22 February 2019

Markets Announcement Office
ASX Limited
Level 5, 20 Bridge Street
Sydney NSW 2000

PENGANA CAPITAL GROUP LIMITED
PCG INTERIM REPORT 31 DECEMBER 2018 - UPDATED

Pengana Capital Group Limited (ASX: **PCG**) today lodged an ASX announcement "PCG Interim Report 31 December 2018" that has a numerical error in the Letter from the Chief Executive Officer.

The Company attached an updated version of the ASX Announcement - PCG Interim Report 31 December 2018.

ENDS

For further information contact

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INTERIM
REPORT

PENGANA
CAPITAL

PENGANA CAPITAL GROUP LIMITED

ABN 43 059 300 426

31 December
2018

PENGANA CAPITAL GROUP
HEAD OFFICE

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CORPORATE **DIRECTORY**

Directors	Warwick Negus - Non-Executive Chairman Russel Pillemer - Managing Director and Chief Executive Officer Jeremy Dunkel - Non-Executive Director Kevin Eley - Non-Executive Director David Groves - Non-Executive Director
Company secretary	Paula Ferrao
Registered office	Level 12, 167 Macquarie Street Sydney NSW 2000 Tel: +61 2 8524 9900
Share register	Computershare Investor Services Pty Limited Level 4, 60 Carrington Street Sydney NSW 2000 Tel: 1300 787 272
Auditor	Grant Thornton Audit Pty Ltd Level 17, 383 Kent Street Sydney NSW 2000
Stock exchange listing	Pengana Capital Group Limited shares are listed on the Australian Securities Exchange (ASX: PCG)
Website	www.pengana.com
Corporate Governance Statement	The Corporate Governance Statement, which was approved at the same time as the Annual Report, can be found at www.pengana.com

LETTER FROM THE CEO

Dear fellow Pengana shareholder,

I am pleased to present the results for the six months ending 31 December 2018 for Pengana Capital Group Limited ('Pengana', ASX: PCG). Highlights for the period include:

- Statutory profit of $0.9 million
- Underlying profit of $4.2 million
- Underlying earnings per share of 4.0 cents per share
- Interim unfranked dividend of 4.0 cents per share

FUNDS UNDER MANAGEMENT AND PERFORMANCE

Funds Under Management ('FUM') fell 14% in the six months to 31 December 2018, from $3,519 million as at 30 June 2018 to $3,012 million at 31 December 2018 with net inflows of $13 million, investment performance of negative $299 million and $221 million of distributions in the period.

The period to 31 December 2018 was characterised by heightened volatility and weakness across most sectors. The decline in FUM in the period was driven by our two largest strategies, Australian multi-caps and Australian small-caps, with performance for the period just below the relative index for each of those strategies. In contrast, the various funds run by our International Equities performed well above the market, with portfolios underweight Information Technology and Energy, the two worse performing sectors during the period.

PENGANA CAPITAL

Despite the recent market volatility, we have a long track record of achieving our aim, which is to generate superior long term returns with focus on capital preservation. This is illustrated by the following table with summarises the performance since inception (before fees) of our key strategies relative to the equity index benchmarks.

Fund	Strategy	Gross performance since inception	Gross out-performance of benchmark since inception
Pengana Australian Equities Fund [1]	Australian Multi-caps	11.6%	6.5%
Pengana Emerging Companies Fund [2]	Australian Small-caps	16.2%	12.2%
Pengana International Fund [3]	Global Multi-caps	9.3%	2.5%
Pengana International Equities Ltd (LIC) [4]	Global Multi-caps	8.5%	1.9%
Pengana PanAgora Absolute Return Global Equities Fund [5]	Global Market Neutral	9.3%	n/a
Pengana Global Small Companies Fund [6]	Global Small-caps	7.8%	2.8%
Pengana High Conviction Equities Fund [7]	High Conviction	42.6%	36.7%
Pengana WHEB Sustainable Impact Fund [8]	Global Impact Investing	7.5%	2.6%

[1] Australian Equity Fund: benchmark shown is the S&P/ASX All Ords Index; performance fee benchmark is the RBA cash rate which has returned 3% SI.
[2] Emerging Companies Fund: benchmark is the S&P/ASX Small Ordinaries Index
[3] International Fund: benchmark is the MSCI All Country World Net Unhedged in AUD
[4] International Equities Limited: benchmark is the MSCI World Total Return Index, Net Dividends Reinvested, in A$
[5] Pengana PanAgora Absolute Return Global Equities: equity market benchmark is na as this is a market neutral strategy; performance fee benchmark is the RBA cash rate. From December 2015, these performance figures are those of the Fund's class A units. Between September 2010 and November 2015, AUD performance has been simulated by Pengana from the actual USD Composite gross strategy returns (prior to April 2013 using the Monthly Liquidity Composite; thereafter using the Daily Liquidity Composite) using 3-month rolling forwards to hedge movements in the AUDUSD spot rate. The effect of fees form part of this simulation. The Composite is comprised of all discretionary institutional accounts managed by PanAgora in this investment style
[6] Global Small Companies Fund: benchmark is the MSCI All Country World SMID Cap Net Unhedged in AUD
[7] High Conviction Fund: benchmark shown is the S&P/ASX All Ordinaries Index; performance fee benchmark is the RBA Cash Rate + 3% p.a. which has returned 4.6% SI.
[8] WHEB Sustainable Impact Fund: benchmark is the MSCI World Net Unhedged in AUD. The strategy's AUD performance has been simulated by Pengana from the monthly net GBP returns of the Henderson Industries of the Future Fund (from 1 January 2006 to 31 December 2011) and the FP WHEB Sustainability Fund (from 30 April 2012 to 31 July 2017). This was done by: 1) converting the GBP denominated net returns to AUD using FactSet's month- end FX rates (London 4PM); 2) adding back the relevant fund's monthly ongoing charge figure; then 3) deducting the Pengana WHEB Sustainable Impact Fund's management fee of 1.35% p.a. The WHEB Listed Equity strategy did not operate between 1 January 2012 and 29 April 2012 – during this period returns are nulled. The Henderson Industries of the Future Fund's and the FP WHEB Sustainability Fund's GBP net track record data is historical

COMMENTS ON FINANCIAL RESULTS

Pengana generated an underlying net profit after tax of $4.2 million which represents 4.0 cents per share (December 2017: $7.9 million or 7.8 cents per share).

Period to 31 December 2018	$'000
Statutory profit after tax attributable to Pengana shareholders[9]	**935**
Add back:[10]	
Amortisation	1,604
Unrealised investment losses	-525
Interest on Loan Funded Share Plan	1,090
Product development and other non-operating expenses[11]	1,085
Underlying profit	**4,189**
Basic earnings per share on underlying profit – cents per share [12]	4.06

The decrease in Underlying Profit after tax is primarily attributable to the reduction in performance fee revenue, which at $3.2 million is down $6.8 million from the prior comparable period. Management fees at $19.4 million were 3.3% up on the $18.7 million reported for the 6 months to December 2017. Total fee margin was 1.38% which is below our historical 5-year average of 2%. It is important to note that performance fees will fluctuate, especially over relatively short periods of time.

Operating expenses at $10.9 million are up 11% on the prior comparable period. Since December 2017 we have significantly invested in our marketing and sales capability. Key hires in NSW and Victoria will enhance our support of not only our direct investors, but also the adviser and institutional channels.

In the year we divested our seed holdings from a number of Pengana products, which, in conjunction with the general downturn in the market, saw our Other Income for the period reduced to $0.3 million, compared to $1.3 million in the six months to 31 December 2017.

During the period we closed out loss making Singapore operations. We expect that the future benefit to underlying profit will be circa an annualised $0.8 million per annum.

Product development and other non-operating expenses were $1.1 million for the period to 31 December 2018. In this six-month period our focus has been bringing the Pengana Private Equity Trust (ASX: PE1[13], the 'Trust') to the market. With a minimum offer amount of $100 million and a $600 million maximum, the Trust has the potential to be significantly accretive for PCG shareholders.

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[9] As per Pengana Capital Group Limited 31 December 2018 Financial Statements
[10] Source: Pengana Management Accounts
[11] Product development costs, loan impairments and cost of evaluating acquisition opportunities
[12] Calculated on 103,277,160 shares (i.e. including 23,458,720 treasury shares)
[13] Proposed ASX code

PENGANA CAPITAL

CAPITAL MANAGEMENT & DIVIDENDS

Our balance sheet is strong. At 31 December 2018 our Underlying Net Tangible Assets[14] were $51 million, or 49.35 cents per share. Pengana has no borrowings and at 31 December 2018 had $17 million of net liquid assets in excess of our regulatory requirements of $9 million.

As at 31 December 2018	($'000)
Cash net of $4.5m AFSL cash requirements	8,324
Current receivables	5,928
Current liabilities	-6,782
Net working capital	**7,470**
Investments net of $4.5m AFSL liquid asset requirements	**8,994**
AFSL capital requirements	9,000
Loans (on and off-balance sheet)	29,940
Other assets	2,410
Other non-current liabilities	-6,848
Total non-current assets and liabilities	**43,496**
Net Tangible Assets[15]	**50,966**
Less: Off balance sheet Loan Funded Share Plan	-29,137
Add: Intangibles	66,642
Net Assets as per 31 December 2018 Financial Statements[16]	**88,471**

INTERIM DIVIDEND

We are pleased to announce that the Board today declared an unfranked interim dividend of 4.0 cents per share. The record date for the dividend is 27 February 2019 and the dividend will be paid on 15 March 2019.

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[14] Net Assets as per the 31 December 2018 Interim Report of $88.9 million, adding off balance sheet employee loans of $29.1 million and subtracting intangibles of $66.6 million, calculated on 103,277,160 shares (i.e. including 23,458,720 treasury shares).

[15] Source: Pengana Management Accounts

[16] As per Pengana Capital Group Limited 31 December 2018 Financial Statements

OUTLOOK

Markets have remained volatile in the period since 31 December 2018, with domestic headwinds such as the upcoming federal election and falling house prices; and global concerns over US-China trade talks and the fast approaching Brexit deadline. It is however pleasing to see positive absolute returns across all our strategies since 31 December 2018 to date.

With our increased investment in distribution, we remain focused on the growth of our existing strategies as well as broadening the Pengana product offer range. We will continue to drive growth in our International Equities strategy which, with continued performance, should attract further support from platforms and key advisory groups.

On 11 February 2019 we lodged the Product Disclosure Statement for the Pengana Private Equity Trust with ASIC. The Trust will, for the first time in Australia, provide investors with exposure to a globally diversified portfolio of private equity through an ASX listed vehicle.

The initial public offering is expected to open on Tuesday 26 February 2019. The Broker Firm offer is expected to close on Wednesday 3 April 2019 and both the Priority Offer and General Offer are expected to close on Wednesday 10 April 2019.

Global private equity is a particularly interesting asset class as in the past it has outperformed public market equivalents[17] over multiple time periods[18]. Significantly, the Trust seeks to generate attractive returns and capital growth, while also targeting a 4% annual distribution yield[19], paid half-yearly.

There will be a Priority Offer for PCG shareholders, shareholders of the listed investment company Pengana International Equities Limited (ASX: PIA) and of Washington H. Soul Pattison (ASX: SOL) as well as investors in all of Pengana's funds. Details on how you can access the Priority Offer is contained in the Trust's PDS and will also be outlined in a separate communication that will be sent to eligible investors before the offer period opens.

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[17] The public market equivalents ("PME") concept allows investors to compare the performance of private equity and other private markets investments (Private Equity) to other types of investments, such as public market indices (Public Equity). The methodology assumes buying and selling a given index according to the timing and size of the cash flows between the investor and the private investment. Performing this comparison requires the construction of a hypothetical investment fund that mimics private equity cash flows. This hypothetical fund purchases and sells shares of the index at the same time the private equity vehicle calls and distributes cash. The net asset value of the hypothetical fund, called the public net asset value, depends on the number of shares and the share price (i.e., the index value) as of the report date.

[18] Source: GCM utilising certain information obtained from The Burgiss Group ("Burgiss"). Burgiss is an independent subscription-based data provider. This information is based on published 3Q 2018 industry data as of January 2019. Burgiss sources their data from MSCI, S&P private equity funds worldwide. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data utilised. The MSCI data may not be further redistributed or used to create indices or financial products. This information is not approved or produced by MSCI. S&P and their third party providers do not accept liability for the information and the context from which it is drawn. Burgiss, MSCI and S&P have not provided consent to the inclusion of statements utilising their data. No assurance can be given that any investment will achieve its objective or avoid losses. Past performance is not necessarily a guide to future performance. The value of investments can go up or down.

[19] The targeted distribution is only a target and may not be achieved. Investors should read the Risks Summary set out in section 11 of the PDS.

In March 2019 we will be conducting an Australia wide roadshow to educate investors on the world of private equity and provide more detail on this investment opportunity. Details of the events are as follows:

City	Address	Date
Melbourne	RACV City Club Level 17, 501 Bourke Street, Melbourne	Monday, 04 March 2019
Adelaide	Adelaide Town Hall - Banqueting Room 128 King William Street, Adelaide	Tuesday, 05 March 2019
Perth	Mercure Perth - Caroline Room 10 Irwin Street, Perth	Wednesday, 06 March 2019
Sydney	Establishment Ballroom, 252 George St, Sydney	Thursday, 07 March 2019
Gold Coast	RACV Royal Pines Resort Gold Coast- Royal Poinciana Ross Street, Benowa	Friday, 08 March 2019
Brisbane	State Library of Queensland - Auditorium 1 Cultural Precinct, Stanley Pl, South Brisbane	Monday, 11 March 2019
Canberra	National Portrait Gallery - Liangis Theatre King Edward Terrace, Parkes	Tuesday, 12 March 2019
Parramatta	Holiday Inn Parramatta - Anderson Room 18-40 Anderson St, Parramatta	Wednesday, 13 March 2019
Newcastle	Rydges Newcastle - Hannell Room Wharf Rd & Merewether St, Newcastle	Thursday, 14 March 2019
Wollongong	Novotel Wollongong Northbeach - Hoskins Room 2-14 Cliff Rd, North Wollongong	Friday, 15 March 2019

PCG shareholders can reserve their place via the Trust offer website.

Thank you for your continued support. I look forward to meeting many of you in the upcoming months.

Yours sincerely

Russel Pillemer
Chief Executive Officer

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of Pengana Capital Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

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

Warwick Negus - Chairman
Russel Pillemer - Chief Executive Officer
Jeremy Dunkel
Kevin Eley
David Groves

Principal activities
The principal activity of the group is funds management with the objective of offering investment funds to high net worth and retail investors in Australia and New Zealand.

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

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
On 28 August 2018, a fully franked final dividend of 6.5 cents per ordinary share was declared for the year ended 30 June 2018 and paid on 28 September 2018 to the shareholders registered on 14 September 2018 (2017: 4.5 cents per ordinary share)	5,188	3,538

On 22 February 2019, the directors declared an unfranked interim dividend for the half-year ended 31 December 2018 of 4 cents per ordinary shares, to be paid on 15 March 2019 to eligible shareholders on the register on 27 February 2019.

Review of operations
The profit for the group after providing for income tax and non-controlling interest amounted to $935,000 (31 December 2017: $5,008,000).

Revenues from ordinary activities are down predominantly due to a reduction in performance fee revenue, which is volatile by nature and significant short-term fluctuations are not considered unusual. Management fee revenue for the same period is up slightly.

Profit after tax is down due to the performance fee impact.

For a comprehensive review of operations, including underlying profit, for the half-year ended 31 December 2018, please refer to the letter from the Chief Executive Officer accompanying this report

Significant changes in the state of affairs
On 21 August 2018, the group acquired 100% of the shares in PT Private Capital Pty Ltd for the consideration of $3,303,000. Refer to note 10 of the financial statements for further details.

On 4 December 2018 the group closed the Pengana Absolute Return Asia Pacific Fund.

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

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

Auditor's independence declaration

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

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

On behalf of the directors

Russel Pillemer
Chief Executive Officer

22 February 2019
Sydney

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Auditor's Independence Declaration

To the Directors of Pengana Capital Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Pengana Capital Group Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Adam-Smith
Partner – Audit & Assurance

Sydney, 22 February 2019

Pengana Capital Group Limited
Statement of profit or loss
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Revenue			
Management fees		19,477	19,172
Performance fees		3,199	10,036
Other fee revenue		366	-
Total revenue		23,042	29,208
Share of profits/(losses) of associates accounted for using the equity method		(83)	251
Interest revenue calculated using the effective interest method		83	80
Other income and gains	3	472	1,591
Total revenue and income		23,514	31,130
Expenses			
Human resources expenses		(7,099)	(5,835)
Fund manager profit share expense		(7,548)	(11,006)
Fund operating expenses		(2,137)	(1,969)
Distribution expenses		-	(119)
Occupancy expenses		(529)	(499)
Impairment of other receivables		(400)	-
Technology and communications expenses		(441)	(585)
Marketing and investment research expenses		(764)	(802)
Insurance expenses		(253)	(260)
Professional, registry and listing related expenses		(995)	(424)
Acquisition and restructuring costs		(139)	(165)
Depreciation and amortisation expenses		(1,268)	(1,291)
Other operating expenses		(224)	(367)
Total expenses		(21,797)	(23,322)
Profit before income tax expense		1,717	7,808
Income tax expense		(778)	(2,751)
Profit after income tax expense for the half-year		939	5,057
Profit for the half-year is attributable to:			
Non-controlling interest		4	49
Owners of Pengana Capital Group Limited		935	5,008
		939	5,057
		Cents	**Cents**
Basic earnings per share	11	1.18	6.37
Diluted earnings per share	11	1.07	5.54

Pengana Capital Group Limited
Statement of other comprehensive income
For the half-year ended 31 December 2018

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Profit after income tax expense for the half-year	939	5,057
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Loss on the revaluation of equity instruments at fair value through other comprehensive income, net of tax	(522)	-
Items that may be reclassified subsequently to profit or loss		
Gain on the revaluation of available-for-sale financial assets, net of tax	-	348
Other comprehensive income for the half-year, net of tax	(522)	348
Total comprehensive income for the half-year	417	5,405
Total comprehensive income for the half-year is attributable to:		
Non-controlling interest	4	49
Owners of Pengana Capital Group Limited	413	5,356
	417	5,405

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

Pengana Capital Group Limited
Statement of financial position
As at 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Assets			
Current assets			
Cash and cash equivalents		12,825	16,070
Trade and other receivables	4	67	5,206
Contract assets		3,374	-
Investments in financial assets at fair value through profit or loss		7	-
Income tax refund due		948	759
Redemptions receivable		1,566	-
Other current assets		1,641	782
Total current assets		20,428	22,817
Non-current assets			
Other receivables		1,280	1,732
Investments accounted for using the equity method		4,431	7,481
Investment in financial assets at fair value through other comprehensive income		9,057	-
Investments in available-for-sale financial assets		-	9,637
Property, plant and equipment		294	315
Intangibles	5	66,641	64,541
Other		169	197
Total non-current assets		81,872	83,903
Total assets		102,300	106,720
Liabilities			
Current liabilities			
Trade and other payables	6	7,113	9,889
Employee benefits		1,023	943
Total current liabilities		8,136	10,832
Non-current liabilities			
Deferred tax		5,559	6,077
Employee benefits		128	78
Other		5	5
Total non-current liabilities		5,692	6,160
Total liabilities		13,828	16,992
Net assets		88,472	89,728
Equity			
Contributed equity	7	91,217	87,914
Reserves		29,135	29,445
Accumulated losses		(31,917)	(27,664)
Equity attributable to the owners of Pengana Capital Group Limited		88,435	89,695
Non-controlling interest		37	33
Total equity		88,472	89,728

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

Pengana Capital Group Limited
Statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2017	87,161	28,899	(25,995)	52	90,117
Profit after income tax expense for the half-year	-	-	5,008	49	5,057
Other comprehensive income for the half-year, net of tax	-	348	-	-	348
Total comprehensive income for the half-year	-	348	5,008	49	5,405
Transactions with owners in their capacity as owners:					
Share-based payments	-	189	-	-	189
Dividends paid to non-controlling interest	-	-	-	(63)	(63)
Dividends paid (note 8)	-	-	(3,538)	-	(3,538)
Balance at 31 December 2017	87,161	29,436	(24,525)	38	92,110

Consolidated	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018	87,914	29,445	(27,664)	33	89,728
Profit after income tax expense for the half-year	-	-	935	4	939
Other comprehensive income for the half-year, net of tax	-	(522)	-	-	(522)
Total comprehensive income for the half-year	-	(522)	935	4	417
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 7)	3,303	-	-	-	3,303
Share-based payments	-	212	-	-	212
Dividends paid (note 8)	-	-	(5,188)	-	(5,188)
Balance at 31 December 2018	91,217	29,135	(31,917)	37	88,472

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

Pengana Capital Group Limited
Statement of cash flows
For the half-year ended 31 December 2018

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	23,191	23,290
Payments to suppliers, customers and employees (inclusive of GST)	(22,021)	(24,540)
	1,170	(1,250)
Dividends received	237	153
Interest received	57	82
Other revenue	140	592
Proceeds from the sale of financial instruments held at fair value	-	21,364
Purchase of financial instruments held at fair value through profit or loss	-	(13,844)
Income taxes paid	(966)	(3,081)
Net cash from operating activities	638	4,016
Cash flows from investing activities		
Payments for term deposits	-	(2,672)
Payments for property, plant and equipment	(65)	(45)
Proceeds from disposal of investments in associates	1,394	-
Proceeds from disposal of interests in subsidiaries	-	7,732
Net cash from investing activities	1,329	5,015
Cash flows from financing activities		
Payments to unitholders	-	(11,080)
Proceeds from loan repayments	-	48
Dividends paid to company shareholders, net of treasury shares reinvested	(5,188)	(3,603)
Net cash used in financing activities	(5,188)	(14,635)
Net decrease in cash and cash equivalents	(3,221)	(5,604)
Cash and cash equivalents at the beginning of the financial half-year	16,070	20,167
Effects of exchange rate changes on cash and cash equivalents	(24)	(20)
Cash and cash equivalents at the end of the financial half-year	12,825	14,543

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below

New or amended Accounting Standards and Interpretations adopted

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

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

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

AASB 9 Financial Instruments

The group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Note 1. Significant accounting policies (continued)

Impact of adoption
The group has adopted Accounting Standards AASB 9 and AASB 15 for the half-year ended 31 December 2018. The Accounting Standards were adopted from 1 July 2018 using transitional rules that allow for comparatives not be restated.

The adoption of these Accounting Standards and Interpretations resulted in the following adjustments:
- interest revenue is now shown separately on the face of profit or loss;
- investments in available-for-sale financial assets are now reclassified as financial assets at fair value through other comprehensive income; and
- accrued income is now reclassified as contract assets.

There was no change in the carrying amounts on adoption of the standards and there was no impact on opening retained earnings. Disaggregation of revenue based on major product line is shown on the face of statement of profit or loss.

Revenue recognition
The group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Management fees
Management fee revenue is recognised over time.

Performance fees
Performance fee revenue is recognised when the right to receive payment has been established. Performance fees which are contingent upon performance to be determined at future dates have not been recognised as income or as a receivable at the reporting date as they are not able to be estimated or measured reliably and it is not highly probable that there would not be a significant reversal of revenue

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 revenue is recognised when it is received or when the right to receive payment is established.

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

Note 1. Significant accounting policies (continued)

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

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

Contract assets
Contract assets are recognised when the group has transferred goods or services to the customer but where the group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

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, it's 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.

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 include equity investments which the group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition. On disposal of these equity investments, any related balances within the financial asset at fair value through other comprehensive income is reclassified to retained earnings.

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

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

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

Note 2. Operating segments

Identification of reportable operating segments
The main business activities of the group are the provision of funds management services. The Board of Directors and the Managing Director and 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 the provision of funds management services with the objective of offering investment funds to high net worth and retail investors in Australia and New Zealand. There is no aggregation of operating segments.

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

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

Note 3. Other income and gains

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Dividends and distributions	237	309
Rental income	140	136
Net change in assets attributable to unitholders	-	(281)
Realised and unrealised gains on held for trading financial assets	-	1,207
Other income	95	220
	472	1,591

Note 4. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Trade receivables	62	2
Accrued income	-	5,198
	62	5,200
Other receivables	5	6
	67	5,206

Note 5. Non-current assets - intangibles

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Goodwill - at cost	43,930	40,627
Acquired relationships - at cost	26,520	26,520
Less: Accumulated amortisation	(3,809)	(2,606)
	22,711	23,914
	66,641	64,541

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

Consolidated	Goodwill $'000	Acquired relationships $'000	Total $'000
Balance at 1 July 2018	40,627	23,914	64,541
Additions through business combinations (note 10)	3,303	-	3,303
Amortisation expense	-	(1,203)	(1,203)
Balance at 31 December 2018	43,930	22,711	66,641

Note 6. Current liabilities - trade and other payables

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Trade payables	345	426
Accrued expenses	2,730	3,761
Fund manager profit share	3,840	5,353
Other payables	198	349
	7,113	9,889

Note 7. Equity - contributed equity

	Consolidated 31 Dec 2018 Shares	Consolidated 30 Jun 2018 Shares	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Ordinary shares - fully paid	103,277,160	101,689,016	120,437	115,134
Less: Treasury shares	(23,458,720)	(22,853,722)	(29,220)	(27,220)
	79,818,440	78,835,294	91,217	87,914

Note 7. Equity - contributed equity (continued)

Details	Date	Shares	$'000
Balance	1 July 2018	101,689,016	115,134
Issue of shares on acquisition of PT Private Capital Pty Ltd	21 August 2018	983,146	3,303
Issue of shares under the Pengana Capital Group Loan Share Plan	3 October 2018	604,998	2,000
Balance	31 December 2018	103,277,160	120,437

Movements in treasury shares

Details	Date	Shares	$'000
Balance	1 July 2018	(22,853,722)	(27,220)
Issue of shares under the Pengana Capital Group Loan Share Plan	3 October 2018	(604,998)	(2,000)
Balance	31 December 2018	(23,458,720)	(29,220)

Note 8. Equity - dividends

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

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
On 28 August 2018, a fully franked final dividend of 6.5 cents per ordinary share was declared for the year ended 30 June 2018 and paid on 28 September 2018 to the shareholders registered on 14 September 2018 (2017: 4.5 cents per ordinary share)	5,188	3,538

On 22 February 2019, the directors declared an unfranked interim dividend for the half-year ended 31 December 2018 of 4 cents per ordinary shares, to be paid on 15 March 2019 to eligible shareholders on the register on 27 February 2019.

Note 9. Fair value measurement

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

Consolidated - 31 Dec 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investments in financial assets at fair value through profit or loss	7	-	-	7
Investment in financial assets at fair value through other comprehensive income	9,057	-	-	9,057
Total assets	9,064	-	-	9,064

Note 9. Fair value measurement (continued)

Consolidated - 30 Jun 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investments in available-for-sale financial assets	9,637	-	-	9,637
Total assets	9,637	-	-	9,637

There were no transfers between levels during the financial half-year.

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

Note 10. Business combinations

PT Private Capital Pty Ltd
On 21 August 2018, the group acquired 100% of the shares in PT Private Capital Pty Ltd for the total consideration of $3,303,000. PT Private Capital Pty Ltd provides portfolio management services to high net worth clients. The purchase consideration was settled by issue of 983,146 shares in Pengana Capital Group Limited. The shares were valued at the estimated market price on the date of settlement.

The acquired business contributed revenues of $366,000 and a loss after tax of $36,000 to the group for the period from 21 August 2018 to 31 December 2018.

The purchase price allocation of the acquisition is provisional at 31 December 2018 while the group seeks to obtain further information in relation to the underlying customer contracts and relationships.

Details of the acquisition are as follows:

	Fair value $'000
Goodwill	3,303
Acquisition-date fair value of the total consideration transferred	3,303
Representing:	
Pengana Capital Group Limited shares issued to vendor	3,303
Acquisition costs expensed to profit or loss	12

None of the goodwill recognised is expected to be deductible for income tax purpose.

Note 11. Earnings per share

	Consolidated 31 Dec 2018 $'000	**Consolidated 31 Dec 2017 $'000**
Profit after income tax	939	5,057
Non-controlling interest	(4)	(49)
Profit after income tax attributable to the owners of Pengana Capital Group Limited	935	5,008

Note 11. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	79,545,938	78,623,370
Adjustments for calculation of diluted earnings per share:		
Dilutive impact of treasury shares accounted for as options	8,041,626	11,738,715
Weighted average number of ordinary shares used in calculating diluted earnings per share	87,587,564	90,362,085

	Cents	Cents
Basic earnings per share	1.18	6.37
Diluted earnings per share	1.07	5.54

The weighted average number of ordinary shares to calculate basic earnings per share excludes 23,458,720 (31 December 2017: 22,853,722) treasury shares.

Note 12. Events after the reporting period

On 11 February 2019, the company lodged a product disclosure statement for the Pengana Private Equities Trust ('Trust') with The Australian Securities and Investments Commission. The Trust will provide investors access to a highly diversified portfolio of global private equity investment through an ASX listed vehicle. The company obtained investor approval, via an extraordinary general meeting on 31 January 2019, to issue to the Trust convertible preference shares in Pengana Capital Group Limited equal to 5% of the total amount raised at a nominal cost of $1.00 for 100% of the shares issued.

Apart from the dividend declared as disclosed in note 8, no other matter or circumstance has arisen since 31 December 2018 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 13. 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:

Level 12
167 Macquarie Street
Sydney NSW 2000

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 22 February 2019.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the group's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Russel Pillemer
Chief Executive Officer

22 February 2019
Sydney

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Independent Auditor's Review Report

To the Members of Pengana Capital Group Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Pengana Capital Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Pengana Capital Group Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations*

Regulations 2001. As the auditor of Pengana Capital Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Adam-Smith

Partner – Audit & Assurance

Sydney, 22 February 2019