

**INTERIM
REPORT**



PENGANA CAPITAL GROUP LIMITED



**31 December
2020**

PENGANA CAPITAL GROUP LIMITED
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HEAD OFFICE

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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 Corporate Governance Statement, which was approved at the same time as the Annual Report, can be found at www.pengana.com



LETTER FROM THE CEO

Dear fellow Pengana shareholder,

I am pleased to present the Pengana Capital Group Limited (ASX: PCG) financial report for the half-year ended 31 December 2020. Highlights of the half-year include:

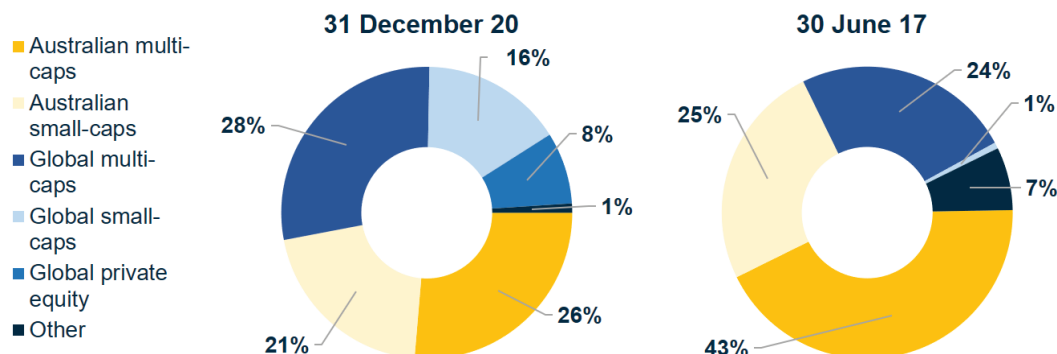
- Strong investment performance across all major strategies
- 15% increase in funds under Management to \$3,593 million
- 17% increase in Underlying Profit Before Tax to \$9,195 million
- 12% increase in Statutory Profit Before Income Tax expense to \$5,506 million
- 25% increase in the interim dividend to 5 cents per share

Funds under Management and Investment Performance

Funds under Management (“FUM”) grew strongly in the six months, up 15% from \$3,129 million at 30 June to \$3,593 million at 31 December 2020. The growth in FUM was propelled by excellent investment performance which added \$463 million in the period, while net flows at \$81 million were offset by \$80 million of distributions paid.

Amidst a highly volatile macro environment navigating around the uncertainty of vaccine trials, US election jitters, Brexit fallout and deteriorating China-US relations, all the major Pengana strategies delivered strong absolute and relative returns in the period, outperforming their respective benchmarks.

The trend towards higher margin products highlighted in our last Annual Report continues, as well as our increase in international equity products which comprised 53% of FUM at 31 December 2020.



Financial Results

Pengana generated an Underlying Profit before tax of \$9.2 million (5.96 cents per share) which was up 17% on the \$7.9 million posted in the six months to December 2019 (5.28 cents per share).

Pengana Capital Group	Dec 2020	Dec 2019
Underlying Profit Before Tax ⁱ	(\$'000)	(\$'000)
Management fee revenue	19,714	19,412
Performance fee revenue	10,345	5,477
Net fund direct expenses	(1,404)	(1,787)
Operating expenses	(9,781)	(8,171)
Team profit share	(10,567)	(8,594)
Non-controlling interests	(56)	-
Operating EBITDA	8,251	6,337
Interest and investment income distributions	329	449
Interest on loan funded share plan	699	1,201
Financing costs	(84)	(136)
Underlying profit before tax attributable to Pengana Shareholdersⁱⁱⁱ	9,195	7,851
Basic EPS on underlying profit after normalised tax at 30% (2019: 27.5%) ^{iv}	5.96 cps	5.28 cps

The increase in Underlying Profit before tax is primarily attributable to performance fee revenue, generated across a number of funds, the largest contributor being the Australian Equities Fund.

The revenue benefits resulting from growth in FUM will not be evidenced until the second half of the financial year, as the growth occurred at the back end of the half-year, and as a consequence management fees at \$19.7 million were only up slightly (2% or \$301k when compared to the prior half-year).

Operating expenses increased by 20% primarily due to the first-time consolidation of the ₂

expenses of the US based operations.

Interest on the loan funded share plan was down 42%, due to a reduction in interest rates in line with market rates and as announced in December 2019.

Other items impacting the \$5.5 million Statutory Profit before Tax (12% increase on the \$4.9 million in the prior comparable period) included product development costs relating to the successful PE1 rights issue which raised \$94 million in July 2020 and non-cash adjustments to employee liabilities.

Capital Management and Dividends

Our balance sheet remains strong, with net tangible underlying assets attributable to PCG shareholders of \$57.8 million or 54 cents per share. During the half-year we paid \$3.3 million or 4 cents per share in dividends, reduced our borrowings by a further 17% and at 30 December had \$21.9 million in net working capital and investments (\$18.8 million at 30 June).

We are pleased to announce that the strong result for the period has enabled the Board today declared an interim dividend of 5 cents per share fully franked at the 26% tax rate. The dividend will be paid on 19 March 2021 to shareholders on the register on 5 March 2021.

Outlook

While the period was characterised by an uncertain and volatile global landscape, our strategic focus is always focused on the long-term growth and success of PCG which I believe contributed to the strong results Pengana delivered in the period.

The foundational steps we have taken in the last few years have been designed to build a platform for future growth and I have never been more confident; particularly as I am surrounded by talented people at all levels at Pengana, our product offering has never been more diverse and our ability to service and interact with our investors on a personal and digital level has never been better.



Russel Pillemer
Managing Director and Chief Executive Officer
Pengana Capital Group Limited
26 February 2021

ⁱ Source: Pengana Management Accounts, "Underlying profit before tax attributable to Pengana Shareholders"

ⁱⁱⁱ As per Pengana Capital Group Limited 31 December 2020 Financial Report

^{iv} Calculated on 107,935,545 weighted average number of shares (i.e. including treasury shares) (2019: 107,888,236 shares)

Pengana Capital Group Limited
Directors' report
31 December 2020



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 half-year ended 31 December 2020.

Directors

The following persons were directors of Pengana Capital Group Limited during the whole of the financial half-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
Kevin Eley
David Groves

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 half-year were as follows:

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

On 28 August 2020, a fully franked final dividend of 4 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	-
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On 26 February 2021, the directors declared a fully franked interim dividend for the half-year ended 31 December 2020 of 5 cents per ordinary share. The dividends will be paid on 19 March 2021 to eligible shareholders on the register on 5 March 2021.

Review of operations

The profit for the group after providing for income tax and non-controlling interest amounted to \$3,165,000 (31 December 2019: \$3,257,000).

Please refer to the Chief Executive Officer's Report accompanying the interim report for a comprehensive review of operations.

Matters subsequent to the end of the financial half-year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it did not have any significant impact for the group up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 31 December 2020 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.

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.

Pengana Capital Group Limited
Directors' report
31 December 2020



This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "W Negus".

Warwick Negus
Chairman

A handwritten signature in black ink, appearing to read "Russel Pillemer".

Russel Pillemer
Chief Executive Officer

26 February 2021
Sydney

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 review of Pengana Capital Group Limited for the half-year ended 31 December 2020, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Adam-Smith
Partner – Audit & Assurance

Sydney, 26 February 2021

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Pengana Capital Group Limited
Statement of profit or loss
For the half-year ended 31 December 2020



		Consolidated	
	Note	31 Dec 2020	31 Dec 2019
		\$'000	\$'000
Revenue			
Management fees		19,289	19,177
Performance fees		10,353	5,551
Other fee revenue		794	668
Total revenue	3	30,436	25,396
Share of profits of associates accounted for using the equity method		213	64
Interest revenue calculated using the effective interest method		77	80
Other income and gains	4	398	479
Total revenue and income		31,124	26,019
Expenses			
Human resources expenses		(9,197)	(6,125)
Fund manager profit share expense		(9,837)	(8,594)
Fund operating expenses		(1,954)	(2,111)
Occupancy expenses		(232)	(46)
Technology and communications expenses		(898)	(457)
Marketing and investment research expenses		(259)	(689)
Insurance expenses		(487)	(346)
Professional, registry and listing related expenses		(329)	(319)
Depreciation and amortisation expenses		(1,624)	(1,687)
Other operating expenses		(191)	(298)
Finance costs		(92)	(157)
Product development		(518)	(277)
Total expenses		(25,618)	(21,106)
Profit before income tax expense		5,506	4,913
Income tax expense		(2,285)	(1,656)
Profit after income tax expense for the half-year		3,221	3,257
Profit for the half-year is attributable to:			
Non-controlling interest		56	-
Owners of Pengana Capital Group Limited		3,165	3,257
		3,221	3,257
		Cents	Cents
Basic earnings per share	12	3.79	3.86
Diluted earnings per share	12	3.72	3.74

Pengana Capital Group Limited
Statement of other comprehensive income
For the half-year ended 31 December 2020



	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Profit after income tax expense for the half-year	3,221	3,257
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Gain on the revaluation of equity instruments at fair value through other comprehensive income, net of tax	1,198	385
Reclassify gain or loss on disposal of equity instruments net of tax to accumulated losses	25	49
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	67	-
Other comprehensive income for the half-year, net of tax	1,290	434
Total comprehensive income for the half-year	4,511	3,691
Total comprehensive income for the half-year is attributable to:		
Non-controlling interest	56	-
Owners of Pengana Capital Group Limited	4,455	3,691
	4,511	3,691

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 31 December 2020



		Consolidated	
	Note	31 Dec 2020	30 Jun 2020
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		16,580	15,309
Trade and other receivables		633	532
Contract assets - accrued management and performance fees		13,966	3,839
Income tax refund due		-	570
Prepayments		1,258	693
Security deposits		187	601
Total current assets		<u>32,624</u>	<u>21,544</u>
Non-current assets			
Trade and other receivables		873	863
Investments accounted using the equity method		6,335	6,914
Equity investment in financial assets at fair value through other comprehensive income	5	10,119	9,126
Property, plant and equipment		229	275
Intangibles	6	65,349	66,674
Right-of-use assets		285	526
Prepayments		100	120
Security deposits		38	73
Total non-current assets		<u>83,328</u>	<u>84,571</u>
Total assets		<u>115,952</u>	<u>106,115</u>
Liabilities			
Current liabilities			
Trade and other payables	7	17,525	11,251
Employee benefits		1,287	958
Bank loan		1,250	1,250
Lease liabilities		154	316
Income tax liability		1,930	-
Total current liabilities		<u>22,146</u>	<u>13,775</u>
Non-current liabilities			
Employee benefits		203	145
Other		29	66
Bank loan		1,875	2,500
Lease liabilities		148	227
Deferred tax		5,353	4,916
Total non-current liabilities		<u>7,608</u>	<u>7,854</u>
Total liabilities		<u>29,754</u>	<u>21,629</u>
Net assets		<u>86,198</u>	<u>84,486</u>
Equity			
Contributed equity	8	99,614	99,430
Reserves	9	36,419	32,839
Accumulated losses		(49,723)	(47,615)
Equity attributable to the owners of Pengana Capital Group Limited		86,310	84,654
Non-controlling interest		(112)	(168)
Total equity		<u>86,198</u>	<u>84,486</u>

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 half-year ended 31 December 2020



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 after income tax expense for the half-year	-	-	3,257	-	3,257
Other comprehensive income for the half-year, net of tax	-	434	-	-	434
Total comprehensive income for the half-year	-	434	3,257	-	3,691
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	235	-	-	235
Share buy-back (note 8)	(1,761)	-	-	-	(1,761)
Reclassify gain or loss on disposal of equity instruments net of tax to accumulated losses	-	-	(49)	-	(49)
Acquisition of non-controlling interest	-	-	-	(43)	(43)
Balance at 31 December 2019	99,716	29,932	(47,132)	-	82,516

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 half-year	-	-	3,165	56	3,221
Other comprehensive income for the half-year, net of tax	-	1,290	-	-	1,290
Total comprehensive income for the half-year	-	1,290	3,165	56	4,511
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	383	-	-	383
Reclassify gain or loss on disposal of equity instruments net of tax to accumulated losses	-	-	(25)	-	(25)
Derecognise treasury shares on loan repayment (note 8)	184	-	-	-	184
Transfer from accumulated losses to profits reserve	-	5,248	(5,248)	-	-
Dividends paid (note 10)	-	(3,341)	-	-	(3,341)
Balance at 31 December 2020	99,614	36,419	(49,723)	(112)	86,198

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 half-year ended 31 December 2020



	Consolidated	
Note	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	22,288	23,687
Payments to suppliers, customers and employees (inclusive of GST)	(20,016)	(19,590)
Dividends received	407	388
Interest received	59	62
Other revenue	374	147
Finance costs	(83)	(157)
Income taxes paid	141	(2,135)
Net cash from operating activities	3,170	2,402
Cash flows from investing activities		
Payments for property, plant and equipment	(21)	(58)
Loans from shareholders	8	-
Proceeds from disposal of investments in associates	1,926	-
Proceeds from security deposits	454	1
Payments for security deposits	(24)	(5)
Net cash from/(used in) investing activities	2,343	(62)
Cash flows from financing activities		
Repayment of borrowings	(625)	(625)
Repayment of lease liabilities	(244)	(340)
Payments for share buy-backs	-	(1,761)
Dividends paid	(3,341)	-
Net cash used in financing activities	(4,210)	(2,726)
Net increase/(decrease) in cash and cash equivalents	1,303	(386)
Cash and cash equivalents at the beginning of the financial half-year	15,309	14,446
Effects of exchange rate changes on cash and cash equivalents	(32)	-
Cash and cash equivalents at the end of the financial half-year	16,580	14,060

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

The financial statements cover Pengana Capital Group Limited as a consolidated entity consisting of Pengana Capital Group Limited ('company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (collectively the 'group'). The financial statements are presented in Australian dollars, which is Pengana Capital Group Limited's functional and presentation currency.

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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group during the financial half-year ended 31 December 2020 and are not expected to have any significant impact for the full financial year ending 30 June 2021.

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

Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ending 30 June 2021 is 30% compared to 27.5% for the six months to 31 December 2019. The tax rate was lower due to the 'base rate entity' test being satisfied in the previous year. Tax assets and liabilities have also been restated to reflect the weighted average effective annual income tax rate of 30%.

Note 2. 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

There are no major customers that contributed more than 10% of the group's revenue.

Note 3. 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 period.

Note 4. Other income and gains

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Dividends and distributions	173	286
Rental income	72	147
Other income	153	46
	<u>398</u>	<u>479</u>

Note 5. Equity investment in financial assets at fair value through other comprehensive income

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
<i>Non-current assets</i>		
Investments in listed equity securities	9,017	7,393
Investment in unlisted unit trust	1,102	1,733
	<u>10,119</u>	<u>9,126</u>

Refer to note 11 for further information on fair value measurement.

Note 6. Intangibles

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
<i>Non-current assets</i>		
Goodwill - at cost	46,537	46,537
Acquired relationships - at cost	27,220	27,220
Less: Accumulated amortisation	(8,640)	(7,419)
	<u>18,580</u>	<u>19,801</u>
Other intangible assets - at cost	597	597
Less: Accumulated amortisation	(365)	(261)
	<u>232</u>	<u>336</u>
	<u>65,349</u>	<u>66,674</u>

Reconciliations

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

	Goodwill	Acquired	Other	
	\$'000	relationships	intangible	
		\$'000	assets	Total
			\$'000	\$'000
Consolidated				
Balance at 1 July 2020	46,537	19,801	336	66,674
Amortisation expense	-	(1,221)	(104)	(1,325)
Balance at 31 December 2020	<u>46,537</u>	<u>18,580</u>	<u>232</u>	<u>65,349</u>

Pengana Capital Group Limited
Notes to the financial statements
31 December 2020



Note 7. Trade and other payables

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	42	79
Accrued expenses	2,507	2,168
Fund manager profit share	8,453	2,922
Payable to non-controlling interests	6,265	5,634
Other payables	258	448
	<u>17,525</u>	<u>11,251</u>

Note 8. Contributed equity

	Consolidated			
	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	103,026,317	103,026,317	119,859	119,869
Preference shares - fully paid	4,909,228	4,909,228	10,260	10,260
Less: Treasury shares	(24,275,856)	(24,428,066)	(30,505)	(30,699)
	<u>83,659,689</u>	<u>83,507,479</u>	<u>99,614</u>	<u>99,430</u>

Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	1 July 2020	103,026,317	119,869
Recognise loss on loan repayment on treasury shares	1 December 2020	-	(10)
Balance	31 December 2020	<u>103,026,317</u>	<u>119,859</u>

Movements in treasury shares

Details	Date	Shares	\$'000
Balance	1 July 2020	(24,428,066)	(30,699)
Derecognise treasury shares on loan repayment	1 December 2020	152,210	194
Balance	31 December 2020	<u>(24,275,856)</u>	<u>(30,505)</u>

Note 9. Reserves

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Profits reserve	25,774	23,867
Foreign currency reserve	87	20
Share-based payments reserve	6,888	6,505
Financial assets at fair value through other comprehensive income reserve	958	(265)
Acquisition reserve	2,712	2,712
	<u>36,419</u>	<u>32,839</u>

Note 9. Reserves (continued)

Movements in reserves

Movements in each class of reserve during the current financial half-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 2020	23,867	20	6,505	(265)	2,712	32,839
Revaluation, net of tax	-	-	-	1,198	-	1,198
Foreign currency translation	-	67	-	-	-	67
Transfer from accumulated losses	5,248	-	-	-	-	5,248
Reclassification to accumulated losses on disposal of investments	-	-	-	25	-	25
Dividend paid from profits reserve	(3,341)	-	-	-	-	(3,341)
Share-based payments	-	-	383	-	-	383
Balance at 31 December 2020	<u>25,774</u>	<u>87</u>	<u>6,888</u>	<u>958</u>	<u>2,712</u>	<u>36,419</u>

Note 10. Dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
On 28 August 2020, a fully franked final dividend of 4 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	<u>3,341</u>	<u>-</u>

On 26 February 2021, the directors declared a fully franked interim dividend for the half-year ended 31 December 2020 of 5 cents per ordinary share. The dividends will be paid on 19 March 2021 to eligible shareholders on the register on 5 March 2021.

Note 11. 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 - 31 Dec 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Investment in financial assets at fair value through other comprehensive income	9,017	1,102	-	10,119
Total assets	<u>9,017</u>	<u>1,102</u>	<u>-</u>	<u>10,119</u>

Note 11. Fair value measurement (continued)

Consolidated - 30 Jun 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Investment in 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 half-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.

Note 12. Earnings per share

	Consolidated 31 Dec 2020 \$'000	31 Dec 2019 \$'000
Profit after income tax	3,221	3,257
Non-controlling interest	(56)	-
Profit after income tax attributable to the owners of Pengana Capital Group Limited	3,165	3,257
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	83,532,296	84,379,505
Adjustments for calculation of diluted earnings per share:		
Dilutive impact of treasury shares accounted for as options	1,460,714	2,789,423
Weighted average number of ordinary shares used in calculating diluted earnings per share	84,993,010	87,168,928
	Cents	Cents
Basic earnings per share	3.79	3.86
Diluted earnings per share	3.72	3.74

The weighted average number of ordinary shares to calculate basic earnings per share excludes 24,275,856 (31 December 2019: 24,290,716) treasury shares.

Note 13. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it did not have any significant impact for the group up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Apart from the dividend declared as disclosed in note 10, no other matter or circumstance has arisen since 31 December 2020 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 14. 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 26 February 2021.

Pengana Capital Group Limited
Directors' declaration
31 December 2020



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in dark ink, appearing to read "W Negus", written over a horizontal line.

Warwick Negus
Chairman

A handwritten signature in dark ink, appearing to read "R Pillemer", written over a horizontal line.

Russel Pillemer
Chief Executive Officer

26 February 2021
Sydney

Independent Auditor's Report

To the Members of Pengana Capital Group Limited

Report on the review of the half year-financial report

Conclusion

We have reviewed the accompanying half-year financial report of Pengana Capital Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Pengana Capital Group Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Pengana Capital Group Limited's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Adam-Smith
Partner – Audit & Assurance

Sydney, 26 February 2021



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