

INTERIM REPORT



PENGANA CAPITAL GROUP LIMITED

INTERIM REPORT



**31 December
2021**

PENGANA CAPITAL GROUP LIMITED
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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 3, 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



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 2021. Highlights of the half-year include:

- FUM up 6% to \$4,170 million
- Operating EBITDA up 174% to \$22.3m
- EPS on comprehensive income after tax up 151% to 16.23 cents per share
- Underlying NTA per share up 21% to 66.22 cents per share
- Interim dividend up 140% from prior comparable period to 12 cents per share

FUNDS UNDER MANAGEMENT AND INVESTMENT PERFORMANCE

Funds under Management (“FUM”) grew in the six months, up 6% from \$3,974 million at 30 June to \$4,170 million at 31 December 2021. The growth in FUM was propelled by investment performance which added \$274 million in the period, while net flows at \$20 million were offset by \$99 million of distributions paid.

The rotation away from growth to value impacted a number of our strategies on a relative basis. However, the benefit of having a diversified range of funds was clearly illustrated with the Pengana Emerging Companies Fund and the Pengana Private Equity Trust (ASX: PE1) performing particularly well on both absolute and relative-return bases.

Investors’ perception that the large cap growth companies were overpriced saw retail flows favour small cap and niche strategies, with our sustainable impact and high conviction funds attracting outsized inflows, and PE1 enjoying considerable support in the listed space.

Since 31 December, a combination of falling markets and payment of interim distributions saw our FUM fall to \$3,828 million at 31 January 2022.



FINANCIAL RESULTS

Pengana generated comprehensive income before tax of \$25.2 million which was up 152% on the \$10.0 million posted in the six months to December 2020. On an after-tax basis, this represented earnings per share of 16.23 cents, up from 6.48 cents per share posted for the six months to 31 December 2020.

Pengana Capital Group	Dec 2021	Dec 2020
Operating EBITDA, underlying profit and comprehensive income ¹	\$'000	\$'000
Management fee revenue	23,433	19,714
Performance fee revenue	28,951	10,345
Net fund direct expenses	(1,620)	(1,404)
Operating expenses	(8,802)	(8,550)
Team profit share	(19,412)	(11,798)
Non-controlling interests	52	(56)
Operating EBITDA	22,602	8,251
Interest and investment income distributions	220	329
Interest on loan funded share plan	718	699
Financing costs	(55)	(83)
Underlying profit before tax	23,485	9,196
Gain on investments	1,620	1,808
Adjustments for non-recurring items	78	(1,017)
Comprehensive income before tax	25,183	9,987
<i>Basic EPS on comprehensive income after tax</i>	<i>16.23 cps</i>	<i>6.48 cps</i>

The increase in comprehensive income before tax was primarily attributable to the \$28.95 million in gross performance fee revenue generated by the Emerging Companies Fund and by PE1.

Year on year Funds under Management (“FUM”) were up 16%, leading to a 19% increase in management fees, when compared to the prior half-year.

Operating expenses were flat despite continual investment in marketing, digitalization and technology infrastructure.

Movements in other Comprehensive Income items were mostly insignificant to the overall result, with the exception of the adjustments for non-recurring items line, which in the prior comparable period included costs associated with the successful PE1 rights issue undertaken in July 2020

¹ Source: Pengana Management Accounts. All amounts attributable to Pengana Shareholders i.e. excluding outside equity interests. EPS calculated on 108,645,230 weighted average number of shares (i.e. including treasury shares) (2020: 107,935,545), applying normalized tax rate of 30%

CAPITAL MANAGEMENT AND DIVIDENDS

Our balance sheet remains strong, with net tangible underlying assets attributable to PCG shareholders of \$72.2 million or 66 cents per share. During the half-year we paid \$6.7 million or 8 cents per share in dividends, further reduced our borrowings and at 30 December had \$27.1 million in net working capital (\$16.1 million at 30 June).

We are pleased to announce that the strong result for the period has enabled the Board today to declare an interim dividend of 12 cents per share fully franked at the 30% tax rate. The dividend will be paid on 17 March 2022 to shareholders on the register on 3 March 2022.

OUTLOOK

The start to the 2022 calendar year has been a difficult one for equity markets, as investors navigate inflation-related uncertainty brought about by stimulus policies, the escalating conflict in eastern Europe, tight labour markets and supply chain bottlenecks. Whilst falling investment markets have a short-term negative impact on most of our funds, I note that we welcome market volatility as it presents buying opportunities that have the potential to enable our teams to generate future strong returns.

Due to changes implemented over the last few years, the PCG business today is more profitable and robust with improved growth prospects. We have diversified our product base as well as increased our proportion of FUM to products that are: closed-ended; deliver higher (net to PCG) management fee margins; and have the ability to generate substantial performance fees. We have also diversified our distribution channels by strengthening our sales team and investing heavily in digitalization of our marketing infrastructure, giving us the ability to purposely interact with our advisors and retail investors alike.

As we enter the new calendar year, I would like to take this opportunity to thank our investors and shareholders for their continued support as well as the team at Pengana for their focus and dedication.



Russel Pillemer
Managing Director and Chief Executive Officer
Pengana Capital Group Limited
25 February 2022

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 2021.

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 - 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 half-year were as follows:

Consolidated	
31 Dec 2021	31 Dec 2020
\$'000	\$'000

On 31 August 2021, a fully franked final dividend of 8.0 cents per ordinary share was declared for the year ended 30 June 2021 and paid on 20 September 2021 to the shareholders registered on 6 September 2021 (30 December 2020: 4.0 cents per ordinary share).

<u>6,705</u>	<u>3,341</u>
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On 25 February 2022, the directors declared a fully franked interim dividend for the half-year ended 31 December 2021 of 12.0 cents per ordinary share. The dividends will be paid on 17 March 2022 to eligible shareholders on the register on 3 March 2022.

Significant changes in the state of affairs

PT Private Capital Pty Ltd, a subsidiary of the group, was sold on 1 July 2021 for the total consideration of \$2,207,000. The group has recognised a gain on disposal of subsidiary amounting to \$533,000 in other income (refer note 4). Refer to note 6 of the notes to the financial statements for further details.

On 31 August 2021, the company announced its intention to undertake an on-market buyback of up to 10,229,037 ordinary shares. The company reserves the right to vary, suspend or terminate the buy-back at any time. The buyback expires on 14 September 2022. During the reporting period, 288,201 shares were bought back for \$615,000 (refer note 9).

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

Review of operations

The profit for the group after providing for income tax and non-controlling interest amounted to \$15,506,000 (31 December 2020: \$3,165,000).

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

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

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Pengana Capital Group Limited Directors' report 31 December 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 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Handwritten signature of Warwick Negus in black ink, written over a horizontal line.

Warwick Negus
Chairman

Handwritten signature of Russel Pillemer in black ink, written over a horizontal line.

Russel Pillemer
Chief Executive Officer

25 February 2022
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 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



G S Layland
Director – Audit & Assurance

Sydney, 25 February 2022

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Pengana Capital Group Limited Statement of profit or loss For the half-year ended 31 December 2021



	Note	Consolidated	
		31 Dec 2021 \$'000	31 Dec 2020 \$'000
Revenue			
Management fees		23,748	19,289
Performance fees		29,045	10,353
Other fee revenue		-	794
Total revenue	3	52,793	30,436
Share of profits of associates accounted for using the equity method		317	213
Interest revenue calculated using the effective interest method		25	77
Other income and gains	4	915	398
Total revenue and income		54,050	31,124
Expenses			
Human resources expenses		(9,793)	(9,197)
Fund manager profit share expense		(16,652)	(9,837)
Fund operating expenses		(1,850)	(1,954)
Occupancy expenses		(273)	(232)
Technology and communications expenses		(850)	(898)
Marketing and investment research expenses		(287)	(259)
Insurance expenses		(615)	(487)
Professional, registry and listing related expenses		(249)	(329)
Depreciation and amortisation expenses		(1,397)	(1,624)
Finance costs		(61)	(92)
Product development expenses		(3)	(518)
Other operating expenses		(279)	(191)
Total expenses		(32,309)	(25,618)
Profit before income tax expense		21,741	5,506
Income tax expense		(6,287)	(2,285)
Profit after income tax expense for the half-year		15,454	3,221
Profit for the half-year is attributable to:			
Non-controlling interest		(52)	56
Owners of Pengana Capital Group Limited		15,506	3,165
		15,454	3,221
		Cents	Cents
Basic earnings per share	13	18.51	3.79
Diluted earnings per share	13	17.22	3.72

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 half-year ended 31 December 2021



	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Profit after income tax expense for the half-year	15,454	3,221
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	918	1,198
Reclassify gain or loss on disposal of equity instruments net of tax to accumulated losses	-	25
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	(6)	67
Foreign currency translation on minority interest	(8)	-
Other comprehensive income for the half-year, net of tax	<u>904</u>	<u>1,290</u>
Total comprehensive income for the half-year	<u><u>16,358</u></u>	<u><u>4,511</u></u>
Total comprehensive income for the half-year is attributable to:		
Non-controlling interest	(60)	56
Owners of Pengana Capital Group Limited	<u>16,418</u>	<u>4,455</u>
	<u><u>16,358</u></u>	<u><u>4,511</u></u>

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

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Pengana Capital Group Limited Statement of financial position As at 31 December 2021



		Consolidated	
	Note	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Assets			
Current assets			
Cash and cash equivalents		23,901	19,900
Trade and other receivables		2,300	689
Contract assets		33,356	21,526
Prepayments and security deposits		1,551	1,002
		<u>61,108</u>	<u>43,117</u>
Assets classified as held for sale	6	-	1,674
Total current assets		<u>61,108</u>	<u>44,791</u>
Non-current assets			
Trade and other receivables		429	457
Investments accounted using the equity method		5,076	7,213
Financial assets at fair value through other comprehensive income	5	10,123	10,547
Property, plant and equipment		168	186
Intangibles	7	59,726	60,980
Right-of-use assets		429	209
Prepayments and security deposits		66	121
Total non-current assets		<u>76,017</u>	<u>79,713</u>
Total assets		<u>137,125</u>	<u>124,504</u>
Liabilities			
Current liabilities			
Trade and other payables	8	26,447	23,477
Employee benefits		1,334	1,107
Bank loan		1,250	1,250
Lease liabilities		292	154
Income tax liability		5,876	4,973
Total current liabilities		<u>35,199</u>	<u>30,961</u>
Non-current liabilities			
Employee benefits		200	219
Bank loan		625	1,250
Lease liabilities		139	72
Deferred tax		3,442	3,912
Total non-current liabilities		<u>4,406</u>	<u>5,453</u>
Total liabilities		<u>39,605</u>	<u>36,414</u>
Net assets		<u>97,520</u>	<u>88,090</u>
Equity			
Contributed equity	9	99,189	99,804
Reserves	10	72,972	34,854
Accumulated losses		(74,466)	(46,453)
Equity attributable to the owners of Pengana Capital Group Limited		97,695	88,205
Non-controlling interest		(175)	(115)
Total equity		<u>97,520</u>	<u>88,090</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 2021



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 9)	184	-	-	-	184
Transfer from accumulated losses to profits reserve	-	5,248	(5,248)	-	-
Dividends paid (note 11)	-	(3,341)	-	-	(3,341)
Balance at 31 December 2020	99,614	36,419	(49,723)	(112)	86,198
Consolidated	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2021	99,804	34,854	(46,453)	(115)	88,090
Profit/(loss) after income tax expense for the half-year	-	-	15,506	(52)	15,454
Other comprehensive income for the half-year, net of tax	-	912	-	(8)	904
Total comprehensive income for the half-year	-	912	15,506	(60)	16,358
<i>Transactions with owners in their capacity as owners:</i>					
Share buy-back (note 9)	(615)	-	-	-	(615)
Share-based payments (note 10)	-	392	-	-	392
Transfer from accumulated losses to profits reserve (note 10)	-	43,519	(43,519)	-	-
Dividends paid (note 11)	-	(6,705)	-	-	(6,705)
Balance at 31 December 2021	99,189	72,972	(74,466)	(175)	97,520

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 2021



	Note	Consolidated	
		31 Dec 2021 \$'000	31 Dec 2020 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		45,826	22,288
Payments to suppliers, customers and employees (inclusive of GST)		(32,126)	(20,016)
Dividends received		191	407
Interest received		25	59
Other revenue		149	374
Finance costs		(55)	(83)
Income taxes paid		(5,854)	141
Net cash from operating activities		8,156	3,170
Cash flows from investing activities			
Proceeds from disposal of interests in subsidiaries		2,207	-
Payments for purchase of investments in associates		(1,464)	-
Payments for property, plant and equipment		(22)	(21)
Shareholder loan repayment		28	8
Proceeds from disposal of investments in associates		1,468	1,926
Proceeds from disposal of investments in financial assets		1,736	-
Proceeds from security deposits		-	454
Payments for security deposits		(6)	(24)
Net cash from investing activities		3,947	2,343
Cash flows from financing activities			
Repayment of borrowings		(625)	(625)
Repayment of lease liabilities		(125)	(244)
Payments for share buy-backs		(615)	-
Dividends paid	11	(6,705)	(3,341)
Net cash used in financing activities		(8,070)	(4,210)
Net increase in cash and cash equivalents		4,033	1,303
Cash and cash equivalents at the beginning of the financial half-year		19,900	15,309
Effects of exchange rate changes on cash and cash equivalents		(32)	(32)
Cash and cash equivalents at the end of the financial half-year		23,901	16,580

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 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 2021 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 2021 and are not expected to have any significant impact for the full financial year ending 30 June 2022.

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

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.

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 2021	31 Dec 2020
	\$'000	\$'000
Dividends and distributions	187	173
Rental income	35	72
Reversal of impairment on disposal of subsidiary	533	-
Other income	160	153
	915	398
	915	398

Note 5. Financial assets at fair value through other comprehensive income

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Investments in listed equity securities	10,123	9,121
Investment in unlisted unit trust	-	1,426
	10,123	10,547
	10,123	10,547

Refer to note 12 for further information on fair value measurement.

Note 6. Assets classified as held for sale

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Current assets</i>		
Intangibles	-	1,674
	-	1,674

Intangible assets attributable to PT Private Capital Pty Ltd (a subsidiary of the group) was sold on 1 July 2021 for the total consideration of \$2,207,000. The group has recognised a gain on disposal of subsidiary amounting to \$533,000 in other income (refer note 4).

Note 7. Intangibles

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Goodwill - at cost	43,553	43,553
Acquired relationships - at cost	26,768	26,768
Less: Accumulated amortisation	(10,595)	(9,468)
	16,173	17,300
Other intangible assets - at cost	597	597
Less: Accumulated amortisation	(597)	(470)
	-	127
	59,726	60,980

Note 7. Intangibles (continued)

Reconciliations

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

Consolidated	Goodwill \$'000	Acquired relationships \$'000	Other intangible assets \$'000	Total \$'000
Balance at 1 July 2021	43,553	17,300	127	60,980
Amortisation expense	-	(1,127)	(127)	(1,254)
Balance at 31 December 2021	<u>43,553</u>	<u>16,173</u>	<u>-</u>	<u>59,726</u>

Note 8. Trade and other payables

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Current liabilities</i>		
Trade payables	2,108	14
Accrued expenses	5,265	4,366
Fund manager profit share	13,961	11,749
Payable to non-controlling interests	4,576	6,979
Other payables	537	369
	<u>26,447</u>	<u>23,477</u>

Note 9. Contributed equity

	Consolidated			
	31 Dec 2021 Shares	30 Jun 2021 Shares	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Ordinary shares - fully paid	109,019,805	103,184,673	131,011	118,998
Convertible preference shares - fully paid	-	4,909,228	-	10,260
Less: Treasury shares	<u>(25,489,961)</u>	<u>(24,275,856)</u>	<u>(31,822)</u>	<u>(29,454)</u>
	<u>83,529,844</u>	<u>83,818,045</u>	<u>99,189</u>	<u>99,804</u>

Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	1 July 2021	103,184,673	118,998
Issue of shares under the Pengana Capital Group Loan Share Plan	14 September 2021	814,105	1,588
Conversion of fully paid preference shares to ordinary shares	29 September 2021	4,909,228	10,260
Issue of shares under the Pengana Capital Group Loan Share Plan	27 October 2021	400,000	780
Share buy-back	November 2021	<u>(288,201)</u>	<u>(615)</u>
Balance	31 December 2021	<u>109,019,805</u>	<u>131,011</u>

Note 9. Contributed equity (continued)

Movements in treasury shares

Details	Date	Shares	\$'000
Balance	1 July 2021	(24,275,856)	(29,454)
Issue of shares under the Pengana Capital Group Loan Share Plan	14 September 2021	(814,105)	(1,588)
Issue of shares under the Pengana Capital Group Loan Share Plan	27 October 2021	(400,000)	(780)
Balance	31 December 2021	<u>(25,489,961)</u>	<u>(31,822)</u>

Movements convertible preference shares

Details	Date	Shares	\$'000
Balance	1 July 2021	4,909,228	10,260
Conversion of fully paid preference shares to ordinary shares	29 September 2021	(4,909,228)	(10,260)
Balance	31 December 2021	<u>-</u>	<u>-</u>

Share buy-back

During the half-year, the company bought back 288,201 shares at a cost of \$615,000. The buy-back program expires on 14 September 2022 and allows a maximum of 10,229,037 shares to be bought back.

Note 10. Reserves

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Profits reserve	60,681	23,867
Foreign currency reserve	73	79
Share-based payments reserve	7,330	6,938
Financial assets at fair value through other comprehensive income (OCI) reserve	2,176	1,258
Acquisition reserve	2,712	2,712
	<u>72,972</u>	<u>34,854</u>

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 2021	23,867	79	6,938	1,258	2,712	34,854
Revaluation, net of tax	-	-	-	918	-	918
Foreign currency translation	-	(6)	-	-	-	(6)
Transfer from accumulated losses	43,519	-	-	-	-	43,519
Dividend paid from profits reserve	(6,705)	-	-	-	-	(6,705)
Share-based payments	-	-	392	-	-	392
Balance at 31 December 2021	<u>60,681</u>	<u>73</u>	<u>7,330</u>	<u>2,176</u>	<u>2,712</u>	<u>72,972</u>

Note 11. Dividends

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

Consolidated
31 Dec 2021 31 Dec 2020
\$'000 \$'000

On 31 August 2021, a fully franked final dividend of 8.0 cents per ordinary share was declared for the year ended 30 June 2021 and paid on 20 September 2021 to the shareholders registered on 6 September 2021 (30 December 2020: 4.0 cents per ordinary share).

6,705 3,341

On 25 February 2022, the directors declared a fully franked interim dividend for the half-year ended 31 December 2021 of 12.0 cents per ordinary share. The dividends will be paid on 17 March 2022 to eligible shareholders on the register on 3 March 2022.

Note 12. 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 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Financial assets at fair value through other comprehensive income	10,123	-	-	10,123
Total assets	<u>10,123</u>	<u>-</u>	<u>-</u>	<u>10,123</u>
Consolidated - 30 Jun 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
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	<u>9,121</u>	<u>3,100</u>	<u>-</u>	<u>12,221</u>

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

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.

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 13. Earnings per share

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Profit after income tax	15,454	3,221
Non-controlling interest	52	(56)
	<u>15,506</u>	<u>3,165</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	83,750,226	83,532,296
Adjustments for calculation of diluted earnings per share:		
Dilutive impact of treasury shares accounted for as options	6,271,169	1,460,714
	<u>90,021,395</u>	<u>84,993,010</u>
	Cents	Cents
Basic earnings per share	18.51	3.79
Diluted earnings per share	17.22	3.72

The weighted average number of ordinary shares to calculate basic earnings per share excludes 25,489,961 (31 December 2020: 24,275,856) treasury shares.

Note 14. Events after the reporting period

Apart from the dividend declared as disclosed in note 11, no other matter or circumstance has arisen since 31 December 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 15. 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 25 February 2022.

Pengana Capital Group Limited
Directors' declaration
31 December 2021

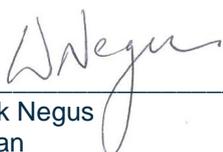


In the directors' opinion:

- 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 2021 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



Warwick Negus
Chairman



Russel Pillemer
Chief Executive Officer

25 February 2022
Sydney

Independent Auditor's Review 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 2021, 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 2021 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



G S Layland
Director – Audit & Assurance

Sydney, 25 February 2022



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