Sydney Children's Hospitals Foundation is helping generations of children to come.

SYDNEY JEWISH MUSEUM WHERE HISTORY HAS A VOICE

The Sydney Jewish Museum is dedicated to documenting and teaching the history of the Holocaust. The world-class museum challenges visitors' perceptions of democracy, morality, social justice and human rights, and places the Holocaust in its historical and contemporary context.

Our Attitude Towards Tax Planning

The Company and its consolidated entities (**the Group**) has offices in Sydney, New York and Tokyo, but the majority of the Group's operations and profits arise in Australia.

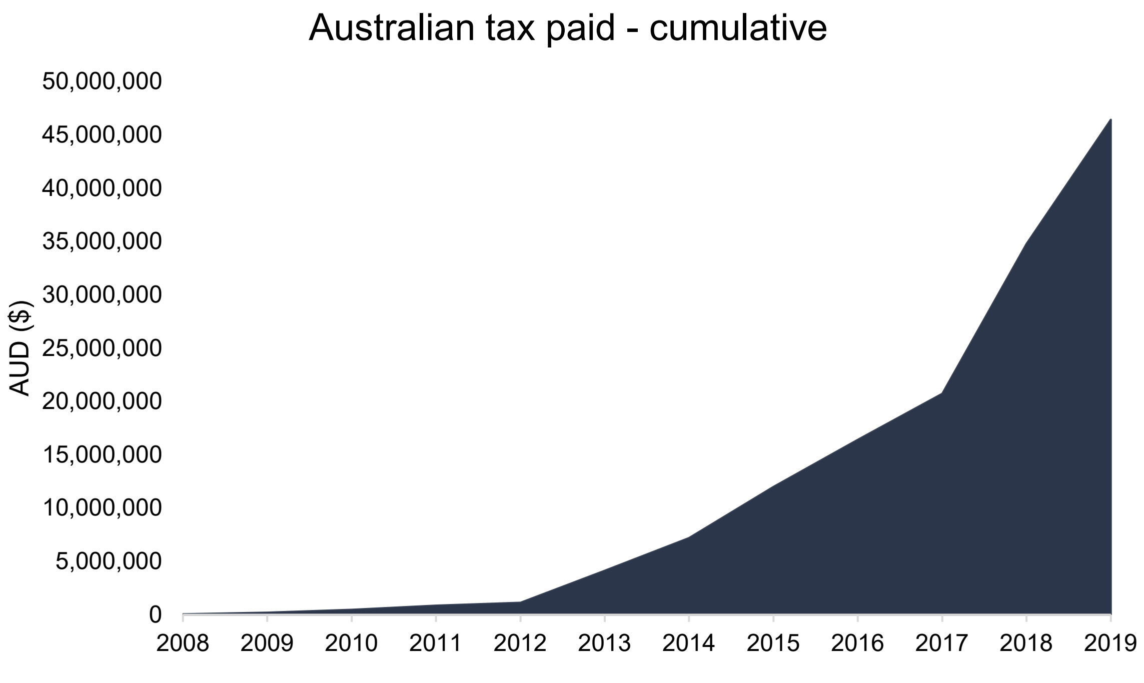
The founder, original shareholders and Board understands its tax-related duties and wider corporate responsibilities. It aims to keep tax affairs simple and to focus on business outcomes instead of allowing tax matters to drive business decisions. The Board has a very low appetite for tax planning opportunities that would minimise the Group's tax liability, and instead considers its tax contributions as one of its key responsibilities and achievements as a good Australian corporate citizen.

To demonstrate this, the Group:

- has an Australian parent entity;
- does not artificially divert Group profits to any low-tax jurisdiction;
- receives robust advice to understand tax compliance obligations;
- does not have any recurring intra-Group intellectual property payments;
- complies with the law and practice in all territories in which it operates, and discloses all relevant facts and circumstances to tax authorities; and
- engages with tax authorities with honesty, integrity and fairness, in a spirit of co-operative compliance.

The Company's effective rate has been at least 30% or slightly above since inception.

As shown in the following graph, the Company has paid a total of $46.4 million in Australian tax since inception.



* Up to and including 30 June 2019, the Company had a tax year ending 30 June. The above information has been extracted from the Company's tax lodgements from 2008 to 2019.

Directors' Report

The Directors of VGI Partners Limited (**the Company**) present their Directors' Report together with the Financial Report for the year ended 31 December 2019. The Financial Report represents the Company and its consolidated entities (**VGI Partners** or **the Group**).

Directors

The following persons were Directors of the Group during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name	Position	Date Appointed
Robert M P Luciano	Executive Chairman and Managing Director	15 January 2008
Douglas H Tynan	Executive Director	1 February 2011
Robert J Poiner *	Executive Director	16 March 2016 – resigned 12 May 2019
David F Jones	Executive Director	8 August 2018
Jaye L Gardner	Independent Non-Executive Director	12 May 2019
Benjamin A Pronk	Independent Non-Executive Director	12 May 2019
Darren J Steinberg	Independent Non-Executive Director	12 May 2019

* Robert J Poiner resigned from the Board on 12 May 2019 but continues in his executive role as the Head of US Research.

Principal activities

The Group continues to trade as a provider of investment management services.

Operating and financial review

The Group's results are based on the 12 months to 31 December 2019 versus the six months to 31 December 2018.

The Group recorded total income for the 12 months to December 2019 of $66,344,000 (six months to 31 December 2018: $16,122,000) and profit after tax for the year of $27,983,000 (six months to 31 December 2018: $5,651,000). Total comprehensive income and profit after tax have been prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards, which comply with International Financial Reporting Standards (**IFRS**).

The Group is in a strong financial position with a debt-free balance sheet, and at 31 December 2019 reported net tangible assets (**NTA**) per share of $1.58.

The Group recorded normalised net profit after tax (**NPAT**) of $33,332,000 (six months to 31 December 2018: $5,651,000) for the 12 months to 31 December 2019. Normalised NPAT excludes unrealised fair value adjustments of $1.5 million, non-cash amortisation expense of $0.3 million and IPO equity raising costs of $5.8 million and is net of tax of $2.3 million. Normalised NPAT and other measures of underlying performance have not been prepared in accordance with IFRS and have not been audited.

	2019 12 months $'000	6 months to 31 December 2018 $'000
Total comprehensive income for the year (as disclosed in the Financial Report) (see Statement of Profit or Loss and Other Comprehensive Income)	**27,983**	**5,651**
Management adjustments:		
Equity raising costs – IPO (see note 10)	5,849	–
Amortisation of contract asset – consideration payable to a customer (see note 14)	279	–
FV adjustments of investments in VG1/VG8	1,514	–
Tax effect on above	(2,293)	–
Normalised NPAT	**33,332**	**5,651**

The following table summarises the VGI Partners Funds as at 31 December 2019.

	Master Fund	Offshore Fund	Individually Managed Accounts	VG1	VG8
Funds under management (**FUM**) at 31 December 2019 *	$855m	$275m	$450m	$975m	$540m
Launch date	January 2009	May 2012	Various	September 2017	November 2019
Currency	AUD	USD	AUD and USD	AUD	AUD
Investment strategy	Global	Global	Global	Global	Asian region
Performance fee calculation date	Annually on 30 June	Annually on 31 December	Annually on 30 June	Semi-annually on 30 June and 31 December	Semi-annually on 30 June and 31 December
Entity type	Unlisted vehicle			Listed investment company	

* FUM of USD-denominated funds have been converted to AUD at an AUD:USD exchange rate of 0.68.

Revenues

As noted in the VGI Partners Limited IPO Prospectus (20 May 2019), as a wealth manager the Group generates substantially all of its revenue from management fees and performance fees charged on each of the VGI Partners Funds (see the table above). Management and performance fee generation is driven by the level of FUM. Performance fees are also driven by the investment performance of the funds, which can be volatile. Management fees are paid monthly and are typically equal to 1.5% of FUM for each VGI Partners Fund. Management fees vary month to month, in line with changes in the FUM of each VGI Partners Fund.

The Group charges performance fees equal to 15% of performance, subject to a 'high-water mark' mechanism. Under this mechanism, if a fund's FUM (adjusted for subscriptions and redemptions) at the end of a period is lower than the high-water mark, that fund does not pay a performance fee for the period. The performance fee for each VGI Partners Fund is calculated based on performance over a specific period determined in the fund's Investment Management Agreement (the Performance Calculation Period). With the exception of VG1 and VG8, performance fees are calculated annually, on either 30 June or 31 December, depending on the year end of the fund. For VG1 and VG8, performance fees are calculated on a six monthly basis, on 30 June and 31 December.

Management fees for the 12 months to 31 December 2019 totalled $30.6 million (see note 3), reflecting the increase in FUM and the commencement of receipt of management fees from VG1.

The Company's Investment Management Agreement with VG1 provided for no management fee to be paid to the Company until total offer costs paid by VG1 in connection with its IPO in September 2017 were fully recouped to the benefit of VG1 shareholders. The offer costs (circa $14.4 million) associated with the VG1 IPO raising were fully recouped on 24 April 2019; accordingly, from this date, the Company was entitled to receive management fees from VG1.

FUM increased by 48% during the 12 months to 31 December 2019 through a combination of a VG1 equity raising, the VG8 IPO and organic growth through positive investment performance.

Performance fees before tax for the 12 months to 31 December 2019 totalled $36.7 million. For the current year, $32.8 million of the total performance fees were earned in the first half and $3.9 million in the second half of the year. Performance fees can vary significantly from period to period, and tend to be weighted to the first half of the year.

Expenses

The Group's operating expenses, other than one-off equity raising costs, totalled $20.2 million.

VGI Partners continues to invest in our infrastructure and our people. The team currently includes 29 people across Sydney, New York and Tokyo – nine more than the same time last year.

Outlook

As all VGI Partners Funds are closed to new investment, the Group's future performance, over the short term at least, is directly linked to the performance of the existing VGI Partners Funds.

We finished the year on high alert as we believed the investment landscape was not normal. Asset valuations were artificially inflated by historically low risk-free rates, and there was a consequential desperation among investors to chase any remaining skerrick of return. We did not know what the catalyst would be for this situation to change, only that at some point it would.

While there has not been a wholesale shift in conditions, in the last week we have observed heightened volatility as markets react, arguably belatedly, to increasing concerns over the economic consequences of the Coronavirus. We are taking advantage of this market volatility to increase our ownership of businesses that meet our quality criteria.

The investment approach we have followed since the inception of VGI Partners in 2008 assists in positioning the VGI Partners Funds for periods of volatility. There are two key elements to this approach. First, we invest in high-quality businesses that are easy to understand and that trade at prices we believe exhibit a sufficient margin of safety – that is, trading at prices that are significantly below our assessment of the intrinsic value of the business. Second, we use little or no leverage and keep prudent cash buffers.

As always, we remain confident that we will continue to generate superior risk-adjusted returns over the long term and through investment cycles. We will do this by concentrating capital in a relatively small number of high-quality businesses that we believe are significantly undervalued, and by avoiding the use of leverage.

Please refer to the letter from the Chairman on page 3 for more information on our organisational culture, which underpins our current-year results and future outlook.

Financial position

The Group's net assets as at 31 December 2019 were $115,813,000 (31 December 2018: $10,097,000).

Matters subsequent to the end of the financial year

On 27 February 2020, the Directors declared a franked dividend at a 27.5% tax rate of 9.3 cents per share that will be paid on 18 March 2020.

The Directors are not aware of any other event or circumstance since the end of the financial period, not otherwise dealt with in this report, that has or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Dividends

During the year ended 31 December 2019, dividends amounting to $30.0 million were paid, representing 49.3 cents per ordinary share (six months ended December 2018: $5.5 million, representing 9.4 cents per ordinary share). Please refer to note 19 for further information.

Significant changes in the state of affairs

On 26 February 2019, the Company changed its financial year end close date from 30 June to 31 December, in order to achieve the benefits of balancing its financial reporting requirements for its investment portfolio under management (predominantly June year ends) and its own corporate financial reporting. This report covers the 12 month period from 1 January 2019 to 31 December 2019. The comparative data in this report is for the six month period from 1 July 2018 to 31 December 2018; as such, information from the prior period is not directly comparable.

In May 2019, the Company (formerly VGI Partners Pty Limited) changed its corporate structure to become a public company and offered approximately 20% of the Company through an IPO. The primary reasons for "the VGI Offer" and listing on the ASX were to recognise and reward investors who had been clients of the Company over the last 12 years, and to further strengthen the alignment between the Company and its clients. The IPO successfully completed on 20 June 2019, resulting in the issue of 13.6 million new shares. On 21 June 2019, the Company was listed on the ASX. The IPO of VG8 was completed in late October 2019, having raised $557 million. VG8 listed on the ASX on 13 November 2019. VG8 is managed by VGI Partners Asian Investments Management Pty Ltd, which is a wholly owned subsidiary of the Company.

VG8's Asian investment strategy is only the second investment strategy that VGI Partners Limited has launched. In managing VG8, VGI Partners Limited is drawing on its 12 year track record of providing investors with capital growth over the long term, by investing in a concentrated portfolio of listed securities, always with a strong bias towards capital preservation.

To enhance the alignment of interests between VGI Partners Limited, VG8 and their respective investors, the Company issued 2,652,012 VG8 alignment shares, being bonus fully paid ordinary shares in the Company, for nil consideration to all investors in "the VG8 Offer".

Share Options

The Company had 4,678,052 Share Options outstanding at 27 February 2020 (six months ended December 2018: nil). For details on Share Options issued during the year, refer to note 30.

Likely developments and expected results of operations

The Company will continue to pursue its investment objectives for the long-term benefit of Shareholders.

Environmental regulation

The Group has reviewed its exposure to environment-related regulation and other emerging risks but has not identified any significant risk that could impact the financial performance or position of the Group. To the extent that any environmental regulations may have an incidental impact on the Group's operations, the Directors of the Group are not aware of any breach by the Group of those regulations.

Information on Directors and Officers

Name:	**Robert M P Luciano**
Title:	Executive Chairman and Managing Director
Qualifications:	*B.Com (Acc/Fin) (UNSW), M.Com (Fin) (UNSW), F Fin, CFA*
Experience and expertise:	Mr Luciano founded VGI Partners in 2008. He has more than 25 years' experience as a portfolio manager, equities analyst and accountant. Mr Luciano has been a Director of the Company since 15 January 2008.
Other current directorships:	Mr Luciano is a Director of VG1 and VG8.
Former directorships (last three years)	Mr Luciano has not held any other directorships of listed companies within the last three years.
Interests in the Company:	Shares: 41,028,115
	Share Options: Nil

Name:	**Douglas H Tynan**
Title:	Executive Director
Qualifications:	*B.Com (Acc) (UQLD), B.Econ (Fin) (UQLD), F Fin, CFA*
Experience and expertise:	Mr Tynan joined VGI Partners in 2008 and has more than 15 years' experience as an equities analyst and accountant. He has been a Director of the Company since 1 February 2011.
Other current directorships:	Mr Tynan is a Director of VG1 and VG8.
Former directorships (last three years):	Mr Tynan has not held any other directorships of listed companies within the last three years.
Special responsibilities:	Mr Tynan is a member of the Company's Nomination and Remuneration Committee (**NRC**).
Interests in the Company:	Shares: 10,716,086
	Share Options: Nil

Name:	**David F Jones**
Title:	Executive Director
Qualifications:	*B.Eng. (1st Class Hons) (Melb.), MBA (Harvard)*
Experience and expertise:	Mr Jones has more than 30 years' experience in investment markets, the majority as a general partner in private equity firms, and prior to that in general management and management consulting. Mr Jones has been a board member of numerous private and public businesses, including a number in the wealth management sector.
Other current directorships:	Mr Jones is the Chairman of VG1.
Former directorships (last three years)	Mr Jones was a Director of Global Sources Limited (NASDAQ: GSOL) from 2001 to 2017.
Interests in the Company:	Shares: 11,614
	Share Options: 81,168

Name:	**Jaye L Gardner**
Title:	Independent Non-Executive Director
Qualifications:	*B.Com (UQLD), LLB (Hons) (UQLD), SF Fin, CA, GAICD*
Experience and expertise:	Ms Gardner has more than 25 years' experience in corporate finance. She is a Managing Director of Grant Samuel, where she is responsible for preparing many valuations and independent expert's reports, primarily for S&P/ASX top 200 companies. She also advises on mergers, acquisitions and asset sales with a focus on the financial services, property, health and media industries.
Other current directorships:	Ms Gardner does not hold any other directorships of listed companies.
Former directorships (last three years):	Ms Gardner was a Director of VG1 from 25 July 2017 to 8 May 2019.
Special responsibilities:	Ms Gardner is the Chair of the Company's Audit and Risk Committee (**ARC**), and a member of the NRC.
Interests in the Company:	Shares: 17,107
	Share Options: 32,467

Name:	**Benjamin A Pronk**
Title:	Independent Non-Executive Director
Qualifications:	*B.Arts (UNSW), M.Arts (Kings College), MBA (UWA), GAICD*
Experience and expertise:	Mr Pronk completed a distinguished career in the Australian Army spanning 24 years, the majority of which was spent within Special Operations Command. In this capacity, Mr Pronk served on multiple combat deployments to Timor-Leste, Iraq and Afghanistan, where he was awarded the Distinguished Service Cross for leadership in action. He concluded his service as Commanding Officer of the Special Air Service Regiment. Mr Pronk is now the Managing Partner of Mettle Global Holdings, a consultancy firm specialising in crisis, emergency and business continuity management and leadership training. Mr Pronk is also an Executive-in-Residence at the Australian Graduate School of Management and a patron of the Military Art Program Australia.
Other current directorships:	Mr Pronk does not hold any other directorships of listed companies.
Former directorships (last three years):	Mr Pronk has not held any other directorships of listed companies within the last three years.
Special responsibilities:	Mr Pronk is the Chair of the Company's NRC, and a member of the ARC.
Interests in the Company:	Shares: Nil
	Share Options: 32,467

Name:	**Darren J Steinberg**
Title:	Independent Non-Executive Director
Qualifications:	*B.Ec (UWA), FAICD, FRICS, FAPI*
Experience and expertise:	Mr Steinberg is the Chief Executive Officer and Executive Director of Dexus and an Executive Director of Dexus Funds Management Limited. Mr Steinberg has more than 30 years' experience in the property and funds management industry, with an extensive background in office, industrial and retail property investment and development. He is a former National President of the Property Council of Australia and a founding member of its Property Male Champions of Change.
Other current directorships:	Mr Steinberg is a Director of Dexus and Dexus Funds Management Limited.
Former directorships (last three years):	Mr Steinberg has not held any other directorships of listed companies within the last three years.
Special responsibilities:	Mr Steinberg is a member of the Company's ARC.
Interests in the Company:	Shares: 15,682
	Share Options: 81,168

Name:	**Ian J Cameron**
Title:	Company Secretary and Chief Financial Officer
Qualifications:	*B.Com (Acc) (UMACQ), CA, B.Laws (UOW), GDLP (UOW)*
Experience and expertise:	Mr Cameron has more than 13 years' experience in investment management and professional services. Prior to joining the Company in 2018, Mr Cameron worked at Pantheon Ventures and Aspect Capital in London, after starting his career at KPMG in Sydney. He is a member the Chartered Accountants Australia and New Zealand, and a Solicitor of the Supreme Court of NSW.
Other current directorships:	Mr Cameron does not hold any other directorships of listed companies.

Remuneration of key management personnel

Information about the remuneration of key management personnel (**KMP**) is set out in the Remuneration Report section of this Directors' Report. The term 'KMP' refers to persons who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the consolidated entity.

Meetings of Directors

The following table sets out the number of meetings the Group's Board of Directors held during the year ended 31 December 2019, and the numbers of meetings each Director attended.

	Board Meeting		ARC		NRC **	
	A	**B**	**A**	**B**	**A**	**B**
Robert M P Luciano	6	6	–	2	–	0
Douglas H Tynan	6	6	–	2	0	0
David F Jones	6	6	–	2	–	0
Robert J Poiner *	2	2	–	–	–	0
Jaye L Gardner	4	4	2	2	0	0
Benjamin A Pronk	4	4	2	2	0	0
Darren J Steinberg	4	4	2	2	–	0

A = Number of meetings attended.

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

– = Not a member of the Committee.

* Robert J Poiner resigned from the Board on 12 May 2019 but continues in his executive role as the Head of US Research.

** The NRC was established on 12 May 2019 and convened its inaugural meeting in February 2020.

Indemnification of Officers and auditors

During the year ended 31 December 2019, the Group paid a premium to insure the Directors and Officers of the Group against any liability incurred as a Director, Secretary or Executive Officer, to the extent permitted by the *Corporations Act 2001*. The terms of the policy specifically prohibits disclosure of details of the amount of the insurance cover and the premium paid.

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

Remuneration Report (Audited)

The Group's Directors present the Group Remuneration Report for the year ended 31 December 2019, in accordance with Section 300A of the *Corporations Act 2001*. The Remuneration Report provides our stakeholders with information about the remuneration arrangements for KMP, which includes Independent Non-Executive Directors and the Group's most senior management.

The information provided in this Remuneration Report has been audited by the Group's auditor, Deloitte Touche Tohmatsu, as required by Section 308(3C) of the *Corporations Act 2001*, and it forms part of the Directors' Report.

The report includes:

- details of KMP covered in this report;
- the remuneration policy and links to performance;
- remuneration of Executive KMP;
- remuneration of Independent Non-Executive Directors;
- a statutory remuneration table;
- key terms of employment contracts; and
- KMP equity holdings and other transactions.

Details of KMP covered in this report

The table below summaries the Group's current KMP during the most recent financial year.

Name	Position
Robert M P Luciano	Executive Chairman and Managing Director
Douglas H Tynan	Executive Director
David F Jones	Executive Director
Robert J Poiner *	Executive Director (resigned 12 May 2019)
Jaye L Gardner	Independent Non-Executive Director (from 12 May 2019)
Benjamin A Pronk	Independent Non-Executive Director (from 12 May 2019)
Darren J Steinberg	Independent Non-Executive Director (from 12 May 2019)

* Robert J Poiner resigned from the Board on 12 May 2019 but continues in his executive role as the Head of US Research.

Remuneration policy and links to performance

The overall objective of the Board's remuneration policy is to support and drive the Group's long-term objectives and to align remuneration with the creation of sustainable Shareholder value. It aims to balance short-term and long-term incentives appropriately, including encouraging broad-based employee ownership of the Group. To deliver the Group strategy and Shareholder value, the Group must attract, motivate and retain highly skilled KMP and senior management, and ensure that reward for performance is competitive and appropriate for the results achieved.

The NRC was established on 12 May 2019 and convened its inaugural meeting in February 2020. The NRC is responsible for reviewing and approving remuneration arrangements for its Directors and Executive KMP. The performance of the Group depends on the quality of its Directors and Executive KMP.

KMP and staff remuneration

The Group's remuneration arrangements for employees comprise the following components:

1. Fixed remuneration: This is set at a level to attract exceptional talent. It includes salary, benefits and statutory entitlements, and is determined at least annually by the Board on the recommendation of the NRC.
2. Annual Bonus Scheme: All employees, with the exception of Mr Luciano and Mr Tynan, are eligible to participate in the Annual Bonus Scheme. The employee must be employed at the time bonuses are paid to receive a bonus. Payment of bonuses to individual employees is determined by the Board. In determining the aggregate bonus amount and the amounts to be paid to individual employees, the Board takes into account a range of factors, including the performance of the Group, market remuneration levels, key metrics such as total compensation as a percentage of revenue, and the performance of each staff member. The Board may determine that a component of an employee's annual bonus be delivered in equity under the Employee Share Plan.

   No annual bonuses were paid to KMP during the 12 months to 31 December 2019.
3. Employee Share Plan: The Board has adopted an Employee Share Plan under which employees can be awarded equity rights. These may take the form of shares, rights to receive shares in the future, or Options to acquire shares (collectively referred to as 'Equity Rights'). The Employee Share Plan is used to deliver Equity Rights, determined annually as part of the Annual Bonus Scheme, and may also be used to deliver Equity Rights to new employees when they begin working for the Group. The Employee Share Plan is a new initiative introduced in conjunction with the listing of the Group; in prior years, bonuses were paid solely in cash. All employees who are eligible to participate in the Annual Bonus Scheme will also be eligible to participate in the Employee Share Plan; however, the determination of whether an employee receives Equity Rights is at the sole discretion of the Board.

No Equity Rights were awarded or allocated during the 12 months to 31 December 2019, either to KMP or employees, other than the Share Options discussed on page 21.

Performance of KMP

KMP performance reviews consider a combination of factors, including the financial performance of the Group and individual and team performance. The performance of each KMP forms the basis of the determination of his or her annual bonus (where eligible) and any salary increase.

For financial performance, a key measurement is how the Group has performed compared to the 2018 calendar year pro forma numbers included in the VGI Partners Limited IPO Prospectus. As part of the ASX listing, approximately 20% of the expanded share capital of the Group was offered at a price of $5.50. The table below compares the Group's actual performance in the 12 months to 31 December 2019 against the 2018 financial information in the VGI Partners Limited IPO Prospectus. As the year ended 31 December 2019 is the first year the Group has been listed, the table does not include the performance for the preceding four years.

	Statutory 2019 ($m)	2018 IPO pro forma ($m) *	% change
Revenue	66.3	64.8	2
Profit before tax	40.3	49.8	(19)
Profit after tax	28.0	34.9	(20)

* Pro forma historical financial information for calendar year 2018 per the VGI Partners Limited IPO Prospectus.

	2019 12 months ($) *	6 months to 31 December 2018 ($) **
Remuneration of KMP	1,984,784	1,574,828

* Excludes a pre-IPO dividend of $8,975,000.

** For the half-year to December 2018. As part of the listing, Executive KMP have entered into new employment contracts on market terms, resulting in a significant reduction in salaries.

Remuneration of Executive KMP

The table below provides the relative proportions of 2019 remuneration, including the 2019 annual bonus.

	Fixed (%)	Variable (cash bonus) (%)
Executive KMP		
Robert M P Luciano	100	–
Douglas H Tynan	100	–
David F Jones	100	–
Robert J Poiner *	100	–

* Robert J Poiner resigned from the Board on 12 May 2019 but continues in his executive role as the Head of US Research.

Remuneration of Independent Non-Executive Directors

The Board periodically reviews and determines Independent Non-Executive Directors' remuneration. Independent Non-Executive Directors' remuneration is not linked to the performance or earnings of the Group.

Under the Group's Constitution, the Board decides the total amount paid to each Independent Non-Executive Director as remuneration for their services. The total amount provided to all Directors for their services (excluding for this purpose, the salary of Executive Directors) must not exceed, in aggregate in any financial year, the amount fixed by the Company at its Annual General Meeting. The Group has fixed this amount at $850,000 per annum. Any change to the aggregate annual sum must be approved by the Shareholders.

The Independent Non-Executive Director fees the Group has agreed to pay, inclusive of superannuation, is $90,000 per annum. Independent Non-Executive Directors receive no other retirement benefits, other than mandatory superannuation. No termination payments are payable on cessation of office, and any Director may retire or resign from the Board or be removed by a resolution of Shareholders.

The remuneration of Directors must not include a commission on, or a percentage of, the profits or income of the Group.

Statutory remuneration table

The following tables disclose total remuneration of KMP in accordance with the *Corporations Act 2001*.

The Group has not previously issued a Remuneration Report and therefore there have been no previous comments or resolutions in relation to its Remuneration Reports.

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	Total remuneration ($)	% related to performance
2019	Salary and fees ($)	Non-monetary and other ($)	Superannuation ($)	Long service leave	Options ($)		
Executive KMP							
Robert M P Luciano	601,733	36,698	20,767	–	–	**659,198**	**–**
Douglas H Tynan	479,233	1,163	20,767	–	–	**501,163**	**–**
David F Jones	404,233	–	20,767	–	2,491	**427,491**	**–**
Robert J Poiner *	200,736	15,721	–	–	–	**216,457**	**–**
Non-Executive KMP							
Jaye L Gardner	52,412	–	4,979	–	1,845	**59,236**	**–**
Benjamin A Pronk	52,412	–	4,979	–	1,845	**59,236**	**–**
Darren J Steinberg	52,412	–	4,979	–	4,612	**62,003**	**–**
Total	**1,843,171**	**53,582**	**77,238**	**–**	**10,793**	**1,984,784**	**–**

* Robert J Poiner resigned from the Board on 12 May 2019 but continues in his executive role as the Head of US Research.

Key terms of employment contracts

Executive Chairman and Managing Director

Mr Luciano is the Executive Chairman and Managing Director of VGI Partners Limited. Under the major terms and conditions of Mr Luciano's employment contract, Mr Luciano:

- from 1 July 2019, receives fixed compensation of $450,000 per annum inclusive of superannuation contributions;
- is entitled to receive other benefits, such as car parking within the building occupied by the Group, valued at approximately $37,000 per annum;
- is not entitled to participate in the Company's Annual Bonus Scheme;
- may have his employment by the Group terminated without notice for serious misconduct, and the Group may terminate this employment contract by providing six months' written notice; and
- is subject to a six month non-compete and six month non-solicitation obligation on termination of his employment.

Other Executive KMP

The employment contracts of other Executive KMP are substantially on the same terms as that of the Executive Chairman and Managing Director, with the following exceptions:

- from 1 July 2019, Mr Jones receives fixed compensation of $350,000 per annum inclusive of superannuation contributions;
- Mr Jones does not receive other benefits;
- Mr Jones is eligible to participate in the Company's Annual Bonus Scheme;
- the Group may terminate Mr Jones's contract by giving three months written notice. Mr Jones may terminate his contract by giving three months written notice; and
- during the period he was a KMP, Mr Poiner received fixed compensation of $200,736 which reflects a salary of $549,073 per annum. The amounts noted in the table above are pro-rated.

Share-based payments – Share Options

An Options scheme was introduced in conjunction with the IPO of VGI Partners, to align the interests of employees, Directors and Advisory Council members with all shareholders. The Advisory Council is an external group of experienced investment management, finance and industry professionals who assist the Group by providing non-binding guidance on matters relating to the business.

Awards to employees, including Executive KMP, have a service condition, and the Options award was intended to encourage retention. The Options award granted to each individual was considered in the context of that person's overall remuneration arrangements and the skills and experience they bring to VGI Partners. Any individual who was already a significant shareholder in VGI Partners was ineligible to receive an Options award.

The Company offered its Directors (excluding Mr Luciano and Mr Tynan) the opportunity to purchase a total of 227,270 Share Options, with each Option carrying the right to acquire one share in the Company at a future date. The Options awards to Directors were considered by the pre-IPO Board of VGI Partners.

No Options for KMP were exercised or lapsed during the 12 months to 31 December 2019.

The table below outlines the total Share Options granted to Executive KMP (including Mr Jones) as part of the VGI Partners Limited IPO.

Number of Options issued in 2019	Grant date share price ($)	Exercise price of Option ($)	Earliest date of exercise	Expiry date	Amount paid (cents per Option)	Fair value at grant date (cents per Option)
16,233	5.50	6.16	20 May 2021	19 Jun 2021	0.05	0.35
16,233	5.50	6.16	20 May 2022	19 Jun 2022	0.08	0.37
16,233	5.50	6.16	20 May 2023	19 Jun 2023	0.13	0.39
32,469	5.50	6.16	20 May 2024	19 Jun 2024	0.17	0.38
Total: 81,168						

The table below outlines the total Share Options granted to Non-Executive KMP (Ms Gardner, Mr Pronk and Mr Steinberg) as part of the VGI Partners Limited IPO.

Number of Options issued in 2019	Grant date share price ($)	Exercise price of Option ($)	Earliest date of exercise	Expiry date	Amount paid (cents per Option)	Fair value at grant date (cents per Option)
146,102	5.50	6.16	22 Dec 2021	21 Jun 2022	0.08	0.36
Total: 146,102						

KMP equity holdings and other transactions

The following table sets out the interest of each KMP in the Group.

Number of shares				
	Balance at 21 June 2019 (date of listing)	Received as part of remuneration	Additions	Balance at 31 December 2019
Executive KMP				
Robert M P Luciano	40,905,913	–	122,202	41,028,115
Douglas H Tynan	10,686,691	–	29,395	10,716,086
David F Jones	–	–	11,614	11,614
Robert J Poiner	1,838,742	–	5,635	1,844,377
Non-Executive KMP				
Jaye L Gardner	–	–	17,107	17,107
Benjamin A Pronk	–	–	–	–
Darren J Steinberg	–	–	15,682	15,682

Number of Share Options						
	Balance at 21 June 2019 (date of listing)	Received as part of remuneration	Exercised	Net of other changes	Vested and exercisable	Balance at 31 December 2019
Executive KMP						
Robert M P Luciano	–	–	–	–	–	–
Douglas H Tynan	–	–	–	–	–	–
David F Jones	–	81,168	–	–	–	81,168
Robert J Poiner	–	–	–	–	–	–
Total	**–**	**81,168**	**–**	**–**	**–**	**81,168**
Non-Executive KMP						
Jaye L Gardner	–	32,467	–	–	–	32,467
Benjamin A Pronk	–	32,467	–	–	–	32,467
Darren J Steinberg	–	81,168	–	–	–	81,168
Total	**–**	**146,102**	**–**	**–**	**–**	**146,102**

All Share Options issued to KMP were made in accordance with the provisions of the Employee Share Plan.

Loans to KMP

No loans were made to KMP during the year.

Remuneration governance

Responsibility for setting remuneration

The Board delegates responsibility to the NRC for reviewing and making recommendations on remuneration policies for the Group, including policies governing the remuneration of Executives. The Committee is scheduled to meet bi-annually.

Activities of the NRC are governed by its Charter, which is available on the Group's website at www.vgipartners.com. Among other responsibilities, the NRC makes sure the Group has a Board that:

- has an effective composition, size, commitment to, and knowledge of, the Group and the industry in which it operates, to adequately and effectively discharge its responsibilities and duties. The NRC brings transparency, focus and independent judgement to decisions regarding the composition of the Board and adds value to the Board;
- to oversee the Group's strategic human resources initiatives, including diversity and inclusion;
- sets coherent remuneration policies and practices to attract and retain Executive KMP and Directors who will create value for Shareholders;
- observes those remuneration policies and practices; and
- fairly and responsibly rewards Executive KMP, having regard to the performance of the Group and the Executives, and the general external pay environment.

Use of remuneration advisors during the year

During the year ended 31 December 2019, the Group did not use the services of a remuneration consultant.

Securities Trading Policy

All staff are required to comply with VGI Partners Securities Trading Policy at all times, in respect of all Group securities held. Trading is subject to pre-clearance and is not permitted during designated blackout periods, unless there are exceptional circumstances.

Diversity Policy

The Group is committed to workplace diversity and recognises the value of attracting and retaining employees with different backgrounds, knowledge, experience and abilities. The Group maintains a Diversity Policy, a copy of which is available on the Group's website at www.vgipartners.com. The policy outlines the Group's commitment to diversity in the workplace and provides a framework to achieve its diversity goals for the business. The Group's policy is to recruit and manage on the basis of competence and performance regardless of age, race, gender, nationality, religion, sexuality, physical ability or cultural background.

Section 6 of the Diversity Policy sets out the Group's objectives for achieving gender diversity, including an appropriate and meaningful benchmark of seeking to ensure that where the Group is included in the S&P/ASX 300, at least 30% of the Directors of the Group are female.

Section 8 of the Diversity Policy requires the Group to disclose in each of its annual reports a summary of the Diversity Policy and the Group's achievement of the objectives of the Diversity Policy.

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Rounding of amounts to the nearest dollar

The Group is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Corporations Instrument, amounts in the Directors' Report are rounded to the nearest thousand dollars, or in certain circumstances to the nearest dollar.

Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under Section 237 of the *Corporations Act 2001.*

Non-audit services

The Board is satisfied that the provision of other services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in note 31 did not compromise the Auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Board prior to commencement, to ensure they do not adversely affect the integrity and objectivity of the Auditor.
- The nature of the services provided does not compromise the general principles relating to the Auditor's independence, in accordance with the APES 110 Code of Ethics for Professional Accountants (including Independence Standards) set by the Accounting Professional and Ethical Standards Board.

Auditor's independence declaration under Section 307C of the *Corporations Act 2001*

A copy of the auditor's independence declaration is included on page 25.

Managing tax risk

The Board is committed to acting with integrity and transparency in all tax matters. The Group aims to meet all its obligations under the law and to pay the appropriate amount of tax to the relevant authorities.

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

Robert M P Luciano, CFA
Executive Chairman and Managing Director
Sydney
27 February 2020

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The Board of Directors
VGI Partners Limited
39 Phillip Street
Sydney NSW 2000

27 February 2020

Dear Board Members

VGI Partners Limited

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

As lead audit partner for the audit of the consolidated financial statements of VGI Partners Limited for the financial year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stuart Alexander
Partner
Chartered Accountants

Consolidated Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the period ended 31 December.

	Note	2019 12 months $'000	6 months to 31 December 2018 $'000 *
Income			
Management fees	3	30,557	10,231
Performance fees	3	36,679	5,396
Net foreign exchange gain/(loss)		(71)	405
Net gain/(loss) on financial assets/liabilities measured at fair value through profit and loss		(1,514)	–
Interest income		693	90
Total net income		**66,344**	**16,122**
Expenses			
Personnel expenses	6	(11,755)	(4,603)
Research, IT and communications expenses		(3,793)	(1,439)
Occupancy expenses		(414)	(290)
Depreciation and amortisation		(673)	(105)
Donations	9	(640)	(354)
Equity raising costs – IPO	10	(5,849)	–
VG1 Advisory Agreement costs		(280)	(385)
Interest expenses		(54)	–
Other expenses	7	(2,582)	(904)
Total expenses		**(26,040)**	**(8,080)**
Profit/(loss) before tax		**40,304**	**8,042**
Income tax expense	8	(12,321)	(2,391)
Profit/(loss) for the year		**27,983**	**5,651**
Other comprehensive income, net of income tax		**–**	**–**
Total comprehensive income for the period		**27,983**	**5,651**
Profit attributable to owners of the Company		**27,983**	**5,651**
Earnings per share: **			
Basic (cents per share)	5	45.58	9.79
Diluted (cents per share)	5	44.57	9.79

* 2018 numbers include reclassification of certain Profit and Loss items. Please refer to relevant notes for additional information.

** Number of shares for the 2018 comparative period is adjusted for pre-listing share split.

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 December.

	Note	31 December 2019 $'000	31 December 2018 $'000
Assets			
Cash and cash equivalents	11	29,340	7,799
Trade and other receivables	15	8,373	8,143
Income tax receivable	8	2,074	–
Contract assets	14	4,982	1,800
Total current assets		**44,769**	**17,742**
Property, plant and equipment	18	1,225	1,336
Financial assets at fair value through profit or loss	12	29,016	–
Deferred tax asset *	8	4,313	2,631
Right of use asset	16	1,422	–
Other assets		383	268
Contract assets	14	43,485	–
Total non-current assets		**79,844**	**4,235**
Total assets		**124,613**	**21,977**
Liabilities			
Trade and other payables	17	1,199	3,752
Income tax payable	8	–	1,601
Employee entitlements	13	1,672	1,475
Lease liability	16	278	–
Total current liabilities		**3,149**	**6,828**
Trade and other payables	17	–	4,149
Employee entitlements	13	114	363
Deferred tax liability *	8	4,352	540
Lease liability	16	1,185	–
Total non-current liabilities		**5,651**	**5,052**
Total liabilities		**8,800**	**11,880**
Net assets		**115,813**	**10,097**
Equity			
Share capital	20	107,314	616
Reserves	21	743	–
Retained earnings		7,756	9,481
Total Shareholder equity		**115,813**	**10,097**

* 2018 net deferred tax asset = $2,091,000

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the period ended 31 December.

	Note	Share capital $'000	FCTR * $'000	Share-based payment reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2018		**929**	**–**	**–**	**8,526**	**9,455**
Profit for the period		–	–	–	5,651	5,651
Dividends paid or payable	19	–	–	–	(5,452)	(5,452)
Revenue from contracts with customers		–	–	–	756	756
Share alignment		(313)	–	–	–	(313)
Balance at 31 December 2018		**616**	**–**	**–**	**9,481**	**10,097**
Balance at 1 January 2019		**616**	**–**	**–**	**9,481**	**10,097**
Adjustment to opening retained earnings from contract asset revenue		–	–	–	324	**324**
Profit for the year		–	–	–	27,983	**27,983**
Share alignment	20	(41)	–	–	–	**(41)**
Issue of ordinary shares	20	75,000	–	–	–	**75,000**
VG8 alignment shares	20	34,476	–	–	–	**34,476**
Share-based payments	21	–	–	727	–	**727**
IPO costs attributable to equity	10	(3,909)	–	–	–	**(3,909)**
Deferred tax on capitalised IPO costs	20	1,172	–	–	–	**1,172**
Exchange rate translation impact of foreign subsidiaries		–	16	–	–	**16**
Dividends paid	19	–	–	–	(30,032)	**(30,032)**
Balance at 31 December 2019		**107,314**	**16**	**727**	**7,756**	**115,813**

* FCTR = foreign currency translation reserve.

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the period ended 31 December.

	Note	2019 12 months $'000	6 months to 31 December 2018 $'000
Cash flows from/(used in) operating activities			
Receipts from customers		65,083	44,848
Income tax paid		(12,716)	(11,976)
Payments to suppliers and employees		(44,016)	(11,661)
Net interest income		639	90
Net cash inflows/(outflows) from operating activities	27	**8,990**	**21,301**
Cash flows from/(used in) investing activities			
Payments to acquire property, plant and equipment		(343)	(801)
Purchase of financial assets		(30,531)	–
Purchase of other assets		(115)	–
Net cash inflows/(outflows) from investing activities		**(30,989)**	**(801)**
Cash flows from/(used in) financing activities			
Equity raising costs – IPO		(3,909)	–
Dividends paid *		(27,829)	(21,305)
Proceeds from the issue of equity shares		75,000	–
Options premium received		568	–
Share alignment		(41)	(313)
Repayment of lease liability		(178)	–
Net cash inflows/(outflows) from financing activities		**43,611**	**(21,618)**
Cash and cash equivalents at the beginning of the period	11	7,799	8,589
Net increase in cash held		21,612	(1,118)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(71)	328
Cash and cash equivalents at the end of the period	**11**	**29,340**	**7,799**
Non-cash activities *		**2,203**	**5,147**

* Non-cash activities of $2,203,000 relate to dividends paid to Robert M P Luciano, Douglas H Tynan, Robert J Poiner and their related entities as part of the VG1 reinvestment mechanism. Under the agreement, performance fees from VG1, on an after-tax basis, were reinvested into fully paid ordinary shares in VG1, in January 2019. Refer to notes 19 and 24.

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019.

1. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in preparing these consolidated financial statements, to the extent they have not already been disclosed in the notes below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The Annual Financial Report is for the Group, which consists of VGI Partners Limited and its subsidiaries.

The Directors authorised the financial statements for issue on 27 February 2020.

a) Basis of preparation

This Financial Report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001,* as appropriate for for-profit entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except, where applicable, for the revaluation of financial assets and liabilities at fair value through profit or loss. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

Critical accounting estimates

Preparing the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

b) Statement of compliance

The financial statements and notes thereto comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board (**AASB**), and International Financial Reporting Standards as issued by the International Accounting Standards Board (**IASB**).

c) Rounding

The Group is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that instrument, amounts in the consolidated financial statements are rounded to the nearest thousand dollars, unless otherwise stated.

d) Change in financial year end (comparative period)

On 26 February 2019, the Company changed its financial year end close date from 30 June to 31 December, to balance the financial reporting requirements for its investment portfolio under management (predominantly June year ends) and its own corporate financial reporting. This report covers the 12 month period from 1 January 2019 to 31 December 2019. The comparative data in this report is for the six month period from 1 July 2018 to 31 December 2018; as such, information from the prior period is not directly comparable.

1. Summary of significant accounting policies (cont.)

e) Principles of consolidation

The consolidated financial statements incorporate the consolidated financial statements of the Company and entities controlled by the Group. Control is achieved when the Group:

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to unilaterally direct the relevant activities of the investee.

The Company considers all relevant facts and circumstances in assessing whether the Company's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, subsidiaries' consolidated financial statements are adjusted to bring their accounting policies into line with the Group's accounting policies. 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.

f) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, referred to as 'the functional currency'. The consolidated financial statements are presented in Australian dollars (**$**), which is the Group's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions – and from the translation, at financial year end exchange rates, of monetary assets and liabilities denominated in foreign currencies – are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates for the period, which approximate the rates at the dates of the transactions. All resulting foreign exchange differences are recognised in the Consolidated Statement of Financial Position through the foreign currency reserve in equity. The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

1. Summary of significant accounting policies (cont.)

g) Taxation

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

The income tax expense or benefit for the period is the tax payable on that period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses, and the adjustment recognised for prior periods, where applicable.

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements, and the corresponding tax bases used to compute taxable profit.

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

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

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

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted for each jurisdiction by the end of the reporting date and are expected to apply when the temporary differences reverse.

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

Current and deferred tax amounts are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax amounts are also recognised in other comprehensive income or directly in equity, respectively.

1. Summary of significant accounting policies (cont.)

h) Revenue recognition

Under AASB 15, revenue is recognised using the five step approach outlined below to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The following five steps have been applied in analysing transactions to determine when revenue is recognised:

Step 1—Identify the contract with a customer.
Step 2—Identify the separate performance obligations in the contract.
Step 3—Determine the transaction price.
Step 4—Allocate the transaction price to the separate performance obligations in the contract.
Step 5—Recognise revenue when (or as) the entity satisfies a performance obligation.

The majority of the Group's revenue arises from management fees and performance fees. Please refer to note 3 for additional information.

i) Superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period incurred.

j) Earnings per share

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

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

k) Issued capital and listing costs – ordinary shares classified as equity

Transaction costs directly attributable to the issuance of new shares that otherwise would have been avoided are deducted from equity.

Transaction costs relating to the listing of shares are recorded as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Where transaction costs relate jointly to the issuance of new shares that otherwise would have been avoided and listing of shares, the costs are appropriately allocated to each activity on a rational and consistent basis. In the absence of a more specific basis for apportionment, an allocation of common costs based on the proportion of new shares issued to the total number of (new and existing) shares listed is an acceptable approach.

1. Summary of significant accounting policies (cont.)

l) Current and non-current classification

An asset is classified as current when:

- it is expected to be realised or intended to be sold or consumed in the Group's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realised within 12 months after the reporting period; or
- the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- it is expected to be settled in the Group's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

m) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

n) Trade receivables and other receivables

Trade and other receivables are initially recognised at fair value and subsequently recognised at amortised cost using the effective interest method less any allowance for expected credit losses. Trade receivables and other receivables are generally due for settlement within 30 days.

1. Summary of significant accounting policies (cont.)

o) Investments and other financial assets

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. For financial assets, trade date accounting is adopted, which is equivalent to the date the Group commits itself to purchase or sell the assets.

Financial instruments are initially measured at fair value. Transaction costs related to financial instruments are immediately expensed to the Statement of Comprehensive Income.

Classification and subsequent measurement

Financial investments are subsequently measured at fair value. Current market prices for all quoted investments are used to determine fair value. For all listed or unlisted securities that are not traded in an active market, valuation techniques are applied to determine fair value, including reference to recent arm's length transactions and similar instruments.

The Group classifies its financial instruments into the following categories:

- Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit-taking. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Comprehensive Income in the period in which they arise.
- Financial liabilities such as borrowed stock are classified at fair value through profit or loss. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Comprehensive Income in the period in which they arise.
- All other financial assets including cash and cash equivalents, trade receivables and other assets are measured at amortised cost.

Impairment of financial assets

Per AASB 9 the 'expected credit loss' (**ECL**) model applies to financial assets measured at amortised cost and debt investments at fair value through other comprehensive income (**FVTOCI**), but not to investments in equity instruments measured at fair value through profit or loss (**FVTPL**). The Group does not hold any debt investments at FVTOCI. AASB 9 provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables.

All the Group's trade receivables share the same credit risk. The Group is not exposed to risk relating to the receivables balance, as these amounts primarily relate to performance and management fees, which are settled between seven and 31 days after being invoiced and are managed internally within the Group.

Derecognition

Financial assets are derecognised where the contractual rights to receive cash flows expire or the asset is transferred to another party, whereby the Group no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged or cancelled, or have expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Comprehensive Income.

1. Summary of significant accounting policies (cont.)

p) Right of use asset

A right of use asset is recognised at the commencement date of a lease. The right of use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date, net of any lease incentives received and any initial direct costs incurred. Right of use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities. The Group has elected not to recognise a right of use asset and corresponding lease liability for short-term leases with terms of 12 months or less, and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred. Refer to note 1 x) for further information on the impact of the transition to AASB 16 *Leases*.

q) Lease liability

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise fixed payments less any adjustments as required under the relevant accounting standard (such as lease incentives receivable, or variable lease payments that depend on an index or rate). Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

r) Trade payables

These amounts represent unpaid liabilities for goods and services provided to the Group prior to the end of the financial year. The amounts are unsecured and are usually paid within 90 days of recognition.

s) Share-based payments

Equity-settled share-based compensation benefits are provided to certain employees, Directors and members of the Company's Advisory Council, as part of an Employee Share Plan. The VGI Partners' Advisory Council comprises an external, independent group of experienced investment management, finance and industry professionals drawn from leaders in the global business community to assist VGI Partners. Each Advisory Council member can provide VGI Partners with guidance on matters relating to economic and financial market conditions, risk management, business operations and corporate strategy.

The Options over shares were acquired for a premium. The cost of equity-settled transactions is measured at fair value on the grant date. Fair value is determined using a Black Scholes pricing model that takes into account exercise price, Option life, share price on grant date, expected volatility of the underlying share, expected dividend yield and risk-free interest rate for the term of the Option. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

Unless otherwise determined by the Board, an Option holder must continue to be employed by the Company to exercise the Option. Options may only be exercised during the relevant exercise window, as outlined in note 30.

Share Options do not carry any dividend entitlement. Shares issued on the exercise of Options will rank equally with other issued shares of the Company on and from issue. There are no inherent participating rights or entitlements inherent in the Options.

The cost of equity-settled transactions is recognised as an expense over the vesting period, with a corresponding increase in the Share-based Payment Reserve over the vesting term.

1. Summary of significant accounting policies (cont.)

t) Employee entitlements

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

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

u) Contract assets

Contract assets are recognised where the Group has transferred goods or services to the customer, but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes. Subsequent to initial measurement the contract asset balance is amortised over the period of the investment management agreement, being 10 years.

v) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred. Property, plant and equipment are depreciated to write off the cost of each asset over its expected economic life. Additions during the year are depreciated on a pro rata basis from the date of acquisition.

The depreciation rates used are in accordance with the Australian Taxation Office's effective life tables. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. The depreciation periods are as follows:

Computer equipment	4 years
Office fit-out	3–5 years
Office furniture and equipment (including artwork)	5–100 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

w) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (**GST**), unless the GST incurred is not recoverable from the tax authority, in which case it is recognised as part of the cost of acquiring the asset or as part of the expense.

Trade debtors and creditors are stated including the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the tax authority is included in other receivables or other payables in the Consolidated Statement of Financial Position. All other receivables and payables are stated exclusive of GST recoverable or payable. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from or payable to the tax authority are presented as operating cash flows.

1. Summary of significant accounting policies (cont.)

x) Application of new and revised accounting standards

The Group has adopted all the new and revised standards and interpretations issued by the AASB that are relevant to its operations, and which became mandatory for the current reporting period. These accounting standards and interpretations did not have any significant impact on the financial performance or position of the Group.

AASB 16 Leases

The Group adopted AASB 16 *Leases* from 1 January 2019. AASB 16 replaced AASB 117 *Leases*, and for lessees eliminates the classification of operating and finance leases.

Except for short-term leases and leases of low-value assets, right of use assets and corresponding lease liabilities are recognised in the Consolidated Statement of Financial Position. The measurement of the lease liability and right of use asset is determined with reference to the period over which the consolidated entity is expected to benefit from the lease, and will be disclosed as current or non-current accordingly. The right of use asset will be amortised over the shorter of the lease term or useful life of the asset, resulting in a depreciation and amortisation charge. The unwinding of the discount on the lease liability will be disclosed as a financing cost in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The new standard has resulted in a reduction in the consolidated entity's occupancy expenses, as lease costs have been allocated to the depreciation and amortisation charge on lease assets and the interest expense on lease liabilities.

The Group adopted AASB 16 from 1 January 2019, using the modified retrospective approach, and therefore has not restated comparatives. The Group also adopted the following practical expedients for measuring right of use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard. In doing so it:

- applied an incremental borrowing rate of 6%;
- does not recognise a right of use asset and a lease liability for leases with low-value underlying assets; and
- does not recognise a right of use asset and a lease liability for leases where the lease term ends within 12 months of the date of initial application (initially applicable to all property leases in Sydney, New York and Tokyo). Note that there was a previous lease on the Sydney office which expired on 30 April 2019. The Company adopted the short-term lease exemption available (less than 12 months).

The operating lease commitments included at 31 December 2018 of $393,000 all related to leases that expired within 12 months of transition to AASB 16.

At 1 January 2019, AASB 16 had no impact on the entity. In May 2019, the Company entered into a new lease for its Sydney office. AASB 16 was applied, which resulted in the recognition of a $1.6 million right of use asset and lease in the Consolidated Statement of Financial Position. Please refer to note 16 for further details.

y) New accounting standards and interpretations not yet mandatory or adopted early

A revised Conceptual Framework for Financial Reporting is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards, and other for-profit entities that voluntarily elect to apply the Conceptual Framework. The application of new definition and recognition criteria, and new guidance on measurement, will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. Where the Group has relied on the Conceptual Framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the Group may need to revisit such policies. The Group will apply the revised conceptual framework from 1 January 2020 and is yet to assess the impact of doing so. A number of other Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet mandatory, and the Group has not adopted them for the annual reporting period ended 31 December 2019. The Group has not yet assessed the impact of these new or amended accounting standards and interpretations.

2. Critical accounting judgements, estimates and assumptions

Preparing the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and other various factors, including expectations of future events that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. Judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes model, taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period, but may impact profit or loss and equity.

The Company granted options to employees, and Advisory Council members. For accounting purposes, the fair value of the options is amortised as an expense over the vesting period of the options. Determining the fair value for accounting purposes requires a number of assumptions and judgements to be made, and is discussed in note 30.

Incremental borrowing rate

In applying AASB 16, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. As the Company was unable to determine the interest rate implicit in the lease the incremental borrowing rate (**IBR**) was relied upon. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Management has exercised judgement in estimating the IBR with reference to the asset type, financing spread adjustment and the reference rate. With reference to the Company’s respective financial institution, it has applied a 6% IBR. A movement in the IBR by 1%/(1%) has no significant movement on the amounts recognised in the financial statements. Refer to note 16 for details.

3. Revenue from contracts with customers

Revenue is measured at an amount that reflects the consideration the consolidated entity is expected to be entitled to in exchange for transferring services to its customers, net of rebates to foundations that we manage pro bono and the VG1 Fee Waiver as part of the VG1 IPO. The criteria for recognition are outlined below:

- Management fees: The revenue from contracts with customers, recognised over time as it is earned, based on the applicable investment management agreements. The fees are based on a percentage of the portfolio value of the fund or mandate and paid following the end of each month in arrears.

  The terms of the Company's investment management agreement with VG1 provide that no management fee is payable until the management fee that would have otherwise been payable equals the total costs of $14.4 million paid by VG1 in connection with its IPO. The Company received no management fees from VG1 up until the end of April 2019. Since then, the Company has been receiving monthly management fees from VG1, in cash, calculated as 1.5% of FUM per annum.
- Performance fees: The revenue from contracts with customers, recognised at a point in time as income at the end of the relevant period to which the performance fee relates, i.e. when the Group's entitlement to the fee becomes established. Performance fees are contingent upon performance to be determined at a future date. They are not recognised over time as they are not able to be measured reliably, and it is highly probable that there could be a significant reversal of revenue.

Disaggregation of revenue

Timing of revenue recognition

	2019 12 months $'000	**6 months to 31 December 2018 $'000**
Services transferred over time – management fees	32,365	10,077
Operating costs of VGI Partners Funds *	(1,529)	(566)
Amortisation of contract asset **	(279)	720
Total services transferred over time – management fees	**30,557**	**10,231**
Services transferred at a point in time – performance fees	**36,679**	**5,396**

* VGI Partners Funds includes two unlisted funds (AUD and USD denominated), Individually Managed Accounts, VG1 and VG8.

** As part of the VGI and VG8 IPO, the Group recognised the costs as contract assets. The appropriate accounting treatment has resulted in the asset being unwound and amortised as a reduction of revenue under the Investment Management Agreement, being 10 years. Refer to note 14 for additional information.

Performance fees may be earned from VGI Partners Funds and mandates. Performance fees are generally subject to a 'high-water mark' arrangement or a deficit clause, which ensures that fees are not earned more than once on the same performance. The Group's entitlement to future performance fees from VGI Partners Funds and mandates is dependent on the net asset value of the relevant portfolio exceeding the high-water mark. The high-water mark is the net asset value price at the end of the most recent calculation period for which the Group was entitled to a performance fee, adjusted for additions and redemptions. Each VGI Partners Fund or mandate has its performance fee as determined in its Investment Management Agreement, constitution or trust deed (the Performance Calculation Period).

As the majority of the VGI Partners Funds or mandates have performance fees calculated at 30 June, performance fees have historically been weighted towards the first half of the calendar year. The Group manages VG1 and VG8 and is entitled to be paid a performance fee semi-annually in arrears, subject to a high-water mark mechanism.

4. Operating segments

Identification of reportable operating segments

The main business activities of the Group are the provision of investment management services. During the year ended 31 December 2019, the Group launched its second investment strategy through the listing of VG8, providing investment management services with a focus on Asia. The Board of Directors are identified as the Chief Operating Decision Makers (**CODM**), and they consider the performance of the main business activities on an aggregated basis, to determine the allocation of resources. Other activities undertaken by the Group, including investing activities, are incidental to the main business activities. Based on the internal reports regularly reviewed by the CODM, the Group has one operating segment: the provision of investment management services with the objective of offering investment funds to investors, primarily in Australia.

5. Earnings per share

	2019 12 months $'000	6 months to 31 December 2018 $'000
Profit/(loss) after income tax	**27,983**	**5,651**
	Number ('000)	**Number ('000)**
Weighted average number of ordinary shares outstanding during the period, used in calculating basic EPS *	61,400	57,730
Adjustments for calculation of diluted earnings per share: Potential equity shares – Share Options	1,387	–
Weighted average number of ordinary shares used in calculating diluted EPS	**62,787**	**57,730**
	Cents ($)	**Cents ($)**
Basic EPS	45.58	9.79
Diluted EPS	44.57	9.79

* Number of shares for the 2018 comparative period is adjusted for pre-listing share split. See note 20.

6. Personnel expenses

	2019 12 months $'000	6 months to 31 December 2018 $'000
Defined contribution superannuation expense	317	131
Salary and wages	10,749	4,260
Amortisation of Share Option fair value (see note 30)	159	–
Payroll tax	530	212
Total personnel expenses	**11,755**	**4,603**

7. Other expenses

	2019 12 months $'000	6 months to 31 December 2018 $'000
Legal and professional	1,240	619
Insurance	347	115
All other	995	170
Total other expenses	**2,582**	**904**

8. Income taxes relating to continuing operations

		2019 12 months $'000	6 months to 31 December 2018 $'000
8.1	**Income tax recognised in profit or loss**		
	Profit before tax from continuing operations	**40,304**	**8,042**
	Prima facie tax at the Australian tax rate of 30%	12,090	2,413
	Non-deductible expenses	215	3
	Impact of foreign tax rate	37	(25)
	Adjustment to tax charge in respect of previous periods	(21)	–
	Income tax expense recognised in profit or loss	**12,321**	**2,391**
	Represented by:		
	Current tax	9,064	2,397
	Adjustment to tax charge in respect of previous periods	6	–
	Deferred tax	3,251	(6)
	Income tax expense recognised in profit or loss	**12,321**	**2,391**
8.2	**Incomes taxes payable/(receivable)**		
	Income tax payable at the beginning of the year	**1,601**	**11,114**
	Income taxes payable for the financial year	9,063	2,397
	Less: tax paid during the year	(12,716)	(11,976)
	Adjustment to tax charge in respect of previous periods	(22)	66
	Income taxes payable/(receivable) at the end of the year	**(2,074)**	**1,601**
8.3	**Deferred tax balances ***		
	Deferred tax assets – opening	**2,631**	**2,233**
	Deductible capital expenditures – FITB ** on IPO costs	1,172	–
	Changes in the fair value of financial assets	455	–
	Tax losses	1,881	–
	Accruals and provisions	(1,826)	398
	Deferred tax assets – closing	**4,313**	**2,631**
	Deferred tax liabilities – opening	**540**	**324**
	Contract assets	3,812	216
	Deferred tax liabilities – closing	**4,352**	**540**

* 2018 net deferred tax asset = $2,091,000

** FITB = Future Income Tax Benefit.

9. Donations

Since 2008, the Company has actively supported charitable and community causes. The VGI Partners Foundation was formed in 2018, together with the establishment of a new Charitable Foundation Class of investment in the VGI Partners Master Fund, with 100% of management fees and performance fees earned by the Company on that Class to be donated to The VGI Partners Foundation in perpetuity.

During the 2019 year, donations of $640,000 (six months to 31 December 2018: $354,000) were made by the Group. Of this, $581,219 (six months to 31 December 2018: $48,000) was donated to The VGI Partners Foundation from management and performance fees earned by the Company for the VGI Partners Master Fund Charitable Foundation Class. Refer to the Charitable Initiatives section on page 6 for more information.

10. Equity raising costs – IPO

In May 2019, the Company raised $75 million through an IPO of approximately 20% of its issued share capital. This was completed in conjunction with a placement and renounceable entitlement offer for VG1, totalling $300 million in new capital. As part of the IPO process, the Company engaged a number of third-party providers to assist with the IPO and VG1 capital raising.

	2019 12 months $'000
Attributable to equity	3,909
Expensed through the Consolidated Statement of Profit or Loss and Other Comprehensive Income	5,849
Total	**9,758**

11. Cash and cash equivalents

	31 December 2019 $'000	**31 December 2018 $'000**
Cash and bank balances	29,340	7,799
Total	**29,340**	**7,799**

12. Financial assets at fair value through profit or loss

	31 December 2019 $'000	**31 December 2018 $'000**
VGI Partners Global Investments Limited	5,023	–
VGI Partners Asian Investments Limited	23,993	–
Total	**29,016**	**–**

Refer to note 23 for further information on fair value measurement.

13. Current and non-current liabilities – employee entitlements

	31 December 2019 $'000	**31 December 2018 $'000**
Employee benefits – current	1,672	1,475
Employee benefits – non-current	114	363
Total	**1,786**	**1,838**

Employee benefits represents annual leave, long service leave and bonus entitlements accrued.

14. Contract assets – consideration paid to a customer

	31 December 2019 $'000	31 December 2018 $'000
VG1 IPO – Offer costs *	2,232	1,800
VG8 IPO – Offer costs *	12,276	–
VG8 IPO – alignment share costs *	33,959	–
Total	**48,467**	**1,800**
Current	4,982	1,800
Non-current	43,485	–
Total	**48,467**	**1,800**

* Net of amortisation expense.

VGI Partners Asian Investments Limited (ASX: VG8) was admitted to the Official List of the ASX in November 2019. To align initial investors for the long term, the Company issued ordinary shares in VGI Partners Limited (ASX: VGI) to all Applicants that received an allocation of shares under the VG8 Offer (alignment shares).

The number of alignment shares issued to each Applicant was calculated based on ratios of:

- one alignment share for every 75 shares allocated to that Applicant under the Cornerstone Offer and Priority Offer; and
- one alignment share for every 125 shares allocated to that Applicant under the Broker Firm and General Offer.

The Company issued 2,652,012 ordinary shares (VG8 alignment shares) in VGI Partners Limited, valued at $34,476,156 on 12 November 2019 using the closing price of $13.00, for zero cost to the recipients. The alignment shares were issued on 12 November 2019 and began trading on the ASX on 13 November 2019. Further information on alignment shares can be found at note 20.

Under the VG1 and VG8 Investment Management Agreements, the Manager has agreed to absorb (or procure the absorption of) certain costs for which VG1 and VG8 would normally be liable. These include the:

- VG1 Offer costs i.e. the VG1 Fee Waiver; and
- VG8 Offer costs.

The VG8 IPO Offer costs and alignment share costs have been recognised as contract assets (per AASB 15 *Revenue from Contracts with Customers*) as consideration paid to a customer as the manager will earn management and performance fees over the period of the Investment Management Agreement.

As a result, under AASB 15:70-72, this is accounted for as a reduction in the costs over the period in which performance obligations are fulfilled. The reimbursement has been recognised as an asset that is unwound and amortised as a reduction of revenue over the life of the 10 year Investment Management Agreement. During the year ended 31 December 2019, the Group recorded amortisation of the contract asset of $279,000.

Allowance for expected credit losses

Based on the analysis at the end of the reporting period, the impairment under the expected loss (**ECL**) method is considered to be immaterial and no amount is recognised in the financial statements.

15. Trade and other receivables

	31 December 2019 $'000	31 December 2018 $'000
Trade receivables and accruals	7,869	7,829
GST receivable (net)	458	–
Prepayments	46	306
Interest receivable	–	8
	8,373	**8,143**

Trade receivables mainly consist of management and performance fees receivable which are received between seven and 31 days after the balance date.

Allowance for expected credit losses

Based on the analysis at the end of the reporting period, the impairment under the ECL method is considered to be immaterial and no amount is recognised in the financial statements.

16. Leases

The right of use asset and lease liability relates to the head office premises at 39/41 Phillip Street, Sydney, commencing 1 May 2019 and terminating 30 April 2024. Per the signed lease agreement, there is no option to renew or purchase. Rent reviews will be performed quarterly on each anniversary of the commencing date, with a fixed 4.5% increase. Additional leases that exist relate to short-term leases for office premises and low-value leases for office equipment. These payments are expensed as incurred and are not material.

	31 December 2019 $'000	31 December 2018 $'000 *
Right of use assets – land and buildings		
Opening	**–**	**–**
Additions – 39/41 Phillip Street, Sydney	1,641	–
Depreciation charge for the year	(219)	–
Closing	**1,422**	**–**
Non-current	1,422	–
Total	**1,422**	**–**
Lease liability		
Opening	**–**	**–**
Additions – 39/41 Phillip Street, Sydney	1,641	–
Cash payments	(232)	–
Interest expense	54	–
Closing	**1,463**	**–**
Current	278	–
Non-current	1,185	–
Total	**1,463**	**–**

* The Group adopted AASB 16 from 1 January 2019, using the modified retrospective approach and therefore has not restated comparatives.

17. Trade and other payables

	31 December 2019 $'000	31 December 2018 $'000
Current		
Trade payables	971	237
Other creditors and accruals	228	206
VG1 Advisory Agreement	–	2,759
GST payables (net)	–	550
	1,199	**3,752**
Non-current		
VG1 Advisory Agreement	–	4,149
	–	**4,149**

In connection with the IPO of VG1 in September 2017, the Company entered into a contract (the VG1 Advisory Agreement) with a third party to assist with the equity raising process, in return for a share of the future management fees the Company expected to earn under its Investment Management Agreement with VG1.

The net present value of the expected future payments as at 31 December 2019 was $0 (31 December 2018: $6,908,054).

From 1 January 2019 to 3 September 2019, the Group made two instalments of $100,000 (exclusive of GST) that reduced the liability and recognised on the balance sheet. On 4 September 2019, VGI Partners and the third party entered into a Deed of Release whereby the VG1 Advisory Agreement was terminated and each party surrendered all their respective rights, title and interests pursuant to the Advisory Agreement. Since 1 July 2019 and in accordance with the Deed of Release, VGI Partners made two payments totalling $6,987,751 (exclusive of GST). As a result, the Consolidated Statement of Profit or Loss and Other Comprehensive Income includes a loss of $279,697.

18. Property, plant and equipment

	31 December 2019 $'000	31 December 2018 $'000
Leasehold improvements – at cost	684	583
Less: Accumulated depreciation	(281)	(81)
Balance at end of year	**403**	**502**
Furniture and fittings – at cost	955	845
Less: Accumulated depreciation	(326)	(239)
Balance at end of year	**629**	**606**
Plant and equipment – at cost	628	496
Less: Accumulated depreciation	(435)	(268)
Balance at end of year	**193**	**228**
Total property, plant and equipment	**1,225**	**1,336**

18. Property, plant and equipment (cont.)

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are as follows:

Consolidated	Leasehold improvements $'000	Furniture and fittings $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2018	**248**	**261**	**131**	**640**
Additions	257	397	147	**801**
Depreciation	(3)	(52)	(50)	**(105)**
Balance at 31 December 2018	**502**	**606**	**228**	**1,336**
Additions	101	110	132	**343**
Depreciation	(200)	(87)	(167)	**(454)**
Balance at 31 December 2019	**403**	**629**	**193**	**1,225**

19. Dividends

	2019 12 months $'000	6 months to 31 December 2018 $'000
Fully franked dividends at 30% declared during the period:		
9.4 cents per share, declared on 14 August 2018 and paid on 14 August 2018 *	–	5,452
2.8 cents per share, declared on 16 January 2019 and paid on 18 January 2019 *	1,500	–
4.1 cents per share *, declared on 29 January 2019 and paid on 29 January 2019 **	2,235	–
Dividend on share alignment, paid on 6 May 2019	122	–
16.8 cents per share, declared on 13 May 2019 and paid on 21 June 2019	8,975	–
25.6 cents per share, declared on 27 August 2019 and paid on 16 September 2019	17,200	–
	30,032	**5,452**

* Dividend per share adjusted for pre-listing share conversion and rounded to the nearest cent.

** Dividend includes non-cash activities of $2,203,000 relating to dividends paid to Robert M P Luciano, Douglas H Tynan, Robert J Poiner and their related entities as part of the VG1 reinvestment mechanism.

The Directors have declared a franked dividend at a 27.5% tax rate of 9.3 cents per share, payable on 18 March 2020. This has not been recognised in the Consolidated Statement of Financial Position.

Franking credits

	31 December 2019 $'000	31 December 2018 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	2,151	4,346

The above amounts comprise the balance of the franking account as at the end of each reporting period, adjusted for franking credits that will arise from the payment/(receipt) of the provision of income tax.

The dividend declared by the Directors on 27 February 2020 will be franked out of existing franking credits, or out of franking credits arising from the payment of income tax.

20. Issued capital

	31 December 2019 Number	31 December 2018 Number	31 December 2019 $'000	31 December 2018 $'000
Founder shares	–	1,000,000	–	208
Class A shares	–	266,666	–	408
Ordinary shares *	69,719,722	–	107,314	–
Total issued and paid-up capital	**69,719,722**	**1,266,666**	**107,314**	**616**

* Prior to listing its shares, the Company converted the existing 1,240,891 shares on issue into a single class of 53,431,346 shares for nil consideration. As part of its IPO in May 2019, the Company issued 13,636,364 shares for consideration of $75,000,002.

Movements in ordinary share capital

Details	Date	Shares	$'000
Opening balance	**1 January 2019**	**1,266,666**	**616**
Share alignment *	6 May 2019	(25,775)	(41)
Pre-IPO share split	21 June 2019	(1,240,891)	–
Pre-IPO share split	21 June 2019	53,431,346	–
IPO – share issuance	21 June 2019	13,636,364	75,000
VG8 alignment shares **	12 November 2019	2,652,012	34,476
Capital raising costs			(3,909)
Deferred tax on capitalised IPO costs			1,172
Closing balance	**31 December 2019**	**69,719,722**	**107,314**

* For the period ending 31 December 2019, there was a share alignment between existing Class A Shareholders of the Company. The Class A shares have dividend rights but no voting rights.

** The Company issued 2,652,012 alignment shares to investors in the VG8 Offer.

Movements in founder shares

Details	Date	Shares	$'000
Opening balance	**1 January 2019**	**1,000,000**	**208**
Pre-IPO share split	21 June 2019	(1,000,000)	(208)
Closing balance	**31 December 2019**	**–**	**–**

Movements in Class A shares

Details	Date	Shares	$'000
Opening balance	**1 January 2019**	**266,666**	**408**
Share alignment	6 May 2019	(25,775)	(41)
Pre-IPO share split	21 June 2019	(240,891)	(367)
Closing balance	**31 December 2019**	**–**	**–**

20. Issued capital (cont.)

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at Shareholder meetings.

In the event of the winding up of the Group, ordinary Shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

VG8 alignment shares were treated as fully paid ordinary shares in the Company issued to all investors in the VG8 Offer, to enhance the alignment of interests between the Company and VG8, and their respective investors.

Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern while maximising the return for Shareholders. The Group's overall strategy remains unchanged from the six months ended 31 December 2018.

The capital structure of the Group consists of only equity, comprising share capital, reserves and retained earnings. The Group has no debt.

The Company is subject to regulatory financial requirements by virtue of holding an Australian Financial Services Licence (**AFSL**). During the year ended 31 December 2019, the Company satisfied the liquidity requirements under its AFSL and there have been no reportable instances of non-compliance with externally imposed capital requirements.

21. Reserves

	12 months to 31 December 2019 $'000	6 months to 31 December 2018 $'000
Opening	–	–
Share-based payments reserve	727	–
Foreign currency translation reserve	16	–
Closing	**743**	**–**

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees as part of their remuneration.

Foreign currency translation reserve

Exchange differences arising on the translation of foreign controlled entities are recognised in other comprehensive income and accumulated as a separate reserve within equity. The balance of the foreign currency translation reserve at 31 December 2019 was $16,000.

22. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks, including market risk (including foreign currency, interest rate and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed, including sensitivity analysis.

22. Financial instruments (cont.)

In particular, the Group manages the investments of certain funds and clients where it is entitled to receive management fees and fees contingent upon performance of the portfolio managed, on an annual basis or less frequently. All fees are exposed to significant risk associated with the funds' performance, including market risks (interest rate risk and, indirectly, market risk and foreign exchange risk) and liquidity risk as detailed below.

Risk management is carried out by the Board and discussed at Board meetings. Management identifies and evaluates financial risks.

Market risk

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised financial assets and liabilities, denominated in a currency that is not the entity's functional currency. The Group undertakes certain transactions denominated in foreign currencies (mainly US dollars). The balances at the reporting date are not material and a 10% movement in those balances would not cause a significant fluctuation in profit or loss or equity of the Group.

Price risk

Price risk is the risk that the value of investments held by the Group and classified in the Consolidated Statement of Financial Position as financial assets at fair value through profit and loss will increase or decrease as a result of changes in equity prices in the local currency (caused by factors specific to the individual stock or the market as a whole), exchange rate movements or a combination of both.

To manage and constrain price risk, the Group follows the principles of capital preservation. This means the Group places a great deal of importance on assessing downside risk. The Group attempts to gain as much insight about its investments as possible and believes this knowledge is key in guarding against permanent loss of capital.

An increase of 5% in market prices would have had the following impact at 31 December.

	31 December 2019 $'000	31 December 2018 $'000
A 5% increase in market prices would result in:		
Higher net change in fair value of financial assets	1,451	–
Impact on net profit after tax/other comprehensive income and equity	**1,451**	**–**

A decrease of 5% in market prices would have an equal but opposite impact on net profit, comprehensive income and equity.

Interest rate risk

Interest rate risk is the possibility that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Group's financial assets and liabilities are non-interest bearing. Any interest-bearing financial assets and financial liabilities either mature or reprice in the short term. As a result, the Group has a limited exposure to fluctuations in market interest rates that would create interest rate risk. The Group also holds substantial cash positions that are directly affected by interest rate movements, but at the balance date, interest rates on these cash accounts were at historically low levels.

22. Financial instruments (cont.)

As at the reporting date, the Group had the following bank accounts.

	Fixed (other assets) $'000	Floating $'000
31 December 2019:		
Cash and cash equivalents	–	29,340
Other assets	383	–
31 December 2018:		
Cash and cash equivalents	–	7,799
Other assets	268	–

The sensitivity analysis below has been determined based on the Group's exposure to interest rates at the reporting date, and the stipulated change taking place at the beginning of the financial year, held constant throughout the reporting year in the case of instruments that have floating interest rates.

The following table illustrates the effect on interest income from possible changes in interest rates that were reasonably possible based on the risk the Group was exposed to at the reporting date.

	Change in variable +/(-)	31 December 2019 $'000	31 December 2018 $'000
Interest rate risk	0.50%/(0.50%)	147/(147)	39/(39)

Credit risk

Credit risk relates to the risk of a counterparty defaulting on a financial obligation, resulting in a loss to the Group.

Credit risk arises from the financial assets of the consolidated entity, including cash, term deposits, trade receivables and contract assets. All term deposits and cash balances are held with major Australian banks and their 100% owned banking subsidiaries institutions that have a Standard & Poor's A-1+ rating to mitigate any associated credit risk. The Group is not exposed to any material risk relating to the receivables balance, as these amounts primarily relate to performance and management fees, which are settled between seven and 31 days after being invoiced and are managed internally within the Group.

The Group is not exposed to any material risk relating to the contract assets, as these are non-cash and will unwind over the 10 year Investment Management Agreements between the Group and VG1 and VG8 (the majority of the balance relating to VG8). Management fees are secured under the Investment Management Agreements as a percentage of FUM, regardless of performance, and as they are settled within 30 days there is no material exposure to loss. No assets subject to credit risk are past due or impaired.

The maximum exposure to direct credit risk at the balance date is the carrying amount recognised in the above identified financial assets, and the contract assets in the Consolidated Statement of Financial Position.

22. Financial instruments (cont.)

Liquidity risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with its liabilities. The Group has no external borrowings other than its lease liability, so its liquidity risk is limited to its ability to pay its future overhead expenses. The Group's policy is to maintain liquid assets sufficient to cover a minimum of nine months' worth of future overhead expenses, assuming no management revenue is received in that period.

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities at the earliest date on which the Group can be required to pay. Except for the lease liability, no interest is payable on these financial liabilities, so only principal cash flows have been disclosed.

Consolidated – 2019	Less than 1 month $'000	Between 1 and 12 months $'000	Between 1 and 5 years $'000	5+ years $'000	Total $'000
Trade payables	1,199	–	–	–	**1,199**
Lease liability	21	257	1,185	–	**1,463**
Total financial liabilities	**1,220**	**257**	**1,185**	**–**	**2,662**

Consolidated – 2018	Less than 1 month $'000	Between 1 and 12 months $'000	Between 1 and 5 years $'000	5+ years $'000	Total $'000
Trade payables	3,752	–	4,149	–	**7,901**
Lease liability	–	–	–	–	**–**
Total financial liabilities	**3,752**	**–**	**4,149**	**–**	**7,901**

23. Fair value measurement

The Group measures and recognises its investments as financial assets and liabilities at FVTPL, on a recurring basis.

AASB 13 *Fair Value Measurement* requires the disclosure of fair value information using a fair value hierarchy, reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets, for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's financial assets and liabilities measured and recognised at fair value, at the reporting date. The carrying amounts of all financial instruments are reasonable approximations of the respective instrument's fair value. There were no transfers between levels for recurring fair value measurements during the year.

23. Fair value measurement (cont.)

Consolidated – 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Investment in financial assets at FVTPL	29,016	–	–	**29,016**
Total assets	**29,016**	**–**	**–**	**29,016**

As at 31 December 2018, there were no financial assets held at FVTPL.

24. Related-party transactions

Ultimate parent entity

VGI Partners Limited is the ultimate parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 29.

Key management personnel

Disclosures relating to KMP are set out in note 28 and the Remuneration Report included in the Directors' Report.

Related-party transactions

The Group provides investment management services to the following related parties:

- the VGI Partners Master Fund, an Australian unit trust, of which the Company is the trustee;
- the Group's ASX-listed investment companies, VG1 and VG8; and
- the VGI Partners Offshore Fund.

VG1 and VG8 performance fee reinvestment mechanism

Under the terms of separate reinvestment agreements, Mr Luciano, Mr Tynan and their related entities have agreed to invest, from the dividends they receive from the Company, their 'look through' after-tax share of performance fees received from managing VG1 and VG8 into fully paid ordinary shares in VG1 and VG8.

24. Related-party transactions (cont.)

Related-party fees

The total related-party fees recognised in the periods ended 31 December 2019 and 31 December 2018 are in the following table.

	2019 12 months ($)	6 months to 31 December 2018 ($)
Management and performance fees received/receivable from unconsolidated unlisted vehicles	36,396,353	5,601,643
Net expenses (paid/payable) on behalf of unlisted vehicles	(705,182)	(117,579)
Management and performance fees received/receivable from listed vehicles	20,105,047	3,192,664
Net expenses (paid/payable) on behalf of listed vehicles	(766,737)	(569,188)

The Group also receives management and performance fee income from non-related parties.

Related parties' holdings of units in listed and unlisted vehicles

At 31 December 2019, the value of KMP and/or their related parties' holdings in unlisted vehicles was $29,716,470 (31 December 2018: $17,754,705).

At 31 December 2019, the value of KMP and/or their related parties' holdings in listed vehicles (VG1 and VG8) was $26,347,641 (31 December 2018: $7,933,914).

Loans to or from related parties

There were no loans to or from related parties at the current and previous reporting dates.

Terms and conditions

All transactions were made on normal commercial terms and conditions, and at market rates.

25. Parent entity disclosures

	2019 12 months $'000	6 months to 31 December 2018 $'000
Result of the parent entity		
Profit/(loss) after income tax for the period	27,512	5,592
Other comprehensive income	–	–
Total comprehensive income for the period	**27,512**	**5,592**
Financial position of parent entity at year end		
Current assets	86,229	17,534
Total assets	120,463	21,228
Current liabilities	3,801	6,584
Total liabilities	5,770	11,099
Net assets	**114,693**	**10,129**
Total equity of the parent entity, comprising:		
Contributed equity	107,314	616
Reserves	743	–
Retained earnings	6,636	9,513
Total equity	**114,693**	**10,129**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2019 and 31 December 2018.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2019 or 31 December 2018.

Capital commitments – property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2019 or 31 December 2018.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1.

26. Unconsolidated entities

The Group manages several investment funds and holds an interest in these unconsolidated structured entities by receiving management and performance fees. The unconsolidated structured entities are individually managed accounts, wholesale investment schemes in the form of unlisted trusts, offshore domiciled companies, and listed investment companies.

These unconsolidated structured entities invest in a range of asset classes. The unconsolidated structured entities have investment objectives and policies that are subject to the terms and conditions of their respective offering documentation. However, all unconsolidated structured entities invest capital from investors in a portfolio of assets, to provide a return to those investors from capital appreciation of those assets, income from those assets, or both. Accordingly, they are susceptible to market price risk arising from uncertainties about future values of the assets they hold. The unconsolidated structured entities are financed through equity capital provided by investors, in which the Group does not hold any material equity interest.

Unless specified otherwise, the Group's maximum exposure to loss is the total of its on–balance sheet positions as at reporting date. There are no additional off–balance sheet arrangements which would expose the group to potential loss.

27. Reconciliation of profit after income tax to net cash inflow from operating activities

	2019 12 months $'000	**6 months to 31 December 2018 $'000**
Profit for the period	27,983	5,651
Adjustments to profit after tax:		
Depreciation of property, plant and equipment	673	105
Non-cash items (VG1 reinvestment dividend)	(2,203)	(5,147)
Fair value gains and movements in financial assets	1,514	–
Share-based payments	159	–
Net foreign exchange	71	–
Consideration payable to customers – contract asset	279	(720)
VG8 IPO costs	(12,463)	–
Interest expenses	54	–
VG1 Advisory Agreement costs	280	–
Movements in working capital:		
Decrease/(increase) in trade and other receivables	(229)	34,394
Decrease/(increase) in other assets	–	(25)
Increase/(decrease) in employee entitlements	(54)	(553)
Increase/(decrease) in trade and other payables	(6,702)	(2,565)
Increase/(decrease) in taxes	(372)	(9,839)
Net cash inflow/(outflow) from operating activities	**8,990**	**21,301**

28. Key management personnel compensation

The aggregate compensation made to Directors and other Company and Group KMP is set out below. There were six KMP in 2019 (2018: seven).

	2019 12 months ($)	6 months to 31 December 2018 ($)
Short-term employment benefits	1,843,171	1,164,503
Non-monetary and other benefits	53,582	–
Post-employment benefits	77,238	410,325
Share-based payments	10,793	–
Total	**1,984,784**	**1,574,828**

Detailed remuneration disclosures are provided in the Remuneration Report on page 20.

29. Subsidiaries

The financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1.

Name of subsidiary	Place of incorporation	2019 percentage owned	2018 percentage owned
Operating entities			
VGI Partners Agricultural Investments No. 1 Pty Limited	Australia	100	N/A
VGI Partners Asian Investments Management Pty Limited	Australia	100	N/A
VGI Partners Share Plan Pty Limited	Australia	100	N/A
VGI Partners Investments Pty Limited	Australia	100	100
VGI Partners, Inc.	USA	100	100
Non-operating entities			
VPPP 1A	Australia	100	100
VPPP 1B	Australia	100	100
VPPP 1C	Australia	100	100
Vichingo Global Investments Pty Limited	Australia	100	100
Vichingo Global Investors Pty Limited	Australia	100	100
Investments No. 39 Pty Limited	Australia	N/A	100

30. Share-based payments

Share-based payments reserve	2019 12 months $'000
Balance at the beginning of the year	**–**
Share Option premium received	568
Amortisation of Share Option fair value	159
Balance at the end of the year	**727**

Employee Share Options

Prior to the listing of the Company, a number of employees were provided the opportunity to purchase Share Options, each carrying the right to acquire one share in the Company at a future date. As a result of the offer, the Company issued 4,369,611 Share Options on 28 May 2019.

At the same time, the Company offered the members of the Advisory Council the opportunity to purchase 438,307 Share Options, each carrying the right to acquire one share in the Company at a future date. Though not directly employed by the Company, the members of the Advisory Council act as a counterparty to the Company, providing services such as insight and advice in relation to business affairs. As a result, all Share Options should be measured with the same methodology and at the date granted.

Employee Options will be exercisable for a period of one month, commencing on the first exercise date applicable to the relevant tranche (exercise window) as set out in the table below. Similarly, all Director and Advisory Board Share Options will be exercisable for a period of six months from the first exercise date. Each Share Option will lapse if it is not exercised within the relevant exercise window. The vesting period of the Share Options runs from the grant date to the first exercise date, as shown in the table below.

Excluding members of the Advisory Council and Independent Non-Executive Directors, and unless otherwise determined by the Board, a Share Option holder must continue to be employed by the Group to exercise the Share Option.

Share Options do not carry any dividend entitlement. Shares issued on exercise of Share Options will rank equally with other shares of the Company on and from issue. There are no inherent participating rights or entitlements inherent in the Share Options, and Share Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the life of the Share Options. The offer price is paid or payable by the recipient on receipt of the Share Option. The table below provides the details of Share Options granted.

Employee Option Plan	Number of Options granted during the year	First exercise date	Expiry date	Issue price ($)	Exercise price ($)	Number of Options forfeited during the year	Number of Options at year end
Tranche 1	873,920	20 May 2021	19 June 2021	0.055	6.16	25,973	847,947
Tranche 2	873,920	20 May 2022	19 June 2022	0.080	6.16	25,973	847,947
Tranche 3	873,920	20 May 2023	19 June 2023	0.129	6.16	25,973	847,947
Tranche 4	1,747,851	20 May 2024	19 June 2024	0.172	6.16	51,947	1,695,904
Total	**4,369,611**					**129,866**	**4,239,745**

Director and Advisory Council Option Plan	Number of Options granted during the year	First exercise date	Expiry date	Issue price ($)	Exercise price ($)	Number of Options forfeited during the year	Number of Options at year end
Tranche 1	438,307	22 December 2021	21 June 2022	0.080	6.16	–	438,307
Total	**438,307**					**–**	**438,307**

30. Share-based payments (cont.)

No Share Options were exercised during the 12 months to 31 December 2019, or since the year end. A total of 129,866 Share Options were forfeited during the 12 months to 31 December 2019 when employees left the Group.

Fair value of Share Options granted

The fair value of the Share Options was calculated using the Black-Scholes model, adjusted for expectations of forfeiture due to employee departures. The assumptions used in calculating the fair value and common to all tranches of Share Options, unless otherwise stated, were:

- dividend yield: 8.52%;
- risk-free rate based on the Australian Treasury bond rate for two, three, four and five years, to align with each tranche maturity: Tranche 1 – 1.13%, Tranche 2 – 1.12%, Tranche 3 – 1.14%, Tranche 4 – 1.20%;
- expected volatility derived from the share volatility of comparable listed investment managers over two, three, four and five years, to align with each tranche maturity: Tranche 1 – 29.2%, Tranche 2 – 28.9%, Tranche 3 – 29.0%, Tranche 4 – 28.9%;
- expected life of the Share Option: the maximum term up to the last day of the exercise window; and
- forfeiture assumptions for Share Options granted to employees: 10%, 14%, 18% and 20% of Share Options are forfeited for tranches 1, 2, 3 and 4 respectively. No allowance for forfeiture has been made for the Share Options granted to the Director and Advisory Council.

31. Remuneration of Auditor

During the period, the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the Auditor of the Group, its related practices and non-related audit firms.

	2019 12 months ($)	6 months to 31 December 2018 ($) *
Audit of VGI Partners Limited	150,000	–
Audit of VGI Partners Funds	148,257	–
Audit fees relating to the VGI Partners Limited IPO	200,000	–
Total audit and review of financial statements	**498,257**	**113,660**
Taxation services relating to VGI Partners Limited	82,586	–
Taxation services relating to VGI Partners Funds	23,569	–
Taxation fees relating to the VGI Partners Limited IPO	138,655	–
Taxation services relating to the VG8 IPO	27,485	–
Total taxation services	**272,295**	**30,000**
Investigating accountant services for the VGI Partners Limited IPO Prospectus	150,000	–
Total remuneration for audit and other services	**920,552**	**143,660**

* 6 months to 31 December 2018 has been disclosed as per the previous ASX lodgement; accordingly, the comparative data is not comparable.

The Group is responsible for the audit costs for VGI Partners Master Fund (for which VGI Partners Limited is Trustee and manager), the VGI Partners Offshore Fund and a number of separate managed accounts.

Audit and other service fees for VG1 and VG8 are being paid by the Group under the relevant Investment Management Agreements.

32. Contingencies and commitments

The Group had operating lease commitments at 31 December 2018 of $393,000, all related to leases that expired within 12 months of transition to AASB 16. The Group had no material contingent liabilities or commitments at 31 December 2019.

33. Subsequent events

On 27 February 2020, the Directors declared a franked dividend at a 27.5% tax rate of 9.3 cents per share that will be paid on 18 March 2020.

The Directors are not aware of any other event or circumstance since the end of the financial period not otherwise dealt with in the financial statements that has affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Directors' Declaration

In the Directors' opinion:

(i) the attached financial statements and notes comply with the *Corporations Act 2001*, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

(ii) the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019, and of its performance for the year ended on that date; and

(iii) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2019.

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

Robert M P Luciano, CFA
Executive Chairman and Managing Director
Sydney
27 February 2020

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Independent Auditor's Report to the Shareholders of VGI Partners Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of VGI Partners Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Management and Performance Fees revenue

The Group’s key revenue streams are management and performance fees. These are calculated in accordance with the Investment Management Agreements and offering documents, of the underlying managed funds (listed and unlisted) and individually managed accounts. These fees are earned based upon service criteria and performance obligations set out in these agreements.

The management and performance fees are the most significant revenue account balances in the consolidated statement of profit or loss and other comprehensive income. The size of these fees can change significantly and are dependent upon market-based returns and management’s ability to outperform their previous performance or ‘high-water mark’.

For the year ended 31 December 2019, the Group earned $30.56m in management fees and $36.67m in performance fees, as disclosed in Note 3.</td><td>Our procedures included, but were not limited to:

▪ obtaining an understanding of the key controls associated with:
- recording of assets under management; and
- the calculation of management and performance fees;
▪ on a sample basis, performing recalculations of the management fee, ‘high-water mark’ calculations and related performance fee;
▪ validating the key terms and conditions used within the calculation of management and performance fee revenue to the Investment Management Agreements and offering documents of the underlying managed funds and individually managed accounts; and
▪ assessing the appropriateness of:
- the revenue accounting policy adopted by management; and
- on a sample basis, management’s revenue recognition criteria.

We also assessed the appropriateness of the disclosures in Note 3 to the financial statements.</td></tr>
<tr><td>Accounting for share option scheme

During the year ended 31 December 2019, the Group established a share option scheme offered to a number of employees including key management personnel, which were accounted for as share based payments under AASB 2: Share Based Payments.

Each option entitles the option holder to acquire one share in the Company upon exercise and payment of the stated exercise price.

Accounting for share option schemes requires management estimates and judgements while applying a fair value model on the grant date as disclosed in Note 30. Management valued the share options granted during the year using the Black Scholes model. The significant valuation judgments used in the model include, but not limited to, grant date share price and expected volatility.</td><td>Our procedures included, but were not limited to:

▪ obtaining an understanding of:
- the key terms and conditions of the share option scheme by inspecting relevant agreements; and
- key controls associated with the valuation of share options and associated expense;
▪ holding discussions with management to understand the valuation model applied and key inputs used to fair value share options on the grant date;
▪ obtaining management’s position paper and evaluating the reasonableness of management’s underlying assumptions and key inputs, including but not limited to, the grant date share price and expected volatility used in the fair value model; and
▪ recalculating the estimated fair value of the share options using the Black Scholes option valuation methodology, together with our valuation specialists.

We also assessed the appropriateness of the disclosures in respect of the accounting treatment of share-based payments in Note 30 to the financial statements.</td></tr>
</table>

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Listing of VGI Partners Asian Investments Limited (ASX: VG8) On 12 November 2019, the Group listed VGI Partners Asian Investments Limited (ASX: VG8). VG8's portfolio is managed by VGI Partners Asian Investments Management Pty Ltd, a subsidiary of VGI Partners Limited, under an Investment Management Agreement. As part of the listing process, VGI Partners Limited: • absorbed all of the VG8's establishment costs, including the costs of the listing on ASX (amounting to $12.47 million); • invested circa $20 million into VG8 shares, making it VG8's third largest shareholder as as at 31 December 2019; and • issued free 'Alignment Shares' in the Company to VG8 investors which were calculated in accordance with the terms of VG8's Prospectus. As a result of absorption of VG8 IPO costs and issue of free 'Alignment Shares', the Group recognised a contract asset amounting to $46.24 million, as at 31 December 2019. Further, the Group recognised its investment in VG8 shares as a financial asset measured at fair value through profit or loss amounting to $29.02 million, as at 31 December 2019.	Our procedures included, but were not limited to: ▪ obtaining an understanding of the key controls associated with the transaction; ▪ obtaining the relevant offering documents and conducting inquiries with management to develop an understanding of the VG8 listing process; ▪ obtaining management's position paper outlining the accounting treatment of VG8's IPO costs, its investment in VG8 shares and issue of free 'Alignment Shares'; ▪ evaluating the reasonableness of management's assessment and accounting treatment of VG8's IPO costs, investment in VG8 and issue of free 'Alignment Shares', together with our internal accounting specialists; ▪ evaluating if the recognition criteria prescribed by the relevant accounting standard was met by the contract asset; ▪ assessing the appropriateness of Investment management agreement term (10 years) over which this contract asset will be accounted for as a reduction in the revenue earned from VG8; ▪ agreeing the fair value of the VG8 investment to an independent pricing source; and ▪ agreeing the quantity of VG8 shares held by the Group to an independent share registrar. We also assessed the appropriateness of the disclosures in Note 14 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of a 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 a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 23 of the Directors' Report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of the VGI Partners Limited, for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stuart Alexander
Partner
Chartered Accountants
Sydney, 27 February 2020

Shareholder Information

The Shareholder information set out below was applicable as at 31 January 2020.

The following is additional information required by the ASX Listing Rules and not disclosed elsewhere in this report.

a) Substantial Shareholders

The following Shareholders are registered by the Company as substantial Shareholders, having declared a relevant interest, in accordance with the *Corporations Act*, in the shares below.

	Ordinary shares	
Name	**Number held**	**% of total shares issued**
Robert M P Luciano	41,028,115	58.85
Douglas H Tynan	10,716,086	15.37

b) Voting rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each Shareholder present at a meeting or by proxy has one vote on a show of hands.

c) Stock exchange listing

Quotation has been granted for all ordinary shares of the Company on all member exchanges of ASX Limited.

d) Unquoted securities – Share Options

Size of holding	Number of holders	Number of Options
1–1,000	–	–
1,001–5,000	1	4,056
5,001–10,000	1	8,115
10,001–100,000	11	608,752
100,001 and over	9	4,057,129

e) Distribution of equity securities

The following table lists equity security holders by size of holding.

	Ordinary shares		
Holding	**Number of Shareholders**	**Number of shares**	**Percentage of issued shares %**
1–1,000	4,641	1,539,535	2.21
1,001–5,000	1,617	3,467,928	4.97
5,001–10,000	206	1,461,528	2.10
10,001–100,000	135	3,074,357	4.41
100,001 and over	15	60,176,374	86.31
Total	**6,614**	**69,719,722**	**100.00**

f) Equity security holders

The following are the 20 largest quoted equity security holders as at 31 January 2020.

Name	Number of ordinary shares held	Percentage of issued shares %
RMPL Investments Pty Limited	40,905,913	58.672
D&C Tynan Investments Pty Limited	10,686,691	15.328
HSBC Custody Nominees (Australia) Limited	3,194,169	4.581
R J Poiner Investments Pty Limited	1,838,742	2.637
National Nominees Limited	1,103,724	1.583
Citicorp Nominees Pty Limited	646,263	0.927
UBS Nominees Pty Limited	309,628	0.444
BNP Paribas Nominees Pty Limited	251,931	0.361
Cs Third Nominees Pty Limited	249,177	0.357
Pineross Pty Limited	229,473	0.329
Tandom Pty Limited	208,103	0.298
Pine Ridge Holdings Pty Limited	160,000	0.229
Valamoon Pty Limited	138,795	0.199
Netwealth Investments Limited	127,129	0.182
Cs Fourth Nominees Pty Limited	126,636	0.182
Tappenden Holdings Limited	97,364	0.140
Miss Edwina Judith Tynan	94,000	0.135
MJC Pty Limited	82,581	0.118
Luciano Family Group Investments Pty Limited	80,276	0.115
Ifan Pty Limited	80,000	0.115
Total top 20 holdings	**60,610,595**	**86.932**

g) Securities subject to voluntary escrow

Shareholders who owned VGI Partners Limited prior to its IPO in June 2019 (each of whom are members of the Company's senior management team) hold a beneficial interest in an aggregate 53.6 million shares. These currently represent approximately 77% of the Company's issued shares, and a portion of these have been escrowed.

Each of the escrowed Shareholders has:

- as to two-thirds of their Shareholding on Completion of the Offer, entered into a voluntary escrow deed that prohibits their disposal, subject to the limited exceptions described below, for five years; and
- as to one-third of their Shareholding on Completion of the Offer, confirmed to the Company that they do not intend to dispose of the shares for five years, except where proceeds of the sale of shares are to be used to participate in capital raisings for new funds or products the Company may choose to establish in the future, or for other initiatives that may assist the Company's growth or otherwise benefit it.

Please see Section 6.6 of the VGI Partners Limited IPO Prospectus for more information.

Corporate Directory

Board of Directors

Robert M P Luciano – Executive Chairman and Managing Director
Douglas H Tynan – Executive Director
David F Jones – Executive Director
Jaye L Gardner – Independent Non-Executive Director
Benjamin A Pronk – Independent Non-Executive Director
Darren J Steinberg – Independent Non-Executive Director

Company Secretary

Ian J Cameron

Investor Relations Manager

Ingrid L Groer

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Auditor

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Lawyers

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