Pengana Capital Group Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Pengana Capital Group Limited
ABN:	43 059 300 426
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	56.9%	to	73,022
Profit from ordinary activities after tax attributable to the owners of Pengana Capital Group Limited	up	42.5%	to	8,718
Profit for the year attributable to the owners of Pengana Capital Group Limited	up	42.5%	to	8,718

Dividends

	Amount per security Cents	Franked amount per security Cents
On 26 February 2021, an interim dividend was declared for the year ended 30 June 2021 and paid on 19 March 2021 to shareholders registered on 5 March 2021	5.0	5.0
On 31 August 2021, a final dividend was declared for the year ended 30 June 2021 to be paid on 20 September 2021 to shareholders registered on 6 September 2021.	8.0	8.0

Comments
Please refer to the Chief Executive Officer's Report within the accompanying Annual Report for further information on the current year results and future outlook.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	35.03	27.24

The net tangible assets per ordinary security for the reporting period is calculated based on 83,818,045 (2020: 83,507,479) ordinary shares on issue. This number includes 4,909,228 (2020: 4,909,228) preference shares but does not include 24,275,856 (2020: 24,428,066) treasury shares. Net tangible assets exclude intangible assets, right-of-use assets, deferred tax liabilities and lease liabilities.

The net tangible assets per ordinary security are negatively impacted by the accounting treatment of the company's loan share plan whereby shares issued under the plan (treasury shares) are not recognised in equity and the associated loans are not recorded as an asset until the associated loans are repaid. Repayment is due on or before June 2028. The underlying net tangible assets per ordinary security recognising the treasury shares in equity and associated loans as assets is 54.69 cents (2020: 50.83 cents).

4. Dividend reinvestment plans

The company has a dividend reinvestment plan ('DRP'). The DRP will not be operative for the dividend declared on 31 August 2021.

5. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
Name of associate / joint venture	**Reporting period %**	**Previous period %**	**Reporting period $'000**	**Previous period $'000**
Lizard International Master Fund LP	2.72%	2.15%	1,870	-
High Conviction Property Securities Fund	3.00%	9.67%	66	-
Harding Loevner International Fund	-	0.96%	59	98
Global Credit Investments Pty Ltd	-	-	-	259
Other entities	-	-	(10)	(5)
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			1,985	352

6. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unmodified opinion has been issued.

7. Attachments

Details of attachments (if any):

The Annual Report of Pengana Capital Group Limited for the year ended 30 June 2021 is attached.

8. Signed

As authorised by the Board of Directors

Signed ______________________ Date: 31 August 2021

Warwick Negus
Chairman
Sydney

ANNUAL
REPORT

PENGANA CAPITAL

PENGANA CAPITAL GROUP LIMITED

ANNUAL REPORT

30 June
2021

PENGANA CAPITAL GROUP LIMITED
ABN 43 059 300 426
HEAD OFFICE

Levels 1, 2 & 3, 60 Martin Place
Sydney NSW 2000
Australia

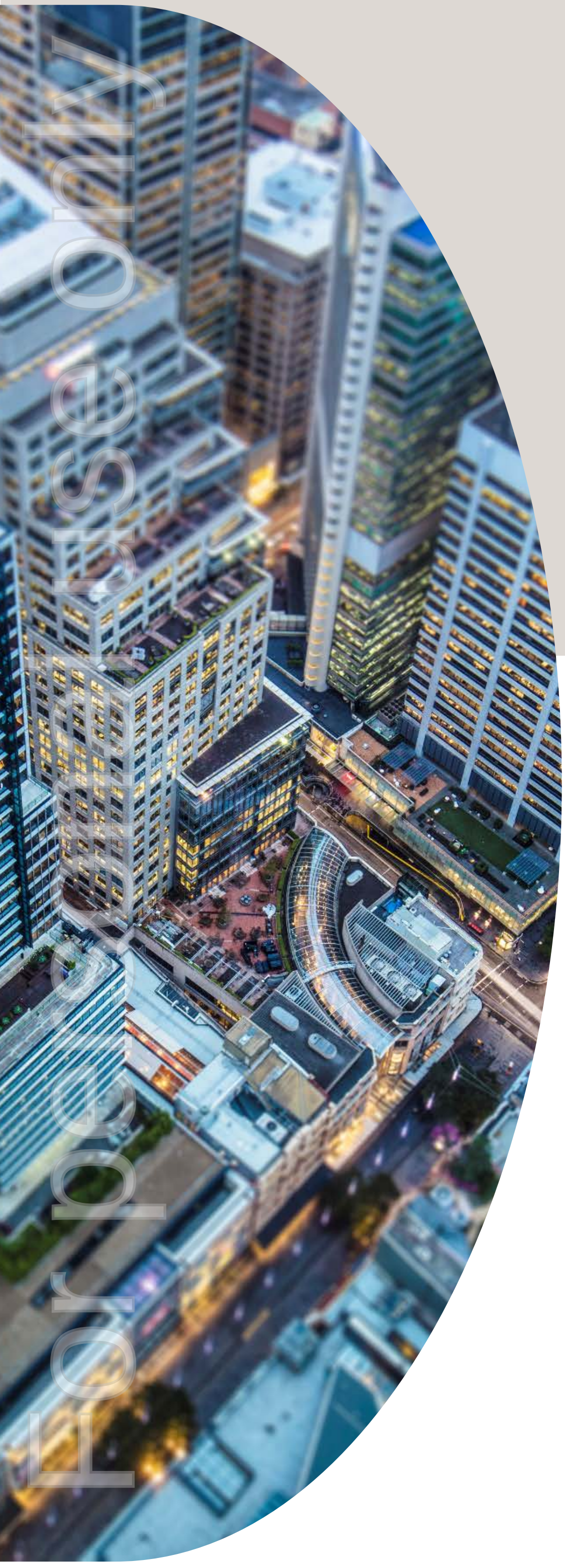
Ph.: +61 2 8524 9900
Fax: +61 2 8524 9901

PENGANA.COM

PENGANA.COM

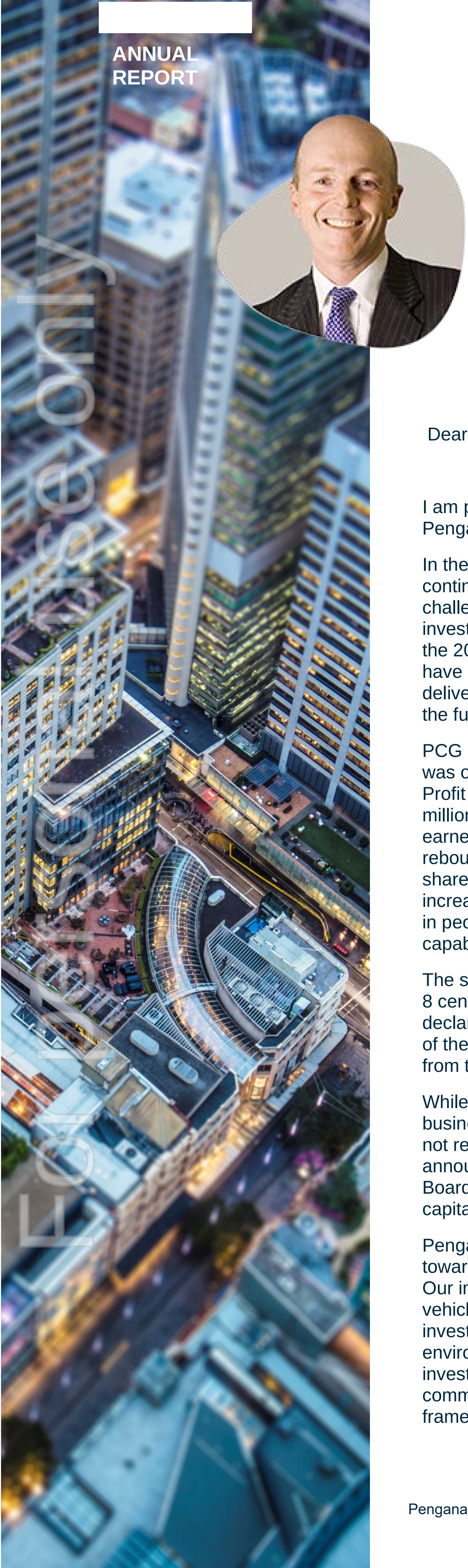
TABLE OF CONTENTS

ANNUAL
REPORT



CORPORATE **DIRECTORY**

Directors	Warwick Negus, Non-Executive Chairman Russel Pillemer, Managing Director and Chief Executive Officer Jeremy Dunkel, Non-Executive Director Kevin Eley, Non-Executive Director David Groves, Non-Executive Director
Company secretary	Paula Ferrao
Registered office	Levels 1,2 & 3, 60 Martin Place Sydney NSW 2000 Tel: +61 2 8524 9900
Share register	Computershare Investor Services Pty Limited Level 4, 60 Carrington Street Sydney NSW 2000 Tel: 1300 787 272
Auditor	Grant Thornton Audit Pty Ltd Level 17, 383 Kent Street Sydney NSW 2000
Stock exchange listing	Pengana Capital Group Limited shares are listed on the Australian Securities Exchange (ASX: PCG)
Website	www.pengana.com
Corporate Governance Statement	The directors and management are committed to conducting the business of Pengana Capital Group Limited in an ethical manner and in accordance with the highest standards of corporate governance. Pengana Capital Group Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and Corporate Governance Compliance Manual can be found on the company's website at www.pengana.com.



LETTER FROM THE CHAIRMAN

Dear fellow shareholders,

I am pleased to present the 30 June 2021 Annual Report for Pengana Capital Group Limited (ASX: PCG, "Pengana").

In the 2021 financial year, economies, markets and our business continued to be affected by the global pandemic. It continues to challenge not just the fortunes of companies but everywhere an investor chooses to look. I believe that Pengana's strong results for the 2021 financial year confirm that our strategy, people, and culture have managed this challenge inspiringly and we are well placed to deliver long-term profitability and growth for our shareholders into the future.

PCG generated growth in Funds Under Management of 27%. This was one of the main factors behind the $19.2 million of Operating Profit before Income Tax, Depreciation, and Amortisation and $21.9 million of Comprehensive Income before Tax. Performance fees earned from the investment performance of our underlying funds rebounded strongly in the financial year. We increased earnings per share ("EPS") on comprehensive income after tax by 77% and increased total dividends to shareholders whilst continuing to invest in people and technology to expand our distribution and marketing capabilities and accelerate future growth.

The strong financial results enabled your Board to today declare an 8 cents per share final dividend. Together with the 5 cents per share declared for the interim, this brings the total dividends declared out of the 2021 financial year to 13 cents per share, a 63% increase from the prior financial year.

While we believe that the best use of capital is to expand our business, we recognise that the Company's current share price does not reflect the underlying value of the Company and today the Board announced the reinstatement of a buy-back facility that gives the Board the flexibility to buy back up to 10% of the Company's issued capital over a period of 12 months.

Pengana is a beneficiary of the continued shift of investable capital towards companies with sustainable practices and business models. Our impact fund attracted outsized inflows, and investors in our vehicles applying ethical screens were rewarded with strong investment performance. We undertook a review of the integration of environmental, social, and governance ('ESG') considerations in the investment process of all our vehicles and established an ESG committee tasked with the assessment of responsible investment frameworks and monitoring of portfolio ESG risks.

The foundation of our success is our people. In navigating long-term working from home arrangements and rolling waves of restrictions, we have taken steps to support the physical and mental wellbeing of our employees. We have relied on ever-improving digital platforms to forge human connections and maintain esprit de corps. We have also reviewed our human resource policies and processes to ensure they are in line with our values and the expectations of our employees, and fit-for-purpose today and for what I expect may be a very different post-Covid working environment.

We were also fortunate in being able to share Pengana's profitability with our staff, as all employees are also shareholders through our policy of issuing equity as long-term incentives. At the upcoming AGM, we will also once again be seeking your approval to grant non-executive directors ('NEDs") new PCG shares in place of their Directors' fees. The NED Equity Plan operates on a fee sacrifice basis, it does not involve additional cost to Pengana and enhances the alignment between the NEDs and our shareholders. The board has elected to continue receiving all of its remuneration in the form of shares.

We acknowledge that we do not exist in isolation from the community we work and live in, and to date $864,000 has been donated to community charitable organisations from management fees Pengana has rebated back to a charitable investment fund for which we are the investment manager and the trustee on a pro-bono basis. In addition, for the first time, this year we developed a university graduate program where four students successfully interned with our Australian Equities investment team.

As mentioned, we have established a corporate sustainability committee comprised of senior executives from different functional areas of Pengana. The committee is tasked with entrenching the concept of a "shared value", ensuring that our culture and our values are a lived experience for our employees, and creating value for society while also creating shareholder value, in every facet of Pengana's operations.

As a board we continue to encourage further growth of Pengana Capital through both the organic growth of our existing strategies and diversification into new strategies and teams to deliver quality investment outcomes for our clients. To support this growth the Company plans to continue to invest in people and systems to ensure that this year's strong performance can be continued.

Once again, our Annual General Meeting to be held on 27 October 2021 at 9:30 am Sydney time will be conducted virtually. I look forward to updating you then and, as always, I thank you for your continued support.

WNegus

Warwick Negus
Chairman
Pengana Capital Group Limited
31 August 2021

LETTER FROM THE CEO

In the intensely challenging environment that presented itself over the 2021 financial year, Pengana delivered solid profitability and strategic progress. Our investors entrust us with their wealth, and I am pleased Pengana was able to deliver superior investment outcomes for them and, by extension, create value for our shareholders. The strong results in the past financial year were the outcome of strategic initiatives undertaken in the business over the last three years, and are a testament to the strength of our people and of our business.

KEY HIGHLIGHTS OF 2021

Financial highlights

- FUM up 27% to $4.0bn
- Operating EBITDA up 95% to $19.2m
- EPS on Comprehensive Income after tax up 77% to 14.18 cents
- Underlying NTA per share up 7.6% to 54.69 cents
- Final dividend per share up 100% to 8 cents per share
- Total dividend per share for 12 months up 63% to 13 cents per share

Operational highlights

- Strong absolute and relative investment performance across most of our funds
- Continued progress in improving ratings and platform access
- Expansion of distribution team
- Further development of leading-edge digital marketing capabilities
- Appointment of two world-class managers to manage our 4 international equity vehicles leading to significantly increased FUM capacity and re-establishment of ratings
- All major strategies with performance fees are now at or close to performance fee high watermarks

FUNDS UNDER MANAGEMENT (FUM)

The financial year saw a 27% increase in FUM, to $4 billion at 30 June 2021. Over the period, we generated net inflows of $167 million and investment performance of $923 million after providing our investors with $245 million of distributions.

Pengana's range of funds were well placed to not only participate in the recovery experienced by the general market, but also benefitted from the expertise of our fund management teams in highly volatile and uncertain times. A significant part of the growth in Pengana's FUM was in vehicles attracting higher margins and with the ability to derive performance fees.

Since 30 June, our FUM has continued to grow, despite paying $82.6 million in distributions in July 2021. This is as a result of not only strong performance but also a continued increase in net inflows.

FINANCIAL RESULTS

Pengana generated comprehensive income before tax of $21.9 million which represents 14.2 cents per share after normalised tax.

Pengana Capital Group **Operating EBITDA, underlying profit and comprehensive income**	**2021** **$'000**	**2020** **$'000**
Management fee revenue	41,186	38,091
Performance fee revenue	27,454	6,080
Net fund direct expenses	(3,215)	(3,062)
Operating expenses	(21,762)	(18,174)
Team profit share	(24,368)	(13,210)
Non-controlling interests	(53)	168
Operating EBITDA	**19,243**	**9,893**
Interest and investment income distributions	607	799
Interest on loan funded share plan	1,471	2,034
Financing costs	(153)	(245)
Underlying profit before tax	**21,168**	**12,481**
Adjustments for non-recurring items	716	(549)
Comprehensive income before tax	**21,884**	**11,932**
Basic EPS on comprehensive income after tax	*14.18 cps*	*8.02 cps*

Higher average FUM over the financial year saw gross management fee revenue increased by 8.2% to $41.2 million, up on the $38.1 million posted in the prior comparable period (the year ended 30 June 2020). The full magnitude of the percentage increase in FUM for the year did not translate into a corresponding increase in management fees due to significant FUM growth being generated only in the last quarter of the financial year. This full impact should be experienced in the upcoming year.

We earned $27.5 million in gross performance fees, significantly more than the $6.1 million derived in the prior financial year. Pleasingly, all funds are now at or close to their respective high-water marks and we anticipate that the fee structure diversification across vehicles will generally lead to both larger and smoother performance fees in the years ahead.

Operating expenses increased from $18.2 million to $21.8 million primarily due to larger than usual bonuses paid in what was a highly profitable year. We invested in additional sales and distribution resources as well as strengthening our technology capabilities, including digital marketing infrastructure and resources.

Operating EBITDA at $19.2 million was 94.5% higher than the prior financial year with strong investment performance delivering considerable performance fees and increased FUM. When taking into account investment income, interest on the staff loan funded share plan, financing costs and other non-recurring items, Comprehensive Income at $21.9 million was 83.4% higher than the prior financial year, delivering after tax earnings of 14.18 cents per share compared to the 8.02 cents per share delivered in the prior financial year.

The results delivered this financial year were underpinned by strong investment performance, the deliberate diversification of FUM, higher margin products and investment in sales and marketing undertaken over the last three years.

BALANCE SHEET

Our Underlying Net Tangible Assets increased by 7.6% in the year to 30 June 2021 and at $59.1 million represented 55 cents per share. During the year we paid $7.5 million or 9 cents per share in dividends, reduced our borrowings by 33% and at 30 June 2021 had $31 million in cash and investments, net of associated current liabilities.

Our Board today declared a 8 cents per share dividend, fully franked at 30% tax rate. This brings the total dividends declared for the 2021 financial year to 13 cents per share, a 63% increase on the prior financial year.

As indicated in the initial product disclosure statement for Pengana Private Equity Trust (ASX: PE1), this morning the Board of Pengana Investment Management Limited, PE1's Responsible Entity, announced an in-specie distribution of 4.9 million PCG shares to current PE1 unitholders. Currently PE1 has over 4,500 unitholders and it is our expectation that a large portion of them will become long term investors in PCG, significantly expanding our shareholder base.

Although Pengana does not have intensive capital requirements, the management of our balance sheet is critically important to our business and the returns we deliver to shareholders in the long term, as it allows us to take advantage of strategic opportunities as they arise.

KEY DRIVERS OF FUTURE PROFITABILITY

Funds Under Management

The strong absolute performance delivered in the financial year across all of Pengana's vehicles came as the result of a combination of exceptional investment teams and a diversified product offering that makes top line revenue relatively resilient to market fluctuations.

Current FUM is highly diversified across asset classes with exposures across a variety of geographies, sectors and market caps. Our product offering includes 18% of FUM in listed vehicles, which provides additional fee revenue security.

Since 30 June, investment returns as well as net inflows have continued to drive an increase in FUM. As investors look to non-index aware products, we are well positioned for continued future growth due to the quality of offerings in asset classes or segments that are experiencing high investor demand including global equities, private equity and high conviction/concentrated strategies. In particular, responsible investment is having a 'zeitgeist' moment, and Pengana has a number of products managed by highly experienced investment teams with long track records in this space; ranging from vehicles offering full integration of ESG considerations, through to ethical screening and impact investing.

Pengana's highly scalable infrastructure will support future growth whether that comes organically via the large excess capacity across our existing 11 vehicles, by partnering with specialist investment teams in order to expand our product offering into new asset classes or by undertaking synergistic acquisitions.

We are largely agnostic between incubating investment teams internally or partnering with established firms. Instead, we have an investor-centric approach to product development and a proven track record of delivering products that meet the changing investment needs of our clients and that are managed by specialised world class teams.

Finally, the $59.1 million in Underlying NTA provides a ballast, giving us the optionality to launch new vehicles, seed new funds, consider strategic acquisitions or deploy accretive capital management initiatives, such as the buyback we announced today, as the opportunity or need arises.

Management Fees

The diversified nature of Pengana's $4 billion of FUM generates earnings before income, tax, depreciation and amortisation of circa $9 million per year, based upon Pengana retaining approximately 56% of the 1.11% earned in average gross management fees.

While we expect to maintain the current gross management fee rate as the business expands, it is anticipated that future arrangements will deliver a higher portion of gross management fees to the bottom line.

Performance Fees

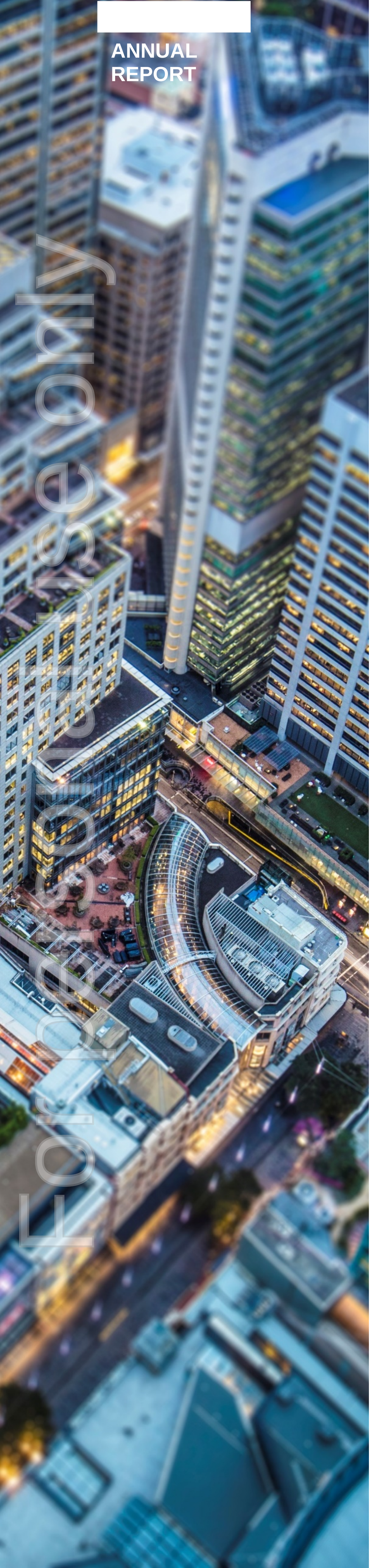
The 77% of Pengana's current FUM that derives performance fees is spread across largely uncorrelated strategies, providing a degree of stability to overall performance fee income. The fee structures vary, with fees measured against both absolute and market relative hurdles, with the latter split between vehicles with growth-biases and style-agnostic mandates. This increases the likelihood of Pengana earning performance fees in varying market conditions.

PE1 delivered strong investment performance in its second full year since listing and is now over two-thirds invested. Importantly, the Trust, which has an absolute performance fee hurdle, is now materially above its performance fee high-watermark and going forward, is expected to be a key contributor to performance fee revenues.

Existing Infrastructure

Pengana has a diversified, high-end retail client base including financial advisory groups, self-managed super funds and high net worth investors.

Distribution and operational infrastructure capabilities are key in our ability to attract new and service existing investors. As I mentioned above, this year we further invested in distribution and sales resources that service our wide base of financial planners and high net worth clients. In the year we saw continued improvements in



the ratings assigned by research houses to our vehicles, giving us wide ranging distribution access, including in key investment platforms and with independent financial advisory groups.

Significant investment in developing leading edge digital marketing capabilities gave us the ability to continue to support our advised network in a COVID environment and substantially increased our ability to engage and interact with our vast retail client base. Pengana's digital marketing platform allows our team to customise campaigns designed to attract, inform and engage time-poor and geographically scattered investors. This capability has been particularly effective for our listed vehicles, both of which saw their share prices more closely reflect the underlying net tangible assets throughout the financial year, a crucial success metric for investors in listed investment vehicles.

A highly experienced and energised distribution team supported by state-of-the-art digital sales and marketing infrastructure is instrumental in positioning Pengana for future growth, not just through inflows but also through investor loyalty and brand recognition.

Supporting this growth is an efficient and highly scalable corporate support structure encompassing compliance, risk and operational infrastructure capable of supporting growth through existing funds, additional products or strategic acquisitions.

During the year, the agility and leverage of our infrastructure enabled us to increase PE1 FUM through a $94 million rights issue, launch the Pengana High Conviction Property Securities Fund, and to conduct extensive international searches to find and appoint Harding Loevner LP and Axiom Investors to manage our 4 international equity vehicles. These appointments not only provided exclusive retail access to two world-class global equity managers in Australia, but also vastly increased the total capacity of our international equity vehicles.

OUTLOOK

The last two financial years have been tumultuous in many ways, and we are pleased that the strategy we have previously outlined and now implemented has not only seen Pengana deliver solid investment returns for our clients and strong profitability for our shareholders, but has also reinforced the building blocks laid out for continued future growth. Two months into the new financial year, I look ahead with confidence to opportunities the year ahead brings Pengana, our shareholders and investors.

We remain grateful for your continued support as we continue to pursue opportunities to further grow and strengthen the Pengana business. As always, I look forward to meeting you, albeit virtually, at our October 2021 Annual General Meeting.

Russel Pillemer
Managing Director and Chief Executive Officer
Pengana Capital Group Limited
31 August 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of Pengana Capital Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Directors

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

Warwick Negus - Non-Executive Chairman
Russel Pillemer - Managing Director and Chief Executive Officer
Jeremy Dunkel - Non-Executive Independent Director
Kevin Eley - Non-Executive Independent Director
David Groves - Non-Executive Independent Director

Principal activities

The principal activity of the group is funds management with the objective of increasing investor wealth by developing, offering and managing investment funds in Australia and globally as opportunities arise.

Dividends

Dividends paid during the financial year were as follows:

	Consolidated 2021 $'000	Consolidated 2020 $'000
On 28 August 2020, a fully franked final dividend of 4.0 cents per ordinary share was declared for the year ended 30 June 2020 and paid on 24 September 2020 to the shareholders registered on 10 September 2020	3,341	-
On 26 February 2021, a fully franked interim dividend of 5.0 cents per ordinary share was declared for the year ended 30 June 2021 and paid on 19 March 2021 to the shareholders registered on 5 March 2021 (2020: 50% franked interim dividend of 4.0 cents per ordinary share)	4,190	3,346
	7,531	3,346

On 31 August 2021, the directors declared a final dividend for the year ended 30 June 2021 of 8 cents per ordinary share. The dividends are fully franked to be paid on 20 September 2021 to eligible shareholders on the register on 6 September 2021.

Review of operations

The profit for the group after providing for income tax and non-controlling interest amounted to $8,718,000 (30 June 2020: $6,118,000).

Please refer to the Chief Executive Officer's Report for further information on the results and future outlook.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the group during the financial year.

Matters subsequent to the end of the financial year

On 1 July 2021, PT Private Capital Pty Ltd (a subsidiary of the group) was sold. Refer to note 12 'Assets classified as held for sale' for further details.

Pengana Capital Group Limited
Directors' report
30 June 2021

On 31 August 2021, the company announced its intention to undertake an on-market buyback of up to 10% ordinary shares. The company reserves the right to vary, suspend or terminate the buy-back at any time.

The impact of the Coronavirus (COVID-19) pandemic on the group to date has been minimal. Whilst it is not possible at this time to state that the pandemic will not subsequently impact the group's operations going forward, management continues to monitor the situation both locally and internationally.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Likely developments and expected results of operations

Refer to the Chief Executive Officer's Report for information on likely developments and further outlook.

Environmental regulation

The group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Warwick Negus
Title:	Non-Executive Chairman
Experience and expertise:	Warwick has more than 30 years' experience in the finance industry across Asia, Europe and Australia. His previous executive roles include the Chief Executive Officer ('CEO') of Colonial First State Global Asset Management, co-founder and CEO of 452 Capital, and a Managing Director of Goldman Sachs in Australia, London and Singapore. He was also a Vice President of Bankers Trust Australia.
Other current directorships:	Bank of Queensland Limited (ASX: BOQ); Washington H Soul Pattinson and Co Limited (ASX: SOL) and Dexus (ASX: DXS).
Former directorships (last 3 years):	URB Investments Limited (ASX: URB); Virgin Australia Holdings Limited (ASX: VAH) - delisted on 17 November 2020.
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	3,585,184 ordinary shares

Name:	Russel Pillemer
Title:	Managing Director and Chief Executive Officer
Experience and expertise:	Russel co-founded Pengana in 2003 and has been its Chief Executive Officer since its inception. Prior to founding Pengana, Russel worked in the Investment Banking Division of Goldman Sachs in New York where he specialised in providing advice to funds management businesses. Before moving to New York, he was responsible for leading Goldman Sachs' Australian Financial Institutions Group. He was previously Chairman of Centric Wealth Group and a Principal of Turnbull Pillemer Capital. Russel is a member of Chartered Accountants Australia and New Zealand and has a Bachelor of Commerce (Hons) from the University of New South Wales.
Other current directorships:	Pengana International Equities Limited (ASX: PIA)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	10,350,081 ordinary shares and 15,872,528 ordinary shares (treasury shares held under the loan share plan)

Name:	Jeremy Dunkel
Title:	Non-Executive Independent Director
Experience and expertise:	Jeremy is a director of Taurus Capital, a family office investment consultancy specialising in philanthropy. His accounting and finance experience includes working for Chemical Bank, Chase Manhattan and Price Waterhouse. He is a director of Education Heritage Foundation and the Moriah College Foundation, as well as being the Chair of Y2i.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Nomination and Remuneration Committee and member of the Audit and Risk Committee
Interests in shares:	1,896,483 ordinary shares

Name:	Kevin Eley
Title:	Non-Executive Independent Director
Experience and expertise:	Kevin has over 30 years' experience in management in a broad range of industries including manufacturing, mining, retail, finance and funds management. He has worked for a major international accounting firm, two investment banks and was CEO of HGL Limited.
Other current directorships:	Milton Corporation Limited (ASX: MLT); EQT Holdings Ltd (ASX: EQT) and HGL Limited (ASX: HNG)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee
Interests in shares:	382,962 ordinary shares

Name:	David Groves
Title:	Non-Executive Independent Director
Experience and expertise:	David has over 25 years' experience as a company director. He is Chairman of Tasman Sea Salt Pty Ltd and is a non-executive director of Pengana International Equities Limited, Redcape Hotel Group Management Ltd as responsible entity of the Redcape Hotel Group and of Pipers Brook Vineyard Pty Ltd. He is a former director of EQT Holdings Ltd, Tassal Group Ltd and GrainCorp Ltd and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia. David is a member of the Council of Wollongong University. He is a member of Chartered Accountants Australia and New Zealand and a fellow of the Australian Institute of Company Directors.
Other current directorships:	Pengana International Equities Limited (ASX: PIA) and Redcape Hotel Group (ASX: RDC)
Former directorships (last 3 years):	Pyrolyx AG (ASX: PLX) - resigned on 7 June 2019
Special responsibilities:	Chairman of the Audit and Risk Committee and member of the Nomination and Remuneration Committee
Interests in shares:	721,946 ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
Ms Paula Ferrao has held the role of Company Secretary since 4 January 2017. Paula is an executive of the group and was previously interim CEO of Hunter Hall International Limited, having previously held the position of Chief Financial Officer since 2010. Paula has over 20 years' experience in the funds management industry with strong expertise in financial reporting and tax for corporate entities, listed investment companies, managed investment schemes and public offer superannuation funds and in all aspects of funds operations.

Pengana Capital Group Limited
Directors' report
30 June 2021

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Warwick Negus	17	17	-	-	3	4
Russel Pillemer	17	17	-	-	-	-
Jeremy Dunkel	17	17	2	2	4	4
Kevin Eley	17	17	2	2	-	-
David Groves	16	17	2	2	4	4

Held: represents the number of meetings held during the time the director held office and was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel ('KMP') remuneration arrangements for the group in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

Principles used to determine the nature and amount of remuneration

The objective of the group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Nomination and Remuneration Committee ('NRC') is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Non-executive directors each have a letter of appointment with the company. Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the NRC. The NRC may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

On 6 April 2020, the company announced the implementation of a Non-Executive director equity plan ('NED Plan') that operates on a fee sacrifice basis. Under the plan Non-Executive directors are annually given the opportunity to sacrifice up to 100% of fees (excluding compulsory superannuation contribution) in return for a grant of Restricted Rights to acquire shares in the company at an equivalent market value. Restricted Rights are exercisable following the elapsing of 60 days after the grant date. Shares acquired as a result of the exercise of Restricted Rights are subject to a disposal restriction such that they may not be disposed of until the earlier of the elapse of 15 years from the grant date or the participant ceases to hold the office of a Non-Executive director. Effective 1 July 2020 annual shareholder approval is sought to grant these rights.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 28 November 2017, where the shareholders approved a maximum annual aggregate remuneration of $750,000.

Executive remuneration
The group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has the following components:
- fixed remuneration, including superannuation and long service leave;
- share-based payments; and
- discretionary cash bonus.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, will be reviewed annually by the NRC based on individual and business unit performance, the overall performance of the group and comparable market remuneration.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the group and provides additional value to the executive.

Short Term Incentives ('STI') are payable to KMP and other executives at the discretion of the Board and are not directly linked to the group profitability, however, the profitability of the group is taken into consideration when determining bonuses. During the year ended 30 June 2021, discretionary cash bonuses were determined by reference to both the individual KPI's and the performance of the group. No STI was paid to KMP and other executives for the year ended 30 June 2020.

Long term incentives ('LTI')
The long-term incentives ('LTI') include long service leave and share-based payments.

The group operates a Loan Share Plan ('LSP') which is outlined below in the section 'Share-based compensation'.

A condition of the Hunter Hall merger in the year ended 30 June 2017 was a voluntary escrow of equity owned by KMP and other executives. The escrow periods range from one to six years.

Use of remuneration consultants
During the financial year ended 30 June 2021, the group did not engage any remuneration consultants.

Voting and comments made at the company's 2020 Annual General Meeting ('AGM')
At the 2020 AGM, shareholders voted to approve the adoption of the remuneration report for the year ended 30 June 2020. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of KMP of the group are set out in this section.

The KMP of the group consisted of the directors of Pengana Capital Group Limited and the following persons:
- Katrina Glendinning - Chief Financial Officer
- Adam Myers - Executive Director, Strategy and Distribution (KMP with effect from 1 July 2020)

Pengana Capital Group Limited
Directors' report
30 June 2021

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2021	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Warwick Negus	9,110	-	127,854	3,036	-	-	140,000
Jeremy Dunkel	-	-	82,192	7,808	-	-	90,000
Kevin Eley	-	-	73,060	6,940	-	-	80,000
David Groves	-	-	91,325	8,676	-	-	100,001
Executive Directors:							
Russel Pillemer	580,603	-	23,927	21,694	10,069	-	636,293
Other KMP:							
Katrina Glendinning	360,851	125,000	-	21,694	6,013	33,672	547,230
Adam Myers	357,560	240,000	-	24,986	6,013	117,850	746,409
	1,308,124	365,000	398,358	94,834	22,095	151,522	2,339,933

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2020	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Warwick Negus	85,236	-	42,618	12,146	-	-	140,000
Jeremy Dunkel	54,795	-	27,397	7,808	-	-	90,000
Kevin Eley	48,706	-	24,353	6,941	-	-	80,000
David Groves	60,883	-	30,442	8,676	-	-	100,001
Executive Directors:							
Russel Pillemer	564,354	-	40,176	21,003	12,141	-	637,674
Other KMP:							
Katrina Glendinning	360,851	-	-	21,002	6,792	28,246	416,891
	1,174,825	-	164,986	77,576	18,933	28,246	1,464,566

The share-based payments relate to the LSP.

Non-executive directors' remuneration is 100% fixed. The fixed proportion and the proportion of remuneration linked to the performance of Executive Directors and KMP are as follows:

	Fixed remuneration		STI		LTI	
Name	2021	2020	2021	2020	2021	2020
Executive Directors:						
Russel Pillemer	100%	100%	-	-	-	-
Other KMP:						
Katrina Glendinning	71%	93%	23%	-	6%	7%
Adam Myers	52%	-	32%	-	16%	-

Service agreements
Remuneration and other terms of employment for group executives are formalised in employment agreements. Details of the employment agreements with KMP are as follows:

Name:	Russel Pillemer
Title:	Managing Director and Chief Executive Officer
Term of agreement:	Ongoing - no fixed minimum term
Details:	A total fixed salary of $643,133 per annum, which includes statutory superannuation contributions and any salary sacrifice arrangements. Russel participates in the loan share plan. Either party may terminate the employment agreement by providing six months' notice.

Name:	Katrina Glendinning
Title:	Chief Financial Officer
Term of agreement:	Ongoing - no fixed minimum term
Details:	A total fixed salary of $390,196 per annum, which includes statutory superannuation contributions and any salary sacrifice arrangements. Katrina participates in the loan share plan. Either party may terminate the employment agreement by providing six months' notice.

Name:	Adam Myers
Title:	Executive Director, Strategy and Distribution
Term of agreement:	Ongoing - no fixed minimum term
Details:	A total fixed salary of $390,196 per annum, which includes statutory superannuation contributions and any salary sacrifice arrangements. Adam participates in the loan share plan. Either party may terminate the employment agreement by providing one months' notice.

In addition to the fixed salary, KMP are entitled to any discretionary bonus approved by NRC. KMP have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares under the Loan Share Plan ('LSP')
The group operates a LSP whereby limited recourse loans are provided to employees and fund managers to acquire shares in the company. As the share acquisitions are funded by limited recourse loans, and whilst those loans remain outstanding, neither the shares or the associated loans can be recognised in the statement of financial position. For accounting purposes the arrangement is treated similar to a grant of options and accounted for as equity-settled share-based payments. The shares issued under the LSP (referred to as 'treasury shares') are fair valued on the date they are granted and amortised as an expense in profit or loss over the vesting period. As at 30 June 2021 loans outstanding under the LSP and not recorded as a receivable on the statement of financial position totalled $29,635,580 (2020: $31,948,963). Refer to note 35 of the financial statements for further details.

Treasury shares have a service vesting period of 3 to 5 years, except those granted to Russel Pillemer all of which vested on the date they were granted.

Outstanding loan payable under LSP by each KMP is provided below:
- Russel Pillemer $18,562,929 (2020: $19,060,240)
- Katrina Glendinning $654,890 (2020: $553,295)
- Adam Myers $2,088,366 (2020: Not Applicable).

Pengana Capital Group Limited
Directors' report
30 June 2021

The terms and conditions of each grant of shares under the LSP affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Grant date	Expiry date	Name	Number of loan shares	Exercise price	Fair value per loan shares at grant date
03/03/2017	01/03/2024	Katrina Glendinning	422,899	$1.49	$0.271
30/06/2021	28/06/2028	Katrina Glendinning	76,103	$1.31	$0.382
03/03/2017	01/03/2024	Adam Myers	1,175,654	$1.49	$0.271
20/12/2019	18/12/2026	Adam Myers	250,000	$1.50	$0.372
30/06/2021	28/06/2028	Adam Myers	127,995	$1.31	$0.382

There were no other options over ordinary shares granted to or vested in directors and other KMP as part of compensation during the year ended 30 June 2021 and 30 June 2020.

Additional disclosures relating to KMP

Shareholding
The number of shares in the company, excluding shares under the LSP, held during the financial year by each director and other members of KMP of the group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Additions via NED plan	Disposals/ other	Balance at the end of the year
Ordinary shares						
Warwick Negus	3,440,000	-	-	145,184	-	3,585,184
Jeremy Dunkel	1,803,150	-	-	93,333	-	1,896,483
Kevin Eley	250,000	-	50,000	82,962	-	382,962
David Groves	531,669	-	86,574	103,703	-	721,946
Russel Pillemer	10,350,081	-	-	-	-	10,350,081
Katrina Glendinning	2,159,530	-	-	-	-	2,159,530
Adam Myers*	-	-	-	-	166,250	166,250
	18,534,430	-	136,574	425,182	166,250	19,262,436

* Other represents shares held by Adam Myers on the date he became a KMP.

Shares under the loan share plan
The number of shares under the LSP in the company held during the financial year by each director and other members of KMP of the group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Shares under the loan share plan					
Russel Pillemer	15,872,528	-	-	-	15,872,528
Katrina Glendinning	422,899	76,103	-	-	499,002
Adam Myers*	-	127,995	-	1,425,654	1,553,649
	16,295,427	204,098	-	1,425,654	17,925,179

* Other represents shares under LSP on the date Adam Myers became a KMP.

This concludes the remuneration report, which has been audited.

Shares under the loan share plan and shares under options

Shares under the LSP in Pengana Capital Group Limited and reported as treasury shares at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number of loan shares
01/03/2017	28/02/2024	$1.49	5,149,796
01/03/2017	28/02/2024	$1.20	10,722,732
03/03/2017	01/03/2024	$1.49	6,669,685
20/12/2019	18/12/2026	$1.50	848,000
05/06/2020	04/06/2027	$0.86	233,645
30/06/2021	28/06/2028	$1.31	651,998
			24,275,856

The value of loans issued under the LSP total $29,454,000 (2020: $30,699,000). Due to the limited recourse nature of the loans and whilst the loans remain outstanding the value of the loans are not recognised as a receivable and issued capital is reduced by both the value of the initial loans and the number of associated treasury shares. Refer to note 20 and note 35 of the financial statements for further details.

There were no unissued ordinary shares of Pengana Capital Group Limited under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Pengana Capital Group Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where the indemnity is not permitted by law.

During the financial year the group paid premiums in respect of contracts to insure the directors and executives of the company and group. The contract of insurance prohibits disclosure of the nature of the risks insured and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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 company, 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.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of Grant Thornton Audit Pty Ltd

There are no officers of the company who are former partners of Grant Thornton Audit Pty Ltd.

Pengana Capital Group Limited
Directors' report
30 June 2021

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

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Warwick Negus
Chairman

Russel Pillemer
Chief Executive Officer

31 August 2021
Sydney

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Pengana Capital Group Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Pengana Capital Group Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Adam-Smith
Partner – Audit & Assurance

Sydney, 31 August 2021

Pengana Capital Group Limited
Statement of profit or loss
For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	2020 $'000
Revenue			
Management fees		40,330	37,473
Performance fees		27,992	6,192
Other fee revenue		1,625	1,419
Total revenue	2	69,947	45,084
Share of profits of associates accounted for using the equity method		1,985	352
Interest revenue calculated using the effective interest method		112	141
Other income and gains	3	978	966
Total revenue and income		73,022	46,543
Expenses			
Human resources expenses		(18,751)	(13,668)
Fund manager profit share expenses		(24,368)	(13,209)
Fund operating expenses		(3,734)	(3,660)
Impairment of assets	12	(1,370)	-
Occupancy expenses		(440)	(478)
Technology and communications expenses		(1,670)	(1,299)
Marketing and investment research expenses		(551)	(1,020)
Insurance expenses		(1,088)	(742)
Professional, registry and listing related expenses		(810)	(1,132)
Depreciation and amortisation expenses	4	(3,085)	(3,508)
Finance costs	4	(169)	(286)
Product development expenses		(518)	(623)
Other operating expenses		(2,895)	(577)
Total expenses		(59,449)	(40,202)
Profit before income tax expense		13,573	6,341
Income tax expense	5	(4,802)	(391)
Profit after income tax expense for the year		8,771	5,950
Profit for the year is attributable to:			
Non-controlling interest		53	(168)
Owners of Pengana Capital Group Limited		8,718	6,118
		8,771	5,950
		Cents	**Cents**
Basic earnings per share	36	10.42	7.28
Diluted earnings per share	36	9.97	7.07

The above statement of profit or loss should be read in conjunction with the accompanying notes

Pengana Capital Group Limited
Statement of other comprehensive income
For the year ended 30 June 2021

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit after income tax expense for the year	8,771	5,950
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Gain on the revaluation of equity instruments at fair value through other comprehensive income, net of tax	1,498	87
Reclassify gain or loss on disposal of equity instruments net of tax to accumulated losses	25	47
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	59	20
Other comprehensive income for the year, net of tax	1,582	154
Total comprehensive income for the year	10,353	6,104
Total comprehensive income for the year is attributable to:		
Non-controlling interest	53	(168)
Owners of Pengana Capital Group Limited	10,300	6,272
	10,353	6,104

The above statement of other comprehensive income should be read in conjunction with the accompanying notes

Pengana Capital Group Limited
Statement of financial position
As at 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	6	19,900	15,309
Trade and other receivables	7	689	532
Contract assets	8	21,526	3,839
Prepayments and security deposits	9	1,002	1,294
Income tax refund due	5	-	570
		43,117	21,544
Assets classified as held for sale	12	1,674	-
Total current assets		44,791	21,544
Non-current assets			
Trade and other receivables	7	457	863
Investments accounted using the equity method	10	7,213	6,914
Financial assets at fair value through other comprehensive income	11	10,547	9,126
Property, plant and equipment	13	186	275
Intangibles	14	60,980	66,674
Right-of-use assets	15	209	526
Prepayments and security deposits	9	121	193
Total non-current assets		79,713	84,571
Total assets		124,504	106,115
Liabilities			
Current liabilities			
Trade and other payables	16	23,477	11,251
Employee benefits	17	1,107	958
Bank loan	18	1,250	1,250
Lease liabilities	19	154	316
Income tax liability	5	4,973	-
Total current liabilities		30,961	13,775
Non-current liabilities			
Employee benefits	17	219	145
Other		-	66
Bank loan	18	1,250	2,500
Lease liabilities	19	72	227
Deferred tax	5	3,912	4,916
Total non-current liabilities		5,453	7,854
Total liabilities		36,414	21,629
Net assets		88,090	84,486

The above statement of financial position should be read in conjunction with the accompanying notes

Pengana Capital Group Limited
Statement of financial position
As at 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Equity			
Contributed equity	20	99,804	99,430
Reserves	21	34,854	32,839
Accumulated losses		(46,453)	(47,615)
Equity attributable to the owners of Pengana Capital Group Limited		88,205	84,654
Non-controlling interest		(115)	(168)
Total equity		88,090	84,486

The above statement of financial position should be read in conjunction with the accompanying notes

Pengana Capital Group Limited
Statement of changes in equity
For the year ended 30 June 2021

Consolidated	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2019	101,477	29,263	(50,340)	43	80,443
Profit/(loss) after income tax expense for the year	-	-	6,118	(168)	5,950
Other comprehensive income for the year, net of tax	-	154	-	-	154
Total comprehensive income for the year	-	154	6,118	(168)	6,104
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 20)	1,331	-	-	-	1,331
Share buy-back (note 20)	(1,900)	-	-	-	(1,900)
Reclassify gain or loss on disposal of equity instruments net of tax to accumulated losses	-	-	(47)	-	(47)
Treasury shares (note 20)	(1,478)	-	-	-	(1,478)
Share-based payments (note 35)	-	769	-	-	769
Reserves arising on business combinations	-	2,712	-	-	2,712
Derecognition of non-controlling interest	-	-	-	(43)	(43)
Dividends on treasury shares	-	(59)	-	-	(59)
Dividends paid (note 22)	-	-	(3,346)	-	(3,346)
Balance at 30 June 2020	99,430	32,839	(47,615)	(168)	84,486

Consolidated	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2020	99,430	32,839	(47,615)	(168)	84,486
Profit after income tax expense for the year	-	-	8,718	53	8,771
Other comprehensive income for the year, net of tax	-	1,582	-	-	1,582
Total comprehensive income for the year	-	1,582	8,718	53	10,353
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 20)	191	-	-	-	191
Share-based payments (note 35)	-	433	-	-	433
Reclassify gain or loss on disposal of equity instruments net of tax to accumulated losses	-	-	(25)	-	(25)
Derecognise treasury shares on loan repayment (note 20)	183	-	-	-	183
Allocate profit to profits reserve (note 21)	-	7,531	(7,531)	-	-
Dividends paid (note 22)	-	(7,531)	-	-	(7,531)
Balance at 30 June 2021	99,804	34,854	(46,453)	(115)	88,090

The above statement of changes in equity should be read in conjunction with the accompanying notes

Pengana Capital Group Limited
Statement of cash flows
For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		57,067	49,442
Payments to suppliers, customers and employees (inclusive of GST)		(45,059)	(40,285)
Dividends received		666	458
Interest received		72	141
Rental and other income		414	509
Finance costs		(153)	(286)
Income taxes paid		(2,624)	(3,264)
Net cash from operating activities	34	10,383	6,715
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired		-	1,936
Payments for property, plant and equipment		(50)	(102)
Payments for purchase of management rights		-	(700)
Proceeds from shareholder loan repayments		446	-
Payments for purchase of investments associates		-	(351)
Proceeds from disposal of investments in associates		1,186	3,438
Proceeds from disposal of other investments		740	-
Payments for security deposits		-	(37)
Proceeds from security deposits		587	-
Net cash from investing activities		2,909	4,184
Cash flows from financing activities			
Proceeds from issue of shares	20	191	-
Repayment of borrowings	34	(1,250)	(1,250)
Repayment of lease liabilities	34	(327)	(712)
Payments to non-controlling interests		-	(2,359)
Payment for purchase of treasury shares		-	(147)
Payments for share buy-backs		-	(1,900)
Dividends paid to company shareholders, net of treasury shares reinvested	22	(7,531)	(3,346)
Proceeds from loan repayment on treasury shares		184	-
Net cash used in financing activities		(8,733)	(9,714)
Net increase in cash and cash equivalents		4,559	1,185
Cash and cash equivalents at the beginning of the financial year		15,309	14,446
Effects of exchange rate changes on cash and cash equivalents		32	(322)
Cash and cash equivalents at the end of the financial year	6	19,900	15,309

The above statement of cash flows should be read in conjunction with the accompanying notes

Pengana Capital Group Limited
Notes to the financial statements
30 June 2021

Note 1. Operating segments

Identification of reportable operating segments
The main business activities of the group are the provision of funds management services. The Board of Directors and the Chief Executive Officer 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 that are used by the CODM, the group has one operating segment being development, offering of and management of investment funds. There is no aggregation of operating segments.

The operating segment information is the same information as provided throughout the financial statements and are therefore not duplicated.

The information reported to the CODM is on a regular basis.

Major customers
During the year ended 30 June 2021 approximately 60% (2020: 56%) of the group's external revenue was derived from two (2020: two) Funds.

Note 2. Disaggregation of revenue

Revenue is substantially generated in Australia and is recognised over time. Refer to the statement of profit or loss for details of revenue earned during the year.

Note 3. Other income and gains

	Consolidated 2021 $'000	Consolidated 2020 $'000
Dividends and distributions	562	458
Rental income	107	294
Other income	309	214
	978	966

Note 4. Expenses

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	40	37
Furniture and fittings	11	11
Plant and equipment	73	79
Right-of-use assets	311	830
Total depreciation	435	957
Amortisation		
Acquired relationships	2,441	2,408
Other intangible assets	209	143
Total amortisation	2,650	2,551
Total depreciation and amortisation	3,085	3,508
Finance costs		
Interest and finance charges paid/payable on borrowings	153	245
Interest and finance charges paid/payable on lease liabilities	16	41
Finance costs expensed	169	286
Net foreign exchange loss		
Net foreign exchange loss	133	36
Defined contribution superannuation expense	736	703
Share-based payments expense - included in human resources expenses		
Share-based payments expense	433	769

Pengana Capital Group Limited
Notes to the financial statements
30 June 2021

Note 5. Income tax

	Consolidated 2021 $'000	Consolidated 2020 $'000
Income tax expense		
Current tax	5,177	1,279
Deferred tax - origination and reversal of temporary differences	(375)	(888)
Aggregate income tax expense	4,802	391
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax liabilities	(375)	(888)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	13,573	6,341
Tax at the statutory tax rate of 30% (2020: 27.5%)	4,072	1,744
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income	(181)	(103)
Non-deductible expenses	586	380
Assessable income not in profit or loss	491	650
	4,968	2,671
Adjustment to deferred tax balances as a result of change in statutory tax rate	393	(422)
Prior period adjustments	(64)	(170)
Recognise tax deduction for PE1 development costs	-	(1,732)
(Recognise)/derecognise tax asset related to capital losses	(495)	44
Income tax expense	4,802	391

	Consolidated 2021 $'000	Consolidated 2020 $'000
Amounts charged/(credited) directly to equity		
Deferred tax liabilities	(629)	38
Tax losses not recognised		
Capital tax losses for which no deferred tax asset has been recognised	650	2,611
Potential tax benefit at statutory tax rates	195	718

Note 5. Income tax (continued)

	Consolidated 2021 $'000	Consolidated 2020 $'000
Deferred tax liability/(asset)		
Deferred tax liability/(asset) comprises temporary differences attributable to:		
Amounts recognised:		
Identifiable intangibles	5,228	5,538
Unrealised gains/losses	76	(92)
Provisions	(1,335)	(473)
Property, plant and equipment	(52)	(53)
Right of return assets	(5)	(4)
Deferred tax liability	3,912	4,916
Movements:		
Opening balance	4,916	5,766
Credited to profit or loss	(375)	(888)
Charged/(credited) to equity	(629)	38
Closing balance	3,912	4,916

	Consolidated 2021 $'000	Consolidated 2020 $'000
Income tax refund due		
Income tax refund due	-	570

	Consolidated 2021 $'000	Consolidated 2020 $'000
Provision for income tax		
Provision for income tax	4,973	-

Note 6. Cash and cash equivalents

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current assets		
Cash on hand and at bank	13,828	9,252
Cash on deposit	6,072	6,057
	19,900	15,309

Pengana Capital Group Limited
Notes to the financial statements
30 June 2021

Note 7. Trade and other receivables

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current assets		
Trade receivables	280	311
Other receivables	409	221
	689	532
Non-current assets		
Other loans	457	863
	1,146	1,395

Allowance for expected credit losses
The group has recognised a loss of $nil (2020: $nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2021.

The Coronavirus (COVID-19) pandemic has had no impact on the ability of the group to recover debts.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	**2021 %**	**2020 %**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Not overdue	-	-	280	311	-	-

Note 8. Contract assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current assets		
Contract assets - accrued management and performance fees	21,526	3,839

Contract assets relating to accrued management and performance fees have increased by $17,687,000 compared to the previous financial year due to higher revenues in June 2021 compared to June 2020.

Allowance for expected credit losses:
The group has recognised a loss of $nil (2020: $nil) in profit or loss in respect of the recoverability of contract assets for the year ended 30 June 2021.

Note 9. Prepayments and security deposits

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Current assets		
Prepayments	953	693
Security deposits	49	601
	1,002	1,294
Non-current assets		
Prepayments	83	120
Security deposits	38	73
	121	193
	1,123	1,487

Note 10. Investments accounted using the equity method

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Non-current assets		
Investments in associates	7,213	6,914

Refer to note 33 for further information on interests in associates.

Note 11. Financial assets at fair value through other comprehensive income

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Non-current assets		
Investments in listed equity securities	9,121	7,393
Investment in unlisted unit trust	1,426	1,733
	10,547	9,126

Refer to note 24 for further information on fair value measurement.

Pengana Capital Group Limited
Notes to the financial statements
30 June 2021

Note 12. Assets classified as held for sale

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current assets		
Intangibles	1,674	-

PT Private Capital Pty Ltd, a subsidiary of the group was sold on 1 July 2021 for deferred consideration estimated to be $1,674,000. Intangible assets of $3,044,000 attributable to PT Private Capital Pty Ltd were transferred to assets held for sale and an associated impairment of $1,370,000 was recognised.

Note 13. Property, plant and equipment

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current assets		
Leasehold improvements - at cost	197	200
Less: Accumulated depreciation	(156)	(119)
	41	81
Furniture and fittings - at cost	137	141
Less: Accumulated depreciation	(126)	(119)
	11	22
Plant and equipment - at cost	1,014	990
Less: Accumulated depreciation	(880)	(818)
	134	172
	186	275

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements $'000	Furniture and fittings $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2019	79	28	156	263
Additions	39	5	57	101
Additions through business combinations (note 31)	-	-	38	38
Depreciation expense	(37)	(11)	(79)	(127)
Balance at 30 June 2020	81	22	172	275
Additions	-	-	46	46
Disposals	-	-	(7)	(7)
Write-off of assets	-	-	(4)	(4)
Depreciation expense	(40)	(11)	(73)	(124)
Balance at 30 June 2021	41	11	134	186

Note 14. Intangibles

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current assets		
Goodwill - at cost	43,553	46,537
Acquired relationships - at cost	26,768	27,220
Less: Accumulated amortisation	(9,468)	(7,419)
	17,300	19,801
Other intangible assets - at cost	597	597
Less: Accumulated amortisation	(470)	(261)
	127	336
	60,980	66,674

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $'000	Acquired relationships $'000	Other intangible assets $'000	Total $'000
Balance at 1 July 2019	43,612	21,509	334	65,455
Additions	-	700	145	845
Additions through business combinations (note 31)	2,693	-	-	2,693
Additions arising from identifiable intangibles	232	-	-	232
Amortisation expense	-	(2,408)	(143)	(2,551)
Balance at 30 June 2020	46,537	19,801	336	66,674
Classified as held for sale (note 12)	(2,984)	(60)	-	(3,044)
Amortisation expense	-	(2,441)	(209)	(2,650)
Balance at 30 June 2021	43,553	17,300	127	60,980

The group identifies a single cash-generating unit ('CGU') and, therefore, the recoverable amount has been determined at the group level.

The recoverable amount of the group's goodwill has been determined by value-in-use ('VIU') calculations. The calculations use cash flow projections based on the business plan approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below.

The following key assumptions were used in the VIU model:
a. Pre-tax discount rate of 16.0% (2020: 16.8%);
b. Projected growth rate of 2.0% (2020: 2.0%) beyond five year period for the CGU; and
c. Increase in operating costs and overheads based on current expenditure levels adjusted for inflationary increases.

Sensitivity analysis:
Management estimates that any reasonable changes in the key assumptions would not have a significant impact on the value-in-use of goodwill that would require the assets to be impaired.

The remaining amortisation period for the acquired relationships is between 1 and 19 years.

Note 15. Right-of-use assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current assets		
Right-of-use assets	1,350	1,356
Less: Accumulated depreciation	(1,141)	(830)
	209	526

The group leases office premises and office equipment (e.g. photocopier) under agreements expiring between one to four years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated and a new lease entered into.

The group leases office equipment under agreements of less than one year. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Office premises $'000	Others $'000	Total $'000
Balance at 1 July 2019	-	-	-
Adoption of AASB 16 on 1 July 2019	1,063	72	1,135
Additions	200	21	221
Disposals	-	(69)	(69)
Depreciation expense	(751)	(10)	(761)
Balance at 30 June 2020	512	14	526
Exchange differences on consolidation	(6)	-	(6)
Depreciation expense	(305)	(6)	(311)
Balance at 30 June 2021	201	8	209

For other AASB 16 lease-related disclosures:
- Refer note 4 for details of interest on lease liabilities;
- Refer note 19 and note 34 for details of lease liabilities at the beginning and end of the reporting period;
- Refer note 23 for the maturity analysis of lease liabilities; and
- Refer statement of cash flows for repayment of lease liabilities.

Note 16. Trade and other payables

	Consolidated	
	2021	2020
	$'000	$'000
Current liabilities		
Trade payables	14	79
Accrued expenses	4,366	2,168
Fund manager profit share	11,749	2,922
Payable to non-controlling interests	6,979	5,634
Other payables	369	448
	23,477	11,251

Refer to note 23 for further information on financial instruments.

Note 17. Employee benefits

	Consolidated	
	2021	2020
	$'000	$'000
Current liabilities		
Annual leave	532	396
Long service leave	575	562
	1,107	958
Non-current liabilities		
Long service leave	219	145
	1,326	1,103

Note 18. Bank loan

	Consolidated	
	2021	2020
	$'000	$'000
Current liabilities		
Bank loan	1,250	1,250
Non-current liabilities		
Bank loan	1,250	2,500
	2,500	3,750

Refer to note 23 for further information on financial instruments.

Pengana Capital Group Limited
Notes to the financial statements
30 June 2021

Note 18. Bank loan (continued)

Total secured liabilities
The total secured liabilities are as follows:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Bank loan	2,500	3,750

During the year ended 30 June 2019, the company borrowed $5,000,000 from Investec Australia Finance Pty Limited for costs associated with developing Pengana Private Equity Trust. The loan is secured by a general security charge over the assets of the group, together with specific security over the bank account in which the fees from Pengana Private Equity Trust are deposited. The loan term is 4 years and the loan is subject to variable interest rates, which are based on the bank bill swap rate ('BBSY'), plus a margin of 4.25%. During the current financial year, Investec Australia Finance Pty Limited sold its Australian loan portfolio to Metrics Credit Partners Pty Ltd, who are now the lender.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Total facilities		
Bank loans	2,500	3,750
Used at the reporting date		
Bank loans	2,500	3,750
Unused at the reporting date		
Bank loans	-	-

Note 19. Lease liabilities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current liabilities		
Lease liability	154	316
Non-current liabilities		
Lease liability	72	227
	226	543

Refer to note 23 for maturity analysis of lease liabilities.

Note 20. Contributed equity

	Consolidated			
	2021 Shares	2020 Shares	2021 $'000	2020 $'000
Ordinary shares - fully paid	103,184,673	103,026,317	118,998	119,869
Convertible preference shares - fully paid	4,909,228	4,909,228	10,260	10,260
Less: Treasury shares	(24,275,856)	(24,428,066)	(29,454)	(30,699)
	83,818,045	83,507,479	99,804	99,430

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 2019	103,277,160	120,437
Share buy-back	August 2019	(22,656)	(39)
Share buy-back	September 2019	(131,323)	(218)
Share buy-back	October 2019	(369,263)	(677)
Share buy-back	November 2019	(463,552)	(827)
Issue of shares under the Pengana Capital Group Loan Share Plan	December 2019	831,996	1,332
Share buy-back	February 2020	(96,045)	(139)
Balance	30 June 2020	103,026,317	119,869
Recognise loss on loan repayment on treasury shares	1 December 2020	-	(10)
Issue of shares	1 February 2021	158,356	191
Recognise loss on loan repayment on treasury shares	30 June 2021	-	(1,052)
Balance	30 June 2021	103,184,673	118,998

Movements in treasury shares

Details	Date	Shares	$'000
Balance	1 July 2019	(23,458,720)	(29,220)
Issue of shares under the Pengana Capital Group Loan Share Plan	December 2019	(831,996)	(1,332)
Recognise shares acquired under the Pengana Capital Group Loan Share Plan as treasury shares	June 2020	(137,350)	(147)
Balance	30 June 2020	(24,428,066)	(30,699)
Derecognise treasury shares on loan repayment	1 December 2020	152,210	194
Derecognise treasury shares on loan repayment	30 June 2021	651,998	2,048
Recognise shares acquired under the Pengana Capital Group Loan Share Plan as treasury shares	30 June 2021	(651,998)	(997)
Balance	30 June 2021	(24,275,856)	(29,454)

Ordinary shares
Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

Note 20. Contributed equity (continued)

Convertible preference shares (Alignment shares)
Alignment shares issued on 29 April 2019 to Pengana Private Equity Trust ('PPET') (ASX: PE1) entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held, with priority over ordinary shareholders. The alignment shares are not redeemable, quoted or tradeable on the ASX and convert into ordinary shares on a one for one basis on being distributed by PPET to its unitholders. The Responsible Entity of PPET intends to distribute the alignment shares to the unitholders, subject to a determination by the responsible entity, approximately 2 to 3 years after the issue of the shares.

Alignment shares do not have any voting rights with the exception of a vote at a general meeting that affects the rights attached to alignment shares and capital restructure. Alignment shares are not redeemable as cash.

Treasury shares
The group operates a loan share plan ('LSP') pursuant to which limited recourse loans are granted to certain employees and fund managers to fully fund the acquisition of shares in the company. LSP shares, also known as treasury shares, are subject to vesting conditions and transfer is restricted until the associated loans have been fully repaid. Due to the limited recourse nature of the loans and whilst the loans remain outstanding issued capital is reduced by both the value of the initial loans and the number of associated treasury shares. When the loans are repaid issued capital will be increased by both the amount of the loan repayment and the number of associated treasury shares. Refer to note 35 for further details.

Share buy-back
There was no buy-back of shares during the current year.

Capital risk management
The group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Two wholly owned subsidiaries of the group, Pengana Capital Limited ('PCL') and Pengana Investment Management Ltd ('PIML'), hold an Australian Financial Services License and are subject to regulatory financial requirements that include maintaining a minimum level of net tangible assets. As at 30 June 2021 PCL and PIML were required to maintain $5,000,000 and $1,663,000 (2020: $5,000,000 and $1,200,000) respectively in liquid assets, of which 50% (2020: 50%) is held in cash or cash equivalents.

The directors believe the group has adequate capital at 30 June 2021 to maintain the groups existing business activities and facilitate growth.

The capital risk management policy remains unchanged from the 2020 Annual Report.

Note 21. Reserves

	Consolidated	
	2021 **$'000**	**2020** **$'000**
Profits reserve	23,867	23,867
Foreign currency reserve	79	20
Share-based payments reserve	6,938	6,505
Financial assets at fair value through other comprehensive income reserve	1,258	(265)
Acquisition reserve	2,712	2,712
	34,854	32,839

Profits reserve
The reserve records profits not offset against accumulated losses and is available to fund dividend payments.

Note 21. Reserves (continued)

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and fund managers as part of their remuneration, and other parties as part of their compensation for services.

Financial assets at fair value through other comprehensive income ('OCI') reserve
The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

Acquisition reserve
The reserve is used to recognise contributions arising from business combinations.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Profits reserve $'000	Foreign currency reserve $'000	Share-based payments reserve $'000	Financial assets at fair value through OCI reserve $'000	Acquisition reserve $'000	Total $'000
Balance at 1 July 2019	23,867	-	5,795	(399)	-	29,263
Revaluation, net of tax	-	-	-	87	-	87
Foreign currency translation	-	20	-	-	-	20
Share-based payments	-	-	769	-	-	769
Dividends on treasury shares	-	-	(59)	-	-	(59)
Reclassification to accumulated losses on disposal of investments	-	-	-	47	-	47
Reserve arising on acquisition of Lizard Investors LLC	-	-	-	-	2,712	2,712
Balance at 30 June 2020	23,867	20	6,505	(265)	2,712	32,839
Revaluation, net of tax	-	-	-	1,498	-	1,498
Foreign currency translation	-	59	-	-	-	59
Transfer from accumulated losses	7,531	-	-	-	-	7,531
Reclassification to accumulated losses on disposal of investments	-	-	-	25	-	25
Share-based payments	-	-	433	-	-	433
Dividend paid from profits reserve	(7,531)	-	-	-	-	(7,531)
Balance at 30 June 2021	23,867	79	6,938	1,258	2,712	34,854

Pengana Capital Group Limited
Notes to the financial statements
30 June 2021

Note 22. Dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2021 $'000	Consolidated 2020 $'000
On 28 August 2020, a fully franked final dividend of 4.0 cents per ordinary share was declared for the year ended 30 June 2020 and paid on 24 September 2020 to the shareholders registered on 10 September 2020	3,341	-
On 26 February 2021, a fully franked interim dividend of 5.0 cents per ordinary share was declared for the year ended 30 June 2021 and paid on 19 March 2021 to the shareholders registered on 5 March 2021 (2020: 50% franked interim dividend of 4.0 cents per ordinary share)	4,190	3,346
	7,531	3,346

On 31 August 2021, the directors declared a final dividend for the year ended 30 June 2021 of 8 cents per ordinary share. The dividends are fully franked to be paid on 20 September 2021 to eligible shareholders on the register on 6 September 2021.

Franking credits

	Consolidated 2021 $'000	Consolidated 2020 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2020: 27.5%)	6,609	3,387

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 23. Financial instruments

Financial risk management objectives
The group's activities expose it to a variety of financial risks: 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.

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 longer. 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 of Directors and discussed at board meetings. Management identifies and evaluates financial risks.

Note 23. Financial instruments (continued)

Market risk

Foreign currency risk
Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The group is not exposed to any significant foreign currency risk, except for translation of financial assets and liabilities of foreign subsidiaries into presentation currency.

Price risk
The group is not exposed to any significant price risk.

Interest rate risk
The group's main interest rate risk arises from its borrowings and cash at bank. Borrowings and cash at bank issued at variable rates expose the group to interest rate risk. Borrowings issued at fixed rates expose the group to fair value risk.

As at the reporting date, the group had the following variable rate bank accounts and borrowings:

	2021		2020	
Consolidated	**Weighted average interest rate**	**Balance $'000**	**Weighted average interest rate**	**Balance $'000**
Cash at bank	0.22%	13,828	0.41%	9,252
Cash on deposit	0.23%	6,072	0.65%	6,057
Bank loan	4.36%	(2,500)	4.69%	(3,750)
Net exposure to cash flow interest rate risk		17,400		11,559

The table below summarises the impact of a 50 basis point movement in interest:

	Basis points increase			Basis points decrease		
Consolidated - 2021	**Basis points change**	**Effect on profit/loss before tax $'000**	**Effect on equity $'000**	**Basis points change**	**Effect on profit/loss before tax $'000**	**Effect on equity $'000**
Net exposure to cash flow interest rate risk	50	87	61	(50)	(87)	(61)

	Basis points increase			Basis points decrease		
Consolidated - 2020	**Basis points change**	**Effect on profit/loss before tax $'000**	**Effect on equity $'000**	**Basis points change**	**Effect on profit/loss before tax $'000**	**Effect on equity $'000**
Net exposure to cash flow interest rate risk	50	58	40	(50)	(58)	(40)

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any expected credit loss allowance of those assets, as disclosed in the statement of financial position and notes to the financial statements. The group does not hold any collateral.

Note 23. Financial instruments (continued)

The group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables and contract assets through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the group based on recent sales experience, historical collection rates and forward-looking information that is available.

The group has a credit risk exposure with the cash at bank, loans to shareholders and funds under management. The funds under management as at 30 June 2021 owed the group 100% (2020: 100%) of trade receivables and contract assets. The balance was within its terms of trade and no expected credit loss allowance was made as at the reporting date. These receivables represent management fees that are accrued daily and paid monthly by the Funds.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Other loans receivables amount to $457,000 as at 30 June 2021 (2020: $863,000). The loans were made to shareholders and used to fund the purchase of shares in Pengana Capital Group Limited. The loans are interest-free and secured against the purchased shares in Pengana Capital Group Limited. The timing of these amounts due under these agreements are at the discretion of the group.

Liquidity risk
Managing liquidity risk requires the group to maintain sufficient liquid assets (mainly cash and cash equivalents and listed investments) to be able to pay debts as and when they become due and payable.

The group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2021	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	14	-	-	-	14
Other payables	369	-	-	-	369
Fund manager profit share	11,749	-	-	-	11,749
Payable to LLC members	6,979	-	-	-	6,979
Interest-bearing - variable					
Bank loans	1,345	1,291	-	-	2,636
Interest-bearing - fixed rate					
Lease liability	162	69	4	-	235
Total non-derivatives	20,618	1,360	4	-	21,982

Note 23. Financial instruments (continued)

Consolidated - 2020	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	79	-	-	-	79
Other payables	448	-	-	-	448
Fund manager profit share	2,922	-	-	-	2,922
Payable to LLC members	5,634	-	-	-	5,634
Interest-bearing - variable					
Bank loans	1,406	1,348	1,284	-	4,038
Interest-bearing - fixed rate					
Lease liability	485	126	43	-	654
Total non-derivatives	10,974	1,474	1,327	-	13,775

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 24. Fair value measurement

Fair value hierarchy
The following tables detail the group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Observable market data used in valuation techniques to determine the fair value. Level 2 instruments are not traded in an active market
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through other comprehensive income	9,121	1,426	-	10,547
Assets classified as held for sale	-	1,674	-	1,674
Total assets	9,121	3,100	-	12,221

Consolidated - 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through other comprehensive income	7,393	1,733	-	9,126
Total assets	7,393	1,733	-	9,126

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Pengana Capital Group Limited
Notes to the financial statements
30 June 2021

Note 24. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 2 and level 3
Investments in unlisted unit trusts
Investments are recorded at fair value determined on the basis of the published redemption prices of unlisted managed investment funds at the reporting date. Adjustments to these values may be made where deemed appropriate to reflect values based on the recent actual market transactions.

Note 25. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the group is set out below:

	Consolidated	
	2021 $	2020 $
Short-term employee benefits	2,071,482	1,339,811
Post-employment benefits	94,834	77,576
Long-term benefits	22,095	18,933
Share-based payments	151,522	28,246
	2,339,933	1,464,566

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company:

	Consolidated	
	2021 $	2020 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	190,500	186,000

Fees disclosed above include audit of Australian Financial Services Licences amounting to $10,500 (2020: $ 10,000).

Note 27. Contingent liabilities

The group had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Note 28. Commitments

The group had no commitments as at 30 June 2021 and 30 June 2020.

Note 29. Related party transactions

Parent entity
Pengana Capital Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 32.

Associates
Interests in associates are set out in note 33.

Key management personnel
Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Transactions with related parties - managed investment schemes:
The following transactions occurred with related parties:

	Consolidated	
	2021	**2020**
	$	**$**
Sale of goods and services:		
Management fees	40,324,903	37,444,250
Performance fees	27,607,021	6,100,642

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2021	**2020**
	$	**$**
Current receivables:		
Trade receivables and contract assets from other related parties	21,805,491	4,149,304

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

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

Pengana Capital Group Limited
Notes to the financial statements
30 June 2021

Note 30. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2021 $'000	Parent 2020 $'000
Profit after income tax	43,518	5,248
Total comprehensive income	43,518	5,248

Statement of financial position

	Parent 2021 $'000	Parent 2020 $'000
Total current assets	63,907	23,813
Total assets	272,490	231,972
Total current liabilities	6,223	1,250
Total liabilities	7,473	3,750
Equity		
Contributed equity	223,987	223,612
Share-based payments reserve	6,938	6,505
Retained profits/(accumulated losses)	34,092	(1,895)
Total equity	265,017	228,222

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 30 June 2021 and 30 June 2020.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the group, as disclosed in note 37, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 31. Business combinations

Lizard Investors LLC (comparative period)
On 1 January 2020, the group acquired a 66.67% stake in Lizard Investors LLC ('Lizard'), for the total consideration of $2,699,000. Lizard is a Chicago-based asset management firm that specialises in global to mid-cap equities, which was founded in 2008 by Leah Zell, one of the foremost global small cap fund managers in the United States of America and a pioneer in global small cap investing. The acquisition builds on an existing joint venture entered in 2015 between the group and Lizard whereby Lizard provides sub-advisory services to the Pengana Global Small Companies Fund.

The goodwill of $2,693,000 represents profitability of the acquired business and the synergistic opportunities that will arise from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purpose. The acquired business contributed revenues of $1,940,000 and loss after tax of $474,000 to the group for the period from 1 January 2020 to 30 June 2020.

Net assets and liabilities acquired are shown at 66.67% of the fair value at acquisition. Deferred consideration payable amounting to US$1,000,000 is discounted using a rate of 6% per annum.

The purchase price allocation of the acquisition is final at 30 June 2020.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	1,291
Trade receivables	361
Other receivables	151
Investments in associates	3,666
Plant and equipment	25
Trade payables	(159)
Other payables to members of LLC	(5,329)
Net assets acquired	6
Goodwill	2,693
Acquisition-date fair value of the total consideration transferred	2,699
Representing:	
Cash paid or payable	1,428
Deferred consideration	1,271
	2,699
Cash used to acquire business, net of cash acquired:	
Cash paid or payable to vendor	1,428
Less: cash and cash equivalents acquired	(1,291)
Net cash used	137

Pengana Capital Group Limited
Notes to the financial statements
30 June 2021

Note 32. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in note 37:

Name	Principal place of business/Country of incorporation*	Parent Ownership interest 2021 %	Parent Ownership interest 2020 %	Non-controlling interest Ownership interest 2021 %	Non-controlling interest Ownership interest 2020 %
Pengana Holdings Pty Ltd	Australia	100.00%	100.00%	-	-
Pengana Capital Ltd	Australia	100.00%	100.00%	-	-
Pengana European Asset Management Pty Limited**	Australia	-	50.00%	-	50.00%
Pengana Investment Management Ltd	Australia	100.00%	100.00%	-	-
PT Private Capital Pty Ltd	Australia	100.00%	100.00%	-	-
Lizard Investors LLC	United States of America	66.67%	66.67%	33.33%	33.33%

* Principal activities of the subsidiaries listed above are provision of Investment Management Services.
** Entity deregistered during the current financial year.

Summarised financial information for subsidiaries that have non-controlling interests, has not been provided as they are not material to the group.

Note 33. Interests in associates

The following interests in associates are accounted for using the equity method of accounting:

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Lizard International Master Fund LP	Cayman Islands	2.72%	2.15%
High Conviction Property Securities Fund	Australia	3.00%	9.67%
Harding Loevner International Fund	Australia	-	0.96%
Pengana Private Equity Trust	Australia	-	0.07%

Note 33. Interests in associates (continued)

Summarised financial information relating to associates that are material to the group are set out below:

Summarised financial information

	Lizard International Master Fund LP	
	2021 $'000	2020 $'000
Summarised statement of financial position		
Assets	237,716	367,407
Total assets	237,716	367,407
Liabilities	45,310	106,569
Total liabilities	45,310	106,569
Net assets	192,406	260,838
Summarised statement of profit or loss and other comprehensive income		
Revenue	60,451	(8,128)
Expenses	(4,149)	(3,514)
Profit/(loss) before income tax	56,302	(11,642)
Other comprehensive income	-	-
Total comprehensive income	56,302	(11,642)
Reconciliation of the group's carrying amount		
Opening carrying amount	5,610	-
Share of profit after income tax	1,870	-
Additions through business combinations (note 29)	-	5,498
Exchange differences	(523)	112
Closing carrying amount	6,957	5,610

The carrying amount of investments in associates approximate their fair value.

Pengana Capital Group Limited
Notes to the financial statements
30 June 2021

Note 34. Cash flow information

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit after income tax expense for the year	8,771	5,950
Adjustments for:		
Depreciation and amortisation	3,085	3,508
Share of profit - associates	(1,985)	(352)
Share-based payments	433	710
Other non-cash items	130	(208)
Impairment of assets	1,370	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(157)	(90)
Decrease/(increase) in contract assets	(17,687)	908
Decrease/(increase) in income tax refund due	570	(570)
Decrease/(increase) in prepayments	(224)	63
Increase in trade and other payables	12,226	3,594
Increase/(decrease) in provision for income tax	4,973	(1,182)
Increase in employee benefits	223	18
Decrease in liability to LLC unitholders	(1,345)	(5,634)
Net cash from operating activities	10,383	6,715

Non-cash investing and financing activities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Shares issued under loan share plan	998	1,479
Loans granted under loan share plan	(998)	(1,479)
Dividends withheld from company shareholders with outstanding loans under loan share plan	(2,191)	(977)
Dividends applied on outstanding loans under loan share plan	2,191	977
Dividends withheld from company shareholders with outstanding other loans	(65)	(42)
Dividends applied on outstanding other loans	65	42
	-	-

Note 34. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Bank loan $'000	Lease liabilities $'000	Total $'000
Balance at 1 July 2019	5,000	-	5,000
Net cash used in financing activities	(1,250)	(712)	(1,962)
Adoption of AASB 16 on 1 July 2019	-	1,135	1,135
Changes through business combinations (note 31)	-	99	99
Other changes	-	21	21
Balance at 30 June 2020	3,750	543	4,293
Net cash used in financing activities	(1,250)	(327)	(1,577)
Other changes	-	10	10
Balance at 30 June 2021	2,500	226	2,726

Note 35. Share-based payments

Loan Funded Share Plan ('LSP')
The group operates a LSP, whereby limited recourse loans totalling $29,454,000 (2020: $30,699,000) were provided to employees and fund managers to acquire shares in the company. Under the plan the CEO has 15,872,528 (2020: 15,872,528) shares, employees and fund managers have 8,403,328 (2020: 8,555,538) shares.

The loans are interest bearing and have a maximum term of up to seven years. Recourse on the loans (including associated interest) is limited to the associated shares and any dividend amounts applied to the loan balance. The shares granted under the LSP are subject to a vesting condition, that the employees and fund managers must remain continuously employed for a period of three to five years from the grant date, except for shares associated with the LSP granted to the CEO which are not subject to a vesting condition and vested on the date the shares were granted.

As the share purchases are funded by limited recourse loans they are treated for accounting purposes as grants of share options and accounted for as equity-settled share-based payments. The shares issued under the LSP are fair valued on the date they are granted and amortised as an expense in profit or loss over the vesting period.

As the loans and associated shares issued are not recorded on the statement of financial position on the grant date, there are no transactions in the statement of financial position relating to the issue of shares under the LSP, however, a share-based payment expense of $433,000 has been recognised in profit or loss for the year ended 30 June 2021 (2020: $769,000).

Interest accruing on the loans and dividends applied to the loans are not recorded in the financial statements but do impact the outstanding loan balance. As at 30 June 2021 total outstanding loans related to treasury shares were $29,636,000 (2020: $31,949,000).

Pengana Capital Group Limited
Notes to the financial statements
30 June 2021

Note 35. Share-based payments (continued)

Set out below are summaries of shares granted under the LSP:

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/03/2017	28/02/2024	$1.49	5,149,796	-	-	-	5,149,796
01/03/2017	28/02/2024	$1.20	10,722,732	-	-	-	10,722,732
03/03/2017	01/03/2024	$1.49	6,790,895	-	-	(121,210)	6,669,685
03/10/2018	01/10/2025	$4.33	604,998	-	-	(604,998)	-
20/12/2019	18/12/2026	$1.50	926,000	-	-	(78,000)	848,000
05/06/2020	04/06/2027	$0.86	233, 645	-	-	-	233,645
30/06/2021	28/06/2028	$1.31	-	651,998	-	-	651,998
			24,428,066	651,998	-	(804,208)	24,275,856
Weighted average exercise price			$1.43	$1.31	$0.00	$3.63	$1.35

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/03/2017	28/02/2024	$1.49	5,149,796	-	-	-	5,149,796
01/03/2017	28/02/2024	$1.20	10,722,732	-	-	-	10,722,732
03/03/2017	01/03/2024	$1.49	6,981,194	-	-	(190,299)	6,790,895
03/10/2018	01/10/2025	$4.33	604,998	-	-	-	604,998
20/12/2019	18/12/2026	$1.50	-	926,000	-	-	926,000
05/06/2020	04/06/2027	$0.86	-	233,645	-	-	233,645
			23,458,720	1,159,645	-	(190,299)	24,428,066
Weighted average exercise price			$1.43	$1.37	$0.00	$1.49	$1.43

Set out below are the shares granted under the LSP exercisable at the end of the financial year:

Grant date	Expiry date	2021 Number	2020 Number
01/03/2017	28/02/2024	5,149,796	5,149,796
01/03/2017	28/02/2024	10,722,732	10,722,732
		15,872,528	15,872,528

The weighted average share price during the financial year was $1.63 (2020: $1.52) per ordinary share.

The weighted average remaining contractual life of shares granted under the LSP outstanding at the end of the financial year was 2.91 years (2020: 3.84 years).

For the shares granted under the LSP during the current financial year, the Black-Scholes valuation model inputs used to determine the fair value at the grant date, are estimated as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Estimated volatility*	Dividend yield	Risk-free interest rate	Fair value at grant date
30/06/2021	28/06/2028	$1.53	$1.31	43.36%	5.88%	0.77%	$0.382

* The expected price volatility is based on a period of observed historic volatility of a range of peer group companies.

Note 36. Earnings per share

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Profit after income tax	8,771	5,950
Non-controlling interest	(53)	168
Profit after income tax attributable to the owners of Pengana Capital Group Limited	8,718	6,118

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	83,660,113	84,019,221
Adjustments for calculation of diluted earnings per share:		
Dilutive impact of treasury shares accounted for as options	3,748,440	2,470,131
Weighted average number of ordinary shares used in calculating diluted earnings per share	87,408,553	86,489,352

	Cents	**Cents**
Basic earnings per share	10.42	7.28
Diluted earnings per share	9.97	7.07

The weighted average number of ordinary shares to calculate basic earnings per share excludes 24,275,856 (30 June 2020: 24,428,066) treasury shares.

Note 37. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations adopted during the year are most relevant to the group:

Conceptual Framework for Financial Reporting (Conceptual Framework)
The group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the group's financial statements.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments.

Note 37. Significant accounting policies (continued)

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of 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 38.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 30.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pengana Capital Group Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Pengana Capital Group Limited and its subsidiaries together are referred to in these financial statements as the 'group'.

Subsidiaries are all those entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss, statement of financial position and statement of changes in equity of the group. Losses incurred by the group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM are responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Pengana Capital Group Limited'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.

Note 37. Significant accounting policies (continued)

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, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
The group recognises revenue as follows:

Revenue from contracts with customers
Revenues are derived from the provision of investment management services to customers and are measured based on the amounts to which the group expects to be entitled based on the services delivered. This revenue is variable in nature and is measured by reference to management fees and performance fees. Revenue is recognised over-time, by reference to the ongoing delivery of investment management services. The delivery of investment management services is best represented by the passage of time as an ongoing service.

Management fees
Management fees are based on a percentage of the portfolio value of the fund and are calculated in accordance with the Investment Management Agreement or Constitution.

Performance fees
Performance fees may be earned from funds. The group’s entitlement to a performance fee for any given performance period is dependent on outperforming certain benchmarks.

Performance fee arrangements give risk to the element of variable consideration for the investment management services. Revenue from performance fees is not recognised while constrained, an estimate of the variable consideration is recorded when it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved (that is, the constraint is removed). The performance fee revenue is recognised to the extent the revenue is no longer constrained.

Dividends and distributions
Dividends and distributions are recognised when received or when the right to receive payment is established.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other fee revenue is recognised over time.

Fund manager profit share expense
Fund manager profit share expense represents a 'shadow equity' program for fund managers under which the fund managers receive an agreed percentage of the profits of their respective fund and/or strategy ensuring alignment of interests between shareholders, fund managers and fund investors.

Income tax
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.

Pengana Capital Group Limited
Notes to the financial statements
30 June 2021

Note 37. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Tax consolidated group
Pengana Capital Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries formed an income tax consolidated group under the tax consolidation regime.

The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either 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 either 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.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. These receivables represent management fees that are accrued daily and paid monthly by the funds. They are usually recoverable within 20 business days.

Note 37. Significant accounting policies (continued)

The group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets

Contract assets are recognised when 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.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Associates

Associates are entities over which the group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Pengana Capital Group Limited
Notes to the financial statements
30 June 2021

Note 37. Significant accounting policies (continued)

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income ('FVTOCI') are equity investments including equity investments which the group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition. On disposal of these equity investments, any related balance within the FVTOCI reserve is reclassified to retained earnings.

Impairment of financial assets
The group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	5 years
Furniture and fittings	5-10 years
Plant and equipment	2-4 years

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets
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, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

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. Where the group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Note 37. Significant accounting policies (continued)

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.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Acquired relationships
Relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of between 2 and 20 years.

Other intangible assets
Significant costs associated with other intangible assets are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of between 3 and 4 years.

Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

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 to be 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 of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Pengana Capital Group Limited
Notes to the financial statements
30 June 2021

Note 37. Significant accounting policies (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs are expensed in the period in which they are incurred based on the effective interest method.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave, long service leave and other long term employee benefits not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

Share-based payments

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. The group operates a loan share plan that is accounted for as equity-settled share-based payments similar to options.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option/share under the loan share plan, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option/share under the loan share plan, together with non-vesting conditions that do not determine whether the group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

Note 37. Significant accounting policies (continued)

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Contributed equity
Ordinary shares are classified as equity.

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

Dividends
Dividends are recognised when declared during the financial year.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Pengana Capital Group Limited
Notes to the financial statements
30 June 2021

Note 37. Significant accounting policies (continued)

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Pengana Capital Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of 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 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 which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2021. The adoption of these Accounting Standards and Interpretations is not expected to have any significant impact on the group's financial statements.

Note 38. Critical accounting judgements, estimates and assumptions

The preparation of 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, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus ('COVID-19') pandemic
Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the group unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

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.

Fair value measurement hierarchy
The group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Goodwill
The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 37. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Assets classified as held for sale
On the sale of a subsidiary management exercises judgement to determine the value of intangible assets to be re-classified as held for sale and to determine the fair value of the assets to be sold.

Pengana Capital Group Limited
Notes to the financial statements
30 June 2021

Note 39. Events after the reporting period

On 1 July 2021, PT Private Capital Pty Ltd (a subsidiary of the group) was sold. Refer to note 12 'Assets classified as held for sale' for further details.

On 31 August 2021, the company announced its intention to undertake an on-market buyback of up to 10% ordinary shares. The company reserves the right to vary, suspend or terminate the buy-back at any time.

The impact of the Coronavirus (COVID-19) pandemic on the group to date has been minimal. Whilst it is not possible at this time to state that the pandemic will not subsequently impact the group's operations going forward, management continues to monitor the situation both locally and internationally.

Apart from the dividend declared as disclosed in note 22, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Note 40. General information

Pengana Capital Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Levels 1, 2 & 3
60 Martin Place
Sydney, NSW, 2000
Australia

A description of the nature of the group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2021. The directors have the power to amend and reissue the financial statements.

Pengana Capital Group Limited
Directors' declaration
30 June 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 37 to the financial statements;
-
- 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.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Warwick Negus	Russel Pillemer
Chairman	Chief Executive Officer

31 August 2021
Sydney

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of Pengana Capital Group Limited

Report on the audit of the financial report

Opinion

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

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

a giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill & other intangibles – refer to Note 14	

As at 30 June 2021, the Group has goodwill of $43.6m and acquired relationships and other intangibles of $17.4m.
 	
Goodwill has been recognised as a result of the Group's historical acquisitions, representing the excess of the purchase consideration over the fair value of net assets acquired. On acquisition date, the goodwill is allocated to the applicable Cash Generating Units (CGUs).
 	
Under AASB 136 *Impairment of Assets* (AASB 136) goodwill must be tested for impairment annually, with the determination of the recoverable amount requiring judgment in terms of variables such as the growth rate of funds under management, the timing of future operating expenditure and the most appropriate discount rate and long-term growth rates.
 	
Due to the significant estimation involved in calculating the recoverable amount, we have determined this as a Key Audit Matter.
	Our procedures included, amongst others:
	• Assessing the determination of the CGU based on our understanding of how management monitors the entity's operations and makes decisions about groups of assets that generate independent cash flows as well as changes to operations during the period;
	• Assessing the competence and objectivity of managements expert utilised in calculating the impairment model;
	• Reviewing the goodwill impairment model for compliance with AASB 136;
	• Verifying the mathematical accuracy of the underlying impairment model and assessing the appropriateness of the methodology;
	• Evaluating the significant assumptions utilised in the impairment model and the process by which they were developed including;
	  – Agreeing the projected cash flows used in the impairment model to the Board approved plan of the Group;
	  – Comparing the Group's growth rate assumption to historic averages, comparable companies and industry trends;
	• Considering the accuracy of historical cash flow forecasts;
	• Considering the Group's sensitivity testing and evaluating whether any reasonable foreseeable change in assumptions could lead to a material impairment;
	• Performing independent sensitivity analysis in relation to key assumptions utilised in the impairment model; and
	• Assessing the adequacy of disclosures in accordance with Australian Accounting Standards.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the remuneration report included in pages 11 to 15 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Pengana Capital Group Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Adam-Smith
Partner – Audit & Assurance

Sydney, 31 August 2021

The shareholder information set out below was applicable as at 19 August 2021.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	440	0.18
1,001 to 5,000	515	1.34
5,001 to 10,000	218	1.64
10,001 to 100,000	250	6.91
100,001 and over	61	89.93
	1,484	100.00
Holding less than a marketable parcel	190	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
WHSP Pengana Pty Ltd	27,176,596	26.34
RC Pillemer Pty Ltd (RC Pillemer Family A/C)	15,872,528	15.38
RC Pillemer Pty Ltd (RC Pillemer Family A/C)	6,665,049	6.46
WHSP Hunter Hall Pty Ltd	6,641,522	6.44
Washington H Soul Pattinson and Company Limited	5,434,653	5.27
Farnworth House Pty Ltd	2,728,256	2.64
RC Pillemer Pty Ltd (RC Pillemer Family A/C)	2,257,827	2.19
Roxtrus Pty Limited (Roxanne Dunkel No. 2 A/C)	1,803,150	1.75
DJG Services Pty Limited (DKI Account)	1,657,095	1.61
Radd Holdings Pty Limited (Myers Family A/C)	1,553,649	1.51
HSBC Custody Nominees (Australia) Limited - A/C 2	1,321,761	1.28
DBR Corporation Pty Ltd	1,255,260	1.22
Tark Family Holdings Pty Ltd (Tark Family A/C)	1,100,162	1.07
Ed Prendergast	973,701	0.94
Damian Crowley Julie Crowley (Damian C Crowley Family Fund)	944,144	0.92
Russel Craig Pillemer	925,701	0.90
National Nominees Limited	903,106	0.88
LMCTA Pty Ltd (LMCTA Family A/C)	837,432	0.81
Steve Black (Black Family A/C)	672,335	0.65
Meg O'Hanlon (O'Hanlon Family A/C)	672,335	0.65
	81,396,262	78.91

Pengana Capital Group Limited
Shareholder information
30 June 2021

Unquoted equity securities
There are 4,909,228 fully paid preference shares on issue held by Pengana Investment Management Limited as trustee for the Pengana Private Equity Trust registered in the name of BNP Paribas Securities Services.

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares Number held	% of total shares issued
Washington H Soul Pattinson and Company, WHSP Hunter Hall Pty Ltd and WHSP Pengana Pty Ltd	39,827,904	38.60
Pengana Capital Group Limited	21,651,367	20.98
Russel Craig Pillemer *	34,892,763	33.82

* The substantial notice lodged for Russel Pillemer discloses that he has a relevant interest in 34,892,763 ordinary shares in the company. These relevant interests are as follows:

- 1,262,205 shares held by Russel Pillemer
- 24,795,404 shares held by RC Pillemer Pty Ltd (which Russel Pillemer controls)
- 165,000 shares held by MRJ Capital Pty Limited (which Russel Pillemer controls)

34,892,763 shares held by Pengana staff or their related parties (including the 26,222,609 shares referred to above held by Russel Pillemer, RC Pillemer Pty Ltd and MRJ Capital Pty Limited). As Russel Pillemer has voting power in the company above 20% pursuant to section 608(3)(a) of the Corporations Act 2001 he is deemed to have a relevant interest in these shares as the company has the power to prevent the disposal of each of these shares pursuant to a voluntary escrow agreement between the company and the relevant holder.

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. There are no other classes of equity securities.

Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Ordinary Shares	15/02/2022	6,408,806
Ordinary Shares	1/06/2022	6,669,685
Ordinary Shares	20/12/2022	282,662
Ordinary Shares	15/02/2023	6,414,051
Ordinary Shares	5/03/2023	77,882
Ordinary Shares	20/12/2023	282,662
Ordinary Shares	5/03/2024	77,881
Ordinary Shares	30/06/2024	217,334
Ordinary Shares	20/12/2024	282,676
Ordinary Shares	5/03/2025	77,882
Ordinary Shares	30/06/2025	217,334
Ordinary Shares	30/06/2026	217,330
Ordinary Shares	16/06/2035	114,616
Ordinary Shares	1/02/2036	310,566
		21,651,367

PENGANA CAPITAL GROUP LIMITED
ABN 43 059 300 426
HEAD OFFICE

Levels 1, 2 & 3, 60 Martin Place
Sydney NSW 2000 Australia
Ph.: +61 2 8524 9900
Fax: +61 2 8524 9901

PENGANA.COM