VGI Partners Limited
ABN 33 129 188 450
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www.vgipartners.com

AFSL No. 321789 | SEC Registered

23 February 2021

ASX Market Announcements
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

Annual Report and Financial Statements for the year ended 31 December 2020

VGI Partners Limited (ASX: VGI) hereby lodges:

- Appendix 4E for the year ended 31 December 2020; and
- Annual Report for the year ended 31 December 2020, incorporating the Letter from the Chairman and Financial Statements.

Authorised for release by:

Ian Cameron
Company Secretary

For investor queries, please contact:

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VGI PARTNERS

Appendix 4E

Company	VGI Partners Limited
ASX code	VGI
Year ended	31 December 2020
Previous corresponding period	31 December 2019
ABN	33 129 188 450

Results for announcement to the market

	Year ended 31 December 2020 $'000	Up/down	Movement
Income from ordinary activities	56,780	down	(14%)
Profit from ordinary activities after tax	25,916	down	(7%)
Net profit attributable to members	25,916	down	(7%)
Total comprehensive income	25,901	down	(7%)

Commentary on results

Additional information supporting the Appendix 4E disclosure requirements can be found in the Annual Report, which contains the Directors' Report and the 31 December 2020 financial statements and accompanying notes.

Dividends

	Amount per security	Franked amount per security
2020 final dividend cents per share	28	28
2020 interim dividend cents per share	5	5
Total dividends	**33**	**33**

Final dividend dates

Ex-date	1 March 2021
Record date	2 March 2021
Payment date	11 March 2021

There is no dividend reinvestment plan in operation in respect of this dividend.

Net tangible assets*

	31 December 2020	31 December 2019
Net tangible assets per fully paid ordinary share	$1.85	$1.58

* Net tangible assets includes total assets per the financial statements less deferred tax and right of use assets, and includes contract assets.

Details of entities over which control has been gained or lost during the year

During the year, VGI Partners Limited incorporated a wholly owned subsidiary, VGI Partners Principal Investments Pty Limited. There were no other entities over which control was gained or lost during the period. Refer to note 29 of the financial statements for further details.

Audit

This report is based on the consolidated financial statements for the year ended 31 December 2020, audited by Deloitte Touche Tohmatsu. All the documents comprise the information required by ASX Listing Rule 4.3A.

VGI PARTNERS

ABN 33 129 188 450

2020 Annual Report

Year ended 31 December 2020

Contents

Annual General Meeting 2021

Tuesday, 18 May 2021
10:30am (AEST)

Notice of the Annual General Meeting will be forwarded to all Shareholders separately.

Corporate Governance

The Corporate Governance Statement of VGI Partners Limited ABN 33 129 188 450 (**VGI** or **the Company**) has been approved by the Board and lodged with the Australian Securities Exchange (**ASX**). A copy of the Corporate Governance Statement is available at www.vgipartners.com.

Letter from the Chairman

Dear Fellow Shareholder,

With VGI Partners Limited ("VGI" or "the Company") listing on 21 June 2019, 2020 marked the first full year as a public company on the Australian Securities Exchange ("ASX").

VGI's IPO was undertaken to create a platform with the capacity to build a specialist, long-term asset management group, grounded in our core capability of absolute-return global equities. The IPO also enabled us to grow the size of our global listed investment company, VGI Partners Global Investments Limited (ASX:VG1) and in turn allowed us to successfully launch our Asian listed investment company, VGI Partners Asian Investments Limited (ASX:VG8).

The Company and its global and Asian funds were relatively well-positioned going into the COVID-19 pandemic with both VG1 and VG8 generating positive returns in March 2020. Nevertheless, we remained too conservatively positioned for the bulk of the second quarter of 2020, and this negatively impacted returns for both investment strategies, primarily via losses incurred from short positions and being fully exposed to the US Dollar at that time.

Both investment strategies performed substantially better in the second half of 2020 as we made a number of meaningful changes to our portfolios. Our global fund returned over 14% in the second half. For the calendar year, VG1 returned 8.4% after all fees with an average cash balance of 32%, and our Asian fund returned 12.7% after all fees despite holding an average cash balance of 52% over the year. We are particularly pleased with the performance of several new positions we initiated in the second half of 2020 and believe that they will be multi-year performers for us.

In late June 2020, Douglas Tynan unexpectedly resigned from his executive role at VGI. While this was disappointing for the team so soon after listing VGI on the ASX, Mr Tynan remains on the board of VGI as a non-executive director.

On the investment side, I am now working very closely with Robert Poiner (who manages our New York office), Tom Davies (who moved back to Sydney from New York mid-last year) and Marco Anselmi (who is based in Sydney). Robert, Tom and Marco have been working with me for 12 years, 9 years and 7 years respectively, so we know each other extremely well and the synergy between us is robust. The new structure is proving to be very powerful and I am optimistic about the new investment opportunities we have found together already and what lies ahead for us in the future.

I have the utmost confidence in the capabilities of our investment team and our operations team. Our collective determination to deliver long-term investment returns and intelligently and diligently grow the business could not be more palpable.

Recently, we have made selective new hires in both our investment and operations teams that we believe will add value to our broader group. We continue to search for high-quality people to enhance our capabilities and intend to make further select hires accordingly.

VGI is well capitalised, and at the date of this letter we have approximately $37m in cash net of the dividend declared today and $40m invested in both VG1 ($12m) and VG8 ($28m) at cost.

Strategically, the Company recognises that increased regulation and reporting requirements have made it difficult for newer fund managers to establish themselves and reach sufficient funds under management to cover operating costs.

We will continue to opportunistically review new investment strategies, especially where the right people become available. VGI's balance sheet strength allows us to be flexible in pursuing such growth opportunities.

In terms of financial performance in FY20, the Company generated statutory revenue of $56.8m, statutory profit after tax of $25.9m and a normalised cash net profit after tax (NPAT) of $30.7m.[1] Revenues were impacted by lower performance fees while costs were managed prudently. The Company paid its applicable taxes to federal and state authorities resulting in an effective tax rate of 33%. The Company did not access any government programs related to COVID-19.

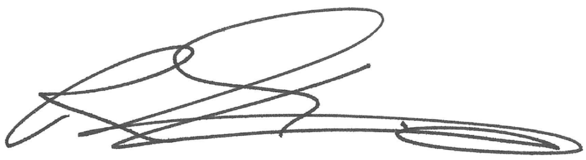
The Company paid a $3.5m fully franked, interim dividend (5 cps) on 14 September 2020 and the Company will pay a $19.5m fully franked final dividend (28 cps) on 11 March 2021 (ex-date is 1 March 2021). This equates to a dividend payout ratio of 75% of normalised NPAT for FY20.

The Company's AGM will be held on 18 May 2021. Given the ongoing COVID-19 restrictions, we are still monitoring the practicality of holding a physical event. More details will be released closer to the date and we encourage all shareholders to participate.

We are grateful for the support of our shareholders, many of whom are long-term investors in VGI Partners' funds, in what has been the most challenging year commercially for VGI Partners and personally for me. I am immensely grateful to the extraordinary team of investment and operational executives who work at VGI Partners in Sydney, Brisbane, New York and Tokyo for their unwavering professionalism, exhaustive efforts and integrity.

Thank you for your ongoing support and investment with VGI Partners.

Yours faithfully,



Robert M P Luciano, CFA
Executive Chairman and Managing Director
Sydney
22 February 2021

1. Refer to page 8 for a breakdown of normalised NPAT

Charitable Initiatives

Since 2008, VGI Partners has actively supported charitable organisations and community causes with monetary donations and by managing certain funds through our unlisted vehicles on a pro bono basis. Under these pro bono arrangements, we rebate management and performance fees to the charitable investor in the form of additional units or shares where those fees would otherwise be payable to VGI Partners.

Additionally, The VGI Partners Foundation was formed in 2018 to further increase the firm's charitable footprint in community initiatives. The Foundation aims to make a sustainable difference to the health and wellbeing of Australian children, to further social cohesion, and to support the families of people who have made a significant personal sacrifice while contributing to Australian society.

To support the Foundation, VGI Partners established the Charitable Foundation Class in the VGI Partners Master Fund, whereby 100% of management and performance fees earned that would otherwise be payable to VGI Partners will be donated in perpetuity to The VGI Partners Foundation.

VGI Partners has made charitable contributions of $1.2 million in the 2020 calendar year, and in excess of $7.0 million since its inception.

	2020	Since inception
Total management fees and performance fees forgone from pro bono funds	$0.7m	$4.6m
Cash and in-kind donations	$0.1m	$1.4m
Donations to The VGI Partners Foundation	$0.4m	$1.0m
Total VGI Partners charitable contributions	**$1.2m**	**$7.0m**

Pro bono funds managed by VGI Partners

Future Generation
INVESTMENT & SOCIAL RETURNS

SYDNEY SWANS FOUNDATION

Australian Philanthropic Services
Simple. Strategic. Rewarding.

Jewish Holocaust Centre Foundation
REMEMBRANCE EDUCATION MUSEUM

VGI PARTNERS Foundation

The VGI Partners Foundation was established in 2018 and operates as an independent public ancillary fund, with a vision to catalyse positive change in society. The Foundation collaborates on programs with community and philanthropic partners, with an emphasis on research and education. Donations have supported the ongoing efforts of The VGI Partners Foundation in the key focus areas of:

- achieving further social cohesion;
- promoting the health and wellbeing of Australian children; and
- supporting the families of people who have made a significant personal sacrifice while contributing to Australian society.

The following are some of the eligible organisations that have received valuable support.

Mission Australia's integrated nationwide services help people find safe and affordable housing; support disadvantaged children and families; empower people through employment skills and training; assist people with mental illness; and much more.

The Sydney Jewish Museum is dedicated to documenting and teaching the history of the Holocaust. The world-class museum challenges visitors' perceptions of democracy, morality, social justice and human rights, and places the Holocaust in its historical and contemporary context.

Soldiers & Sirens Limited is a mental health charity that provides support across police, fire, ambulance and military personnel. Soldiers & Sirens facilitates a community of support, which includes professional psychology and counselling services as well as peer and family support.

Wandering Warriors is a Veterans Charity that provides support to Australian Defence Force veterans transitioning back into civilian life, with an emphasis on higher education. Military skills don't always translate readily or practically into the civilian world. Veterans often need further education or additional skills as they enter life after their military career. Wandering Warriors has linked and continues to link with institutions that provide higher education and other training programs for veterans in preparation for employment.

Our Attitude Towards Tax Planning

The Company and its consolidated entities (**the Group**) has offices in Sydney, New York and Tokyo, but the majority of the Group's operations are undertaken in Australia, where its profits arise.

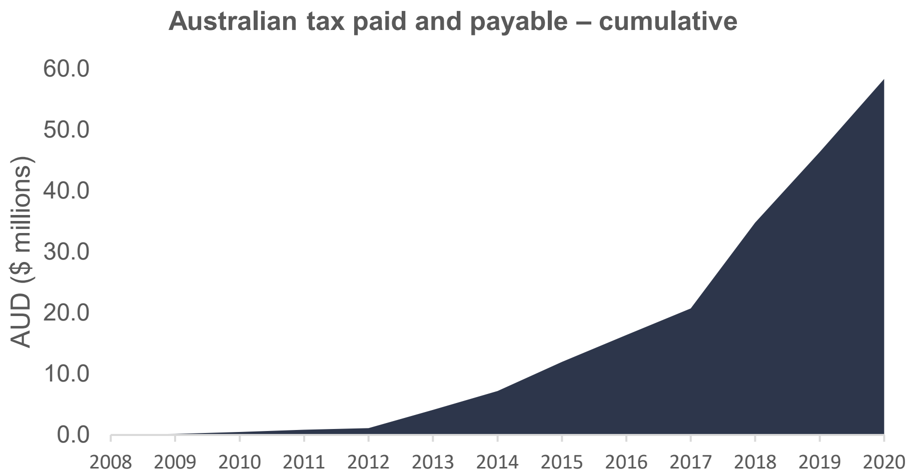
The founder, original Shareholders and Board understand the Group's tax-related duties and wider corporate responsibilities. The Group aims to keep tax affairs simple and to focus on business outcomes instead of allowing tax matters to drive business decisions. The Board has a very low appetite for tax planning opportunities that would minimise the Group's tax liability, and instead considers its tax contributions as one of its key responsibilities and achievements as a good Australian corporate citizen.

To demonstrate this, the Group:

- has an Australian parent entity;
- does not artificially divert Group profits to any low-tax jurisdictions;
- receives robust advice to understand tax compliance obligations;
- does not have any recurring intra-Group intellectual property payments;
- complies with the law and practice in all territories in which it operates, and discloses all relevant facts and circumstances to tax authorities; and
- engages with tax authorities with honesty, integrity and fairness, in a spirit of co-operative compliance.

The Company's effective rate has been at least 30% or slightly above since inception.

As shown in the following graph, the Company has paid a total of $58.3 million in Australian tax since inception.*



Up to and including 30 June 2019, the Company had a tax year ending 30 June. The above information has been extracted from the Company's tax lodgements from 2008 to 2020. The 2020 tax paid figure includes corporate tax payable in respect of the year ended 31 December 2020.

Additionally, the Company did not access any government programs related to COVID-19.

* Inclusive of tax payable at year end, which has now been paid.

Directors' Report

The Directors of VGI Partners Limited (**the Company**) present their Directors' Report together with the Financial Report for the year ended 31 December 2020. The Financial Report represents the Company and its consolidated entities (**VGI Partners** or **the Group**).

Directors

The following persons were Directors of the Group during the whole of the financial year and up to the date of this report, unless otherwise stated.

Name	Position	Date appointed
Robert M P Luciano	Executive Chairman and Managing Director	15 January 2008
David F Jones	Executive Director	8 August 2018
Douglas H Tynan*	Non-Executive Director	1 February 2011
Jaye L Gardner	Independent Non-Executive Director	12 May 2019
Benjamin A Pronk	Independent Non-Executive Director	12 May 2019
Darren J Steinberg	Independent Non-Executive Director	12 May 2019

* On 22 June 2020, Douglas Tynan resigned from his executive role with VGI Partners. Prior to this date, Mr Tynan was an Executive Director. He now serves as a Non-Executive Director on the Board of VGI Partners.

Principal activities

The Group continues to trade as a provider of investment management services. The principal activity of the Group is not expected to change for the foreseeable future.

Overview of results

The Group generated total income for the year ended 31 December 2020 of $56,780,000 (2019: $66,344,000), and profit after tax for the year of $25,916,000 (2019: $27,983,000).

The Group is in a strong financial position with a debt-free balance sheet, and at 31 December 2020 reported net tangible assets (**NTA**) per share of $1.85 (2019: $1.58).[1]

The Group recorded normalised net profit after tax (**NPAT**) of $30,676,000 (2019: $33,488,000[2]) for the 12 months to 31 December 2020. Normalised 2020 NPAT excludes unrealised fair value adjustments of $280,000 (2019: $1,514,000) and a non-cash amortisation expense of $5,025,000 (2019: $279,000), together with the tax effect of the normalisation adjustments of $545,000 (2019: $2,137,000). Normalised NPAT and other measures of underlying performance have not been prepared in accordance with International Financial Reporting Standards and have not been audited.

	2020 $'000	2019[3] $'000
Profit after tax for the year (see Statement of Profit or Loss and Other Comprehensive Income)	**25,916**	**27,983**
Management adjustments:		
Equity raising costs – initial public offering (**IPO**) (see note 10)	–	5,849
Amortisation of contract assets (see note 14)	5,025	279
Loss on change in fair values of investments in VG1/VG8	280	1,514
Tax effect on the above (at 30%)[3]	(545)	(2,137)
Normalised NPAT	**30,676**	**33,488**

[1] NTA includes the total assets shown in the financial statements less deferred tax and right of use assets, and includes contract assets.

[2] 2019 normalised NPAT has been adjusted to align with the 31 December 2020 Annual Report.

[3] Accounted for at the full corporate tax rate of 30%. The amortisation expense of $3,490,000 (2019: $517,000) on the contract asset relating to the VG8 IPO alignment shares is non-deductible.

The following table summarises the VGI Partners Funds as at 31 December 2020.

	Master Fund	Offshore Fund	Individually managed accounts	VG1	VG8
Funds under management (**FUM**) at 31 December 2020*	$890 million	$220 million	$310 million	$1,020 million	$610 million
Launch date	January 2009	May 2012	Various	September 2017	November 2019
Currency	AUD	USD	AUD and USD	AUD	AUD
Investment strategy	Global	Global	Global	Global	Asian region
Performance fee calculation date	Annually on 30 June	Annually on 31 December	Annually on 30 June	Semi-annually on 30 June and 31 December	Semi-annually on 30 June and 31 December
Entity type	Unlisted vehicle			Listed investment company	

* FUM of USD-denominated funds have been converted to AUD at an AUD:USD exchange rate of approximately 0.77 as at 31 December 2020.

Revenues

As noted in the VGI Partners Limited IPO Prospectus, as a wealth manager the Group generates substantially all of its revenue from management fees and performance fees charged on each of the VGI Partners Funds (see the table above). Management and performance fee generation is driven by the level of FUM. Performance fees are also driven by the investment performance of the funds, which can be volatile. Management fees are paid monthly and are typically equal to 1.5% of FUM for each VGI Partners Fund. Management fees vary month to month, in line with changes in the FUM of each VGI Partners Fund.

The Group charges performance fees equal to 15% of performance, subject to a 'high-water mark' mechanism. Under this mechanism, if a fund's FUM (adjusted for subscriptions and redemptions) at the end of a period is lower than the high-water mark, that fund does not pay a performance fee for the period. The performance fee for each VGI Partners Fund is calculated based on performance over a specific period determined in the fund's Investment Management Agreement (the Performance Calculation Period). With the exception of VG1 and VG8, performance fees are calculated annually, on either 30 June or 31 December, depending on the year end of the fund. For VG1 and VG8, performance fees are calculated on a six-monthly basis, on 30 June and 31 December.

Management fees for the 12 months to 31 December 2020 totalled $43,060,000 (2019: $32,365,000) (see note 3). Total FUM of $3.1 billion remained fairly stable during 2020. Total FUM increased $0.5 billion, up from $2.6 billion in 2019 due to the VG8 capital raising.

Performance fees before tax for the 12 months to 31 December 2020 totalled $21,070,000 (2019: $36,679,000). In 2020, $103,000 of the total performance fees were earned in the first half of the year and $20,967,000 in the second half. For comparison, in 2019 $32,837,000 of the total performance fees were earned in the first half of the year and $3,842,000 in the second half.

Performance fees are variable and can fluctuate significantly year on year. Performance fees, although volatile in nature, are a key earnings stream for the Group and a significant component of value creation for Shareholders over time.

Expenses

The Group's operating expenses totalled $18,048,000 (2019: $20,200,000, which excludes one-off equity raising costs). This movement between years when excluding the impact of one-off equity raising costs in 2019 was driven by lower staff bonuses in 2020 – reflected in decreased personnel expenses, along with cost reductions from research contract renegotiations and reduced travel as a result of COVID-19.

VGI Partners continues to invest in our infrastructure and our people. The team currently includes 26 people across Sydney, New York and Tokyo.

Capital management

We have a robust balance sheet and liquidity position that allows us to implement our strategy as described in the letter from the Chairman on page 3. As at 31 December 2020, we had Shareholders' funds of $132,638,000 (2019: $115,813,000) and cash balances of $41,732,000 (2019: $29,340,000).

A meaningful portion of the Group's capital is invested in ordinary shares in VG1 and VG8. At 31 December 2020, the Group held investments measured at fair value in VG1 and VG8 of $34,451,000, compared with $29,016,000 at 31 December 2019. The increase year on year is due to the Group's continuing investment in VG1 and VG8 throughout the year.

Impact of COVID-19

Our foremost priorities are the health and wellbeing of our colleagues and the performance of our clients' assets.

With staff already set up to work from home, our operations were not interrupted through this period. At the reporting date, most staff members had returned to working from the office with relevant precautions in place.

We continue to monitor the impact on the business and maintain cost discipline.

The Group's capital management position (described above) allows us to support and manage the business across a range of market environments.

The Company did not access any government programs related to COVID-19.

Outlook

As all VGI Partners Funds are closed to new investment, the Group's future performance, over the short term at least, is directly linked to the performance of the existing VGI Partners Funds. The impact of any dividend reinvestment plans in the underlying VGI Partners Funds is not expected to drive a significant change in FUM.

Although COVID-19 increases uncertainty, our sustainable business model will enable us to succeed over the long term. We remain optimistic about our existing portfolios and will continue to take advantage of opportunities that present themselves. We are very grateful that we have long-term–oriented investors who entrust us with their capital.

The investment approach we have followed since the inception of VGI Partners in 2008 enables the positioning of the VGI Partners Funds for periods of volatility. There are two key elements to this approach. First, we invest in high-quality businesses that are easy to understand and that trade at prices we believe exhibit a sufficient margin of safety – that is, trading at prices that are significantly below our assessment of the intrinsic value of the business. Second, we use little or no leverage and keep prudent cash buffers.

As always, we remain confident that we will continue to generate superior risk-adjusted returns over the long term and through investment cycles. We will do this by concentrating capital in a relatively small number of high-quality businesses that we believe are significantly undervalued, and by avoiding the use of leverage.

Please refer to the letter from the Chairman on page 3 for more information on future outlook.

Dividends

During the year ended 31 December 2020, dividends amounting to $9,973,000 were paid, representing 14.3 cents per ordinary share (2019: $30,032,000, representing 49.3 cents per ordinary share). Refer to note 19 of the financial statements for further information.

Financial position

The Group's net assets as at 31 December 2020 were $132,638,000 (2019: $115,813,000).

Share Options

The Company had 3,830,968 Share Options outstanding at 22 February 2021 (2019: 4,678,052). For details on Share Options movements during the year, refer to note 30.

Likely developments and expected results of operations

The Company will continue to pursue its investment objectives for the long-term benefit of Shareholders, as discussed in the Outlook section of the Directors' Report.

Matters subsequent to the end of the financial year

On 22 February 2021, the Directors declared a fully franked dividend at a 30% tax rate of 28 cents per share that will be paid on 11 March 2021.

The Directors are not aware of any other event or circumstance since the end of the financial year, not otherwise dealt with in this report, that has or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Significant changes in the state of affairs

On 22 June 2020, the Group announced that Douglas Tynan resigned as an Executive Director for personal reasons. Mr Tynan now serves on the Board as a Non-Executive Director.

Other than as noted above, there have been no other significant changes in the state of affairs.

Environmental regulation

The Group has reviewed its exposure to environment-related regulation and other emerging risks, and has not identified any significant risk that could impact the financial performance or position of the Group. To the extent that any environmental regulations may have an incidental impact on the Group's operations, the Directors of the Group are not aware of any breach by the Group of those regulations.

Indemnification and insurance of Directors, officers and auditors

The Company and its controlled entities indemnify the current Directors and officers of the companies against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and officers of the Group, except where the liabilities arise out of conduct involving a lack of good faith. The Company and its controlled entities will meet the full amount of any such liabilities, including costs and expenses.

The auditor of the Company is in no way indemnified out of the assets of the Company.

In accordance with the provisions of the *Corporations Act 2001*, the Company has a Directors and officers liability policy covering all Directors and officers of the Group. The terms of the policy specifically prohibit disclosure of details of the amount of the insurance cover and the premium paid.

Information on Directors and officers

Name:	**Robert M P Luciano**
Title:	Executive Chairman and Managing Director
Qualifications:	*B.Com (Acc/Fin) (UNSW), M.Com (Fin) (UNSW), F Fin, CFA*
Experience and expertise:	Mr Luciano founded VGI Partners in 2008. He has over 25 years' experience gained as a portfolio manager, equities analyst and accountant. Mr Luciano has been a Director of the Company since 15 January 2008. He is also a Director of The VGI Partners Foundation, a registered charitable organisation.
Other current directorships:	Mr Luciano is a Director of VG1 and VG8.
Former directorships (last three years):	Mr Luciano has not held any other directorships of listed companies within the last three years.
Interests in the Company:	Shares: 41,068,222

Name:	**David F Jones**
Title:	Executive Director
Qualifications:	*B.Eng. (1st Class Hons) (Melb.), MBA (Harvard)*
Experience and expertise:	Mr Jones has more than 30 years' experience in investment markets, the majority as a general partner in private equity firms, and prior to that in general management and management consulting. Mr Jones has been a board member of numerous private and public businesses, including a number in the wealth management sector.
Other current directorships:	Mr Jones is the Chairman of VG1 and was appointed as a Director of VG8 on 25 September 2020.
Former directorships (last three years):	Mr Jones has not held any other directorships of listed companies within the last three years.
Interests in the Company:	Shares: 12,947 Share Options: 81,168

Name:	**Douglas H Tynan**
Title:	Non-Executive Director
Qualifications:	*B.Com (Acc) (UQLD), B.Econ (Fin) (UQLD), F Fin, CFA*
Experience and expertise:	Mr Tynan joined VGI Partners in 2008 and has more than 16 years' experience as an equities analyst and accountant. He has been a Director of the Company since 1 February 2011. On 22 June 2020, Mr Tynan resigned from his executive role with VGI Partners and he now serves on the Board as a Non-Executive Director.
Former directorships (last three years):	Mr Tynan resigned as a Director of VG1 on 24 September 2020 and VG8 on 25 September 2020.
Interests in the Company:	Shares: 10,721,483
Special responsibilities:	Mr Tynan stepped down from the Company's Nomination and Remuneration Committee (**NRC**) on 24 September 2020**.**

Name:	**Jaye L Gardner**
Title:	Independent Non-Executive Director
Qualifications:	*B.Com (UQLD), LLB (Hons) (UQLD), SF Fin, CA, GAICD*
Experience and expertise:	Ms Gardner has more than 25 years’ experience in corporate finance. She is a Managing Director of Grant Samuel, where she is responsible for preparing many valuations and independent expert reports, primarily for S&P/ASX 200 companies. She also advises on mergers, acquisitions and asset sales with a focus on the financial services, property, health and media industries.
Other current directorships:	Ms Gardner does not hold any other directorships of listed companies.
Former directorships (last three years):	Ms Gardner was a Director of VG1 from 25 July 2017 to 8 May 2019.
Special responsibilities:	Ms Gardner is the Chair of the Company’s Audit and Risk Committee (**ARC**), and a member of the NRC.
Interests in the Company:	Shares: 18,174
	Share Options: 32,467

Name:	**Benjamin A Pronk**
Title:	Independent Non-Executive Director
Qualifications:	*B.Arts (UNSW), M.Arts (Kings College), MBA (UWA), GAICD*
Experience and expertise:	Mr Pronk completed a distinguished career in the Australian Army spanning 24 years, the majority of which was spent within Special Operations Command. In this capacity, Mr Pronk served on multiple combat deployments to Timor-Leste, Iraq and Afghanistan, where he was awarded the Distinguished Service Cross for leadership in action. He concluded his service as Commanding Officer of the Special Air Service Regiment. Mr Pronk is now the Managing Partner of Mettle Global Holdings, a consultancy firm specialising in crisis, emergency and business continuity management, and leadership training. Mr Pronk is also an Executive-in-Residence at the Australian Graduate School of Management and a patron of the Military Art Program Australia.
Other current directorships:	Mr Pronk does not hold any other directorships of listed companies.
Former directorships (last three years):	Mr Pronk has not held any other directorships of listed companies within the last three years.
Special responsibilities:	Mr Pronk is Chair of the NRC and a member of the ARC.
Interests in the Company:	Shares: Nil
	Share Options: 32,467

Name:	**Darren J Steinberg**
Title:	Independent Non-Executive Director
Qualifications:	*B.Ec (UWA), FAICD, FRICS, FAPI*
Experience and expertise:	Mr Steinberg is the Chief Executive Officer and Executive Director of Dexus, and an Executive Director of Dexus Funds Management Limited. He has more than 30 years' experience in the property and funds management industry, with an extensive background in office, industrial and retail property investment and development. He is a former National President of the Property Council of Australia and a founding member of its Property Male Champions of Change.
Other current directorships:	Mr Steinberg is a Director of Dexus and Dexus Funds Management Limited. Mr Steinberg is also a Director of Sydney Swans Limited.
Former directorships (last three years):	Mr Steinberg has not held any other directorships of listed companies within the last three years.
Special responsibilities:	Mr Steinberg is a member of the ARC and was appointed as a member of the NRC on 24 September 2020.
Interests in the Company:	Shares: 15,682
	Share Options: 81,168

Name:	**Ian J Cameron**
Title:	Chief Financial Officer and Company Secretary
Qualifications:	*B.Com (Acc) (UMACQ), CA, B.Laws (UOW), GDLP (UOW)*
Experience and expertise:	Mr Cameron has more than 14 years' experience in investment management and professional services. Prior to joining the Company in 2018, Mr Cameron worked at Pantheon Ventures and Aspect Capital in London, after starting his career at KPMG in Sydney. He is a member of Chartered Accountants Australia and New Zealand, and a Solicitor of the Supreme Court of NSW.
Other current directorships:	Mr Cameron does not hold any directorships of listed companies.

Remuneration of key management personnel

Information about the remuneration of key management personnel (**KMP**) is set out in the Remuneration Report section of this Directors' Report. The term 'KMP' refers to persons who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Company and its consolidated entities.

Directors' meetings

The following table sets out the number of meetings the Group's Board of Directors held during the year ended 31 December 2020, and the numbers of meetings each Director attended.

	Board meetings		ARC		NRC	
	A	**B**	**A**	**B**	**A**	**B**
Robert M P Luciano	6	6	–	4	–	3
David F Jones	6	6	–	4	–	3
Douglas H Tynan	3	6	–	4	1*	2*
Jaye L Gardner	6	6	4	4	3	3
Benjamin A Pronk	6	6	4	4	3	3
Darren J Steinberg	6	6	4	4	1*	1*

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office during the year.

– = Not a member of the Committee.

* Mr Tynan stepped down from the NRC on 24 September 2020. Mr Steinberg was appointed as a member of the NRC on 24 September 2020.

Remuneration Report (Audited)

The Group's Directors present the Group Remuneration Report for the year ended 31 December 2020, in accordance with Section 300A of the *Corporations Act 2001*. The Remuneration Report provides our stakeholders with information about the remuneration arrangements for KMP, which includes Non-Executive Directors and the Group's most Senior Management.

The information provided in this Remuneration Report has been audited by the Group's auditor, Deloitte Touche Tohmatsu, as required by Section 308(3C) of the *Corporations Act 2001*, and it forms part of the Directors' Report.

The report includes:

- details of KMP covered in this report;
- the remuneration policy and links to performance;
- the remuneration of Executive KMP;
- the remuneration of Non-Executive Directors;
- a statutory remuneration table;
- key terms of employment contracts; and
- KMP equity holdings and other transactions.

Details of KMP covered in this report

The table below summaries the Group's current KMP during the 2020 financial year.

Name	Position	Date appointed
Robert M P Luciano	Executive Chairman and Managing Director	15 January 2008
David F Jones	Executive Director	8 August 2018
Douglas H Tynan*	Non-Executive Director	1 February 2011
Jaye L Gardner	Independent Non-Executive Director	12 May 2019
Benjamin A Pronk	Independent Non-Executive Director	12 May 2019
Darren J Steinberg	Independent Non-Executive Director	12 May 2019
Adam M Philippe**	Chief Operating Officer	25 September 2020
Ian J Cameron**	Chief Financial Officer and Company Secretary	25 September 2020

* On 22 June 2020, Mr Tynan resigned from his executive role with VGI Partners. He now serves on the Board as a Non-Executive Director with effect from 19 December 2020. Prior to this date, Mr Tynan was an Executive Director.

** Mr Philippe and Mr Cameron became KMP on 25 September 2020.

Remuneration policy and links to performance

The overall objective of the Board's remuneration policy is to support and drive the Group's long-term objectives and to align remuneration with the creation of sustainable Shareholder value. It aims to balance short-term and long-term incentives appropriately, including encouraging broad-based employee ownership of the Group. To deliver the Group strategy and Shareholder value, the Group must attract, motivate and retain highly skilled KMP and Senior Management, and ensure that reward for performance is competitive and appropriate for the results achieved.

The NRC is responsible for reviewing and making recommendations on remuneration arrangements for its Directors and Executive KMP. The performance of the Group depends on the quality of its Directors and Executive KMP. The NRC assesses the appropriateness of the structure and amount of remuneration on a periodic basis and with reference to relevant employment market conditions, in addition to seeking independent advice from specialist remuneration consultants where required.

KMP remuneration

The Group's remuneration arrangements for KMP comprise the following components:

1. Fixed remuneration: This is set at a level to attract exceptional talent. It includes salary, benefits and statutory entitlements, and is determined at least annually by the Board on the recommendation of the NRC.
2. Annual Bonus Scheme: All Executive KMP, with the exception of Mr Luciano, are eligible to participate in the Annual Bonus Scheme. The Executive KMP must be employed at the time bonuses are paid to receive a bonus. In approving the aggregate bonus amount, the Board takes into account a range of factors including the performance of the Group, market remuneration levels, key metrics such as total compensation as a percentage of revenue, and the performance of each staff member. It may be determined that a component of an Executive KMP's annual bonus be delivered in equity under the Employee Share Plan.
3. Employee Share Plan: The Board has adopted an Employee Share Plan under which employees can be awarded equity rights. These may take the form of shares, rights to receive shares in the future, or Options to acquire shares (collectively referred to as 'Equity Rights'). The Employee Share Plan is used to deliver Equity Rights, determined annually as part of the Annual Bonus Scheme, and may also be used to deliver Equity Rights to new employees when they begin working for the Group. All employees who are eligible to participate in the Annual Bonus Scheme will also be eligible to participate in the Employee Share Plan; however, the determination of whether a KMP receives Equity Rights is at the sole discretion of the Board.

No Equity Rights were awarded or allocated to KMP during the 12 months to 31 December 2020.

Performance of KMP

KMP performance reviews consider a combination of factors, including the financial performance of the Group and individual and team performance. The performance of each KMP forms the basis of determining their annual bonus (where eligible) and any salary increase.

A summary of performance from 2020 and 2019 is detailed below. As the years ended 31 December 2019 and 31 December 2020 are the first and second years the Group has been listed, the table does not include the performance for the preceding three years.

	2020	**2019**	**Change**
Normalised gross revenue ($m)[1]	63.9	69.0	(7%)
Normalised profit before tax ($m)[1]	44.0	47.9	(8%)
Normalised profit after tax ($m)[1]	30.7	33.5	(8%)
Dividends per share (cents)[2]	14.30	49.30	(71%)
Basic earnings per share (**EPS**) (cents)	37.15	45.58	(18%)
Diluted EPS (cents)	36.52	44.57	(18%)
Traded share price at year end ($)[3]	8.60	12.98	(34%)

[1] Normalised 2020 and 2019 figures exclude unrealised fair value adjustments of $0.3 million and $1.5 million in 2020 and 2019 respectively; non-cash amortisation expenses of $5.0 million and $0.3 million in 2020 and 2019 respectively; and IPO equity raising costs of $5.8 million in 2019.

[2] 2019 dividends per share includes one-off dividends that were declared and paid pre-IPO, and as such are not directly comparable. See note 19 in the Financial Report for more detail.

[3] VGI Partners Limited listed on the ASX during the 2019 year, with trading commencing on 21 June 2019.

Remuneration of Executive KMP

	2020 ($)	2019 ($)
Remuneration of KMP	2,063,428	1,984,784

The table below provides the relative proportions of 2020 remuneration, including the 2020 annual bonus.

	Fixed	Variable (cash bonus)	Paid during the year
Executive KMP			
Robert M P Luciano	100%	–	100%
David F Jones	100%	–	100%
Douglas H Tynan [1]	100%	–	100%
Adam M Philippe	27%[2]	73%[2]	100%
Ian J Cameron	29%[2]	71%[2]	100%

[1] On 22 June 2020, Mr Tynan resigned from his executive role with VGI Partners. He now serves on the Board as a Non-Executive Director with effect from 19 December 2020. Prior to this date, Mr Tynan was designated as an Executive KMP.

[2] The fixed proportion of remuneration for Mr Philippe and Mr Cameron is recorded pro rata from 25 September 2020, being the date they became KMP during the 2020 year, compared to a variable full-year cash bonus. Variable remuneration relates to cash bonuses paid at a point in time in the 2020 year; accordingly, the relative proportions are not reflective of remuneration on a forward-looking basis.

Remuneration of Non-Executive Directors

The Board periodically reviews and determines Non-Executive Directors' remuneration. Non-Executive Directors' remuneration is not linked to the performance or earnings of the Group.

Under the Group's Constitution, the Board decides the total amount paid to each Non-Executive Director as remuneration for their services. The total amount provided to all Directors for their services (excluding, for this purpose, the salary of Executive Directors) must not exceed, in aggregate in any financial year, the amount fixed by the Company at its Annual General Meeting. The Group has fixed this amount at $850,000 per annum. Any change to the aggregate annual sum must be approved by the Shareholders.

The Non-Executive Director fees the Group has agreed to pay, inclusive of superannuation, is $90,000 per annum. Non-Executive Directors receive no other retirement benefits, other than mandatory superannuation. No termination payments are payable on cessation of office, and any Director may retire or resign from the Board or be removed by a resolution of Shareholders.

The remuneration of Directors must not include a commission on or a percentage of the profits or income of the Group.

Statutory remuneration table

The following tables disclose total remuneration of KMP in accordance with the *Corporations Act 2001*, for the years ended 31 December 2020 and 31 December 2019.

		Short-term benefits			Post-employment benefits	Leave benefits		Share-based payments	Total remuneration ($)
		Salary and fees ($)	Cash bonus ($)	Non-monetary and other ($)	Superannuation ($)	Short term	Long term	Options ($)	
Executive KMP									
Robert M P Luciano	**2020**	**428,652**	–	**33,940**	**21,348**	**16,473**	**–**	**–**	**500,413**
	2019	601,733	–	36,698	20,767	–	–	–	659,198
Douglas H Tynan[1]	**2020**	**418,235**	–	–	**21,559**	**–**	**–**	**–**	**439,794**
	2019	479,233	–	1,163	20,767	–	–	–	501,163
David F Jones	**2020**	**249,115**	**2,500**	–	**18,802**	**–**	**–**	**4,617**	**275,034**
	2019	404,233	–	–	20,767	–	–	2,491	427,491
Adam M Philippe[2]	**2020**	**73,326**	**217,500[4]**	–	**5,424**	**4,510**	**1,378**	**3,379**	**305,517**
	2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ian J Cameron[2]	**2020**	**65,826**	**177,500[4]**	–	**5,424**	**5,063**	–	**2,252**	**256,065**
	2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Robert J Poiner[3]	**2020**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
	2019	200,736	–	15,721	–	–	–	–	216,457
Non-Executive KMP									
Jaye L Gardner	**2020**	**82,192**	**–**	**–**	**7,808**	**–**	**–**	**3,690**	**93,690**
	2019	52,412	–	–	4,979	–	–	1,845	59,236
Benjamin A Pronk	**2020**	**82,192**	**–**	**–**	**7,808**	**–**	**–**	**3,690**	**93,690**
	2019	52,412	–	–	4,979	–	–	1,845	59,236
Darren J Steinberg	**2020**	**82,192**	**–**	**–**	**7,808**	**–**	**–**	**9,225**	**99,225**
	2019	52,412	–	–	4,979	–	–	4,612	62,003
Total KMP	**2020**	**1,481,730**	**397,500**	**33,940**	**95,981**	**26,046**	**1,378**	**26,853**	**2,063,428**
	2019	1,843,171	–	53,582	77,238	–	–	10,793	1,984,784

[1] On 22 June 2020, Mr Tynan resigned from his executive role with VGI Partners. He now serves on the Board as a Non-Executive Director with effect from 19 December 2020. Prior to this date, Mr Tynan was designated as an Executive KMP.

[2] Mr Philippe and Mr Cameron became KMP on 25 September 2020. Accordingly, their remuneration details (excluding cash bonus) are recorded pro rata from when they became KMP to the end of the reporting period.

[3] Mr Poiner resigned from the Board on 12 May 2019, but continues in his executive role as Head of US Research. Accordingly, 2020 balances are not presented.

[4] The cash bonus for Mr Philippe and Mr Cameron relates to cash bonuses paid in respect of the June 2020 Annual Bonus Scheme.

Key terms of employment contracts

Executive Chairman and Managing Director

Mr Luciano is the Executive Chairman and Managing Director of VGI Partners Limited. Under the major terms and conditions of his employment contract, Mr Luciano:

- from 1 July 2019, receives fixed compensation of $450,000 per annum inclusive of superannuation contributions;
- is entitled to receive other benefits, such as car parking within the building occupied by the Group, valued at approximately $37,000 per annum;
- is not entitled to participate in the Company's Annual Bonus Scheme;
- may have his employment by the Group terminated without notice for serious misconduct, and the Group may terminate this employment contract by providing six months' written notice; and
- is subject to a six-month non-compete clause and six-month non-solicitation obligation on termination of his employment.

Other Executive KMP

The employment contracts of other Executive KMP are substantially on the same terms as that of the Executive Chairman and Managing Director, except that:

- per the Company's ASX announcement of 10 November 2020, following a review by the NRC, the Board resolved to revise Mr Jones's fixed remuneration to $275,000 per annum (inclusive of superannuation contributions) with effect from 1 October 2020;
- Mr Jones does not receive other benefits;
- Mr Jones, Mr Philippe and Mr Cameron are eligible to participate in the Company's Annual Bonus Scheme;
- the Group may terminate Mr Jones's, Mr Philippe's and Mr Cameron's contracts by giving three months written notice or providing payment in lieu of the notice period. Any payment in lieu of notice will be based on their respective total fixed compensation package. Mr Jones, Mr Philippe and Mr Cameron may terminate their respective contracts by giving three months written notice; and
- Mr Jones, Mr Philippe and Mr Cameron are subject to a three-month non-compete obligation on termination of their respective employment.

Share-based payments – Share Options

An Option scheme was introduced in conjunction with the IPO of VGI Partners, to align the interests of employees, Directors and Advisory Council members with the interests of all Shareholders. The Advisory Council is an external group of experienced investment management, finance and industry professionals who assist the Group by providing non-binding guidance on matters relating to the business.

Awards to employees, including Executive KMP, have a service condition, and the Option award was intended to encourage retention. The Option award granted to each individual was considered in the context of that person's overall remuneration arrangements and the skills and experience they bring to VGI Partners. Any individual who was already a significant Shareholder in VGI Partners was ineligible to receive an Options award.

The Company offered its KMP (excluding Mr Luciano and Mr Tynan) the opportunity to purchase a total of 1,068,176 Share Options in 2019, with each Option carrying the right to acquire one share in the Company at a future date. The Option awards to KMP were considered by the pre-IPO Board of VGI Partners.

No Options for KMP were granted, exercised or lapsed during the 12 months to 31 December 2020. The table below outlines the total Share Options granted to Executive KMP in 2019 (Mr Jones, Mr Philippe and Mr Cameron) as part of the VGI Partners Limited IPO.

Number of Options issued in 2019	Grant date share price ($)	Exercise price of Option ($)	Earliest date of exercise	Expiry date	Amount paid (cents per Option)	Fair value at grant date (cents per Option)
184,414	5.50	6.16	20 May 2021	19 Jun 2021	0.055	0.346
184,414	5.50	6.16	20 May 2022	19 Jun 2022	0.080	0.371
184,414	5.50	6.16	20 May 2023	19 Jun 2023	0.129	0.386
368,832	5.50	6.16	20 May 2024	19 Jun 2024	0.172	0.379
Total: 922,074						

The table below outlines the total Share Options granted to Non-Executive KMP (Ms Gardner, Mr Pronk and Mr Steinberg) as part of the VGI Partners Limited IPO.

Number of Options issued in 2019	Grant date share price ($)	Exercise price of Option ($)	Earliest date of exercise	Expiry date	Amount paid (cents per Option)	Fair value at grant date (cents per Option)
146,102	5.50	6.16	22 Dec 2021	21 Jun 2022	0.080	0.364
Total: 146,102						

KMP equity holdings and other transactions

The following table sets out the interest of each KMP in the Group.

Number of shares				
	Balance at 1 January 2020	Received as part of remuneration	Additions	Balance at 31 December 2020
Executive KMP				
Robert M P Luciano	41,028,115	–	40,107	41,068,222
Douglas H Tynan[1]	10,716,086	–	5,397	10,721,483
David F Jones	11,614	–	1,333	12,947
Adam M Philippe[2]	–	–	14,625 [2]	14,625
Ian J Cameron[2]	–	–	8,341 [2]	8,341
Non-Executive KMP				
Jaye L Gardner	17,107	–	1,067	18,174
Benjamin A Pronk	–	–	–	–
Darren J Steinberg	15,682	–	–	15,682

[1] On 22 June 2020, Mr Tynan resigned from his executive role with VGI Partners. He now serves on the Board as a Non-Executive Director with effect from 19 December 2020. Prior to this date, Mr Tynan was an Executive KMP.

[2] Holding at the date of becoming KMP (25 September 2020).

Number of Share Options						
	Balance at 1 January 2020	Received as part of remuneration	Exercised	Net of other changes	Vested and exercisable	Balance at 31 December 2020
Executive KMP						
Robert M P Luciano	–	–	–	–	–	–
Douglas H Tynan[1]	–	–	–	–	–	–
David F Jones	81,168	–	–	–	–	81,168
Robert J Poiner	–	–	–	–	–	–
Adam M Philippe[2]	–	–	–	504,545 [2]	–	504,545
Ian J Cameron[2]	–	–	–	336,361 [2]	–	336,361
Total	**81,168**	–	**–**	**840,906**	**–**	**922,074**
Non-Executive KMP						
Jaye L Gardner	32,467	–	–	–	–	32,467
Benjamin A Pronk	32,467	–	–	–	–	32,467
Darren J Steinberg	81,168	–	–	–	–	81,168
Total	**146,102**	–	**–**	**–**	**–**	**146,102**

[1] On 22 June 2020, Mr Tynan resigned from his executive role with VGI Partners. He now serves on the Board as a Non-Executive Director with effect from 19 December 2020. Prior to this date, Mr Tynan was an Executive KMP.

[2] Holding at the date of becoming KMP (25 September 2020).

All Share Options issued to KMP were made in accordance with the provisions of the Employee Share Plan.

Loans to KMP

No loans were made to KMP during the year (31 December 2019: nil).

Remuneration governance

Responsibility for setting remuneration

The Board delegates responsibility to the NRC for reviewing and making recommendations on remuneration policies for the Group, including policies governing the remuneration of Executives. The Committee is scheduled to meet bi-annually.

Activities of the NRC are governed by its Charter, which is available on the Group's website at www.vgipartners.com. Among other responsibilities, the NRC makes sure the Group has a Board that:

- has an effective composition and size, and commitment to and knowledge of the Group and the industry in which it operates, to adequately and effectively discharge its responsibilities and duties. The NRC brings transparency, focus and independent judgement to decisions regarding the composition of the Board, and adds value to the Board;
- oversees the Group's strategic human resources initiatives, including its diversity and inclusion initiatives;
- sets coherent remuneration policies and practices to attract and retain Executive KMP and Directors who will create value for Shareholders;
- observes those remuneration policies and practices; and
- fairly and responsibly rewards Executive KMP, having regard to the performance of the Group and the Executives, and the general external pay environment.

Use of remuneration advisors during the year

During the year ended 31 December 2020, the Group engaged a remuneration consultant to assist with a review of its remuneration framework. At the date of this report, the review is ongoing. No remuneration recommendations have been made as part of this review.

Securities Trading Policy

All staff members are required to comply with VGI Partners Securities Trading Policy at all times, in respect of all Group securities held. Trading is subject to pre-clearance and is not permitted during designated blackout periods, unless there are exceptional circumstances.

Diversity Policy

The Group is committed to workplace diversity and recognises the value of attracting and retaining employees with different backgrounds, knowledge, experience and abilities. The Group maintains a Diversity Policy, a copy of which is available on the Group's website at www.vgipartners.com/resources. The Policy outlines the Group's commitment to diversity in the workplace and provides a framework for achieving its diversity goals for the business. The Group's policy is to recruit and manage on the basis of competence and performance regardless of age, race, gender, nationality, religion, sexuality, physical ability or cultural background.

Section 6 of the Diversity Policy sets out the Group's objectives for achieving gender diversity, including that where the Group is included in the S&P/ASX 300, at least 30% of the Directors of the Group are female.

Rounding of amounts

The Group is an entity of the kind referred to in Australian Securities and Investments Commission (**ASIC)** Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that Corporations Instrument, amounts in the Directors' Report are rounded to the nearest thousand dollars, or in certain circumstances to the nearest dollar.

Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under Section 237 of the *Corporations Act 2001.*

Non-audit services

The Board is satisfied that the provision of other services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. For the following reasons, the Directors are satisfied that the services disclosed in note 31 did not compromise the Auditor's independence:

- All non-audit services are reviewed prior to commencement, to ensure they do not adversely affect the integrity and objectivity of the Auditor.
- The nature of the services provided does not compromise the general principles relating to the Auditor's independence, in accordance with the APES 110 Code of Ethics for Professional Accountants (including Independence Standards) set by the Accounting Professional & Ethical Standards Board.

Auditor's independence declaration under Section 307C of the *Corporations Act 2001*

A copy of the auditor's independence declaration is included on page 24.

Managing tax risk

The Board is committed to acting with integrity and transparency in all tax matters. The Group aims to meet all its obligations under the law and to pay the appropriate amount of tax to the relevant authorities.

Signed on behalf of and in accordance with a resolution of the Directors made pursuant to Section 298(2)(a) of the *Corporations Act 2001.*

Robert M P Luciano, CFA
Executive Chairman and Managing Director
Sydney
22 February 2021

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
VGI Partners Limited
39 Phillip Street
Sydney NSW 2000

22 February 2021

Dear Board Members

Auditor's Independence Declaration to VGI Partners Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of VGI Partners Limited.

As lead audit partner for the audit of the financial report of VGI Partners Limited for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jonathon Corbett
Partner
Chartered Accountant

Consolidated Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December

	Note	2020 $'000	2019 $'000
Income			
Management fees	3	35,913	30,557
Performance fees	3	21,070	36,679
Net foreign exchange gain/(loss)		(313)	(71)
Net gain/(loss) on financial assets/liabilities measured at fair value through profit and loss		(280)	(1,514)
Other income		390	693
Total net income		**56,780**	**66,344**
Expenses			
Personnel expenses	6	(11,148)	(11,755)
Research, IT and communications expenses		(2,422)	(3,793)
Finance and occupancy expenses*		(344)	(468)
Depreciation		(867)	(673)
Charitable Foundation contributions	9	(411)	(581)
Cash donations		(65)	(59)
Equity raising costs – IPO	10	–	(5,849)
VG1 Advisory Agreement costs		–	(280)
Other expenses	7	(2,791)	(2,582)
Total expenses		**(18,048)**	**(26,040)**
Profit before tax		**38,732**	**40,304**
Income tax expense	8	(12,816)	(12,321)
Profit for the year		**25,916**	**27,983**
Other comprehensive income, net of income tax		(15)	–
Total comprehensive income for the year		**25,901**	**27,983**
Profit attributable to owners of the Company		**25,916**	**27,983**
Total comprehensive income attributable to owners of the Company		**25,901**	**27,983**
Earnings per share (**EPS**):			
Basic (cents per share)	5	37.15	45.58
Diluted (cents per share)	5	36.52	44.57

* Interest expenses as a result of AASB 16 Leases have been reclassified to Finance and occupancy expenses to align with the 31 December 2020 Financial Report.

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 December

	Note	31 December 2020 $'000	31 December 2019 $'000
Assets			
Cash and cash equivalents	11	41,732	29,340
Trade and other receivables	15	26,925	8,373
Income tax receivable	8	–	2,074
Contract assets	14	5,043	4,982
Total current assets		**73,700**	**44,769**
Property, plant and equipment	18	897	1,225
Financial assets at fair value through profit or loss	12	34,451	29,016
Deferred tax asset	8	2,663	4,313
Right of use asset	16	1,176	1,422
Contract assets	14	38,988	43,485
Other assets		413	383
Total non-current assets		**78,588**	**79,844**
Total assets		**152,288**	**124,613**
Liabilities			
Trade and other payables	17	3,625	1,199
Income tax payable	8	7,533	–
Employee entitlements	13	2,977	1,672
Lease liability	16	399	278
Total current liabilities		**14,534**	**3,149**
Employee entitlements	13	354	114
Deferred tax liability	8	3,892	4,352
Lease liability	16	870	1,185
Total non-current liabilities		**5,116**	**5,651**
Total liabilities		**19,650**	**8,800**
Net assets		**132,638**	**115,813**
Equity			
Share capital	20	107,903	107,314
Reserves	21	1,036	743
Retained earnings		23,699	7,756
Total Shareholder equity		**132,638**	**115,813**

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

Statement of Changes in Equity

For the year ended 31 December

	Note	Share capital $'000	FCTR* $'000	Share-based payments reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2019		**616**	**–**	**–**	**9,481**	**10,097**
Adjustment to opening retained earnings from contract asset revenue		–	–	–	324	**324**
Profit for the year		–	–	–	27,983	**27,983**
Share alignment	20	(41)	–	–	–	**(41)**
Issue of ordinary shares	20	75,000	–	–	–	**75,000**
VG8 alignment shares	20	34,476	–	–	–	**34,476**
Share-based payments	21	–	–	727	–	**727**
IPO costs attributable to equity	10	(3,909)	–	–	–	**(3,909)**
Deferred tax on capitalised IPO costs	20	1,172	–	–	–	**1,172**
Exchange rate translation impact of foreign subsidiaries		–	16	–	–	**16**
Dividends paid	19	–	–	–	(30,032)	**(30,032)**
Balance at 31 December 2019		**107,314**	**16**	**727**	**7,756**	**115,813**
Balance at 1 January 2020		**107,314**	**16**	**727**	**7,756**	**115,813**
Profit for the year		–	–	–	25,916	**25,916**
Issue of ordinary shares	20	589	–	–	–	**589**
Share-based payments	21	–	–	278	–	**278**
Exchange rate translation impact of foreign subsidiaries		–	15	–	–	**15**
Dividends paid	19	–	–	–	(9,973)	**(9,973)**
Balance at 31 December 2020		**107,903**	**31**	**1,005**	**23,699**	**132,638**

* FCTR = foreign currency translation reserve.

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 31 December

	Note	2020 $'000	2019 $'000
Cash flows from/(used in) operating activities			
Receipts from customers		45,577	65,083
Tax paid, net of any tax refunds		(2,010)	(12,716)
Payments to suppliers and employees		(15,021)	(44,016)
Interest received		310	639
Net cash inflows from operating activities	27	**28,856**	**8,990**
Cash flows from/(used in) investing activities			
Payments to acquire property, plant and equipment		(82)	(343)
Purchase of financial assets		(5,634)	(30,531)
Purchase of other assets		(30)	(115)
Net cash outflows from investing activities		**(5,746)**	**(30,989)**
Cash flows from/(used in) financing activities			
Equity raising costs – IPO		–	(3,909)
Dividends paid	19	(9,973)	(27,829)
Proceeds from the issue of equity shares		–	75,000
Options premium received		49	568
Share alignment		–	(41)
Principal repayment of lease liability		(394)	(178)
Finance costs paid		(87)	–
Net cash (outflows)/inflows from financing activities		**(10,405)**	**43,611**
Cash and cash equivalents at the beginning of the year	11	29,340	7,799
Net increase in cash held		12,705	21,612
Effects of exchange rate changes on the balance of cash held in foreign currencies		(313)	(71)
Cash and cash equivalents at the end of the year	11	**41,732**	**29,340**
Non-cash activities*	19, 24	**82**	**2,203**

* Non-cash activities of $82,000 relates to dividend income from VG1, whereby VG1 shares were acquired in accordance with VG1's dividend reinvestment plan. For the year ended 31 December 2019, non-cash activities of $2,203,000 relates to the dividends that Mr Luciano, Mr Tynan and Mr Poiner received (on an after-tax basis) from the Company, attributable to VG1 performance fees, which were reinvested into fully paid ordinary shares of VG1 in January 2019.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

VGI Partners Limited (**the Company**) is a for-profit entity incorporated and domiciled in Australia. The Company is listed on the Australian Securities Exchange (**ASX:VGI**). This annual Financial Report covers the Company and its consolidated entities (together, **VGI Partners** or **the Group**) as described in note 29 of the Financial Report.

The Directors authorised the financial statements for issue on 22 February 2021.

1. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in preparing these consolidated financial statements, to the extent they have not already been disclosed in the notes below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Basis of preparation

This Financial Report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001.*

Historical cost convention

The financial statements have been prepared under the historical cost convention, except, where applicable, for the revaluation of financial assets and liabilities at fair value through profit or loss. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

Critical accounting estimates

Preparing the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

b) Statement of compliance

The financial statements and notes thereto comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board (**AASB**), and International Financial Reporting Standards as issued by the International Accounting Standards Board.

c) Rounding

The Group is an entity of the kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that instrument, amounts in the consolidated financial statements are rounded to the nearest thousand dollars, unless otherwise stated.

1. Summary of significant accounting policies (cont.)

d) Principles of consolidation

The consolidated financial statements incorporate the consolidated financial statements of the Company and entities controlled by the Group. Control is achieved when the Group:

- has power over the investee;
- is exposed to or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to unilaterally direct the relevant activities of the investee.

The Company considers all relevant facts and circumstances in assessing whether the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has or does not have the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous Shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control of the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, subsidiaries' consolidated financial statements are adjusted to bring their accounting policies in line with the Group's accounting policies. All intra-Group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

e) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, referred to as 'the functional currency'. The consolidated financial statements are presented in Australian dollars (**$**), which is the Group's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the Group's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions – and from the translation, at financial-year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies – are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates for the year, which approximate the rates at the dates of the transactions. All resulting foreign exchange differences are recognised in the Consolidated Statement of Financial Position through the foreign currency translation reserve (**FCTR**) in equity. The FCTR is recognised in profit or loss when the foreign operation or net investment is disposed of.

1. Summary of significant accounting policies (cont.)

f) Taxation

The Group is a tax-consolidated Group (**Tax Group**) under Australian tax law, of which VGI Partners Limited is the head tax entity. All members of the Tax Group entered into a Tax Sharing Agreement and Tax Funding Agreement, and accordingly, VGI Partners Limited is subject to income tax as the head entity of the Tax Group. The consolidated current and deferred tax amounts for the Tax Group are allocated to the members of the Tax Group using the 'separate taxpayer within group' approach, where deferred taxes are allocated by reference to the carrying amounts in the financial statements of each member entity and the tax values applying under tax consolidation. Current tax liabilities and assets – and deferred tax assets arising from unused tax losses and relevant tax credits – arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian tax law the head entity has the legal obligation (or right) to these amounts.

The income tax expense or benefit for the period is the tax payable on that period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Current tax

The tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of Profit or Loss and Other Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements, and the corresponding tax bases used to compute taxable profit.

Deferred tax assets are generally recognised for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period, and reduced to the extent that it is no longer probable sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable there will be sufficient taxable profits against which to utilise the benefits of the temporary differences, and the temporary differences are expected to reverse in the foreseeable future.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted for each jurisdiction by the end of the reporting date and are expected to apply when the temporary differences reverse.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities; the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority; and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax amounts are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax amounts are also recognised in other comprehensive income or directly in equity, respectively.

1. Summary of significant accounting policies (cont.)

g) Revenue recognition

Revenue is recognised using the five-step approach outlined below, to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The following five steps have been applied in analysing transactions to determine when revenue is recognised:

1. Identify the contract with a customer.
2. Identify the separate performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the separate performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The majority of the Group's revenue arises from management fees and performance fees. Please refer to note 3 for additional information.

h) Superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period incurred.

i) Earnings per share

Basic earnings per share (**EPS**) are calculated by dividing the Group's profit after income tax by the weighted average number of ordinary shares outstanding during the financial year.

Diluted EPS are calculated by dividing the Group's profit after income tax, adjusted by profit attributable to all the dilutive ordinary potential shares, by the weighted average number of ordinary shares and potential ordinary shares that would be issued on the exchange of all the dilutive potential ordinary shares into ordinary shares.

j) Issued capital and listing costs – ordinary shares classified as equity

Transaction costs directly attributable to the issuance of new shares that otherwise would have been avoided are deducted from equity.

Transaction costs relating to the listing of shares are recorded as an expense in the Statement of Profit or Loss and Other Comprehensive Income.

Where transaction costs relate jointly to the issuance of new shares that otherwise would have been avoided and the listing of shares, the costs are appropriately allocated to each activity on a rational and consistent basis. In the absence of a more specific basis for apportionment, an allocation of common costs based on the proportion of new shares issued to the total number of (new and existing) shares listed is an acceptable approach.

1. Summary of significant accounting policies (cont.)

k) Current and non-current classification

An asset is classified as current when:

- it is expected to be realised or intended to be sold or consumed in the Group's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realised within 12 months after the reporting period; or
- the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- it is expected to be settled in the Group's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

l) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions, which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

m) Trade receivables and other receivables

Trade and other receivables are initially recognised at fair value and subsequently recognised at amortised cost using the effective interest method less any allowance for expected credit losses. Trade receivables and other receivables are generally due for settlement within 30 days.

1. Summary of significant accounting policies (cont.)

n) Investments and other financial assets

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. For financial assets, trade date accounting is adopted, which is equivalent to the date the Group commits itself to purchase or sell the assets.

Financial instruments are initially measured at fair value. Transaction costs related to financial instruments are immediately expensed to the Statement of Profit or Loss and Other Comprehensive Income.

Classification and subsequent measurement

Financial investments are subsequently measured at fair value. Current market prices for all quoted investments are used to determine fair value. For all listed or unlisted securities that are not traded in an active market, valuation techniques are applied to determine fair value, including reference to recent arm's-length transactions and similar instruments.

The Group classifies its financial assets into the following categories:

- Financials assets including cash and cash equivalents, trade receivables, contract assets and other assets are measured at amortised cost, as these assets are held within a portfolio with a business model whose objective is to hold assets in order to collect contractual cash flows ('hold to collect'), and contractual terms give rise to specified dates that are solely payments of principal and interest (**SPPI**).
- Financial assets are classified at fair value through profit or loss when they are not held to collect or sell, or the SPPI test is not passed. Further, fair value information is used to assess these assets' performance and to make decisions. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Impairment of financial assets

The expected credit loss (**ECL**) model applies to financial assets measured at amortised cost and debt investments at fair value through other comprehensive income (**FVTOCI**), but not to investments in equity instruments measured at fair value through profit or loss (**FVTPL**). The Group does not hold any debt investments at FVTOCI. The Group applies the simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables.

All the Group's trade receivables share consistent credit risk. The Group is not exposed to credit risk relating to the receivables balance, as these amounts primarily relate to performance and management fees, which are settled between seven and 31 days after being invoiced and are managed internally within the Group.

Derecognition

Financial assets are derecognised where the contractual rights to receive cash flows expire or the asset is transferred to another party, whereby the Group no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged or cancelled, or have expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

1. Summary of significant accounting policies (cont.)

o) Right of use asset

A right of use asset is recognised at the commencement date of a lease. The right of use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for, as applicable, any lease payments made at or before the commencement date, net of any lease incentives received and any initial direct costs incurred. Right of use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. The measurement of the right of use asset is determined with reference to the period over which the consolidated entity is expected to benefit from the lease, and will be disclosed as current or non-current accordingly. Right of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities. The Group has elected not to recognise a right of use asset and a corresponding lease liability for short-term leases with terms of 12 months or less, and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

p) Lease liability

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the Group's incremental borrowing rate. Lease payments comprise fixed payments less any adjustments as required under the relevant accounting standard – such as lease incentives receivable, or variable lease payments that depend on an index or rate. Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured to reflect changes to lease terms or to lease payments, and any lease modifications not accounted for as separate leases. The unwinding of the discount on the lease liability is presented as a finance and occupancy cost in the Statement of Profit or Loss and Other Comprehensive Income.

q) Trade payables

These amounts represent unpaid liabilities for goods and services provided to the Group prior to the end of the financial year. The amounts are unsecured and are usually paid within 90 days of recognition.

r) Share-based payments

Equity-settled share-based compensation benefits are provided to certain employees, Directors and members of the Company's Advisory Council, in the form of an Option to acquire shares at a future date at a specified price. The VGI Partners Advisory Council (**the Advisory Council**) is an external, independent group of experienced investment management, finance and industry professionals drawn from leaders in the global business community to assist VGI Partners. Each Advisory Council member can provide VGI Partners with guidance on matters relating to economic and financial market conditions, risk management, business operations and corporate strategy.

The cost of equity-settled transactions is measured at fair value on the grant date. Fair value is determined using a Black–Scholes pricing model that takes into account exercise price, Option life, share price on grant date, expected volatility of the underlying share, expected dividend yield, and risk-free interest rate for the term of the Option. Where relevant, the expected life used in the model has been adjusted based on management's best estimate as to the effects of non-transferability, exercise restrictions and behavioural considerations.

Unless otherwise determined by the Board, an Option holder must continue to be employed by the Company to exercise the Option. Options may only be exercised during the relevant exercise window, as outlined in note 30.

Share Options do not carry any dividend entitlement. Shares issued on the exercise of Options will rank equally with other issued shares of the Company on and from issue. The Options do not have inherent participating rights or entitlements. The cost of equity-settled transactions is recognised as an expense over the vesting period, with a corresponding increase in the share-based payments reserve over the vesting term.

1. Summary of significant accounting policies (cont.)

s) Employee entitlements

A liability is recognised for benefits accruing to employees in respect of wages, salaries, bonuses, annual leave and long service leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

t) Contract assets

Contract assets are recognised where 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. Subsequent to initial measurement, the contract asset balance is amortised over the period of the investment management agreement, being 10 years.

u) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred. Property, plant and equipment are depreciated to write off the cost of each asset over its expected economic life. Additions during the year are depreciated on a pro rata basis from the date of acquisition.

The depreciation rates used are in accordance with the Australian Taxation Office's effective life tables. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. The depreciation periods are as follows:

Computer equipment	4 years
Office fit-out	3–5 years
Office furniture and equipment (including artwork)	5–100 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Profit or Loss and Other Comprehensive Income.

v) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (**GST**), unless the GST incurred is not recoverable from the tax authority, in which case it is recognised as part of the cost of acquiring the asset or as part of the expense.

Trade debtors and creditors are stated including the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the tax authority is included in other receivables or other payables in the Consolidated Statement of Financial Position. All other receivables and payables are stated exclusive of GST recoverable or payable. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from or payable to the tax authority are presented as operating cash flows.

1. Summary of significant accounting policies (cont.)

w) Application of new and revised accounting standards

A revised AASB Conceptual Framework for Financial Reporting was adopted by the Group from 1 January 2020. The revised Conceptual Framework includes amendments to the definition and recognition criteria for assets, liabilities, income and expenses; guidance on measurement and de-recognition; and other relevant financial reporting concepts. The revised framework has not had any significant impact on the financial performance or position of the Group.

The Group has also adopted all the new and revised standards and interpretations issued by the AASB that are relevant to the Group's operations and which became mandatory for the current reporting period. These accounting standards and interpretations did not have any significant impact on the financial performance or position of the Group.

x) New accounting standards and interpretations not yet mandatory or adopted early

A number of other Australian Accounting Standards and interpretations have recently been issued or amended but are not yet mandatory, and the Group has not adopted them for the annual reporting period ended 31 December 2020. The Group's preliminary assessment of the impact of these new standards and interpretations is that these are not expected to have a material impact on the Group.

2. Critical accounting judgements, estimates and assumptions

Preparing the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and various other factors, including expectations of future events that management believes to be reasonable under the circumstances.

The Group has considered the impact of COVID-19 when preparing the consolidated financial statements and related note disclosures, including the impact on the Group's forecast cash flows and liquidity. While the effects of COVID-19 do not change the significant estimates, judgements and assumptions, areas that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities are considered below. The resulting accounting judgements and estimates will seldom equal the related actual results.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black–Scholes pricing model, taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period, but may impact profit or loss and equity.

The Company granted Options to employees and Advisory Council members in the prior year and in the current year. For accounting purposes, the fair value of the Options is amortised as an expense over the vesting period of the Options. Determining the fair value for accounting purposes requires a number of assumptions and judgements to be made, as discussed in note 30.

Incremental borrowing rate

The Group measures the lease liability at the present value of the lease payments that are not paid at that date. As the Company was unable to determine the interest rate implicit in the lease, the incremental borrowing rate (**IBR**) was used. The IBR is the rate of interest the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

2. Critical accounting judgements, estimates and assumptions (cont.)

Management has exercised judgement in estimating the IBR with reference to the asset type, financing spread adjustment and reference rate. With reference to the Company's respective financial institutions, it has applied a 6% IBR. A movement in the IBR by 1%/(1%) will have no significant impact on the amounts recognised in the financial statements. Refer to note 16 for details.

3. Revenue from contracts with customers

Revenue is measured at an amount that reflects the consideration the Group is expected to be entitled to in exchange for transferring services to its customers, net of rebates to foundations that we manage pro bono and the VG1 Fee Waiver as part of the VG1 initial public offering (**IPO**). The criteria for recognition are outlined below.

- Management fees: This is revenue from contracts with customers, recognised over time as it is earned, based on the applicable investment management agreements. The fees are based on a percentage of the portfolio value of the fund or mandate, and paid following the end of each month in arrears.

  Regarding the VG1 Fee Waiver, the terms of the Company's investment management agreement with VG1 provide that no management fees would be payable until the management fees that would have otherwise been payable equal the total costs of $14.4 million paid by VG1 in connection with its IPO. The Company received no management fees from VG1 up until late April 2019. Since then, the Company has been receiving monthly management fees from VG1, in cash, calculated as 1.5% of funds under management (**FUM**) per annum.
- Performance fees: This is revenue from contracts with customers, recognised at a point in time as income at the end of the relevant period to which the performance fee relates – that is, when the Group's entitlement to the fee becomes established. Performance fees are contingent upon performance to be determined at a future date. Accordingly, until this point, performance fees are unable to be recognised as they cannot be measured reliably, and it is highly probable that there could be a significant reversal of revenue.

Disaggregation of revenue

	2020 $'000	2019 $'000
Services provided over time – management fees	43,060	32,365
Operating costs of VGI Partners Funds*	(2,122)	(1,529)
Amortisation of contract asset**	(5,025)	(279)
Total management fees	**35,913**	**30,557**
Total performance fees	**21,070**	**36,679**

* VGI Partners Funds includes two unlisted funds (AUD and USD denominated), individually managed accounts, VG1 and VG8.

** As part of the VG1 and VG8 IPO, the Group recognised incremental costs to obtain the contract as a contract asset. The appropriate accounting treatment has resulted in the asset being unwound and amortised on a straight-line basis as a reduction of revenue over the Investment Management Agreement period, being 10 years. Refer to note 14 for additional information.

Performance fees may be earned from VGI Partners Funds (as defined above). Performance fees are generally subject to a 'high-water mark' arrangement or a deficit clause, which ensures that fees are not earned more than once on the same performance. The Group's entitlement to future performance fees from VGI Partners Funds depends on the net asset value of the relevant portfolio exceeding the high-water mark. The high-water mark is the net asset value price at the end of the most recent calculation period for which the Group was entitled to a performance fee, adjusted for additions and redemptions. Each VGI Partners Fund or mandate has its performance fee calculated based on performance over a specific period of time determined in its Investment Management Agreement, constitution or trust deed.

As the majority of the VGI Partners Funds or mandates have performance fees calculated at 30 June, performance fees have historically been weighted towards the first half of the calendar year. The Group manages VG1 and VG8 and is entitled to be paid a performance fee semi-annually in arrears, subject to a high-water mark mechanism.

4. Operating segments

Identification of reportable operating segments

The main business activities of the Group involve the provision of investment management services. The Board of Directors are identified as the Chief Operating Decision Makers (**CODMs**) who 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 regularly reviewed by the CODMs, the Group has one operating segment: the provision of investment management services with the objective of offering investment funds to investors, primarily in Australia.

5. Earnings per share

	2020 $'000	2019 $'000
Profit after tax for the year	**25,916**	**27,983**

	Number ('000)	Number ('000)
Weighted average number of ordinary shares outstanding during the period, used in calculating basic EPS	69,762	61,400
Adjustments for calculation of diluted earnings per share: Potential equity shares – Share Options	1,193	1,387
Weighted average number of ordinary shares used in calculating diluted EPS	**70,955**	**62,787**

	Cents	Cents
Basic EPS (cents per share)	37.15	45.58
Diluted EPS (cents per share)	36.52	44.57

6. Personnel expenses

	2020 $'000	2019 $'000
Defined contribution superannuation expense	367	317
Salary and wages	10,257	10,749
Amortisation of share-based payments (see note 30)	229	159
Payroll tax	295	530
Total personnel expenses	**11,148**	**11,755**

7. Other expenses

	2020 $'000	2019 $'000
Legal and professional	1,612	1,240
Insurance	433	347
All other	746	995
Total other expenses	**2,791**	**2,582**

8. Income taxes relating to continuing operations

		2020 $'000	2019 $'000
8.1	**Income tax recognised in profit or loss**		
	Profit before tax from continuing operations	**38,732**	**40,304**
	Prima facie tax at the Australian tax rate of 30%	11,619	12,090
	Non-deductible expenses	1,106	215
	Franking credit benefit derived	(24)	–
	Impact of foreign tax rate	5	37
	Adjustment to tax charge in respect of previous periods	110	(21)
	Income tax expense recognised in profit or loss	**12,816**	**12,321**
	Represented by:		
	Current tax	13,467	9,064
	Adjustment to tax charge in respect of previous periods	110	6
	Deferred tax	(761)	3,251
	Income tax expense recognised in profit or loss	**12,816**	**12,321**
8.2	**Income taxes payable/(receivable)**		
	Income tax payable/(receivable) – opening	**(2,074)**	**1,601**
	Income taxes payable for the financial year	11,582	9,063
	Tax paid during the year, net of any tax refunds	(2,010)	(12,716)
	Adjustment to tax charge in respect of previous periods	35	(22)
	Income taxes payable/(receivable) – closing	**7,533**	**(2,074)**
8.3	**Deferred tax balances**		
	Deferred tax assets – opening	**4,313**	**2,631**
	Deductible capital expenditures – IPO costs	(476)	1,172
	Changes in the fair value of financial assets	89	455
	Effects of changes in exchange rate	(3)	–
	Tax losses (used)/carried forward	(1,881)	1,881
	Accruals and provisions	621	(1,826)
	Deferred tax assets – closing	**2,663**	**4,313**
	Deferred tax liabilities – opening	**4,352**	**540**
	Contract assets	(460)	3,812
	Deferred tax liabilities – closing	**3,892**	**4,352**

9. Charitable Foundation contributions

During the 2020 year, VGI Partners contributed $410,992 (2019: $581,219) to The VGI Partners Foundation from management and performance fees earned by the Company for the VGI Partners Master Fund Charitable Foundation Class.

Refer to the Charitable Initiatives section on page 5 for more information on Charitable Foundation contributions and cash donations paid by the Group.

10. Equity raising costs – IPO

In May 2019, the Company raised $75 million through an IPO of approximately 20% of its issued share capital. This was completed in conjunction with a placement and renounceable entitlement offer for VG1, totalling $300 million in new capital. As part of the IPO process, the Company engaged a number of third-party providers to assist with the IPO and VG1 capital raising.

	2020 $'000	**2019 $'000**
Attributable to equity	–	3,909
Expensed through the Consolidated Statement of Profit or Loss and Other Comprehensive Income	–	5,849
Total	**–**	**9,758**

11. Cash and cash equivalents

	31 December 2020 $'000	**31 December 2019 $'000**
Cash and bank balances	41,732	29,340
Total	**41,732**	**29,340**

12. Financial assets at fair value through profit or loss

	31 December 2020 $'000	**31 December 2019 $'000**
VGI Partners Global Investments Limited	8,891	5,023
VGI Partners Asian Investments Limited	25,560	23,993
Total	**34,451**	**29,016**

Refer to note 23 for further information on fair value measurement.

13. Employee entitlements

	31 December 2020 $'000	**31 December 2019 $'000**
Employee benefits – current	2,977	1,672
Employee benefits – non-current	354	114
Total	**3,331**	**1,786**

Employee benefits represent annual leave, long service leave and bonus entitlements accrued.

14. Contract assets

	31 December 2020 $'000	31 December 2019 $'000
VG1 IPO – Offer costs (VG1 Fee Waiver)*	1,944	2,232
VG8 IPO – Offer costs*	11,029	12,276
VG8 IPO – alignment share costs*	31,058	33,959
Total	**44,031**	**48,467**
Current	5,043	4,982
Non-current	38,988	43,485
Total	**44,031**	**48,467**

* Net of amortisation expense.

VGI Partners Asian Investments Limited (**ASX:VG8**) was admitted to the Official List of the ASX in November 2019. To align initial investors for the long term, the Company issued ordinary shares in VGI Partners Limited (**ASX:VGI**) to all Applicants that received an allocation of shares under the VG8 Offer (alignment shares).

The Company issued 2,652,012 ordinary shares (VG8 alignment shares) in VGI Partners Limited – for accounting purposes, valued at $34,476,156 on 12 November 2019 using the closing price of $13.00 – for zero cost to the recipients. These shares were issued on 12 November 2019 and began trading on the ASX on 13 November 2019.

Directors and their associates and related entities could only receive their VGI shares following the receipt of Shareholder approval. Approval was sought and obtained at the VGI Annual General Meeting on 21 April 2020. On 22 April 2020, the Company issued 60,438 ordinary shares (VG8 alignment shares) in VGI Partners Limited. For accounting purposes, this was valued at $589,271 using the closing price of $9.75 and on the same terms as shares that were issued to other investors in VG8.

These costs have been recognised as contract assets since the shares issued are part of the securing of the management agreement in relation to VG8. The costs are also recoverable through the ongoing receipt of management fees.

Allowance for expected credit losses

Based on the analysis at the end of the reporting period, the impairment under the ECL method is considered to be immaterial and no amount is recognised in the financial statements.

15. Trade and other receivables

	31 December 2020 $'000	31 December 2019 $'000
Trade receivables and accruals	26,734	7,869
GST receivable (net)	–	458
Prepayments	191	46
Total	**26,925**	**8,373**

Trade receivables and accruals mainly consist of management and performance fees receivable, which are received between seven and 31 days after the balance date.

Allowance for expected credit losses

Based on the analysis at the end of the reporting period, the impairment under the ECL method is considered to be immaterial and no amount is recognised in the financial statements.

16. Leases

The right of use asset and lease liability relates to the head office premises at 39/41 Phillip Street, Sydney, which commenced on 1 May 2019 and will terminate on 30 April 2024. Rent reviews for the Sydney office will be performed quarterly on each anniversary of the commencing date, with a fixed 4.5% increase. The Japanese office lease was renewed on 19 March 2020 and was subsequently classified as a right of use asset and lease liability under AASB 16. Additional leases that exist relate to short-term leases for office premises and low-value leases for office equipment. These payments are expensed as incurred and are not material to the Group as a whole.

	31 December 2020 $'000	31 December 2019 $'000
Right of use assets – land and buildings		
Opening	**1,422**	**–**
Additions – 39/41 Phillip Street, Sydney	–	1,641
Additions – Japan office	211	–
Depreciation charge for the year	(457)	(219)
Closing	**1,176**	**1,422**
Non-current	1,176	1,422
Total	**1,176**	**1,422**
Lease liability		
Opening	**1,463**	**–**
Additions – 39/41 Phillip Street, Sydney	–	1,641
Additions – Japan office	211	–
Cash payments	(483)	(232)
Interest expense	87	54
Currency translation of foreign leases	(9)	–
Closing	**1,269**	**1,463**
Current	399	278
Non-current	870	1,185
Total	**1,269**	**1,463**

17. Trade and other payables

	31 December 2020 $'000	31 December 2019 $'000
Current		
Trade payables	352	971
Other creditors and accruals	570	228
GST payable (net)	2,703	–
Total	**3,625**	**1,199**

18. Property, plant and equipment

	31 December 2020 $'000	31 December 2019 $'000
Leasehold improvements – at cost	691	684
Less: Accumulated depreciation	(422)	(281)
Balance at end of year	**269**	**403**
Furniture and fittings – at cost	970	955
Less: Accumulated depreciation	(435)	(326)
Balance at end of year	**535**	**629**
Plant and equipment – at cost	671	628
Less: Accumulated depreciation	(578)	(435)
Balance at end of year	**93**	**193**
Total property, plant and equipment	**897**	**1,225**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are as follows.

Consolidated	Leasehold improvements $'000	Furniture and fittings $'000	Plant and equipment $'000	Total $'000
Balance at 1 January 2019	**502**	**606**	**228**	**1,336**
Additions	101	110	132	**343**
Depreciation	(200)	(87)	(167)	**(454)**
Balance at 31 December 2019	**403**	**629**	**193**	**1,225**
Additions incl. currency translation adjustment	11	21	50	**82**
Depreciation incl. currency translation adjustment	(145)	(115)	(150)	**(410)**
Balance at 31 December 2020	**269**	**535**	**93**	**897**

19. Dividends

	2020 $'000	2019 $'000
Fully franked dividends declared during the period		
2.8 cents per share, declared on 16 January 2019 and paid on 18 January 2019*	–	1,500
4.1 cents per share*, declared on 29 January 2019 and paid on 29 January 2019**	–	2,235
Dividend on share alignment, paid on 6 May 2019	–	122
16.8 cents per share, declared on 13 May 2019 and paid on 21 June 2019	–	8,975
25.6 cents per share, declared on 27 August 2019 and paid on 16 September 2019	–	17,200
9.3 cents per share declared on 27 February 2020 and paid on 18 March 2020	6,484	–
5 cents per share declared on 25 August 2020 and paid on 14 September 2020	3,489	–
Total	**9,973**	**30,032**

* Dividend per share adjusted for pre-listing share conversion and rounded to the nearest cent.

** Dividend includes non-cash activities of $2,203,000 relating to dividends paid to Mr Luciano, Mr Tynan, Mr Poiner and their related entities as part of the VG1 reinvestment mechanism.

Subsequent to the year ended 31 December 2020, the Directors have declared a fully franked dividend at a 30% tax rate of 28 cents per share, payable on 11 March 2021. This has not been recognised in the Consolidated Statement of Financial Position.

Franking credits

	31 December 2020 $'000	31 December 2019 $'000
Franking credits available for subsequent financial years	9,801	2,151

The above amounts comprise the balance of the franking account as at the end of the reporting period, adjusted for franking credits that will arise from the payment/(receipt) of the provision of income tax.

The dividend declared by the Directors on 22 February 2021 will be franked out of existing franking credits, or out of franking credits arising from the payment of income tax.

20. Issued capital

	31 December 2020 Number	31 December 2019 Number	31 December 2020 $'000	31 December 2019 $'000
Ordinary shares	69,780,160	69,719,722	107,903	107,314
Total issued and paid-up capital	**69,780,160**	**69,719,722**	**107,903**	**107,314**

Movements in ordinary share capital

Details	Date	Shares	$'000
Opening balance	**1 January 2019**	**1,266,666**	**616**
Share alignment*	6 May 2019	(25,775)	(41)
Pre-IPO share split	21 June 2019	(1,240,891)	–
Pre-IPO share split	21 June 2019	53,431,346	–
IPO – share issuance	21 June 2019	13,636,364	75,000
VG8 alignment shares**	12 November 2019	2,652,012	34,476
Capital raising costs	–	–	(3,909)
Deferred tax on capitalised IPO costs	–	–	1,172
Closing balance	**31 December 2019**	**69,719,722**	**107,314**

* For the period ending 31 December 2019, there was a share alignment between existing Class A Shareholders of the Company. The Class A shares have dividend rights but no voting rights.

** The Company issued 2,652,012 alignment shares to investors in the VG8 Offer.

Details	Date	Shares	$'000
Opening balance	**1 January 2020**	**69,719,722**	**107,314**
VG8 alignment shares*	22 April 2020	60,438	589
Closing balance	**31 December 2020**	**69,780,160**	**107,903**

* See note 14 for further details.

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at Shareholder meetings.

In the event of the winding up of the Group, ordinary Shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

VG8 alignment shares were treated as fully paid ordinary shares in the Company issued to all investors in the VG8 Offer, to enhance the alignment of interests between the Company and VG8, and their respective investors.

Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern while maximising the return for Shareholders. The Group's overall strategy remains unchanged from the year ended 31 December 2019.

The capital structure of the Group consists of only equity, comprising share capital, reserves and retained earnings. The Group has no debt.

The Company is subject to regulatory financial requirements by virtue of holding an Australian Financial Services Licence (**AFSL**). During the year ended 31 December 2020, the Company satisfied the liquidity requirements under its AFSL and there have been no reportable instances of non-compliance with externally imposed capital requirements.

21. Reserves

	31 December 2020 $'000	31 December 2019 $'000
Opening	**743**	**–**
Share-based payments reserve	278	727
FCTR	15	16
Closing	**1,036**	**743**

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees as part of their remuneration (refer to note 30).

Foreign currency translation reserve

Exchange differences arising on the translation of foreign-controlled entities are recognised in other comprehensive income and accumulated as a separate reserve within equity.

22. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks, including market risk (including foreign currency, interest rate and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods, including sensitivity analysis, to measure different types of risk to which it is exposed.

In particular, the Group manages the investments of certain funds and clients where it is entitled to receive management fees and fees contingent upon the performance of the portfolio managed, on an annual basis or less frequently. All fees are exposed to significant risk associated with the funds' performance, including market risks (interest rate risk and, indirectly, market risk and foreign exchange risk) and liquidity risk as detailed below.

Risk management is carried out by Senior Management and reviewed by the Board and discussed at Board meetings. Management identifies and evaluates financial risks.

Market risk

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised financial assets and liabilities, denominated in a currency that is not the entity's functional currency. The Group undertakes certain transactions denominated in foreign currencies (mainly US dollars). The balances at the reporting date are not material and a 10% movement in those balances would not cause a significant fluctuation in profit or loss or equity of the Group.

Price risk

Price risk is the risk that the value of investments held by the Group and classified in the Consolidated Statement of Financial Position as financial assets at fair value through profit or loss will increase or decrease as a result of changes in equity prices in the local currency (caused by factors specific to the individual stock or the market as a whole), exchange rate movements or a combination of both.

22. Financial instruments (cont.)

Market risk (cont.)

Price risk (cont.)

To manage and constrain price risk, the Group follows the principles of capital preservation. This means the Group places emphasis on assessing downside risk. The Group attempts to gain as much insight about its investments as possible and believes this knowledge is key in guarding against permanent loss of capital.

An increase of 5% in market prices would have had the following impact as at 31 December.

	31 December 2020 $'000	31 December 2019 $'000
A 5% increase in market prices would result in:		
Higher net change in fair value of financial assets	1,723	1,451
Impact on net profit before tax	**1,723**	**1,451**

A decrease of 5% in market prices would have an equal but opposite impact on net profit before tax.

Interest rate risk

Interest rate risk is the possibility that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Group's financial assets and liabilities are non-interest-bearing. Any interest-bearing financial assets and financial liabilities either mature or reprice in the short term. As a result, the Group has limited exposure to fluctuations in market interest rates that would create interest rate risk. The Group also holds substantial cash positions that are directly affected by interest rate movements, but at the balance date, interest rates on these cash accounts were at historically low levels.

As at the reporting date, the Group held the following cash balances and other assets.

	Fixed (other assets) $'000	Floating $'000
31 December 2020:		
Cash and cash equivalents	–	41,732
Other assets	413	–
31 December 2019:		
Cash and cash equivalents	–	29,340
Other assets	383	–

The sensitivity of interest rate risk is not disclosed as the impact is not material for any reasonably possible move in interest rates.

22. Financial instruments (cont.)

Credit risk

Credit risk relates to the risk of a counterparty defaulting on a financial obligation, resulting in a loss to the Group.

Credit risk arises from the financial assets of the consolidated entity, including cash, term deposits, trade receivables and contract assets. All term deposits (included in other assets in the Statement of Financial Position) and cash balances are held with major Australian banks and their 100% owned banking subsidiaries institutions that have a Standard & Poor's (**S&P**) A-1+ rating to mitigate any associated credit risk. The Group is not exposed to any material risk relating to the receivables balance, as these amounts primarily relate to performance and management fees, which are settled between seven and 31 days after being invoiced and are managed internally within the Group.

The Group is not exposed to any material risk relating to the contract assets, as these are non-cash and will unwind over the 10-year Investment Management Agreements between the Group and VG1 and VG8 (the majority of the balance relating to VG8). Management fees are secured under the Investment Management Agreements as a percentage of FUM, regardless of performance, and as they are settled within 30 days there is no material exposure to loss. No assets subject to credit risk are past due or impaired.

The maximum exposure to direct credit risk at the balance date is the carrying amount recognised in the above identified financial assets, and the contract assets in the Statement of Financial Position.

Liquidity risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with its liabilities. The Group has no external borrowings other than its lease liability; accordingly, its liquidity risk is limited to its ability to pay its future overhead expenses. The Group's policy is to maintain liquid assets sufficient to cover a minimum of nine months' worth of future overhead expenses, assuming no management revenue is received in that period.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities at the earliest date on which the Group can be required to pay. Except for the lease liability, no interest is payable on these financial liabilities, so only principal cash flows have been disclosed.

Consolidated – 2020	**Less than 1 month $'000**	**Between 1 and 12 months $'000**	**Between 1 and 5 years $'000**	**5+ years $'000**	**Total $'000**
Trade payables	3,625	–	–	–	**3,625**
Lease liability	40	359	870	–	**1,269**
Total financial liabilities	**3,665**	**359**	**870**	**–**	**4,894**

Consolidated – 2019	**Less than 1 month $'000**	**Between 1 and 12 months $'000**	**Between 1 and 5 years $'000**	**5+ years $'000**	**Total $'000**
Trade payables	1,199	–	–	–	**1,199**
Lease liability	21	257	1,185	–	**1,463**
Total financial liabilities	**1,220**	**257**	**1,185**	**–**	**2,662**

23. Fair value measurement

The Group measures and recognises its investments as financial assets and liabilities at FVTPL, on a recurring basis.

AASB 13 *Fair Value Measurement* requires the disclosure of fair value information using a fair value hierarchy, reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets, for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value in an active market (Level 1)

- The fair value of investment in financial assets at FVTPL is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The Group values its investments in accordance with accounting policies set out in note 1(n) to the consolidated financial statements. The quoted market price used for financial assets at FVTPL held by the Group is the current last traded price.
- A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

The following table presents the Group's financial assets and liabilities measured and recognised at fair value, at the reporting date. The carrying amounts of all financial instruments are reasonable approximations of the respective instrument's fair value.

Consolidated – 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Investment in financial assets at FVTPL	34,451	–	–	**34,451**
Total assets	**34,451**	**–**	**–**	**34,451**

Consolidated – 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Investment in financial assets at FVTPL	29,016	–	–	**29,016**
Total assets	**29,016**	**–**	**–**	**29,016**

The Group's policy is to recognise transfers between levels at the end of the financial reporting period. There were no transfers between levels for recurring fair value measurements during the year ended 31 December 2020 or 31 December 2019.

24. Related-party transactions

Ultimate parent entity

VGI Partners Limited is the ultimate parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 29.

Key management personnel

Disclosures relating to KMP are set out in note 28, and in the Remuneration Report included in the Directors' Report.

Related-party transactions

The Group provides investment management services to the following related parties:

- the VGI Partners Master Fund, an Australian unit trust, of which the Company is the Trustee;
- the ASX-listed investment companies VG1 and VG8, of which the Company is the Investment Manager; and
- the VGI Partners Offshore Fund.

VG1 and VG8 performance fee reinvestment mechanism

Under the terms of separate reinvestment agreements, Mr Luciano, Mr Tynan and their related entities have agreed to invest, from the dividends they receive from the Company, their 'look through' after-tax share of performance fees received from managing VG1 and VG8 into fully paid ordinary shares in VG1 and VG8.

Related-party fees

The total related-party fees recognised in the periods ended 31 December 2020 and 31 December 2019 are set out in the following table.

	2020 ($)	2019 ($)
Management and performance fees received/receivable from unconsolidated unlisted vehicles	17,626,247	36,396,353
Net expenses (paid/payable) on behalf of unlisted vehicles	(728,648)	(705,182)
Management and performance fees received/receivable from listed vehicles	42,312,942	20,105,047
Net expenses (paid/payable) on behalf of listed vehicles	(1,175,074)	(766,737)

The Group also receives management and performance fee income from non-related parties.

Related parties' holdings of units in listed and unlisted vehicles

At 31 December 2020, the value of KMP and/or their related parties' holdings in unlisted vehicles was $31,539,165 (31 December 2019: $29,716,470).*

At 31 December 2020, the value of KMP and/or their related parties' holdings in listed vehicles (VG1 and VG8) was $26,900,349 (31 December 2019: $26,347,641).*

* As at 31 December 2020, Mr Tynan remains a Director and KMP of the Group.

Loans to or from related parties

There were no loans to or from related parties at the current and previous reporting dates.

Terms and conditions

All transactions were made on normal commercial terms and conditions, and at market rates.

25. Parent entity disclosures

	2020 $'000	2019 $'000
Result of the parent entity		
Total net income	50,998	65,967
Total expenses	(18,257)	(26,610)
Income tax expense	(7,834)	(11,845)
Profit after income tax for the period	**24,907**	**27,512**
Other comprehensive income	–	–
Total comprehensive income for the period	**24,907**	**27,512**
Financial position of parent entity at year end		
Current assets	103,416	84,286*
Total assets	**144,546**	**120,463**
Current liabilities	12,184	3,801
Total liabilities	**13,991**	**5,770**
Net assets	**130,555**	**114,693**
Total equity of the parent entity, comprising:		
Share capital	107,903	107,314
Reserves	1,021	743
Retained earnings	21,631	6,636
Total equity	**130,555**	**114,693**

* The Contract Asset balance in relation to VG1 IPO – Offer Costs (VG1 Fee Waiver) has been reclassified between current and non-current in the comparative period.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2020 and 31 December 2019.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2020 or 31 December 2019.

Capital commitments – property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2020 or 31 December 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1.

26. Unconsolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements.

The Group manages several investment funds and holds an interest in these unconsolidated structured entities by receiving management and performance fees. These funds are considered unconsolidated structured entities representing individually managed accounts, wholesale investment schemes in the form of unlisted trusts, offshore domiciled companies and listed investment companies.

These unconsolidated structured entities invest in a range of asset classes. The unconsolidated structured entities have investment objectives and policies that are subject to the terms and conditions of their respective offering documentation. However, all unconsolidated structured entities invest capital from investors in a portfolio of assets, to provide a return to those investors from capital appreciation of those assets, income from those assets, or both. Accordingly, they are susceptible to market price risk arising from uncertainties about future values of the assets they hold. The unconsolidated structured entities are financed through equity capital provided by investors, in which the Group does not hold any material equity interest.

Unless specified otherwise, the Group's maximum exposure to loss is the total of its on–balance sheet positions as at reporting date. There are no additional off–balance sheet arrangements that would expose the Group to potential loss.

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

	2020 $'000	**2019 $'000**
Profit for the period	25,916	27,983
Adjustments to profit after tax:		
Depreciation	867	673
Non-cash items (VG1 dividend reinvestment)	(82)	(2,203)
Fair value gains and movements in financial assets	280	1,514
Share-based payments	229	159
Net foreign exchange	351	71
Consideration payable to customers – contract asset	5,025	279
VG8 IPO costs	–	(12,463)
Finance costs	87	54
VG1 Advisory Agreement costs	–	280
Movements in working capital:		
Decrease/(increase) in trade and other receivables	(18,553)	(229)
Decrease/(increase) in other assets	(30)	–
Increase/(decrease) in employee entitlements	1,544	(54)
Increase/(decrease) in trade and other payables	2,426	(6,702)
Increase/(decrease) in taxes	10,796	(372)
Net cash inflows from operating activities	**28,856**	**8,990**

28. Key management personnel compensation

The aggregate compensation made to Directors and other Company and Group KMP is set out below. As at 31 December 2020, there were eight KMP in 2020 (at 31 December 2019: six).

	2020 ($)	2019 ($)
Short-term employment benefits	1,879,230	1,843,171
Non-monetary and other benefits	33,940	53,582
Post-employment benefits	95,981	77,238
Leave entitlements	27,424	–
Share-based payments	26,853	10,793
Total	**2,063,428**	**1,984,784**

Detailed remuneration disclosures are provided in the Remuneration Report on page 19.

29. Subsidiaries

The financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1.

Name of subsidiary	Place of incorporation	2020 % owned	2019 % owned
Operating entities			
VGI Partners Agricultural Investments No.1 Pty Limited	Australia	100	100
VGI Partners Asian Investments Management Pty Limited	Australia	100	100
VGI Partners Investments Pty Limited	Australia	100	100
VGI Partners, Inc.	USA	100	100
Non-operating entities			
VPPP 1A	Australia	100	100
VPPP 1B	Australia	100	100
VPPP 1C	Australia	100	100
Vichingo Global Investments Pty Limited	Australia	100	100
Vichingo Global Investors Pty Limited	Australia	100	100
VGI Partners Share Plan Pty Limited	Australia	100	100
VGI Partners Principal Investments Pty Limited	Australia	100	N/A

The Company established and incorporated VGI Partners Principal Investments Pty Limited on 16 December 2020. This entity remained non-operating throughout the year.

30. Share-based payments

Share-based payments reserve	2020 $'000	2019 $'000
Balance at the beginning of the year	**727**	**–**
Share Option premium received	49	568
Amortisation of Share Option fair value	229	159
Balance at the end of the year	**1,005**	**727**

Employee Share Options

Prior to the listing of the Company in 2019, a number of employees were provided with the opportunity to purchase Share Options, each carrying the right to acquire one share in the Company at a future date. As a result of the Offer, the Company issued 4,369,611 Share Options on 28 May 2019.

At the same time, the Company offered the members of the Advisory Council the opportunity to purchase 438,307 Share Options, each carrying the right to acquire one share in the Company at a future date. Though not directly employed by the Company, the members of the Advisory Council act as a counterparty to the Company, providing services such as insight and advice in relation to business affairs. As a result, all Share Options were measured with the same methodology and at the date granted.

Employee Options will be exercisable for a period of one month, commencing on the first exercise date applicable to the relevant tranche (exercise window) as set out in the table below. Similarly, all Director and Advisory Council Share Options will be exercisable for a period of six months from the first exercise date. Each Share Option will lapse if it is not exercised within the relevant exercise window. The vesting period of the Share Options runs from the grant date to the first exercise date, as shown in the table below.

Excluding members of the Advisory Council and Non-Executive Directors, and unless otherwise determined by the Board, a Share Option holder must continue to be employed by the Group to exercise the Share Option.

Share Options do not carry any dividend entitlement. Shares issued on exercise of Share Options will rank equally with other shares of the Company on and from issue. Share Options do not have inherent participating rights or entitlements, and Share Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the life of the Share Options. The offer price is paid or payable by the recipient on receipt of the Share Option.

The table below provides the details of Options issued on 28 May 2019.

Employee Option Plan	No. of Options issued	First exercise date	Expiry date	Issue price ($)	Grant date fair value ($)	Exercise price ($)
Tranche 1	873,920	20 May 2021	19 June 2021	0.055	0.346	6.16
Tranche 2	873,920	20 May 2022	19 June 2022	0.080	0.371	6.16
Tranche 3	873,920	20 May 2023	19 June 2023	0.129	0.386	6.16
Tranche 4	1,747,851	20 May 2024	19 June 2024	0.172	0.379	6.16
Total	**4,369,611**					

Director and Advisory Council Option Plan	No. of Options issued	First exercise date	Expiry date	Issue price ($)	Grant date fair value ($)	Exercise price ($)
Tranche 5	438,307	22 December 2021	21 June 2022	0.080	0.364	6.16
Total	**438,307**					

30. Share-based payments (cont.)

On 30 December 2020, the Company issued an additional 443,670 Options to employees. The table below provides the details of Options issued on 30 December 2020. These Options were issued on the same terms as those of the Options issued prior to the IPO.

Employee Option Plan	Number of Options issued	First exercise date	Expiry date	Issue price ($)	Grant date fair value ($)	Exercise price ($)
Tranche 6	88,734	30 November 2021	30 December 2021	0.017	1.128	8.32
Tranche 7	88,734	30 November 2022	30 December 2022	0.075	1.221	8.32
Tranche 8	88,734	30 November 2023	30 December 2023	0.108	1.249	8.32
Tranche 9	177,468	30 November 2024	30 December 2024	0.175	1.354	8.32
Total	**443,670**					

No Share Options were exercised during the 12 months to 31 December 2020 (2019: nil).

The table below provides the details of Options issued and forfeited during the current and comparative period.

Options	Number of Options issued in 2019	Forfeitures during 2019	Number of Options at 31 December 2019	Forfeitures during 2020	Number of Options issued during 2020	Number of Options at year end
Tranche 1	873,920	(25,973)	847,947	(116,993)	–	730,954
Tranche 2	873,920	(25,973)	847,947	(293,440)	–	554,507
Tranche 3	873,920	(25,973)	847,947	(293,440)	–	554,507
Tranche 4	1,747,851	(51,947)	1,695,904	(586,881)	–	1,109,023
Tranche 5	438,307	–	438,307	–	–	438,307
Tranche 6	–	–	–	–	88,734	88,734
Tranche 7	–	–	–	–	88,734	88,734
Tranche 8	–	–	–	–	88,734	88,734
Tranche 9	–	–	–	–	177,468	177,468
Total	**4,807,918**	**(129,866)**	**4,678,052**	**(1,290,754)**	**443,670**	**3,830,968**

Fair value of Share Options granted

The fair value of the Share Options was calculated using the Black–Scholes pricing model. The assumptions used in calculating the fair value of Share Options are noted below.

Options	Share price at grant date ($)	Dividend yield (%)	Risk-free interest rate (%)	Expected volatility (%)	Expected life of Options (months)	Forfeiture assumptions (%)
Tranche 1	5.50	8.52	1.13	29.2	24	10
Tranche 2	5.50	8.52	1.12	28.9	36	14
Tranche 3	5.50	8.52	1.14	29.0	48	18
Tranche 4	5.50	8.52	1.20	28.9	60	20
Tranche 5	5.50	8.52	1.12	28.9	30	0
Tranche 6	7.43	4.20	0.04	54.5	12	10
Tranche 7	7.43	4.20	0.09	44.5	24	14
Tranche 8	7.43	4.20	0.10	40.0	36	18
Tranche 9	7.43	4.20	0.21	39.1	48	20

Expected volatility assumed in the calculation of the fair value of the Share Options is determined based on historic volatility of industry peers at the time of the grant date of each tranche.

31. Remuneration of Auditor

During the period, the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the Auditor of the Group, its related practices and non-related audit firms.

	2020 ($)	2019 ($)
Audit of VGI Partners Limited	162,120	150,000
Audit of VGI Partners Funds	151,758	148,257
Audit fees relating to the VGI Partners Limited IPO	–	200,000
Total audit and review of financial statements	**313,878**	**498,257**
Taxation services relating to VGI Partners Limited	77,493	82,586
Taxation services relating to VGI Partners Funds	19,990	23,569
Taxation fees relating to the VGI Partners Limited IPO	–	138,655
Taxation services relating to the VG8 IPO	–	27,485
Total taxation services	**97,483**	**272,295**
Investigating accountant services for the VGI Partners Limited IPO Prospectus	–	150,000
Total remuneration for audit and other services	**411,361**	**920,552**

The Group is responsible for the audit costs for VGI Partners Master Fund (for which VGI Partners Limited is Trustee and Manager), the VGI Partners Offshore Fund and a number of separate managed accounts.

Audit and other service fees for VG1 and VG8 are being paid by the Group under the relevant Investment Management Agreements.

32. Contingencies and commitments

The Group had no material contingent liabilities or commitments at 31 December 2020 or 31 December 2019.

33. Subsequent events

On 22 February 2021, the Directors declared a franked dividend at a 30% tax rate of 28 cents per share that will be paid on 11 March 2021.

The Directors are not aware of any other event or circumstance since the end of the financial period not otherwise dealt with in the financial statements that has affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Directors' Declaration

In the Directors' opinion:

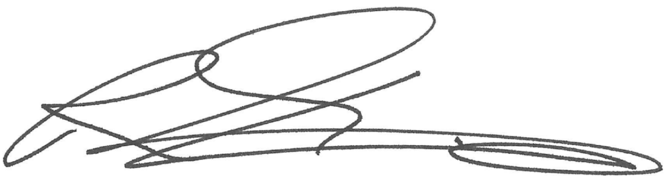
(i) the attached financial statements and notes comply with the *Corporations Act 2001*, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

(ii) the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020, and of its performance for the year ended on that date; and

(iii) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2020.

Signed in accordance with a resolution of the Directors made pursuant to Section 295(5) of the *Corporations Act 2001*.



Robert M P Luciano, CFA
Executive Chairman and Managing Director
Sydney
22 February 2021

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report
to the Shareholders of VGI Partners Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of VGI Partners Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Management and Performance Fees revenue
 	
For the year ended 31 December 2020, the Group earned \$35.9 million in management fees and \$21.1 million in performance fees, as disclosed in Note 3. These revenue streams are calculated in accordance with the Investment Management Agreements and offer documents, of the underlying managed funds (listed and unlisted) and individually managed accounts. These fees are earned based upon service criteria and performance obligations set out in these agreements.
 	
The management and performance fees are the most significant revenue account balances in the consolidated statement of profit or loss and other comprehensive income. The quantum of performance fees can change significantly and are dependent upon market-based returns and management's ability to outperform their previous performance or 'high-water mark'.
	Our procedures included, but were not limited to:
	
	▪ obtaining an understanding and assessing the design and implementation of the relevant controls in the Group and key service providers associated with:
	    ▪ recording of funds under management; and
	    ▪ the calculation of management and performance fees.
	▪ on a sample basis, performing recalculations of the management fee, and the performance fee;
	▪ confirming the key terms and conditions (fee rates, NAV/AUM base, high-water mark) used within the calculation of management and performance fee revenue to the Investment Management Agreements and offer documents of the underlying managed funds and individually managed accounts;
	▪ assessing the appropriateness of the revenue accounting policy; and
	▪ on a sample basis:
	    ▪ agreeing the funds under management to investment administrator records;
	    ▪ vouching investment positions to prime broker statements to confirm existence; and
	    ▪ obtaining independent pricing.
	
	We also assessed the appropriateness of the disclosures in Note 3 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminated threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 22 of the Directors' Report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of the VGI Partners Limited, for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jonathon Corbett
Partner
Chartered Accountant
Sydney

Shareholder Information

The Shareholder information set out below was applicable as at 31 January 2021.

The following is additional information required by the ASX Listing Rules and not disclosed elsewhere in this report.

a) Substantial Shareholders

The following Shareholders are registered by the Company as substantial Shareholders, having declared a relevant interest, in accordance with the *Corporations Act 2001*, in the shares below.

	Ordinary shares	
Name	**Number held**	**% of total shares issued**
Robert M P Luciano	41,054,222	58.83
Douglas H Tynan	10,721,843	15.36

b) Voting rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each Shareholder present at a meeting or by proxy has one vote on a show of hands.

c) Stock exchange listing

Quotation has been granted for all ordinary shares of the Company on all member exchanges of ASX Limited.

d) Unquoted securities – Share Options

Size of holding	Number of holders	Number of Options
1–1,000	–	–
1,001–5,000	1	4,056
5,001–10,000	1	8,115
10,001–100,000	12	683,137
100,001 and over	8	3,135,660

e) Distribution of equity securities

The following table lists equity securityholders by size of holding.

	Ordinary shares		
Holding	**Number of Shareholders**	**Number of shares**	**Percentage of issued shares (%)**
1–1,000	3,162	1,112,239	1.590
1,001–5,000	1,477	3,319,684	4.750
5,001–10,000	215	1,532,100	2.200
10,001–100,000	152	3,493,738	5.010
100,001 and over	16	60,322,399	86.450
Total	**5,022**	**69,780,160**	**100.00**

f) Equity securityholders

The following are the 20 largest quoted equity securityholders as at 31 January 2021.

Name	Number of ordinary shares held	Percentage of issued shares (%)
RMPL Investments Pty Limited	40,905,913	58.621
D&C Tynan Investments Pty Limited	10,686,691	15.315
HSBC Custody Nominees (Australia) Limited	3,174,067	4.549
R J Poiner Investments Pty Limited	1,838,742	2.635
National Nominees Limited	1,076,374	1.543
Citicorp Nominees Pty Limited	638,817	0.915
BNP Paribas Nominees Pty Limited	390,571	0.560
UBS Nominees Pty Limited	293,030	0.420
Robert Blann Holdings Pty Limited	288,182	0.413
Pineross Pty Limited	222,623	0.319
Tandom Pty Limited	208,103	0.298
Cao Kench Pty Limited	178,828	0.256
Natpac Financial Services Pty Limited	173,000	0.248
Pine Ridge Holdings Pty Limited	160,000	0.229
Netwealth Investments Limited	127,474	0.183
Hackett CP Nominees Limited	99,426	0.142
Tappenden Holdings Limited	97,364	0.140
Miss Edwina Judith Tynan	94,000	0.135
Luciano Family Group Investments Pty Limited	80,276	0.115
Ifan Pty Limited	80,000	0.115
Total top 20 holdings	**60,813,481**	**87.151**

g) Securities subject to voluntary escrow

Shareholders who owned VGI Partners Limited prior to its IPO in June 2019 (each of whom are members of the Company's Senior Management team) hold a beneficial interest in an aggregate 53.6 million shares. These currently represent approximately 77% of the Company's issued shares, and a portion of these have been escrowed.

Please see Section 6.6 of the VGI Partners Limited IPO Prospectus for more information.

Corporate Directory

Board of Directors

Robert M P Luciano – Executive Chairman and Managing Director
David F Jones
Douglas H Tynan
Jaye L Gardner
Benjamin A Pronk
Darren J Steinberg

Company Secretary

Ian J Cameron

Head of Investor Relations

Ingrid L Groer

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T: +61 2 9237 8923 (outside Australia)
E: investor.relations@vgipartners.com

Registered Office

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Website

www.vgipartners.com

Share Registrar

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
T: 1300 737 760 (inside Australia)
T: +61 2 9290 9600 (outside Australia)
E: enquiries@boardroomlimited.com.au

For enquiries relating to shareholdings, dividends and related matters, please contact the share registrar.

Auditor

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T: +61 2 9322 7000

ASX Code

VGI

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