PENGANA

24 December 2004

Australian Stock Exchange Limited

Company Announcements Office

Exchange Centre

20 Bridge Street

Sydney NSW 2000

Fax: 1900 999 279

Pengana Managers Limited (PGN): Announcement to ASX

Pengana Managers Limited ("Pengana") hereby lodges:

- Letter from the chairman of Pengana to shareholders;
- Letter from CEO and head of hedge funds to shareholders
- Financial statements of Pengana for period 19 March 2004 to 30 June 2004.

Pengana Managers Limited ACN 108 437 592

Level 38 Australia Square 264 George Street Sydney NSW 2000

Phone 02 9241 1740 **Fax** 02 8248 3901 **Email** info@pengana.com.au

PENGANA
MANAGERS

17 December 2004

Dear Shareholder,

It is with great pleasure that as Chairman I write my first letter to you since Pengana Managers Limited (the "Company") was admitted to the board of the ASX on 1 July 2004.

Since listing, the Company's activities have primarily been ones of consolidation and re-structuring with the following important initiatives undertaken:

- Staff levels and internal process have been addressed to ensure that the back-office accounting and reporting functions are being properly and efficiently handled;
- Formal shareholder agreements have been negotiated with four boutique fund management companies, Stanley Fund Managers, Camelotfund, Cape Leeuwin Capital and Percon Capital ("Fund Managers") and will shortly be executed;
- Each of the aforementioned Fund Managers has been seeded with an amount of $7 million to enable them to commence trading activity;
- The ASX requirements that the company convert the Pengana Managers Trust into a Managed Investment Scheme and staple its units to the shares in the Company have been complied with pending final shareholder approval as per the enclosed documents.

In terms of investment performance of our Fund Managers, 2004 has proven to be a challenging year in general for hedge funds. As a result, the Board of the Company is broadly satisfied with the individual results of the Fund Managers during the past six months and with the overall increase in the value of the portfolio, although we acknowledge that even for a newly listed company, results have lagged the performance of the local indexes. The Company however, through its appointed investment manager, Pengana Capital Limited, continues to actively monitor and review on an ongoing basis, the management and development of each of the Fund Managers with a view to ensuring that investment returns are optimised for the portfolio under management.

In this regard, it is also pleasing to note that the marketing efforts of the investment manager led by Damien Hatfield, the head of hedge fund marketing, have begun to generate positive expressions of interest from individual and institutional investors alike which, if successful, should further increase the amount of funds under management in the Fund Managers. This is a critical initiative for the company, since scale together with investment performance are the prime determinants of the growth in shareholder value. During calendar 2005 therefore, a concerted effort will be made not only to improve performance but also to accelerate our marketing initiatives in order to attract additional investment capital for the Fund Managers.

Despite our limited scale, the Board of Directors is optimistic about the long term prospects of the Company. There are no comparable Australian companies in which investors have an opportunity to invest in a diversified group of hedge funds and simultaneously own equity interests in the boutique fund management companies that manage these hedge funds.

The Australian hedge fund industry continues to enjoy rapid growth, benefiting from the global popularity of hedge funds, which saw an estimated $US60 billion of capital inflows in 2003. Against this backdrop, it is my belief and that of my fellow board members that the Company is well positioned to attract additional seed capital for the Fund Managers. The aim, as always, remains to generate enhanced returns for shareholders whilst protecting shareholders' funds.

I take this opportunity to wish you a most enjoyable time over the festive season.

Yours faithfully

Roger Davis
Chairman
Pengana Managers Limited

Pengana Managers Limited ACN 108 437 592
Level 38 Australia Square 264 George Street Sydney NSW 2000
Phone 02 9241 1740 **Fax** 02 8248 3901 **Email** info@pengana.com.au

PENGANA
MANAGERS

17 December 2004

Dear Shareholder,

We are delighted to bring you this update on the progress that has been made by Pengana Managers Limited (the "Company"), since it was admitted to the board of the ASX on 1 July 2004.

The hedge fund industry

The worldwide hedge fund industry has enjoyed extraordinary growth since the early nineties from having assets under management of US$40 billion in 1990 to over US$700 billion in 2004. This global popularity of hedge funds has been mirrored in Australia, where an estimated A$15 billion is currently invested in hedge fund products by institutional and private investors alike. An example of this trend is one of Australia's largest superannuation funds, which recently announced that it was investing A$1.5 billion in hedge fund strategies, approximately 10% of its total assets.

We believe that the Company is well positioned to participate in the rapid growth of the Australian hedge fund industry and attract additional capital for its fund managers. There have been many success stories in the local industry, with one of Australia's largest hedge fund managers growing over the past 10 years from A$8 million to approximately A$1.5 billion in assets under management. When one takes into account that hedge fund managers typically charge a 2% management fee and 20% incentive fee, it is easy to see why such businesses are immensely profitable.

Investment strategy

The Company identifies and provides seed capital to new fund managers who, according to some empirical studies, are more likely to outperform mature funds. During the past six months the Company provided seed capital of A$7 million to each of four boutique fund management companies; Stanley Fund Managers, Camelotfund, Cape Leeuwin Capital and Percon Capital ("the Managers").

The Company offers shareholders an investment in a diversified group of hedge funds as well as equity interests (ranging from 18% to 24%) in the Managers. We know of no comparable Australian hedge fund management company that offers investors the added opportunity to share in the profitability of its underlying fund managers.

The Managers' performance

In general, 2004 has been a challenging year for hedge funds, consequently we are pleased that our Managers have generated satisfactory returns. Investment reports for the Managers and the Company are produced on a monthly basis and posted on the Company and ASX websites. The portfolio has increased by 0.9% since inception to the end of November 2004. The following table provides the performance for each of the Managers.

Pengana Managers Limited ACN 108 437 592
Level 38 Australia Square 264 George Street Sydney NSW 2000
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	Inception date	Performance (net of fees and expenses)
Camelotfund	July 2004	1.9%
Cape Leeuwin Capital	July 2004	3.8%
Percon Capital	July 2004	-1.4%
Stanley Fund Managers	November 2004	0.0%

The Company, through its appointed investment manager, Pengana Capital Limited, continues to actively monitor and review, on an ongoing basis, the risk profiles and investment strategies and processes of each of the Managers.

Marketing

On the marketing front, we have had regular enquiries from interested investors leading to initial meetings. It is probably too early to see significant fund flow but the early responses have been encouraging and we hope will bear fruit as our managers develop positive track records.

Structuring

In order to afford you, the shareholder, greater protection, the ASX stipulated that the Pengana Managers Trust, the entity through which you hold your equity stake in the underlying Managers, must be converted into a Managed Investment Scheme and its units stapled to the shares in the Company. Therefore, each Pengana Listed Security that you hold will comprise of a share in the Company and a unit in the Pengana Managers Trust. This structure is in line with other typical stapled securities structures listed on the ASX. We draw your attention to the accompanying Product Disclosure Statement, which contains a detailed explanation of the amended structure.

Accounts

We are also enclosing the Company's financial statements from establishment of the Company on 19 March 2004 to 30 June 2004. They were prepared in order to bring the Company onto a 30 June and 31 December reporting cycle.

Prospects going forward

As the Managers develop positive returns, they should attract ongoing interest from professional hedge fund investors, predominantly Funds of Hedge Funds and wealthy Family Offices. It is anticipated that, if and when, each Manager is invested with funds under management of approximately A$20 million, the Company should begin to receive profit distributions. In addition, once the Managers have cleared the initial $20 million hurdle, we anticipate that there should be increased momentum of fund flow towards our stated target of ideally A$100 million per manager within 3 years. Of course this potential outcome will depend upon the individual manager's ability to generate ongoing attractive returns.

We thank you for supporting the Company and wish you a wonderful festive season.

Yours faithfully

Damien Hatfield
Head of hedge funds
Pengana Managers Limited

Russel Pillemer
CEO
Pengana Managers Limited

PENGANA

PENGANA MANAGERS LIMITED

ACN 108 437 592

FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2004

Registered Office
Level 38, Australia Square
264 George Street
SYDNEY NSW 2000

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

Pengana Managers Limited
Level 38, Australia Square
264 George St
Sydney NSW 2000

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Pengana Managers Limited and the entities it controlled at the end of, or during, the period ended 30 June 2004.

Directors – Names, qualifications, experience and responsibilities

The directors of the Company during the period ended 30 June 2004 and up to the date of this report are set out below:

Roger Davis, BEc(Hon) CPA BPhil
Non-executive Director and Chairman (Appointed 29 March 2004)

Roger Davis is currently a Consulting Director at NM Rothschild (Australia) Limited. He has had an extensive career in international financial services with 25 years experience in banking and investment banking in Australia, Japan and the USA. This includes over 20 years with Citigroup, where he was a Division Executive and Managing Director and more recently with ANZ, where he was a Group Managing Director and a member of the Bank's Executive Management Committee.

He is a qualified CPA, a Director of Macquarie Office Management Limited and Foodbank Australia Limited. His previous experience includes the Chairmanship of Esanda Ltd and Directorships of Cititrust (Japan), ANZ Banking Group (NZ) Ltd and Citicorp Securities Inc.

George Foster, BEc(Hon) MEc PhD
Non-Executive Director (Appointed 29 March 2004)

George is the Wattis Professor of Management at the Graduate School of Business, Stanford University in the USA and currently directs the Stanford Executive Program for Growing Companies, the Stanford/YEO Program and the National League Executive Program. He is currently on the boards of Allen & Buckeridge and Sensory Networks. Previous boards include BlueGum Technologies, Authentic8, Core Digital and Active Sky. His areas of expertise include corporate valuation, financial statement analysis, venture capital/entrepreneurship, and sports business management. He is actively involved with early stage companies and venture capital in both Australia and the U.S.

Mark Beames, BBus FCA MAICD
Non-Executive Director (Appointed 29 March 2004)

Mark is a banking, investment and financial services professional with over 15 years experience in the international investment funds and securities industries. Mark spent 15 years at Fortis Bank in Hong Kong, and was a member of the Management Committee of Fortis Bank North Asia. Prior to joining Fortis Bank Mark spent 10 years with PricewaterhouseCoopers in Australia and Hong Kong. Mark is the Chairman of the Audit and Risk Committee.

Dean Smorgon, BEc
Non-Executive Director (Appointed 29 March 2004)

Dean is currently an Associate Director with ABN Amro Morgans. He is a senior financial advisor with more than 13 years experience in the Australian Financial Markets. Dean is a Member of the Audit and Risk Committee.

Russel Pillemer, BCom(Hon) CA
Director (Appointed 19 March 2004)

Russel is currently a director and Chief Executive Officer at Pengana Capital Limited and director at Centrestone Wealth Advisory Group and Australian Life Insurance Group. Russel was previously a Vice President at Goldman Sachs & Co. Based in New York and Sydney he worked in the Financial Institutions Group, specialising in mergers and acquisitions, capital raisings and the provision of general strategic advice to a wide range of financial institutions including asset managers, banks, insurance and finance companies. Prior to joining Goldman Sachs Russel worked in the Corporate Advisory divisions of CS First Boston and Ernst & Young.

Damien Hatfield, BBus
Director (Appointed 19 March 2004)

Damien is currently Head of Hedge Funds at Pengana Capital Limited. Prior to joining Pengana Damien worked at Colonial First State as Head of Hedge Funds. He has substantial experience in hedge funds and managed futures, having worked with Basis Capital, Deutsche Bank (Australia), Deutsche Securities (Hong Kong), and ANZ McCaughan. Damien was the founder and ex-chairman of the Asia Pacific Managed Futures Association and has sat on various committees related to the US based Managed Funds Association. He is a former Chairman of the Australian Chapter of the UK-based Alternative Investment Management Association (AIMA).

Katrina Glendinning, BEc CA SIA
Director (Appointed 19 march 2004, resigned 29 March 2004)

Katrina is currently Chief Operating Officer at Pengana Capital Limited. Katrina was previously an Executive Vice President of BT Funds Management where she held a number of roles. These roles included Chief Operating Officer of BT Portfolio Services and Operations Manager BT Funds Management. Prior to joining BT, Katrina worked for PricewaterhouseCoopers in Banking and Financial Services Audit.

Company Secretary

Andrew Blencowe, BCom CA LPAB CFP
(Appointed 19 March 2004)

Andrew is a qualified Chartered Accountant, Solicitor and Certified Financial Planner. His experience includes 20 years as an accountant in public practice.

Earnings per share

Basic earnings per share	($0.0507)
Diluted earnings per share	($0.0507)

Dividends – Pengana Managers Limited

No dividends were paid or declared since the start of the period. No recommendation for payment of dividends has been made.

Overview

Pengana Managers Limited was incorporated on 19 March 2004 and was admitted to the official list of Australian Stock Exchange Limited (ASX) on 28 June 2004, together with Pengana Managers Trust as a stapled security. Class A Interests in the Trust are stapled to fully paid ordinary shares in the Company on a one for one basis and are jointly quoted and traded on ASX as Pengana Managers Limited (ASX Code: PGN). Official quotation of the stapled securities commenced 1 July 2004.

The Company makes investments in single strategy hedge funds which are managed by boutique funds management companies. Pengana Managers Trust will own an equity stake in the businesses of the funds management companies. The Company, in exchange for each of these equity stakes, will provide a range of services and financial resources in order for the businesses of the funds management companies to grow funds under management. Accordingly an investment in Pengana Managers Limited offers investors an opportunity to invest in a diverse group of hedge funds and own an equity interest in each of the funds management companies that manage these hedge funds.

Principal activity

The principal activity of the Company during the period was to operate as a Fund of hedge funds, investing in single strategy hedge funds managed by boutique Fund Managers.

Operating results

The operating loss of the consolidated entity for the period ended 30 June 2004, after providing for income tax, amounted to $103,761.

Significant changes in state of affairs

Pursuant to a prospectus dated 29 March 2004 for an initial public offering, the Company raised $30,395,000 from the issue of 30,395,000 ordinary shares at $1 per share.

On 25 June 2004 the Company invested $21,000,000 in three newly formed Funds. As at 30 June 2004 the Company was the sole unit holder in these Funds and as a result had a controlling interest in the Funds. The Funds were not actively trading by 30 June 2004 and at this date Fund assets consisted entirely of cash and interest receivable.

Matters subsequent to the end of the Financial Period

Official quotation on the Australian Stock Exchange of Pengana Managers Limited stapled securities commenced 1 July 2004.

In November 2004 the Company invested $7,000,000 in Stanley Global Resources Market Neutral Unit Trust.

Other than the above, there have been no matters or circumstances that have arisen since 30 June 2004 that have significantly affected, or may significantly affect:

(a) the Company's operations in future financial periods; or
(b) the results of those operations in future financial periods; or
(c) the Company's state of affairs in future financial periods.

At the time of admission to ASX under the Pengana structure Pengana Managers Trust was a bare trust. One of the ASX listing requirements was that the Pengana structure be modified by converting the Pengana Managers Trust into a registered Managed Investment Scheme (MIS) within 6 months of admission to the official list of the ASX. Pengana Managers Trust was registered as a MIS on 2 December 2004.

Likely developments

The Company expects to continue to grow its business and level of operations in the future.

Environmental issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Options

No options over unissued shares or interests in the Company were granted during or since the end of the period and there were no options outstanding at the end of the period.

Indemnification and Insurance of Officers

During the financial period, the Company entered into an agreement with each director and executive officer ("Officer") agreeing to fully indemnify them, to the fullest extent permitted by the Corporations Act, against:

(a) any liability incurred by the Officer as an officer of the Company or as an officer or trustee of a Relevant Entity (defined below);

(b) legal costs or any liability for legal costs incurred by the Officer in defending or resisting proceedings (including civil or criminal proceedings) for a liability incurred as an officer of the Company or as an officer or trustee of a Relevant Entity (defined below), or in seeking relief from such a liability under the Corporations Act or under any legislation applying to trustees; and

(c) any liability for legal costs incurred by the Officer in connection with any legal proceeding relating to the Company or a Relevant Entity (defined below) which is brought against the Officer and which involves the Officer because of his or her present or former capacity as an officer of the Company, or present or former capacity as an officer or trustee of the Relevant Entity (defined below).

For the purposes of the above, Relevant Entity is defined as being:

(a) any corporation (including a wholly-owned subsidiary of the Company) of which the Officer is appointed or nominated an officer by the Company or by a wholly owned subsidiary of the Company; or

(b) any trust of which the Officer is appointed or nominated a trustee by the Company or by a wholly owned subsidiary of the Company.

Indemnification of Auditor

No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an auditor of the Company.

Directors' and executives' emoluments

The Board of Directors of Pengana Managers Limited is responsible for determining and reviewing compensation arrangements for the directors. The Board assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board.

No directors receive any performance based remuneration.

The company did not employ or contract with any executives (other than directors) during the period.

Details of the nature and amount of each element of the emolument of each director of Pengana Managers Limited for the period are as follows:

	Base Fee $	**Superannuation** $
R. Davis	13,761	1,239
G. Foster	15,000	-
M. Beames	9,174	826
D. Smorgon	9,174	826
R. Pillemer	-	-
D. Hatfield	-	-
K. Glendinning	-	-

Meetings of directors

The number of meetings of the company's board of directors and of each board committee held during the period ended 30 June 2004, and the number of meetings attended by each director were:

	Directors' Meetings		**Audit and Risk Committee Meetings**
Number of meetings held:	5		-
Number of meetings attended:			
R. Davis	3	*	-
G. Foster	2		-
M. Beames	3	*	-
D. Smorgon	3	*	-
R. Pillemer	5		-
D. Hatfield	5		-
K. Glendinning	2	^	-

Notes

* Messrs Davis, Beames and Smorgon attended all directors' meetings held since their appointment to the board.

^ Katrina attended both directors' meetings held prior to her resignation.

Committee membership

An Audit and Risk Committee was established on 7 June 2004. There were no meetings of the Audit and Risk Committee for the period ended 30 June 2004. Members acting on this committee were:

Mark Beames (Chairman)
Roger Davis
Dean Smorgon

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Pengana Managers Limited support and have adhered to the principles of corporate governance. Further information on corporate governance policies adopted by Pengana Managers Limited will be provided in the Company's Annual Report for the year ending 30 June 2005.

This report is made in accordance with a resolution of the directors.

....
Mark Beames

Director

....
Russel Pillemer

Director

13 December 2004

PENGANA MANAGERS LIMITED
ACN 108 437 592

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE PERIOD ENDED 30 JUNE 2004

	Notes	Consolidated	Parent Entity
		Period from 19 March 2004 to 30 June 2004 $	Period from 19 March 2004 to 30 June 2004 $
Revenue from ordinary activities	2	75,760	65,403
Expenses from ordinary activities			
Accountancy		9,020	9,020
Auditors remuneration		6,600	6,600
Directors remuneration and benefits		50,000	50,000
Legal fees		98,317	98,317
Service fees and commissions		11,336	11,336
Other general and administrative expenses		4,248	4,248
Total expenses from ordinary activities		179,521	179,521
Loss from ordinary activities before related income tax expense		(103,761)	(114,118)
Income tax expense relating to ordinary activities	3	-	-
Loss from ordinary activities after related income tax expense		(103,761)	(114,118)
Net loss attributable to members of Pengana Managers Limited	9	(103,761)	(114,118)
Net increase in asset revaluation reserve	9	-	10,357
Share issue costs	8	(1,569,585)	(1,569,585)
Total revenues, expenses and valuation adjustments attributable to members of Pengana Managers Limited and recognised directly in equity.		(1,569,585)	(1,559,228)
Total changes in equity attributable to members of Pengana Managers Limited other than those resulting from transactions with owners as owners		(1,673,346)	(1,673,346)
Basic earnings per share	12	($0.0507)	
Diluted earnings per share	12	($0.0507)	

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

PENGANA MANAGERS LIMITED
ACN 108 437 592

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Notes	Consolidated	Parent Entity
		30 June 2004 $	30 June 2004 $
CURRENT ASSETS			
Cash assets	4	30,167,309	9,167,309
Receivables	5	73,542	63,185
TOTAL CURRENT ASSETS		30,240,851	9,230,494
NON-CURRENT ASSETS			
Investments	6	-	21,010,357
TOTAL NON-CURRENT ASSETS		-	21,010,357
TOTAL ASSETS		30,240,851	30,240,851
CURRENT LIABILITIES			
Payables	7	1,519,187	1,519,187
TOTAL CURRENT LIABILITIES		1,519,187	1,519,187
TOTAL LIABILITIES		1,519,187	1,519,187
NET ASSETS		28,721,664	28,721,664
EQUITY			
Contributed equity	8	28,825,425	28,825,425
Investment revaluation reserve	9	-	10,357
Retained losses	9	(103,761)	(114,118)
TOTAL EQUITY		28,721,664	28,721,664

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

PENGANA MANAGERS LIMITED
ACN 108 437 592

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2004

	Notes	Consolidated	Parent Entity
		Period from 19 March 2004 to 30 June 2004 $	Period from 19 March 2004 to 30 June 2004 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		65,403	65,403
Administration and general expenses paid		(495)	(495)
Net cash inflow from operating activities	10	64,908	64,908
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of controlled entities	11	-	(21,000,000)
Net cash outflow from investing activities		-	(21,000,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		30,395,010	30,395,010
Payment of share issue costs		(292,609)	(292,609)
Net cash inflow from financing activities		30,102,401	30,102,401
Net increase in cash held		30,167,309	9,167,309
Cash at the beginning of the financial period		-	-
Cash at the end of the financial period	10	30,167,309	9,167,309

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial report is for the entity Pengana Managers Limited as an individual entity. Pengana Managers Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared in accordance with the historical cost convention, except for investments measured at market values.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

(a) Comparatives

Pengana Managers Limited was incorporated on 19 March 2004.The financial period from 19 March 2004 to 30 June 2004 is the entity's first financial period since incorporation and this financial report represents the entity's first financial report. Accordingly there are no comparative figures for any previous financial period.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Pengana Managers Limited as at 30 June 2004 and the results of all controlled entities for the period then ended. Pengana Managers Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial period, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial period its results are included for that part of the period during which control existed.

(c) Revenue

Investment income and expenses are brought to account on an accruals basis.

Interest revenue is recognised on an accruals basis taking into account the interest rates applicable to the financial assets.

(d) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the Statement of Financial Performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Capital gains tax is provided for in the period which an asset is sold.

(e) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(f) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial period, but not distributed at balance date.

(g) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(h) Cash

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(i) Receivables

Receivables may include amounts for fund distributions, interest and GST recoverable from the Australian Taxation Office. Interest is accrued at the reporting date from the time of last payment.

(j) Investments

Non-current Investments are initially brought to account at cost and are revalued to market value on a monthly basis. Increments and decrements are taken to the Asset Revaluation Reserve while it has a positive balance in total, otherwise they are included in net profit. Where disposal of an investment occurs any revaluation increment or decrement relating to it is transferred from the Asset Revaluation Reserve to the Asset Realisation Reserve while this reserve has a positive balance in total, otherwise they are included in net profit.

Market value for the purpose of valuing non-current investments is determined from the quoted market value for shares/units in listed entities or the underlying net assets for other non-listed entities.

No provision for any potential capital gains tax is made when investments are revalued. Capital gains tax is provided for in the period which an asset is sold.

(k) Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2004

	Consolidated	Parent Entity
	Period from 19 March 2004 to 30 June 2004 $	Period from 19 March 2004 to 30 June 2004 $
NOTE 2: REVENUE		
Interest income	75,760	65,403
	75,760	65,403

NOTE 3: INCOME TAX

The prima facie tax, using tax rates applicable in the country of operation, on profit differs from the income tax provided in the financial statements as follows:

Prima facie tax on loss from ordinary activities	(31,128)	(34,235)
Non-deductible expenses	29,760	29,760
Deductible business establishment and equity raising costs	(100,128)	(100,128)
Timing differences	13,873	16,980
Tax losses carried forward	87,623	87,623
Income tax expense attributable to ordinary activities	-	-

Deferred tax assets & income tax losses

Future income tax benefits arising from tax losses and timing differences are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain	101,496	104,603

This future income tax benefit will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(b) the conditions imposed for deductibility imposed by tax legislation continue to be complied with; and
(c) no changes in tax legislation adversely affect the company in realising the benefit.

	Consolidated	Parent Entity
	30 June 2004 $	30 June 2004 $
NOTE 4: CURRENT ASSETS – CASH ASSETS		
Cash at bank and on hand	30,167,309	9,167,309

PENGANA MANAGERS LIMITED
ACN 108 437 592

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2004

		Consolidated	Parent Entity
		30 June 2004 $	30 June 2004 $
NOTE 5: CURRENT ASSETS – RECEIVABLES			
GST – share issue costs		63,169	63,169
GST – other		16	16
Interest		10,357	-
		73,542	63,185

(a) GST recoverable from the Australian Taxation Authority is usually received within two months from the end of each quarter.

(b) Interest on deposits at call is paid monthly.

NOTE 6: NON-CURRENT ASSETS – INVESTMENTS

Investments at cost comprise:			
Controlled entities - units in unlisted trusts	11	-	21,000,000
Investments at revalued amount:			
Controlled entities - units in unlisted trusts		-	21,010,357

NOTE 7: CURRENT LIABILITIES – PAYABLES

Shares issue costs payable		1,340,145	1,340,145
Other payables		179,042	179,042
		1,519,187	1,519,187

(a) Payables are normally settled on 30 day terms.

NOTE 8: CONTRIBUTED EQUITY

(a) Issued and paid up capital			
30,395,010 ordinary shares fully paid		28,825,425	28,825,425
(b) Movements in shares on issue			
Beginning of the period			-
Issued during the period			
- founding shareholders (10 Shares)	(i)		10
- Initial public equity raising (30,395,000 Shares)	(ii)		30,395,000
less transaction costs			(1,569,585)
			28,825,425

(i) On 19 March 2004 the Company was incorporated with 10 ordinary shares at $1 per share fully paid.

(ii) Pursuant to a prospectus dated 29 March 2004 for an initial public offering the Company issued 30,395,000 ordinary shares at $1 per share fully paid.

(iii) Pursuant to a prospectus dated 29 March 2004 for an initial public offering, fully paid ordinary shares in Pengana Managers Limited are stapled to Class A Interests in Pengana Managers Trust, a "bare trust", on a one for one basis and are jointly quoted and traded on ASX as Pengana Managers Limited.

(iv) Official quotation of the stapled securities commenced 1 July 2004.

(v) Ordinary shares in Pengana Managers Limited entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	Consolidated	Parent Entity
	30 June 2004 $	30 June 2004 $
Note 9. RESERVES AND RETAINED LOSSES		
(a) Investment Revaluation Reserve		
(I) Nature and purpose of Investment Revaluation Reserve The investment revaluation reserve is used to record increments and decrements in the value of non-current investments.		
(II) Movements in Investment Revaluation Reserve		
Balance at the beginning of the period	-	-
Revaluation increments on revaluation of non-current investments	-	10,357
Balance at the end of the period	-	10,357
(b) Retained losses		
Retained profits at the beginning of the period	-	-
Net loss attributable to members of Pengana Managers Limited	(103,761)	(114,118)
Retained losses at the end of the period	(103,761)	(114,118)

	Consolidated	Parent Entity
	Period from 19 March 2004 to 30 June 2004 $	Period from 19 March 2004 to 30 June 2004 $
NOTE 10: STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash		
For the purposes of the Statement of Cash Flows cash includes cash on hand and 'at call' deposits with other financial institutions. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:		
Cash	10	10
Deposits at Call	30,167,299	9,167,299
	30,167,309	9,167,309
(b) Reconciliation of net cash provided by operating activities to net profit from ordinary activities after income tax		
Net loss from ordinary activities after income tax	(103,761)	(114,118)
Changes in operating assets and liabilities		
Increase in receivables	(10,373)	(16)
Increase in payables	179,042	179,042
Cash flows from operations	64,908	64,908

NOTE 11: INVESTMENTS IN CONTROLLED ENTITIES

On 25 June 2004 Pengana Managers Limited acquired a 100% ownership interest in the following three unlisted unit trusts. The acquisition costs consisted of cash only.

Name of entity	Established in	Equity holding
Percon Managed Futures Unit Trust	Australia	100%
Camelotfund Global Macro Unit Trust	Australia	100%
Cape Leeuwin Capital Australian Long Short Equity Unit Trust	Australia	100%

The net assets of the above named unit trusts at 25 June 2004 were:

	Percon Managed Futures Unit Trust $	Camelotfund Global Macro Unit Trust $	Cape Leeuwin Capital Australian Long Short Equity Unit Trust $	Total $
Cash	7,000,000	7,000,000	7,000,000	21,000,000
Net assets at 25th June 2004	7,000,000	7,000,000	7,000,000	21,000,000
Net cash effect				
Cash consideration paid	7,000,000	7,000,000	7,000,000	21,000,000
Cash paid for purchase of controlled entity as reflected in the statement of cash flows	7,000,000	7,000,000	7,000,000	21,000,000

	Consolidated Period from 19 March 2004 to 30 June 2004 $	Parent Entity Period from 19 March 2004 to 30 June 2004 $
NOTE 12: EARNINGS PER SHARE		
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net profit after tax:	(103,761)	
Weighted average number of ordinary shares used in calculating basic earnings per share:	2,045,827	
Basic earnings per share	($0.0507)	

At 30 June 2004 Pengana Managers Limited had only one category of ordinary shares on issue. Accordingly there are no potential ordinary shares that may have a dilutive effect on earnings of the Company.

NOTE 13: AUDITORS REMUNERATION

During the financial period, the auditor earned the following remuneration (inclusive of Goods and Services Tax):

	Consolidated	Parent Entity
Audit of financial reports of the Company	6,600	6,600
	6,600	6,600

NOTE 14: DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Executive directors

Russel Pillemer
Damien Hatfield
Katrina Glendinning (Resigned 29 March 2004)

(b) Non-executive directors

Roger Davis
George Foster
Mark Beames
Dean Smorgon

(c) Executives (other than directors) with the greatest authority for strategic direction and management

The company did not employ or contract with any executives (other than directors) during the financial year.

(d) Remuneration policy

The Board of Directors of Pengana Managers Limited is responsible for determining and reviewing compensation arrangements for the directors. The Board assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board.

No directors receive any performance based remuneration.

(e) Remuneration of specified directors

Specified Directors	Fees	Superannuation	Total
R. Davis	13,761	1,239	15,000
G. Foster	15,000	-	15,000
M. Beames	9,174	826	10,000
D. Smorgon	9,174	826	10,000
R. Pillemer	-	-	-
D. Hatfield	-	-	-
K. Glendinning	-	-	-
	47,109	2,891	50,000

(f) Shareholdings of specified directors in Pengana Managers Limited

Specified Director	Balance at beginning of period 19 March 2004	Granted as remuneration	Net Change Other	Balance at end of period 30 June 2004
R. Davis	-	-	40,000	40,000
G. Foster	-	-	-	-
M. Beames	-	-	50,000	50,000
D. Smorgon	-	-	20,000	20,000
R. Pillemer	-	-	1,000,000	1,000,000
D. Hatfield	-	-	15,000	15,000
K. Glendinning	-	-	-	-

NOTE 15: RELATED PARTY TRANSACTIONS

The Company did not enter into any related party transactions during the period ended 30 June 2004.

NOTE 16: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2004.

NOTE 17: SEGMENT INFORMATION

The Company operates an investment business in Australia.

NOTE 18: MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Official quotation on the Australian Stock Exchange of Pengana Managers Limited stapled securities commenced 1 July 2004.

Pengana Managers Trust was registered as a Managed Investment Scheme on 2 December 2004.

In November 2004 the Company invested $7,000,000 in Stanley Global Resources Market Neutral Unit Trust.

NOTE 19: FINANCIAL INSTRUMENTS

(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

	30 June 2004			
Financial Instruments	**Floating interest rate $**	**Non-interest bearing $**	**Total carrying amount as per the statement of financial position $**	**Weighted average effective interest rate %**
(i) Financial assets				
Cash	30,167,309	-	30,167,309	4.64
Receivables	-	73,542	73,542	N/A
Total financial assets	30,167,309	73,542	30,240,851	
(ii) Financial liabilities				
Payables	-	1,519,187	1,519,187	N/A
Total financial liabilities	-	1,519,187	1,519,187	

N/A not applicable for non-interest bearing financial instruments.

(b) Net fair values

All financial assets and liabilities have been recognised at the balance date at their net fair values.

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

(c) Credit risk exposures

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The consolidated entity's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

NOTE 20: INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the Company's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2004**

Pengana Managers Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of IFRS. All standards have not been analysed as yet,

and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the Company's financial position and reported results.

DIRECTORS' DECLARATION

The directors of the Company declare that the financial statements and notes, as set out on pages **7** to **21**:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
(b) give a true and fair view of the financial position as at 30 June 2004 and of the performance as represented by the results of its operations and cash flows for the period ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

....
Mark Beames

Director

....
Russel Pillemer

Director

13 December 2004

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Independent audit report to members of Pengana Managers Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Pengana Managers Limited (the company) and the consolidated entity, for the period ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

In our opinion, the financial report of Pengana Managers Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of Pengana Managers Limited and the consolidated entity at 30 June 2004 and of their performance for the period ended on that date; and

(ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

Mark O'Sullivan
Partner
Sydney

13 December 2004