PENGANA CAPITAL GROUP LIMITED

30 JUNE 2022

ANNUAL REPORT

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

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ANNUAL REPORT

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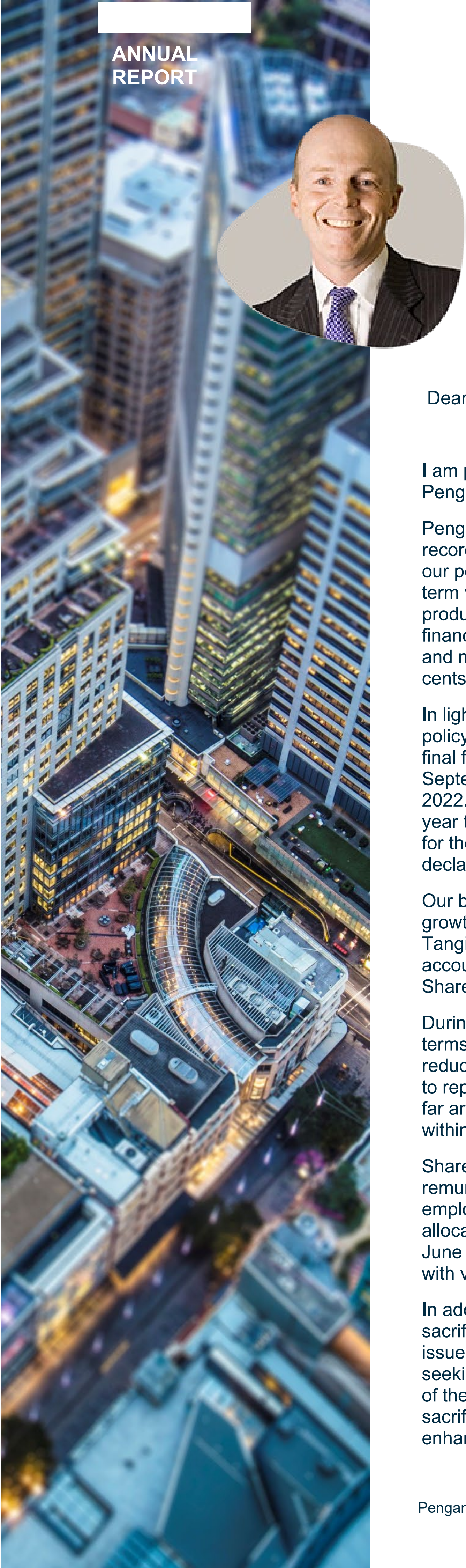
ANNUAL REPORT

PENGANA CAPITAL GROUP LIMITED

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
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 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 2022 Annual Report for Pengana Capital Group Limited (ASX: PCG, “Pengana”).

Pengana reported record results for the financial year, delivering record revenues and expanding margins. We continued to invest in our people and in technology, and remained focused on our long-term vision to provide retail investors with accessible diversified products managed by world class investment teams. For the financial year, we grew our Operating EBITA by 64% to $31.5 million and more than doubled our statutory Earnings Per Share to 22.30 cents per share.

In light of the strong financial result and in line with PCG’s dividend policy to pay out the majority of earnings, the Board today declared a final fully franked dividend of 8 cent per share, payable 13 September 2022 to shareholders on the register as at 30 August 2022. This brings the total dividends declared for the 2022 financial year to 20 cents per share, up from the 13 cents per share declared for the prior financial year and up 150% on the 8 cents per share declared for the financial year ending 30 June 2020.

Our balance sheet remains strong, giving us the flexibility to invest in growth as well as support our share buyback program. Statutory Net Tangible Assets grew to 37.86 cents per share, and when taking into account the off-balance sheet loans funding our Employee Loan Share Plan (ELSP), this increases to 55.33 cents per share.

During the year, 13 million PCG ELSP shares vested. Under the terms of the ELSP, dividends paid on ELSP shares are applied to reduce the loan balance and employees have two years from vesting to repay the remaining loan balance. As all ELSP shares vested thus far are in the money, we expect loans on vested shares will be paid within 2 years and inject further cash into our balance sheet.

Shares issued under the ELSP are a key component of Penganga’s remuneration and incentive structure, aligning the interests of employees, investors and shareholders and during the year we allocated a further 1.2 million PCG shares under the ELSP. At 30 June 2022, approximately 9.3 million unvested ELSP shares remain, with vesting dates stretching out to September 2026.

In addition, our Non-executive Directors (NEDs) elected to salary sacrifice their directors’ fees into PCG shares, with 0.2 million shares issued in the financial year. At the upcoming AGM, we will again be seeking your approval to grant our 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.

In the year the number of PCG shareholders more than doubled, as we welcomed over 2,000 new shareholders onto the register (including a number of institutional shareholders) through the in-specie distribution of PCG shares undertaken by the Pengana Private Equity Trust (ASX: PE1) to its unitholders. An immediate positive effect has been increased liquidity in the stock, with average volume since the in-specie distribution over 2.5 times that of the average volume in the prior financial year.

We are advancing in our efforts to promote Pengana more broadly with favourable stockbroker research on your company being issued during the year. The Board intends to continue to buy back the Company's shares over the next twelve months, when it deems doing so accretive. In the financial year, the Company invested $1.3 million to acquire 0.7 million shares, just over half a percent of the Company's shares on issue.

We continue to strengthen our commitment to sustainability through our strategies and initiatives. Achieving our long term vision requires ensuring employees are connected to the Company's purpose and sharing the values of our investors. In the financial year, Pengana continued to advance the cause for responsible investment in the investment community and expanded benefits that support the needs of our diverse workforce.

As we start the new financial year, the global outlook remains uncertain in so many ways. We remain committed to meeting the needs of our investors, supporting our employees and delivering shareholder value.

As always, I'll close by thanking our shareholders and investors for their continued support and to our staff for their continued commitment. I look forward to seeing you at our Annual General Meeting which, after two virtual years, will be held in person in Sydney.

WNegus

Warwick Negus
Chairman
Pengana Capital Group Limited
24 August 2022

LETTER FROM THE CEO

The 2022 financial year saw Pengana deliver record revenues, Earnings Per Share (EPS) and dividends to shareholders. Management fees increased by 7%, EPS by 33% and dividends by 54%. The strong result was due to strategic initiatives enacted in prior years and benefited from the momentum markets experienced in 2021 from robust growth driven by economies re-opening, global fiscal stimulus and a low interest rate environment. In contrast, calendar 2022 brought headwinds for global economic growth and financial markets, shifting sentiment and curbing growth and profits.

KEY HIGHLIGHTS OF 2022

Financial highlights

- FUM at $3.3bn
- Operating EBITDA up 64% to $31.5m
- EPS on Underlying Profit after tax up 33% to 18.82 cents
- Underlying NTA per share up 1.2% to 55.33 cents
- Final dividend of 8 cents per share
- Total dividend per share for 12 months up 54%% to 20 cents per share

Operational highlights

- First half of year delivered strong absolute and relative investment performance
- Second half of year saw sharp dislocation in markets with generally weak investment performance
- Rights issue and strong performance from PE1 saw its FUM increase 40%
- Continued progress in improving ratings and platform access
- Continued expansion of distribution team
- Continued development of leading-edge digital marketing capabilities

FUNDS UNDER MANAGEMENT (FUM)

The financial year saw a 16% decrease in FUM, to $3.3 billion at 30 June 2022. Net flows were positive at $74 million, however this was insufficient to counteract negative investment performance of $574 million and distributions to our investors of $149 million.

While the first half of the year saw strong performance growth, by the end of the financial year all major indices ended in negative territory. The market deterioration in the early part of 2022 was sudden and severe, particularly for growth stocks, and almost no sector or geography was spared. The quality bias across our strategies usually offers a degree of downside protection in falling markets, however this was not replicated in the market dislocation. Performance of market indices, especially in Australia, were supported by energy and mining stocks, sectors that Pengana is traditionally underweight in.

July 2022 saw our FUM increase to $3.4 billion, despite the payment of half-yearly distributions of $97.4 million during the month. Pengana's strategies were well positioned to benefit from the rebound of asset prices in equity markets during July and whilst we think our portfolios are well placed to benefit from future uplifts, we recognise that the short-term outlook for markets and investment performance remains unclear

FINANCIAL RESULTS

Pengana generated underlying profit before tax of $29.3 million which represents 18.8 cents per share after normalised tax.

Pengana Capital Group **Operating EBITDA and underlying profit**	**2022** **$'000**	**2021** **$'000**
Management fee revenue	44,134	41,186
Performance fee revenue	33,174	27,454
Net fund direct expenses	(3,204)	(3,215)
Operating expenses	(20,352)	(21,762)
Team profit share	(22,540)	(24,368)
Non-controlling interests	271	(53)
Operating EBITDA	**31,483**	**19,243**
Interest and investment income distributions	487	607
Interest on loan funded share plan	1,388	1,471
Financing costs	(95)	(153)
Adjustments for non-recurring items	(4,005)	716
Underlying profit before tax	**29,258**	**21,884**
Basic EPS on comprehensive income after tax[1]	*18.82 cps*	*14.18 cps*

Higher average FUM for the financial year (due to strong first half performance and growth in products with higher margins) resulted in gross management fee revenues increasing by 7% to $44.1 million, up on the $41.2 million posted in the prior comparable period (the year ended 30 June 2021). At the time of writing, FUM is below the 2022 financial year average, which will translate into lower management fee revenue in the upcoming year, unless driven higher by investment performance and flows.

1. Calculated on 108,822,961 weighted average number of shares (i.e. including treasury shares) (2021: 108,000,189), applying normalized 30% tax rate

We earned $33.2 million in gross performance fees, 21% over the $27.5 million derived in the prior financial year. Despite a difficult period for financial markets, the diversification of strategies and fee structures across the business provided a degree of stability to this income stream.

Operating expenses decreased from $21.9 million to $20.4 million. While we continued to invest in our sales and distribution resources and in our technology capabilities, increased costs in these areas were offset by savings in occupancy costs and personnel related expenses. We expect operational expenses in the 2023 financial year will reflect the world opening-up post covid – with occupancy, sales and human resource costs normalising.

Operating EBITDA at $31.5 million was 64% higher than the prior financial year driven not only by higher performance fees but also our increased share of performance fees. Unrealised losses on investments and the cost of the PE1 rights issue depressed Underlying Profit somewhat, however at $29.3 million it was 34% higher than the prior financial year, delivering underlying after tax earnings of 18.82 cents per share compared to the 14.18 cents per share delivered in the prior financial year.

Overall, diversification into higher margin products and across asset classes helped deliver strong financial results in a year punctuated by economic uncertainty and market volatility.

BALANCE SHEET

Our Underlying Net Tangible Assets increased by 2% in the year to 30 June 2022 and at $60.2 million represents 55 cents per share. During the year we paid $16.8 million or 20 cents per share in dividends, further reduced our borrowings and ended the year with $31 million in net liquid assets.

Our Board today declared a 8 cents per share dividend, fully franked at 30% tax rate. This brings the total dividends declared for the 2022 financial year to 20 cents per share, a 54% increase on the prior financial year.

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.

VALUE CREATION

There are several paths through which Pengana can increase shareholder value: growing funds under management, either by growing existing products with excess capacity or through development of new product offerings; increasing margins through products delivering a larger proportion of fees to Pengana; expense management and capitalising on existing operational leverage, and finally through sound capital management, including undertaking share buybacks when deemed accretive to shareholders.

A very challenging second half of the financial year saw FUM decrease by 16% largely due to negative performance in equity markets. Net flows for the year were positive but subdued, as investors navigated an increasingly gloomy and uncertain global economic outlook. Investors allocated capital to non-traditional asset classes, and our high conviction, private equity and impact offerings were all net beneficiaries of this trend, growing circa 40% during the financial year and consequently increasing our share of FUM in products less correlated to traditional equity markets.

The $58 million PE1 Rights Issue increased our share of FUM in listed vehicles, a more stable source of management fee revenue due to the close-ended structure and ability of those structures to manage capital more effectively. The Rights Issue had the added effect of increasing our share of FUM in products with performance fees.

Over the last eight years the total annual gross fee margin has averaged circa 2% of funds under management. Whilst performance fees are by their very nature volatile, over the recent past Pengana's product offering has diversified to an extent that we expect a lesser degree of volatility in this revenue line. In the past year particularly, flow and performance has been in products not only with higher margins but also less correlated, increasing net overall profit and adding to the long-term stability of top line revenue.

We have continued to invest in our operational capabilities, whilst being conscious of managing expenses. During the year we further expanded our distribution team and, supported by innovative marketing technology, delivered increased client engagement across retail and advised channels, expansion of platform access and model inclusion. We also increased the network of supporting financial advisers, and have the potential (and resources) to deepen these relationships.

Despite net positive inflows and a strong rebound in performance since 30 June, FUM at the date of writing is circa 11% down on the 2022 average. The impact on management fees will be somewhat mitigated by the fact that products with higher margins have experienced the greatest growth.

It is likely that organic FUM growth in the near term will remain subdued, both due to continued low forecasts for global economic growth and depressed appetite from investors to enter equity markets. However, we remain confident in our growth prospects due to the strength of our franchise, high quality of our products and the depth of experience of our team. Pengana's existing infrastructure is highly scalable and we remain confident in our ability to capitalise on opportunities to meet client demand, and to expand and diversify our product offering into new asset classes.

As always, I thank our shareholders for the trust in placing their savings with Pengana and I look forward to once again meeting many of you at our October 2022 Annual General Meeting.

Russel Pillemer

Managing Director and Chief Executive Officer
Pengana Capital Group Limited
24 August 2022

Pengana Capital Group Limited
Directors' report
30 June 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 year ended 30 June 2022.

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	
	2022 $'000	2021 $'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 (2021: fully franked dividend of 4.0 cents per ordinary share)	6,705	3,341
On 25 February 2022, a fully franked interim dividend of 12.0 cents per ordinary share was declared for the year ended 30 June 2022 and paid on 17 March 2022 to the shareholders registered on 3 March 2022 (2021: fully franked interim dividend of 5.0 cents per ordinary share)	10,049	4,190
	16,754	7,531

On 24 August 2022, the directors declared a final dividend for the year ended 30 June 2022 of 8.0 cents per ordinary share. The dividends are fully franked to be paid on 13 September 2022 to eligible shareholders on the register on 30 August 2022.

Review of operations
The profit for the group after providing for income tax and non-controlling interest amounted to $18,652,000 (30 June 2021: $8,718,000).

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
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, being a reversal of prior period impairment, amounting to $533,000 in other income. Refer to note 3 and note 13 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 year, 765,795 shares were bought back for $1,542,000. Refer to note 20 of the notes to the financial statements for further details.

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

Matters subsequent to the end of the financial year
On 30 March 2022, a five-year lease for new business premises at Governor Phillip Tower, Level 27, 1 Farrer Place, Sydney was signed. The lease commenced on 8 July 2022 at which time a lease asset and lease liability of $3,356,000 each was recognised. At 30 June 2022, a security deposit of $523,000, together with a deposit of $532,000 for the lease fit-out (included in other receivables), has been recognised in the statement of financial position.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2022 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.

Material business risks
Material business risks that could adversely affect the group’s future financial performance are listed below.

Market risk
The group's funds under management and associated fee income are exposed to movements in market volatility. Whilst the impact of market fluctuations can be both positive and negative, diversification strategies are used to reduce the magnitude of the effects associated with market volatility.

Environmental and social sustainability risks
The group may have material indirect exposure to environmental and social sustainability risks through the investment portfolios of the various investment strategies it manages that could lead to loss of reputation and funds under management. To mitigate this risk the group has adopted a Sustainability and Responsible Investment Policy covering its product offering.

Cyber security risk
The risk of cyber-attacks that could result in a loss of data, networks, money, reputation, or the inability to operate are managed in accordance with the group's cyber security strategy which includes an internal framework, outsourced components and regular monitoring and testing.

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 Company 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:	3,681,763 ordinary shares

Pengana Capital Group Limited
Directors' report
30 June 2022

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:	10,100,081 ordinary shares and 16,272,528 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:	1,944,628 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:	EQT Holdings Ltd (ASX: EQT) and Hancock & Gore Ltd (formerly HGL Limited (ASX: HNG))
Former directorships (last 3 years):	Milton Corporation Limited (ASX: MLT) - retired on 6 October 2021
Special responsibilities:	Member of the Nomination and Remuneration Committee
Interests in shares:	426,551 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 and Redcape Hotel Group Management Ltd as responsible entity of the Redcape Hotel Group. 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.
Other current directorships:	Pengana International Equities Limited (ASX: PIA)
Former directorships (last 3 years):	Redcape Hotel Group (ASX: RDC) - delisted on 2 November 2021
Special responsibilities:	Chairman of the Audit and Risk Committee and member of the Nomination and Remuneration Committee
Interests in shares:	889,871 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.

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 2022, 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	11	12	-	-	3	4
Russel Pillemer	12	12	-	-	-	-
Jeremy Dunkel	12	12	1	1	4	4
Kevin Eley	12	12	1	1	-	-
David Groves	12	12	1	1	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 from 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;
- Short term incentives ('STI') in the form of a discretionary cash bonus; and
- Long term incentives ('LTI') in the form of share-based payments.

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 are payable to KMP and other executives at the discretion of the Board and are not directly linked to the group's profitability, however, the profitability of the group is taken into consideration when determining bonuses. During the year ended 30 June 2022 and 30 June 2021, discretionary cash bonuses were determined by reference to both the individual KPI's and the performance of the group.

Long term incentives
The long-term incentives include long service leave, superannuation and equity settled 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 2022, the group did not engage any remuneration consultants.

Voting and comments made at the company's 2021 Annual General Meeting ('AGM')
At the 2021 AGM, shareholders voted to approve the adoption of the remuneration report for the year ended 30 June 2021. 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

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2022	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Warwick Negus	-	-	143,659	3,341	-	-	147,000
Jeremy Dunkel	-	-	85,909	8,591	-	-	94,500
Kevin Eley	-	-	76,364	7,636	-	-	84,000
David Groves	-	-	95,455	9,545	-	-	105,000
Executive Directors:							
Russel Pillemer	592,558	150,000	32,729	23,568	15,441	37,583	851,879
Other KMP:							
Katrina Glendinning	362,697	75,000	-	27,499	6,991	30,279	502,466
Adam Myers	362,698	180,000	-	27,498	6,847	106,854	683,897
	1,317,953	405,000	434,116	107,678	29,279	174,716	2,468,742

	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

The share-based payments represent amortisation of the notional options arising from the accounting treatment of the LSP, as described below under 'Share-based compensation'.

Pengana Capital Group Limited
Directors' report
30 June 2022

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	2022	2021	2022	2021	2022	2021
Executive Directors:						
Russel Pillemer	78%	100%	18%	-	4%	-
Other KMP:						
Katrina Glendinning	79%	71%	15%	23%	6%	6%
Adam Myers	58%	52%	26%	32%	16%	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 $669,500 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 $401,902 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 $401,902 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, the shares are referred to as treasury shares and not recognised in equity nor are the associated loans recognised as a receivable. As at 30 June 2022, loans outstanding under the LSP totalled $28,195,000 (2021: $29,636,000) and represent the value of both receivables and contributed equity not recognised on the statement of financial position.

Treasury shares for accounting purposes are treated similar to a grant of options and accounted for as equity-settled share-based payments. Treasury shares are fair valued using an option pricing model on the date they are granted and amortised as an expense in profit or loss over the vesting period. A share-based payment expense of $619,000 has been recognised in the statement of profit or loss for the year ended 30 June 2022 (2021: $433,000). Refer to note 34 of the financial statements for further details.

Treasury shares issued prior to 20 December 2019 are all vested as at 30 June 2022. For treasury shares issued on or after 20 December 2019, a third of each grant vests annually in the third, fourth and fifth year following the grant date. Loans associated with the treasury shares are due to be repaid 7 years after the grant date which is represented by the expiry date of the notional options recognised in the financial statements.

Outstanding loan payable under LSP by each KMP is provided below:
- Russel Pillemer $17,000,975 (2021: $18,562,929)
- Katrina Glendinning $581,858 (2021: $654,890)
- Adam Myers $1,999,879 (2021: $2,088,366).

The terms and conditions of each grant of shares under the LSP affecting remuneration of 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
14/09/2021	12/09/2028	Russel Pillemer	400,000	$1.58	$0.455
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
14/09/2021	12/09/2028	Adam Myers	72,005	$1.58	$0.455

* Shares granted on 3 March 2017 have vested on 3 March 2022.

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	3,585,184	-	22,908	73,671	-	3,681,763
Jeremy Dunkel	1,896,483	-	4,089	44,056	-	1,944,628
Kevin Eley	382,962	-	4,428	39,161	-	426,551
David Groves	721,946	-	118,974	48,951	-	889,871
Russel Pillemer	10,350,081	-	-	-	(250,000)	10,100,081
Katrina Glendinning	2,159,530	-	-	-	-	2,159,530
Adam Myers	166,250	-	-	-	-	166,250
	19,262,436	-	150,399	205,839	(250,000)	19,368,674

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 (vested and unvested)					
Russel Pillemer	15,872,528	400,000	-	-	16,272,528
Katrina Glendinning	499,002	-	-	-	499,002
Adam Myers	1,553,649	72,005	-	-	1,625,654
	17,925,179	472,005	-	-	18,397,184

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Shares under the loan share plan (vested)			
Russel Pillemer	15,872,528	-	15,872,528
Katrina Glendinning	422,899	-	422,899
Adam Myers	1,175,654	-	1,175,654
	17,471,081	-	17,471,081

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	818,000
05/06/2020	04/06/2027	$0.86	233,645
30/06/2021	28/06/2028	$1.31	651,998
14/09/2021	12/09/2028	$1.58	1,134,105
			25,379,961

The value of loans issued under the LSP total $31,617,000 (2021: $29,454,000). Due to the limited recourse nature of the loans and whilst the loans remain outstanding the value of the loans is 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 34 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 2022 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.

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

24 August 2022
Sydney

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW
1230

T +61 2 8297 2400

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 2022, 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

Nicole Gonzalez

N M Gonzalez
Partner – Audit & Assurance

Sydney, 24 August 2022

Pengana Capital Group Limited
Statement of profit or loss
For the year ended 30 June 2022

	Note	Consolidated 2022 $'000	2021 $'000
Revenue			
Management fees		44,826	40,330
Performance fees		33,298	27,992
Other fee revenue		-	1,625
Total revenue	2	78,124	69,947
Share of profits of associates accounted for using the equity method		99	1,985
Interest revenue calculated using the effective interest method		41	112
Other income and gains	3	998	978
Total revenue and income		79,262	73,022
Expenses			
Human resources expenses		(16,040)	(18,751)
Fund manager profit share expenses		(22,540)	(24,368)
Fund operating expenses		(3,644)	(3,534)
Impairment of assets	13	-	(1,370)
Occupancy expenses		(389)	(440)
Fund product development and capital raising		(1,227)	(718)
Technology and telecommunications expenses		(1,749)	(1,670)
Marketing and investment research expenses		(684)	(551)
Insurance expenses		(1,249)	(1,088)
Professional, registry and listing related expenses		(838)	(810)
Depreciation and amortisation expenses	4	(2,843)	(3,085)
Finance costs	4	(112)	(169)
Other operating expenses		(466)	(2,895)
Total expenses		(51,781)	(59,449)
Profit before income tax expense		27,481	13,573
Income tax expense	5	(9,100)	(4,802)
Profit after income tax expense for the year		18,381	8,771
Profit for the year is attributable to:			
Non-controlling interest		(271)	53
Owners of Pengana Capital Group Limited		18,652	8,718
		18,381	8,771
		Cents	**Cents**
Basic earnings per share	35	22.30	10.42
Diluted earnings per share	35	20.50	9.97

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 2022

	Consolidated	
	2022	2021
	$'000	$'000
Profit after income tax expense for the year	18,381	8,771
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Gain or loss on the revaluation of equity instruments at fair value through other comprehensive income, net of tax	(1,936)	1,498
Reclassify gain or loss on disposal of equity instruments net of tax to accumulated losses	-	25
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	(48)	59
Foreign currency translation on minority interest	(27)	-
Other comprehensive income for the year, net of tax	(2,011)	1,582
Total comprehensive income for the year	16,370	10,353
Total comprehensive income for the year is attributable to:		
Non-controlling interest	(298)	53
Owners of Pengana Capital Group Limited	16,668	10,300
	16,370	10,353

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 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Assets			
Current assets			
Cash and cash equivalents	6	25,656	19,900
Trade and other receivables	7	623	689
Contract assets	9	7,588	21,526
Investments in financial assets at fair value through profit or loss	8	1,420	-
Prepayments and security deposits	10	965	1,002
		36,252	43,117
Assets classified as held for sale	13	-	1,674
Total current assets		36,252	44,791
Non-current assets			
Trade and other receivables	7	387	457
Investments accounted using the equity method	11	4,016	7,213
Financial assets at fair value through other comprehensive income	12	6,046	10,547
Property, plant and equipment		209	186
Intangibles	14	58,473	60,980
Right-of-use assets	15	287	209
Prepayments and security deposits	10	573	121
Total non-current assets		69,991	79,713
Total assets		106,243	124,504
Liabilities			
Current liabilities			
Trade and other payables	16	8,657	23,477
Employee benefits	17	1,297	1,107
Bank loan	18	1,250	1,250
Lease liabilities	19	234	154
Income tax liability	5	4,504	4,973
Total current liabilities		15,942	30,961
Non-current liabilities			
Employee benefits	17	213	219
Bank loan	18	-	1,250
Lease liabilities	19	52	72
Deferred tax	5	2,656	3,912
Total non-current liabilities		2,921	5,453
Total liabilities		18,863	36,414
Net assets		87,380	88,090
Equity			
Contributed equity	20	98,859	99,804
Reserves	21	35,867	34,854
Accumulated losses		(46,933)	(46,453)
Equity attributable to the owners of Pengana Capital Group Limited		87,793	88,205
Non-controlling interest		(413)	(115)
Total equity		87,380	88,090

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 2022

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 34)	-	433	-	-	433
Allocate profit to profits reserve (note 21)	-	7,531	(7,531)	-	-
Reclassify gain or loss on disposal of equity instruments net of tax to accumulated losses	-	-	(25)	-	(25)
Loan repayment on treasury shares (note 20)	183	-	-	-	183
Dividends paid (note 22)	-	(7,531)	-	-	(7,531)
Balance at 30 June 2021	99,804	34,854	(46,453)	(115)	88,090

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 year	-	-	18,652	(271)	18,381
Other comprehensive income for the year, net of tax	-	(1,984)	-	(27)	(2,011)
Total comprehensive income for the year	-	(1,984)	18,652	(298)	16,370
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 20)	401	-	-	-	401
Share buy-back (note 20)	(1,542)	-	-	-	(1,542)
Loan repayment on treasury shares (note 20)	196	-	-	-	196
Share-based payments (note 34)	-	619	-	-	619
Transfer from accumulated losses to profits reserve (note 21)	-	19,653	(19,653)	-	-
Reclassify gain or loss on disposal of equity instruments net of tax to accumulated losses	-	(521)	521	-	-
Dividends paid (note 22)	-	(16,754)	-	-	(16,754)
Balance at 30 June 2022	98,859	35,867	(46,933)	(413)	87,380

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 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		102,307	57,067
Payments to suppliers, customers and employees (inclusive of GST)		(67,898)	(45,059)
Dividends received		389	666
Interest received		41	72
Rental and other income		407	414
Finance costs		(96)	(153)
Income taxes paid		(9,996)	(2,624)
Net cash from operating activities	33	25,154	10,383
Cash flows from investing activities			
Proceeds from disposal of interests in subsidiaries	13	2,207	-
Proceeds from shareholder loan repayments		70	446
Proceeds from disposal of investments in associates		1,533	1,186
Proceeds from disposal of other investments		421	740
Proceeds from disposal of financial assets		1,736	-
Proceeds from security deposits		45	587
Payments for property, plant and equipment		(98)	(50)
Payments for purchase of investments associates		(4,012)	-
Payments for purchase of other investments		(2,190)	-
Net cash (used in)/from investing activities		(288)	2,909
Cash flows from financing activities			
Proceeds from issue of shares	20	401	191
Repayment of borrowings	33	(1,250)	(1,250)
Repayment of lease liabilities	33	(291)	(327)
Payments for share buy-backs		(1,346)	-
Dividends paid to company shareholders, net of treasury shares reinvested	22	(16,754)	(7,531)
Proceeds from loan repayment on treasury shares		-	184
Net cash used in financing activities		(19,240)	(8,733)
Net increase in cash and cash equivalents		5,626	4,559
Cash and cash equivalents at the beginning of the financial year		19,900	15,309
Effects of exchange rate changes on cash and cash equivalents		130	32
Cash and cash equivalents at the end of the financial year	6	25,656	19,900

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 2022

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 is therefore not duplicated.

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

Major customers
During the year ended 30 June 2022, approximately 75% (2021: 60%) of the group's external revenue was derived from three (2021: two) Funds.

Note 2. Disaggregation of revenue

Revenue is substantially generated in Australia and is recognised over time. Revenue is categorised as either management or performance fees on the statement of profit or loss. Refer to note 36 for accounting policies associated with each category.

Note 3. Other income and gains

	Consolidated	
	2022 $'000	2021 $'000
Dividends and distributions	391	562
Rental income	72	107
Realised and unrealised loss on financial instruments held at fair value through profit or loss	(439)	-
Reversal of impairment on disposal of subsidiary	533	-
Other income	441	309
	998	978

Note 4. Expenses

	Consolidated 2022 $'000	Consolidated 2021 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	5	40
Furniture and fittings	5	11
Plant and equipment	68	73
Right-of-use assets	258	311
Total depreciation	336	435
Amortisation		
Acquired relationships	2,380	2,441
Other intangible assets	127	209
Total amortisation	2,507	2,650
Total depreciation and amortisation	2,843	3,085
Finance costs		
Interest and finance charges paid/payable on borrowings	96	153
Interest and finance charges paid/payable on lease liabilities	16	16
Finance costs expensed	112	169
Net foreign exchange (gain)/loss		
Net foreign exchange (gain)/loss	(232)	133
Defined contribution superannuation expense	720	736
Share-based payments expense - included in human resources expenses		
Share-based payments expense	619	433

Pengana Capital Group Limited
Notes to the financial statements
30 June 2022

Note 5. Income tax

	Consolidated 2022 $'000	Consolidated 2021 $'000
Income tax expense		
Current tax	11,186	5,177
Deferred tax - origination and reversal of temporary differences	(2,086)	(375)
Aggregate income tax expense	9,100	4,802
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax liabilities	(2,086)	(375)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	27,481	13,573
Tax at the statutory tax rate of 30%	8,244	4,072
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income	(84)	(181)
Non-deductible expenses	230	586
Assessable income not in profit or loss	417	491
Deductible expenses not in profit or loss	(389)	-
	8,418	4,968
Adjustment to deferred tax balances as a result of change in statutory tax rate	-	393
Prior period adjustments	5	(64)
Derecognise/(recognise) tax asset related to capital losses	677	(495)
Income tax expense	9,100	4,802

	Consolidated 2022 $'000	Consolidated 2021 $'000
Amounts charged/(credited) directly to equity		
Deferred tax liabilities	830	(629)
Tax losses not recognised		
Capital tax losses for which no deferred tax asset has been recognised	2,797	650
Potential tax benefit at statutory tax rates	839	195

Note 5. Income tax (continued)

	Consolidated	
	2022	**2021**
	$'000	**$'000**
Deferred tax liability/(asset)		
Deferred tax liability/(asset) comprises temporary differences attributable to:		
Amounts recognised:		
Identifiable intangibles	4,476	5,228
Unrealised gains/losses	(565)	76
Provisions	(1,258)	(1,335)
Property, plant and equipment	1	(52)
Right of return assets	2	(5)
Deferred tax liability	2,656	3,912
Movements:		
Opening balance	3,912	4,916
Credited to profit or loss	(2,086)	(375)
Charged/(credited) to equity	830	(629)
Closing balance	2,656	3,912

	Consolidated	
	2022	**2021**
	$'000	**$'000**
Provision for income tax		
Provision for income tax	4,504	4,973

Note 6. Cash and cash equivalents

	Consolidated	
	2022	**2021**
	$'000	**$'000**
Current assets		
Cash on hand and at bank	19,561	13,828
Cash on deposit	6,095	6,072
	25,656	19,900

Pengana Capital Group Limited
Notes to the financial statements
30 June 2022

Note 7. Trade and other receivables

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current assets		
Trade receivables	5	280
Other receivables	618	409
	623	689
Non-current assets		
Other loans	387	457
	1,010	1,146

Allowance for expected credit losses
The group has recognised a loss of $nil (2021: $nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2022.

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	2022 %	2021 %	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Not overdue	-	-	5	280	-	-

Note 8. Investments in financial assets at fair value through profit or loss

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current assets		
Investments in listed equity securities	1,420	-

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

Note 9. Contract assets

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current assets		
Contract assets - accrued management and performance fees	7,588	21,526

Management and performance fees are invoiced monthly in arrears and received within the following month. Significant changes in contract assets are attributable to the volatile nature of performance fee revenue.

Allowance for expected credit losses:
The group has recognised a loss of $nil (2021: $nil) in profit or loss in respect of the non-recoverability of contract assets for the year ended 30 June 2022.

Note 10. Prepayments and security deposits

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current assets		
Prepayments	871	953
Security deposits	94	49
	965	1,002
Non-current assets		
Prepayments	50	83
Security deposits	523	38
	573	121
	1,538	1,123

Note 11. Investments accounted using the equity method

	Consolidated 2022 $'000	Consolidated 2021 $'000
Non-current assets		
Investments in associates	4,016	7,213

Refer to note 32 for further information on interests in associates.

Note 12. Financial assets at fair value through other comprehensive income

	Consolidated 2022 $'000	Consolidated 2021 $'000
Non-current assets		
Investments in listed equity securities	6,046	9,121
Investment in unlisted unit trust	-	1,426
	6,046	10,547

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

Note 13. Assets classified as held for sale

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current assets		
Intangibles	-	1,674

Intangible assets attributable to PT Private Capital Pty Ltd (a former subsidiary of the group) were sold on 1 July 2021 for the total consideration of $2,207,000, which was $533,000 above the fair value recorded as at 30 June 2021. The group has recognised a gain on disposal of subsidiary amounting to $533,000 in other income, representing a reversal of impairment recognised in the prior period. (refer note 3).

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Note 14. Intangibles

	Consolidated 2022 $'000	2021 $'000
Non-current assets		
Goodwill - at cost	43,553	43,553
Acquired relationships - at cost	26,768	26,768
Less: Accumulated amortisation	(11,848)	(9,468)
	14,920	17,300
Other intangible assets - at cost	597	597
Less: Accumulated amortisation	(597)	(470)
	-	127
	58,473	60,980

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 2020	46,537	19,801	336	66,674
Classified as held for sale (note 13)	(2,984)	(60)	-	(3,044)
Amortisation expense	-	(2,441)	(209)	(2,650)
Balance at 30 June 2021	43,553	17,300	127	60,980
Amortisation expense	-	(2,380)	(127)	(2,507)
Balance at 30 June 2022	43,553	14,920	-	58,473

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 15.6% (2021: 16.0%);
b. Projected growth rate of 2.25% (2021: 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 18 years.

Note 15. Right-of-use assets

	Consolidated 2022 $'000	Consolidated 2021 $'000
Non-current assets		
Right-of-use assets	1,686	1,350
Less: Accumulated depreciation	(1,399)	(1,141)
	287	209

The group leases office premises and office equipment (e.g. photocopier) under agreements expiring between one to two 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 lease payments 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 2020	512	14	526
Exchange differences on consolidation	(6)	-	(6)
Depreciation expense	(305)	(6)	(311)
Balance at 30 June 2021	201	8	209
Additions	325	-	325
Exchange differences on consolidation	(3)	14	11
Depreciation expense	(245)	(13)	(258)
Balance at 30 June 2022	278	9	287

For other AASB 16 lease-related disclosures:
- Refer note 4 for details of interest on lease liabilities;
- Refer note 19 and note 33 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.

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Note 16. Trade and other payables

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current liabilities		
Trade payables	12	14
Accrued expenses	4,496	4,366
Fund manager profit share	2,005	11,749
Payable to non-controlling interests	1,861	6,979
Other payables	283	369
	8,657	23,477

Refer to note 23 for further information on financial instruments.

Note 17. Employee benefits

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current liabilities		
Annual leave	636	532
Long service leave	661	575
	1,297	1,107
Non-current liabilities		
Long service leave	213	219
	1,510	1,326

Note 18. Bank loan

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current liabilities		
Bank loan	1,250	1,250
Non-current liabilities		
Bank loan	-	1,250
	1,250	2,500

Refer to note 23 for further information on financial instruments.

Total secured liabilities
The total secured liabilities are as follows:

	Consolidated 2022 $'000	Consolidated 2021 $'000
Bank loan	1,250	2,500

Note 18. Bank loan (continued)

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 previous 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	
	2022 $'000	2021 $'000
Total facilities		
Bank loan	1,250	2,500
Used at the reporting date		
Bank loan	1,250	2,500
Unused at the reporting date		
Bank loan	-	-

Note 19. Lease liabilities

	Consolidated	
	2022 $'000	2021 $'000
Current liabilities		
Lease liability	234	154
Non-current liabilities		
Lease liability	52	72
	286	226

Refer to note 23 for maturity analysis of lease liabilities.

Note 20. Contributed equity

	Consolidated			
	2022 Shares	2021 Shares	2022 $'000	2021 $'000
Ordinary shares - fully paid	108,748,050	103,184,673	130,476	118,998
Convertible preference shares - fully paid	-	4,909,228	-	10,260
Less: Treasury shares	(25,379,961)	(24,275,856)	(31,617)	(29,454)
	83,368,089	83,818,045	98,859	99,804

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Note 20. Contributed equity (continued)

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)
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
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	(288,201)	(615)
Issue of shares under non-executive directors plan ('NED Plan')	2 March 2022	205,839	401
Share buy-back	March 2022	(205,094)	(431)
Share buy-back	May 2022	(137,500)	(258)
Share buy-back	June 2022	(25,000)	(42)
Share buy-back	30 June 2022	(110,000)	(196)
Recognise loss on loan repayment on treasury shares	30 June 2022	-	(9)
Balance	30 June 2022	108,748,050	130,476

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
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)
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)
Derecognise treasury shares on loan repayment	30 June 2022	110,000	205
Balance	30 June 2022	(25,379,961)	(31,617)

Movements in convertible preference share capital

Details	Date	Shares	$'000
Balance	1 July 2020	4,909,228	10,260
Balance	30 June 2021	4,909,228	10,260
Conversion of fully paid preference shares to ordinary shares	29 September 2021	(4,909,228)	(10,260)
Balance	30 June 2022	-	-

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.

Note 20. Contributed equity (continued)

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.

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. On 29 September 2021, all of the convertible preference shares were converted to ordinary shares.

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, the 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 34 for further details.

Share buy-back
During the year, the company bought back 765,795 shares at the cost of $1,542,000. The buy-back program expires on 14 September 2022 and allows a maximum of 10,229,037 shares to be bought back.

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 Licence and are subject to regulatory financial requirements that include maintaining a minimum level of net tangible assets. As at 30 June 2022, PCL and PIML were required to maintain $5,000,000 and $2,333,000 (2021: $5,000,000 and $1,663,000) respectively in liquid assets, of which 50% (2021: 50%) is held in cash or cash equivalents.

The directors believe the group has adequate capital at 30 June 2022 to maintain the groups existing business activities and facilitate growth.

The capital risk management policy remains unchanged from the 2021 Annual Report.

Note 21. Reserves

	Consolidated	
	2022 $'000	2021 $'000
Profits reserve	26,766	23,867
Foreign currency reserve	31	79
Share-based payments reserve	7,557	6,938
Financial assets at fair value through other comprehensive income (OCI) reserve	(1,199)	1,258
Acquisition reserve	2,712	2,712
	35,867	34,854

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

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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 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
Revaluation, net of tax	-	-	-	(1,936)	-	(1,936)
Foreign currency translation	-	(48)	-	-	-	(48)
Transfer from accumulated losses	19,653	-	-	-	-	19,653
Reclassification to accumulated losses on disposal of investments	-	-	-	(521)	-	(521)
Share-based payments	-	-	619	-	-	619
Dividend paid from profits reserve	(16,754)	-	-	-	-	(16,754)
Balance at 30 June 2022	26,766	31	7,557	(1,199)	2,712	35,867

Note 22. Dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2022 $'000	2021 $'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 (2021: fully franked dividend of 4.0 cents per ordinary share)	6,705	3,341
On 25 February 2022, a fully franked interim dividend of 12.0 cents per ordinary share was declared for the year ended 30 June 2022 and paid on 17 March 2022 to the shareholders registered on 3 March 2022 (2021: fully franked interim dividend of 5.0 cents per ordinary share)	10,049	4,190
	16,754	7,531

On 24 August 2022, the directors declared a final dividend for the year ended 30 June 2022 of 8.0 cents per ordinary share. The dividends are fully franked to be paid on 13 September 2022 to eligible shareholders on the register on 30 August 2022.

Franking credits

	Consolidated	
	2022 $'000	2021 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	7,601	6,609

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.

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.

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Note 23. Financial instruments (continued)

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:

Consolidated	2022 Weighted average interest rate	2022 Balance $'000	2021 Weighted average interest rate	2021 Balance $'000
Cash at bank	0.09%	19,561	0.22%	13,828
Cash on deposit	0.20%	6,095	0.23%	6,072
Bank loan	4.39%	(1,250)	4.36%	(2,500)
Net exposure to cash flow interest rate risk		24,406		17,400

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

	Basis points increase			Basis points decrease		
Consolidated - 2022	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	122	85	(50)	(122)	(85)

	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)

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.

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 2022 owed the group 100% (2021: 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.

Note 23. Financial instruments (continued)

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 $387,000 as at 30 June 2022 (2021: $457,000). 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 - 2022	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	12	-	-	-	12
Other payables	283	-	-	-	283
Fund manager profit share	2,005	-	-	-	2,005
Payable to LLC members	1,861	-	-	-	1,861
Interest-bearing - variable					
Bank loans	1,292	-	-	-	1,292
Interest-bearing - fixed rate					
Lease liability	257	51	-	-	308
Total non-derivatives	5,710	51	-	-	5,761

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Note 23. Financial instruments (continued)

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

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 - 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investments in financial assets at fair value through profit or loss	1,420	-	-	1,420
Financial assets at fair value through other comprehensive income	6,046	-	-	6,046
Total assets	7,466	-	-	7,466

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

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 year.

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

Note 24. Fair value measurement (continued)

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 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 2022 $	Consolidated 2021 $
Short-term employee benefits	2,157,069	2,071,482
Post-employment benefits	107,678	94,834
Long-term benefits	29,279	22,095
Share-based payments	174,716	151,522
	2,468,742	2,339,933

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 2022 $	Consolidated 2021 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	210,200	190,500

Fees disclosed above include audit of Australian Financial Services Licences amounting to $11,700 (2021: $ 10,500).

Note 27. Contingent liabilities

The group had no contingent liabilities as at 30 June 2022 and 30 June 2021.

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Note 28. Commitments

	Consolidated	
	2022 $'000	2021 $'000
Capital commitments		
Property, plant and equipment *	1,153	-
Lease commitments **	3,356	-

* Total estimated cost of lease fit-out is $1,685,000. A deposit of $532,000 paid towards lease fit-out is included in other receivables at 30 June 2022.

** On 30 March 2022, a five-year lease for new business premises at Governor Phillip Tower, Level 27, 1 Farrer Place, Sydney was signed. The lease commenced on 8 July 2022, at which time a lease asset and lease liability of $3,356,000 each was recognised.

Note 29. Related party transactions

Parent entity
Pengana Capital Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 31.

Associates
Interests in associates are set out in note 32.

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	
	2022 $	2021 $
Sale of goods and services:		
Management fees	45,091,934	40,324,903
Performance fees	33,454,463	27,607,021

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

	Consolidated	
	2022 $	2021 $
Current receivables:		
Trade receivables and contract assets from other related parties	7,588,009	21,805,491

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.

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	
	2022 $'000	2021 $'000
Profit/(loss) after income tax	(28,549)	43,518
Total comprehensive income	(28,549)	43,518

Statement of financial position

	Parent	
	2022 $'000	2021 $'000
Total current assets	18,712	63,907
Total assets	223,513	272,490
Total current liabilities	5,754	6,223
Total liabilities	5,754	7,473
Equity		
Contributed equity	223,042	223,987
Profits reserve	26,766	-
Share-based payments reserve	7,557	6,938
Retained profits/(accumulated losses)	(39,606)	34,092
Total equity	217,759	265,017

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 2022 and 30 June 2021.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the group, as disclosed in note 36, 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.

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Note 31. 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 36:

		Parent		Non-controlling interest	
Name	Principal place of business/Country of incorporation*	Ownership interest 2022 %	Ownership interest 2021 %	Ownership interest 2022 %	Ownership interest 2021 %
Pengana Holdings Pty Ltd	Australia	100.00%	100.00%	-	-
Pengana Capital Ltd	Australia	100.00%	100.00%	-	-
Pengana Investment Management Ltd	Australia	100.00%	100.00%	-	-
PT Private Capital Pty Ltd	Australia	-	100.00%	-	-
Lizard Investors LLC	United States of America	65.00%	66.67%	35.00%	33.33%
Lizard Overseas Fund LP	United States of America	65.96%	-	34.04%	-
Pengana Credit Pty Ltd	Australia	99.00%	-	1.00%	-
Pengana USA Holdings Inc.	United States of America	100.00%	100.00%	-	-

* Principal activities of the subsidiaries listed above are provision of Investment Management Services.

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

Note 32. Interests in associates

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

		Ownership interest	
Name	Principal place of business / Country of incorporation	2022 %	2021 %
Lizard International Master Fund LP	Cayman Islands	1.20%	2.72%
High Conviction Property Securities Fund	Australia	1.86%	3.00%
Pengana Private Equity Trust	Australia	0.62%	-

Pengana Private Equity Trust is deemed to be a material associate of the group with total assets of $463,803,000 (2021: Nil), total liabilities of $14,498,000 (2021: Nil) and total unit holders' equity of $449,305,000 (2021: Nil). Total net investment income for the year was $95,659,000 (2021: Nil) with net profit/comprehensive income being $74,482,000 (2021: Nil).

The carrying amount of the group's investment in Pengana Private Equity Trust is $2,554,000 (2021: Nil).

Note 33. Cash flow information

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

	Consolidated 2022 $'000	Consolidated 2021 $'000
Profit after income tax expense for the year	18,381	8,771
Adjustments for:		
Depreciation and amortisation	2,843	3,085
Net fair value gain on investments	(439)	-
Share of profit - associates	(99)	(1,985)
Share-based payments	619	433
Other non-cash items	(350)	130
Impairment (reversal)/expenses of assets	(533)	1,370
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	66	(157)
Decrease/(increase) in contract assets	13,937	(17,687)
Decrease in income tax refund due	-	570
Decrease/(increase) in prepayments	114	(224)
Increase/(decrease) in trade and other payables	(14,819)	12,226
Increase/(decrease) in provision for income tax	(470)	4,973
Increase in employee benefits	183	223
Decrease in liability to LLC unitholders	5,721	(1,345)
Net cash from operating activities	25,154	10,383

Non-cash investing and financing activities

	Consolidated 2022 $'000	Consolidated 2021 $'000
Shares issued under loan share plan	2,386	998
Loans granted under loan share plan	(2,386)	(998)
Dividends withheld from company shareholders with outstanding loans under loan share plan	(5,001)	(2,191)
Dividends applied on outstanding loans under loan share plan	5,001	2,191
Dividends withheld from company shareholders with outstanding other loans	(93)	(65)
Dividends applied on outstanding other loans	93	65
Share buy-back of treasury shares	196	-
	196	-

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Note 33. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Bank loan $'000	Lease liabilities $'000	Total $'000
Balance at 1 July 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
Net cash used in financing activities	(1,250)	(291)	(1,541)
Acquisition of leases	-	325	325
Other changes	-	26	26
Balance at 30 June 2022	1,250	286	1,536

Note 34. Share-based payments

Loan Funded Share Plan ('LSP')
The group operates a LSP, whereby limited recourse loans totalling $31,617,000 (2021: $29,454,000) were provided to employees and fund managers to acquire shares in the company. Under the plan the CEO has 16,272,528 (2021: 15,872,528) shares, employees and fund managers have 9,107,433 (2021: 8,403,328) 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 share options deemed to be 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 other than a share-based payment expense of $619,000 which has been recognised in profit or loss for the year ended 30 June 2022 (2021: $433,000).

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 2022, total outstanding loans related to treasury shares were $28,195,000 (2021: $29,636,000).

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

2022

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	6,669,685	-	-	-	6,669,685
20/12/2019	18/12/2026	$1.50	848,000	-	-	(30,000)	818,000
05/06/2020	04/06/2027	$0.86	233,645	-	-	-	233,645
30/06/2021	28/06/2028	$1.31	651,998	-	-	-	651,998
14/09/2021	12/09/2028	$1.58	-	1,214,105	-	(80,000)	1,134,105
			24,275,856	1,214,105	-	(110,000)	25,379,961

Note 34. Share-based payments (continued)

Weighted average exercise price			$1.35	$1.58	$0.00	$1.56	$1.36

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

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

Grant date	Expiry date	2022 Number	2021 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
03/03/2017	01/03/2024	6,669,685	-
		22,542,213	15,872,528

The weighted average share price during the financial year was $1.96 (2021: $1.63) per ordinary share.

The weighted average remaining contractual life of shares granted under the LSP outstanding at the end of the financial year was 2.1 years (2021: 2.91 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 were 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
14/09/2021	12/09/2028	$1.95	$1.58	43.15%	6.67%	0.62%	$0.455

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

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Note 35. Earnings per share

	Consolidated 2022 $'000	Consolidated 2021 $'000
Profit after income tax	18,381	8,771
Non-controlling interest	271	(53)
Profit after income tax attributable to the owners of Pengana Capital Group Limited	18,652	8,718
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	83,632,923	83,660,113
Adjustments for calculation of diluted earnings per share:		
Dilutive impact of treasury shares accounted for as options	7,333,192	3,748,440
Weighted average number of ordinary shares used in calculating diluted earnings per share	90,966,115	87,408,553
	Cents	**Cents**
Basic earnings per share	22.30	10.42
Diluted earnings per share	20.50	9.97

The weighted average number of ordinary shares to calculate basic earnings per share excludes 25,379,961 (30 June 2021: 24,275,856) treasury shares.

Note 36. 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group.

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

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.

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 37.

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.

Note 36. Significant accounting policies (continued)

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 2022 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.

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.

Note 36. Significant accounting policies (continued)

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 performance obligations (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. Management fees are invoiced monthly in arrears and received within the following month.

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 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. Performance fees are invoiced in arrears at the end of a performance period and received within the following month.

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.

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.

Note 36. Significant accounting policies (continued)

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 the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxable authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis or to realise the asset and settle the liabilities simultaneously in future periods.

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.

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.

Note 36. Significant accounting policies (continued)

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.

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.

Note 36. Significant accounting policies (continued)

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Fair value movements are recognised in profit or loss.

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. Fair value movements are recognised in other comprehensive income. On disposal of these equity investments, any related balance within the FVTOCI reserve is reclassified to retained earnings.

Impairment of financial assets at amortised cost
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, other than equity investments measured at 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 (other than equity investments), 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	over lease term
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 an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Note 36. Significant accounting policies (continued)

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.

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
Trade and other payables 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.

Note 36. Significant accounting policies (continued)

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.

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 is 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 is 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.

Note 36. Significant accounting policies (continued)

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification had 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.

If equity-settled awards are cancelled, they are treated as if they had 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.

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.

Note 36. Significant accounting policies (continued)

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 2022. The adoption of these Accounting Standards and Interpretations is not expected to have any significant impact on the group's financial statements.

Note 37. 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.

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 36. 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.

Note 38. Events after the reporting period

On 30 March 2022, a five-year lease for new business premises at Governor Phillip Tower, Level 27, 1 Farrer Place, Sydney was signed. The lease commenced on 8 July 2022 at which time a lease asset and lease liability of $3,356,000 each was recognised. At 30 June 2022, a security deposit of $523,000, together with a deposit of $532,000 for the lease fit-out (included in other receivables), has been recognised in the statement of financial position.

Apart from the dividend declared as disclosed in note 22, no other matter or circumstance has arisen since 30 June 2022 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 39. 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 24 August 2022. The directors have the power to amend and reissue the financial statements.

Pengana Capital Group Limited
Directors' declaration
30 June 2022

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 36 to the financial statements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 30 June 2022 and of its performance for the financial 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.

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
Chairman

Russel Pillemer
Chief Executive Officer

24 August 2022
Sydney

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW
1230

T +61 2 8297 2400

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 2022, 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 2022 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current 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
Goodwill & other intangibles – Note 14	

As at 30 June 2022, the Group has goodwill of $43.6m and acquired relationships and other intangibles of $14.9m.
 	
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. The goodwill is allocated to the applicable Cash Generating Units (CGUs) on the acquisition date.
 	
Under AASB 136 *Impairment of Assets*, goodwill must be tested for impairment annually. Impairment is recognised when the carrying amount of a CGU exceeds its recoverable amount.
 	
Determining the recoverable amount requires significant management judgment and estimation, including 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 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 the smallest identifiable group of assets that generate independent cash flows as well as changes to operations during the period;
	• Assessing the competence, capability and objectivity of managements expert utilised in calculating the impairment model;
	• Reviewing the goodwill impairment model for compliance with AASB 136 *Impairment of Assets*;
	• 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 historical averages, comparable companies and industry trends;
	• Considering the accuracy of historical cash flow forecasts;
	• Considering the Group's sensitivity testing and evaluating whether any reasonably 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 2022, 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_2020.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 2022.

In our opinion, the Remuneration Report of Pengana Capital Group Limited, for the year ended 30 June 2022 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

Nicole Gonzalez

N M Gonzalez
Partner – Audit & Assurance

Sydney, 24 August 2022

Pengana Capital Group Limited
Shareholder information
30 June 2022

The shareholder information set out below was applicable as at 5 August 2022.

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	2,105	0.76
1,001 to 5,000	863	1.90
5,001 to 10,000	286	2.02
10,001 to 100,000	295	7.24
100,001 and over	65	88.08
	3,614	100.00
Holding less than a marketable parcel	891	-

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
Washington H Soul Pattinson and Company Limited	40,249,904	37.01
RC Pillemer Pty Ltd (RC Pillemer Family A/C)	16,272,528	14.96
RC Pillemer Pty Ltd (RC Pillemer Family A/C)	6,665,049	6.13
Pretage Pty Ltd	2,130,051	1.96
RC Pillemer Pty Ltd (RC Pillemer Family A/C)	2,007,827	1.85
Roxtrus Pty Limited (Roxanne Dunkel No. 2 A/C)	1,803,150	1.66
National Nominees Limited	1,688,896	1.55
DJG Services Pty Limited (DKI Account)	1,657,095	1.52
Radd Holdings Pty Limited (Myers Family A/C)	1,625,654	1.49
HSBC Custody Nominees (Australia) Limited - A/C 2	1,503,769	1.38
Farnworth House Pty Ltd	1,228,256	1.13
J P Morgan Nominees Australia Pty Limited	1,144,405	1.05
Tark Family Holdings Pty Ltd (Tark Family A/C)	1,100,162	1.01
Ed Prendergast	973,701	0.90
Damian Crowley and Julie Crowley (Damian C Crowley Family Fund)	944,144	0.87
Russel Craig Pillemer	925,701	0.85
DBR Corporation Pty Ltd	685,906	0.63
Steve Black (Black Family A/C)	672,335	0.62
Meg O'Hanlon (O'Hanlon Family A/C)	672,335	0.62
Mr Steve Black + Mrs Sarah Black (Black Super Fund A/C)	540,000	0.50
	84,490,868	77.69

Unquoted equity securities
There are no unquoted equity securities.

Pengana Capital Group Limited
Shareholder information
30 June 2022

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	39,842,730	36.64
Pengana Pty Ltd	9,882,820	9.09
Russel Craig Pillemer *	29,441,378	27.07

* The substantial notice lodged for Russel Pillemer discloses that he has a relevant interest in 29,441,378 ordinary shares in the company. These relevant interests are as follows:

- 1,262,205 shares held by Russel Pillemer
- 24,945,404 shares held by RC Pillemer Pty Ltd (which Russel Pillemer controls)
- 165,000 shares held by MRJ Capital Pty Limited (which Russel Pillemer controls)

29,441,378 shares held by Pengana staff or their related parties (including the 26,372,609 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	20/12/2022	272,662
Ordinary Shares	15/02/2023	6,414,051
Ordinary Shares	5/03/2023	77,882
Ordinary Shares	20/12/2023	272,662
Ordinary Shares	5/03/2024	77,881
Ordinary Shares	30/06/2024	217,334
Ordinary Shares	14/09/2024	378,034
Ordinary Shares	20/12/2024	272,676
Ordinary Shares	5/03/2025	77,882
Ordinary Shares	30/06/2025	217,334
Ordinary Shares	14/09/2025	378,034
Ordinary Shares	30/06/2026	217,330
Ordinary Shares	14/09/2026	378,037
Ordinary Shares	22/06/2035	114,616
Ordinary Shares	1/12/2035	310,566
Ordinary Shares	9/11/2036	205,839
		9,882,820

ANNUAL REPORT

PENGANA CAPITAL GROUP LIMITED

PENGANA

CAPITAL

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