

Annual Report 2019



Pinnacle
INVESTMENT MANAGEMENT

Financial Calendar

Final dividend record date **20 September 2019**

Final dividend payment date **4 October 2019**

Annual General Meeting **31 October 2019**

Interim Results announcement **21 February 2020**

Full Year Results announcement **5 August 2020**

The Company reserves the right to change these dates.

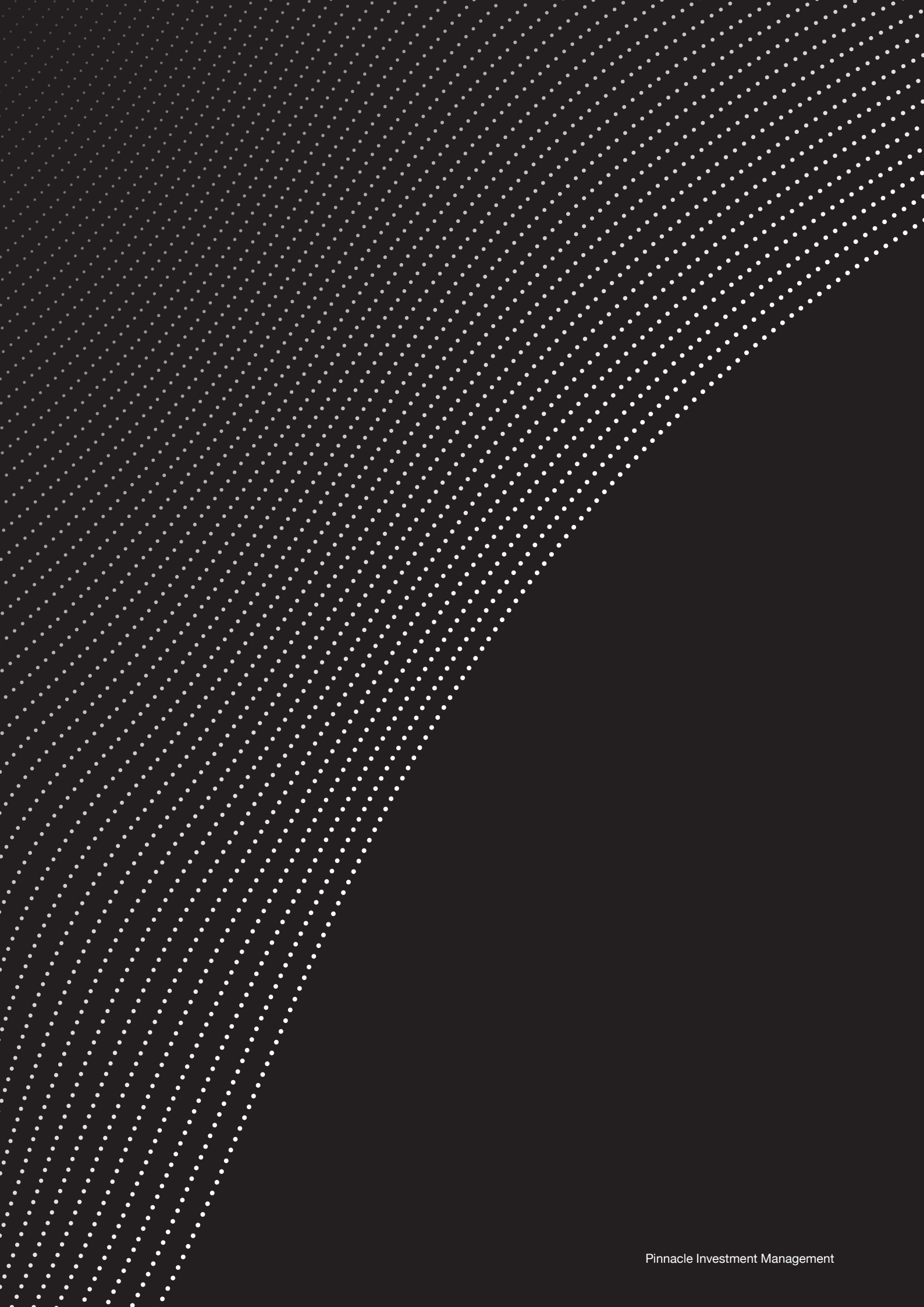
Annual General Meeting

The 2019 Annual General Meeting will be held at 9am on 31 October 2019 at Pinnacle's Sydney office at Level 35, 60 Margaret Street, Sydney NSW 2000.

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

Corporate Governance

The corporate governance statement for PNI can be found at
<https://www.pinnacleinvestment.com/shareholders-investor-centre/>





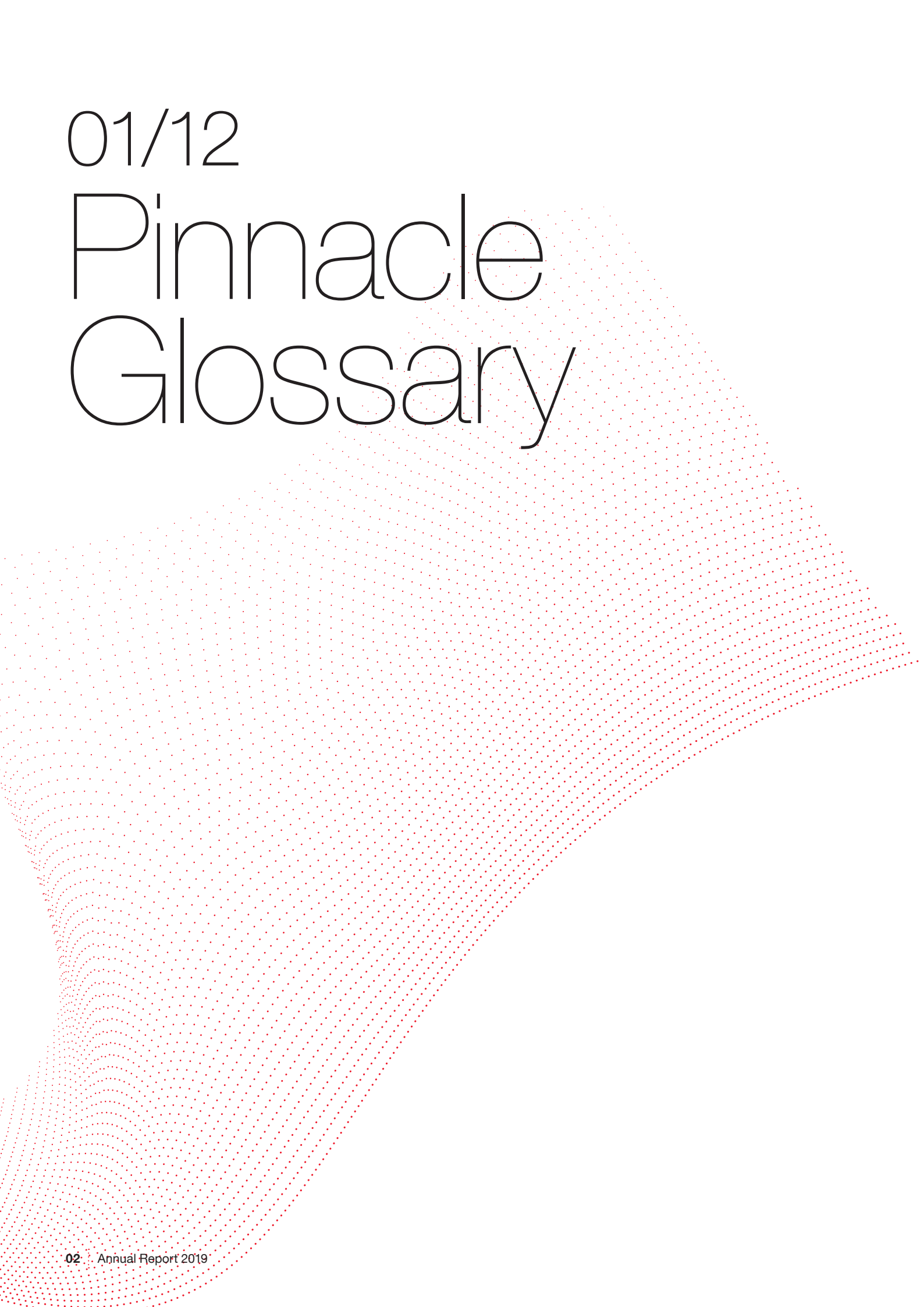
Contents

01	Pinnacle Glossary	02
02	Chair's Letter	05
03	Overview, Operating and Financial Report	08
04	Community	20
05	Directors' Profiles	22
06	Directors' Report	26
07	Auditor's Independence Declaration	48
08	Financial Statements	51
09	Directors' Declaration	101
10	Independent Auditor's Report	102
11	Shareholder Information	110
12	Corporate Directory	113

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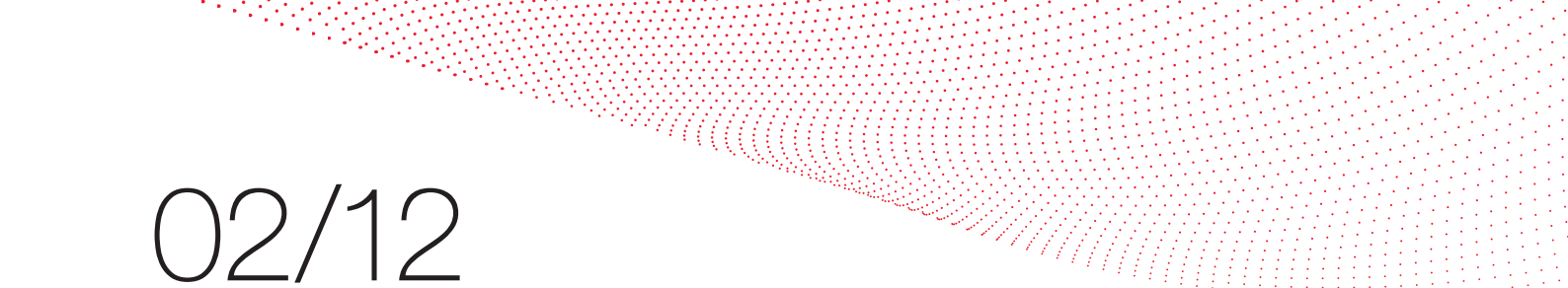
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Pinnacle Glossary

A decorative graphic consisting of numerous small red dots arranged in a series of concentric, slightly curved lines that fan out from the bottom left towards the top right, creating a sense of motion and depth.

Term	Meaning
2018 Annual Report	the Group's annual report for the 2018 financial year.
2018 financial year	the period 1 July 2017 to 30 June 2018.
2019 Annual Report	this document.
2019 financial year	the period 1 July 2018 to 30 June 2019.
Affiliates or Pinnacle Affiliates	Pinnacle's thirteen affiliated investment managers, being Antipodes, Firetrail, Hyperion, Longwave, Metrics, Omega, Palisade, Plato, Resolution Capital, Riparian, Solaris, Spheria and Two Trees.
Antipodes	Antipodes Partners Limited.
ASX Principles	the Corporate Governance Principles and Recommendations, 3rd Edition, published by the ASX Corporate Governance Council.
Auditor	PricewaterhouseCoopers.
Board	the Board of Directors.
Board Committees	the Audit, Compliance and Risk Management Committee and the Remuneration and Nominations Committee.
Chair	Alan Watson, the Chair of the Board.
Company	Pinnacle Investment Management Group Limited.
Company Secretary	Calvin Kwok, who held the position during the 2019 financial year.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Deutsche Australia	Deutsche Australia Limited, which held an 18.8% shareholding in the Company at the start of the 2016 financial year. As at the date of this report, Deutsche Australia no longer has any shareholding in the Company.
Directors	Directors of Pinnacle Investment Management Group Limited.
EOSP	Pinnacle Investment Management Group Employee Option Share Plan.
Firetrail	Firetrail Investments Pty Limited.
Foundation	the Pinnacle Charitable Foundation.
FUM	funds under management.
Group or Pinnacle Group	Pinnacle and the entities that it controlled during the 2019 financial year.
Hyperion	Hyperion Asset Management Limited.
Key Management Personnel	the individuals identified as such on page 30 of the 2019 Annual Report.
LTI	long-term incentives offered to individuals who are staff of the Group.
Longwave	Longwave Capital Partners Pty Limited.
Managing Director	Ian Macoun, who was appointed as an executive director on 25 August 2016.
Metrics or MCP	Metrics Credit Partners Pty Limited.
New Loans	is a reference to the loans more fully described at page 43.

Term	Meaning
NPAT	net profit after tax.
NPBT	net profit before tax.
NTA	net tangible assets.
Omega	Omega Global Investors Pty Limited.
Palisade	Palisade Investment Partners Limited.
PIML	Pinnacle Investment Management Limited, the principal operating subsidiary of the Group.
PIML Acquisition	the transaction approved by shareholders on 16 August 2016, pursuant to which the Company acquired the 24.99% equity stake in PIML it did not already own.
PIML LTI Scheme	the long-term incentive scheme described on page 32 of the 2019 Annual Report.
Pinnacle or PNI	Pinnacle Investment Management Group Limited.
Pinnacle Omnibus Plan	the Pinnacle Omnibus Incentive Plan described on page 32 of the 2019 Annual Report.
Plato	Plato Investment Management Limited.
Principal Investments	investments made by the Group in listed and unlisted equities and unit trusts on its own behalf.
Resolution Capital	Resolution Capital Limited.
Riparian	Riparian Capital Partners Pty Limited.
Securities business	the corporate finance, equity capital markets, institutional sales, research and private wealth management businesses previously owned by the Company and now known as Wilsons Advisory.
Sellers	each of Macoun Superannuation Fund Pty Ltd as trustee for the Macoun Superannuation Fund, Macoun Generation Z Pty Ltd as trustee for the Macoun Generation Z Family Trust, Usinoz Pty Ltd as trustee for the Ihlenfeldt Family Trust, AJF Squared Pty Ltd as trustee for the AJF Squared Family Trust, Andrew Chambers and Fleur Chambers as trustee for the Andrew C Chambers Family Trust, Adrian Whittingham as trustee for the Whittingham Family Trust, Mark Cormack and Melanie Cormack as trustee for the Cormack Family Trust and Dellreid Pty Limited as trustee for the Dell Family Trust.
Solaris	Solaris Investment Management Limited.
Spheria	Spheria Asset Management Pty Limited.
STI	short-term incentives.
Two Trees	Two Trees Investment Management Pty Limited.



02/12

Chair's Letter

Dear Fellow Shareholders

At Pinnacle, we are not soothsayers of financial markets. What we are seeking to do on your behalf is develop a business that will continue to prosper in all market conditions, and which, whilst not being immune to a challenging environment, will be increasingly resilient to it, and thus allow shareholders to benefit across the whole cycle. We believe this resilience is enhanced when we increase our diversity of asset classes under management, increase the diversity of sources of funds under management, retain a healthy percentage of funds under management exposed to performance fees, and maintain a robust balance sheet which would assist us to consider opportunities that would be expected to present themselves in challenging market conditions. With this in mind, before commenting on the specific detail of the past year's results, it may be useful to reflect on the medium-term mission that Pinnacle described to its new shareholders when it became a pure play listed Funds Management Group in 2016, and consider our progress towards those goals over the past three years.

In an Investor presentation dated 2 June 2016 (available on our website) it was stated that:

- Pinnacle was a multi-affiliate investment management firm with a mission to establish, grow and support a diverse stable of world-class fund managers.
- FUM was \$19.25 billion as at 30 April 2016.
- Pinnacle's net profit after tax 1HFY16 was \$4.7 million.

And that Pinnacle's strategy was to:

- Continue to provide high-quality distribution, Responsible Entity and infrastructure services.
- Support its affiliated fund managers' high standards.
- Remain focused on investing, to enable continued strong performance and FUM growth.
- Grow retail FUM.
- Continue to assess third-party distribution and new boutique opportunities.

It is for shareholders to judge our progress, but it should be noted that as at 30 June 2019 Pinnacle consisted of 13 Affiliates, offering a wide range of asset classes, with aggregate FUM of \$54.3 billion, and FY19 NPAT of \$30.5 million. In FY19 shareholders will benefit from 15.4 cents of fully franked ordinary dividends per share, which compares to 3.3 cents of fully franked ordinary dividends per share in FY16, a compound growth rate of 67% pa over the period.

Turning to the specifics of the 2019 financial year, Pinnacle continued its strong growth, with FUM, earnings and dividends all growing substantially. Existing Affiliates have grown their FUM (Horizon 1), additional Affiliates and investment strategies have been added (Horizons 2 and 3), and resourcing levels have been prudently expanded to cater for current and future growth, including in new markets.

NPAT from continuing operations was \$30.5 million (up 32% from the 2018 financial year), which represented basic earnings per share of 18.3 cents, up 28% from the 2018 financial year. Similarly, total fully franked dividends declared for the year rose 33% to 15.4 cents per share. In addition, Pinnacle retained a strong and flexible balance sheet, with cash and principal investments of \$51.2 million at the end of the year (up from \$31.4 million at 30 June 2018).

Aggregate Affiliate revenues grew 41% to \$236.8 million. Performance fees represented only 6.5% of Affiliates' revenues this year. 94% of the Affiliates' strategies and products that have a track record of at least five years outperformed their benchmarks over the five years to 30 June 2019, although shorter term investment performances were more mixed, ranging from some very strong performances to some weaker performances over shorter time periods.

Further details of funds flows can be found within the report itself but, in summary, net funds inflows totalled \$6.5 billion, including \$2.9 billion of retail net inflows, and overall aggregate Group FUM increased 43% to

Pinnacle continued its strong growth, with Funds Under Management, earnings and dividends all growing substantially.

\$54.3 billion at the end of the year (an increase of 25% if the 'acquired' FUM is excluded). Retail net inflows included \$1 billion raised in LICs/LITs during the year.

Early in the financial year (in late July 2018) the acquisitions of a 35% interest in Metrics Credit Partners, and 40% of Omega Global Investors were completed. Metrics in particular has had a busy and successful year, having grown FUM by 50% to \$3.8 billion, including raising \$845 million in LIT funds, launched several new products (the MCP Credit Trust, MCP Income Opportunities Trust (ASX: MOT), MCP Wholesale Investment Trust and the MCP Wholesale Income Opportunities Trust), and deployed significant growth capital. Currently all Metrics funds have outperformed their benchmarks over all time periods. Metrics will be expanding into new distribution channels in the coming year (launching an unlisted retail managed fund for the 'intermediated retail / platform market' and creating an offshore fund for international institutional investors). The market opportunity for non-bank lenders continues to grow as banks face increased regulatory headwinds and the investment appetite for private debt accelerates, both in Australia and offshore.

These acquisitions were funded by an institutional placement of new equity in July 2018, raising \$60 million, and a \$10 million Share Purchase Plan.

Whilst we comment in the Overview, Operating and Financial Report on individual Affiliates in detail, it is worth noting that recently established Affiliates, Spheria and Firetrail, have both grown rapidly since inception, with Spheria, a small cap manager, having grown to FUM of \$1.2 billion (up 70% during the 2019 financial year) and Firetrail having achieved FUM of \$4.4 billion from just \$74 million at the beginning of the financial year. All of our longer established Affiliates have also experienced FUM growth during the year, assisted by equities markets, both domestic and global, which finished the year significantly higher than they began the year, notwithstanding the substantial drop during the September – December 2018 period. Firetrail and Spheria were both profitable during the year and now pay Pinnacle for the Pinnacle services of which they avail themselves.

There has been substantial media comment this year on challenges confronting Australian institutional fund managers, driven by continuing amalgamations of large

Australian superannuation funds, the 'insourcing' of funds management functions by some of those funds, some increased adoption of index funds, and ongoing pressure for reductions in the fees paid to fund managers. Indeed, during the 2019 financial year a number of Australian fund managers have 'closed their doors', with these trends partly blamed for the failure of some of those firms. It is reasonable for shareholders to ask whether these represent serious problems for Pinnacle and Pinnacle Affiliates. Whilst these trends do impact us to some degree, we believe it is important that shareholders see these in perspective and recognise that their impact on Pinnacle is likely to be modest over the foreseeable future. That is not to say that we are complacent or oblivious to them – on the contrary, we have for some years been vigilant in relation to them, and we continue to be very keen observers of (indeed, participants in) those markets, and our strategies have been designed with these trends in mind. Pinnacle will continue to evolve both in response to and in anticipation of these market developments, and we would note:

- We have a very diversified client base (78 institutional separate account clients, 95 institutional separate accounts across our Affiliates).
- Retail FUM continues to grow, both in absolute terms and as a proportion of our total FUM.
- Given the strong growth in FUM in our industry (especially large superannuation funds) it is not unreasonable, and very manageable, that basis point fees may trend lower – however, aggregate fees continue to grow with growing FUM.
- Our Affiliates restrict capacity wherever appropriate, and consequently are better placed to receive higher fees in capacity-constrained strategies.
- Large superannuation funds continue to be willing to pay substantial fees for investment strategies and managers that produce attractive investment performance.
- Performance fees can often be a 'win-win' and provide attractive economics for our strongly performing managers.
- We continue to diversify our asset class offerings.
- We are diversifying the markets into which we are offering our investment strategies.

Although our institutional client base is diversified, and whilst we have consistently stated that net inflows from the institutional market are very lumpy, our FY19 aggregate Affiliates institutional sales were not as strong as we might have expected at the beginning of the year. The reality is that in any given year a subset of our Affiliates accounts for the majority of our overall net inflows – this year it was Firetrail and Antipodes; last year it was Resolution Capital, Solaris and Antipodes. Encouragingly, we enter the new financial year with a substantial pipeline of institutional sales prospects. For one reason or another several large mandates, that we had expected to receive during the 2019 financial year, have been delayed and are now anticipated in the new financial year.

We have entered the 2020 financial year as a substantially larger and more profitable company than when we commenced the 2019 financial year.

As I mentioned above, equities markets fell substantially during the four-month period to 31 December 2018 (the S&P/ASX 300 index was down 10.8% and the MSCI World index was down 12.9% over that period), although those markets did recover strongly by year-end (in fact, over the full year to 30 June 2019, the S&P/ASX 300 index was up 6.8% and the MSCI World index was up 3.6%). As I indicated in my Chair's letter last year, whilst it is evident that we would not be immune to a severe deterioration in market conditions, we recognise that our defence against such an event is to work with our Affiliates to create the best conditions within them, where exceptional investment professionals can deliver outstanding investment performance. Also helpful in this regard is the fact that now approximately 30% of all Affiliate FUM has the potential to earn performance fees, with none of those performance fees dependent on the performance of the market (they are all based on performance relative to benchmarks). In

addition, we will strive to continue to achieve strong net fund inflows in both the retail and the institutional markets in Australia, as well as continuing to further develop our early distribution efforts in offshore markets.

As we have consistently stated, we will continue to invest in activities which we believe will bring substantial benefits over the medium term, whilst recognising that such investment may constrain our profits to some degree in the short term. In addition, we will remain vigilant to potential opportunities that may arise, including potentially as a result of changes in the funds management industries, both domestically (for example, as a result of Royal Commission fallout) and internationally (for example, as a result of Brexit, trade tensions and other disruptive forces). We will nevertheless continue to adhere to our 'high hurdle' criteria in evaluating Horizon 3 opportunities.

Pinnacle continues to hold fundamental, that in order to deliver excellent investment performance for our clients, we must retain the best people, within both the Affiliates and our Company. These people have elected to work within our business model and culture, which we believe will continue to deliver long-term benefits both for shareholders and for investors in our funds. Given the recruitment and advancement of a substantial number of new executives during the past couple of years, the Board, and shareholders, approved a new set of LTI arrangements during the year to ensure that the interests of our executive group are directly aligned with external, long-term shareholders through common long-term equity ownership. The Board thanks all of the respective teams for their commitment to the business and the success that they have achieved to date and remains determined to sustain the environment that will allow the continuation of that success.

Finally, I would like to thank you, our shareholders, for the continued support that you have shown to us throughout the year, including in the equity capital raisings undertaken early in the financial year just completed. We have entered the 2020 financial year as a substantially larger and more profitable company than when we commenced the 2019 financial year.

We look forward to welcoming you to the Company's Annual General Meeting, which will be held in Sydney on 31 October 2019.

Yours sincerely



Alan Watson

6 August 2019

03/12

Overview, Operating and Financial Report

Nature of operations and principal activities

Pinnacle is a leading Australia-based multi-affiliate investment management firm. Our mission is to establish, grow and support a diverse stable of world-class investment management firms.

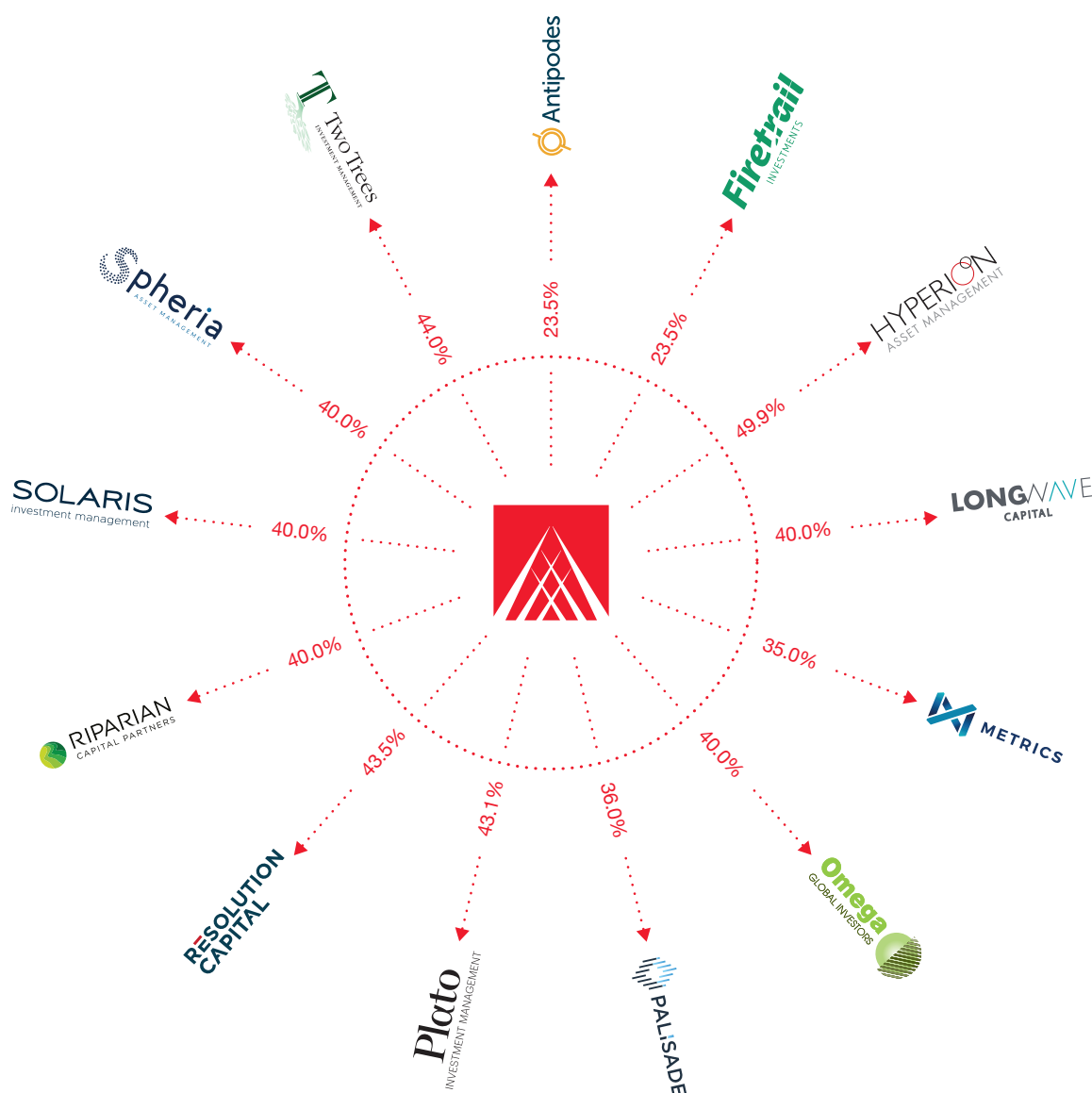
Established in its current form in 2006, Pinnacle currently consists of 13 investment Affiliates. At 30 June 2019, the Pinnacle Affiliates collectively managed approximately \$54.3 billion in assets across a diverse range of asset classes. Pinnacle provides its Affiliates with:

- equity, seed capital and working capital;
- superior distribution services, business support and responsible entity services to allow investment managers to focus on delivering investment outperformance; and
- independence, including separate management reporting structures and boards of directors, whilst still offering the economies of scale and financial support inherent in being part of a larger investment group.

The principal activities of the Group during the 2019 financial year were:

- developing and operating investment management businesses; and
- providing distribution services, business support and responsible entity services to the Pinnacle Affiliates.

The diagram below shows the Pinnacle Affiliates and Pinnacle's ownership stake in each as at the date of this report:



Note: In respect of Omega, Firetrail, Longwave and Spheria, the percentage represents Pinnacle's total shareholding in the Affiliate. Pinnacle currently holds (or will hold) less than 1% of the voting shares in the Affiliate. However, it has full economic rights in respect of its holding.

**\$236.8
million Affiliate
revenues**

**NPAT
of \$30.5
million**

**\$54.3
billion
in FUM**

**18.3c
earnings
per share**

**9.3c
fully franked
final dividend**

Key financial highlights

During the 2019 financial year, the Group held shareholdings (through its principal operating subsidiary, PIML) of between 23.5% and 49.9% in each of the Pinnacle Affiliates, which together have \$54.3 billion in FUM as at 30 June 2019.

In the 2019 financial year:

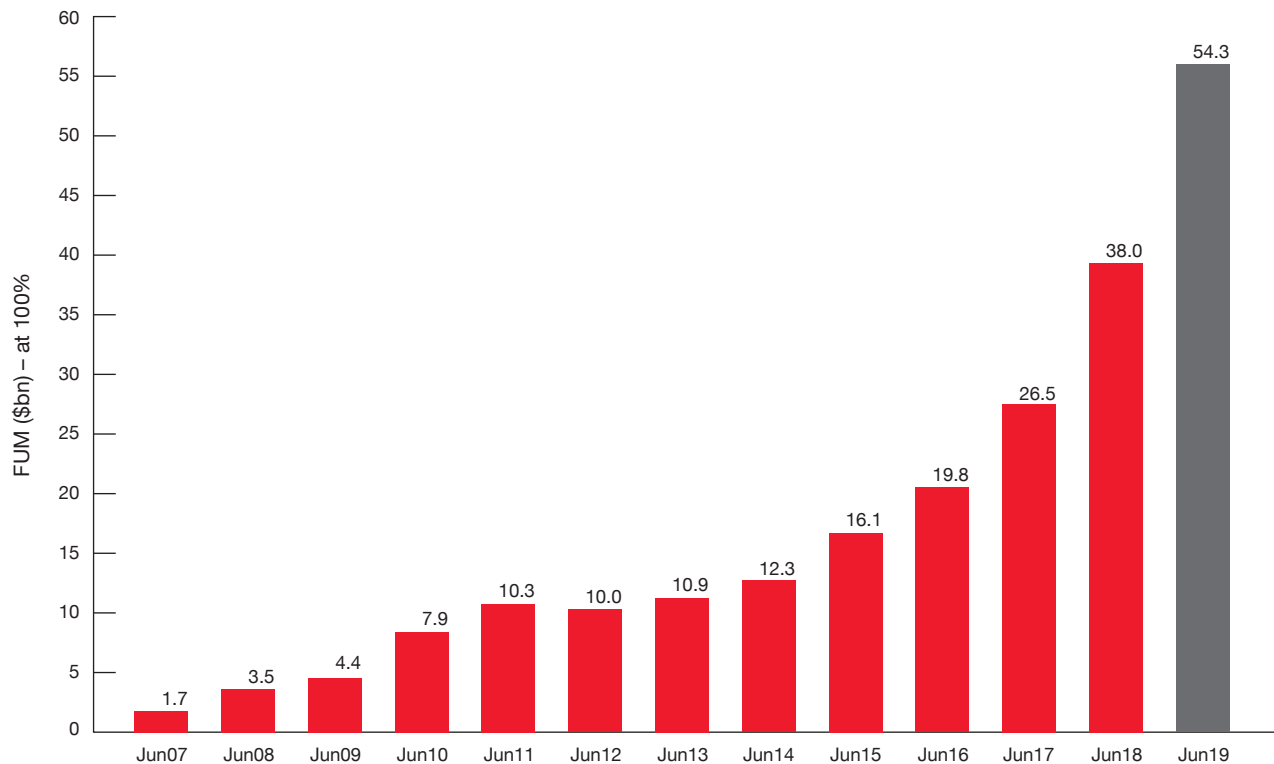
- Pinnacle Affiliates generated aggregate revenues of \$236.8 million, up 40.6%. Of this, \$15.3 million was performance fees.
- Pinnacle generated NPAT from continuing operations attributable to shareholders of \$30.5 million, up 32.0% from \$23.1 million in the prior year.
- Pinnacle's share of NPAT from Pinnacle Affiliates was \$33.1 million, up 32.9% on the prior year.

The table below outlines the performance of the Pinnacle Group for the 2019 and 2018 financial years:

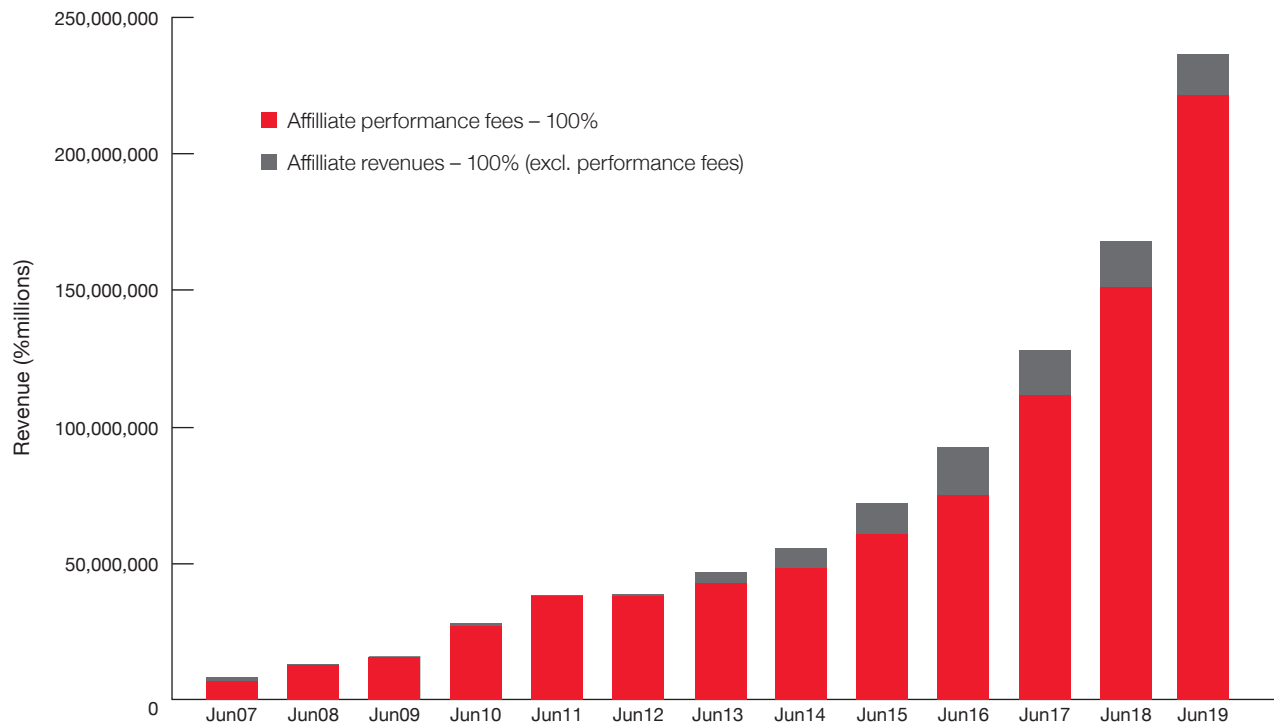
	FY2019 (\$m)	FY2018 (\$m)
Pinnacle Affiliates (100% aggregate basis)		
FUM (\$billion)*	54.3	38.0
Revenue (\$million)	236.8	168.4
Net profit before tax	123.1	88.9
Tax expense	(34.0)	(27.3)
Net profit after tax	89.1	61.6
Pinnacle		
Revenue	21.1	16.5
Expenses	(23.7)	(18.3)
Share of Pinnacle Affiliates net profit after tax	33.1	24.9
NPBT from continuing operations attributable to shareholders	30.5	23.1
Taxation	-	-
NPAT from continuing operations attributable to shareholders	30.5	23.1
Discontinued operations	0.0	0.3
Total profit attributable to shareholders	30.5	23.4
Earnings per share:		
From continuing operations	18.3	14.3
Total attributable to shareholders	18.3	14.5

*Non-statutory measure

Pinnacle Affiliates – FUM Growth¹



Pinnacle Affiliates – Revenue Growth²



¹ Pinnacle FUM includes 100% of FUM managed by Pinnacle Affiliates.

² Revenue shown is 100% of all Pinnacle Affiliates' revenue. This is shown to indicate trend and excludes revenue derived by Pinnacle itself.

Pinnacle's focus during the year was on continuing to support each of the Pinnacle Affiliates and assisting them to grow their business and profitability.

Pinnacle Affiliates

Once again, Pinnacle focused strongly on continuing to support each of the Pinnacle Affiliates and assisting them to grow their business and profitability. To enable this, Pinnacle's resourcing was increased significantly during the year both in distribution and in infrastructure services. The quality of the Pinnacle Affiliates was again affirmed and demonstrated during the year. Following is an overview of each of the Pinnacle Affiliates during the 2019 financial year:



Antipodes Partners

Antipodes Partners is a pragmatic value manager of global equities (long and long-short) founded in 2015 by Jacob Mitchell, former Deputy Chief Investment Officer of Platinum Asset Management, together with a number of former colleagues and like-minded value investors.

Antipodes aspires to grow client wealth over the long term by generating absolute returns in excess of the benchmark at below market levels of risk. Antipodes' approach seeks to take advantage of the market's tendency for irrational extrapolation around change, identify great businesses that are not valued as such and build high conviction portfolios with a capital preservation focus.

Antipodes continued to experience strong inflows in the 2019 financial year. During the year, Antipodes established NZ-based portfolio investment entity (PIE) funds, additional investment vehicles in the Cayman Islands and Ireland and Antipodes Global Shares (Quoted Managed Fund) (ASX: AGX1), an active ETF quoted on the Australian Securities Exchange, to provide further access channels for onshore and offshore investors. As at 30 June 2019 Antipodes had \$9.1 billion in funds under management.



Firetrail Investments

Firetrail is an investment management boutique founded in 2018. The firm was established with a goal to align its people with their clients. Importantly, the firm is majority owned by its investment staff and the team is invested alongside their clients in the investment strategies.

While founded in 2018, the Firetrail staff have a long successful track record of investing in equities. Prior to establishing Firetrail, the portfolio management team including Patrick Hodgins, Blake Henricks and James Miller worked together at Macquarie for over a decade. The team were responsible for managing the highly successful Macquarie High Conviction Fund, which was one of the top-performing Australian equity funds over the medium and long term.

The Firetrail Australian High Conviction Fund and the Firetrail Absolute Return Fund have been running since 14 March 2018. Firetrail has experienced strong early inflows. As at 30 June 2019 funds under management were \$4.4 billion.



Hyperion Asset Management

Hyperion Asset Management exists to help clients protect and grow their capital over the long term. When investing capital in listed companies on its clients' behalf, Hyperion has the mindset of long-term business owners, not short-term traders. The average holding period for the companies in their portfolios is 10 years and long-term sustainability of the businesses Hyperion invests in is core to its philosophy.

The Hyperion Global Growth Companies Strategy was established in 2014 for wholesale investors. Based on the strong performance record of the strategy, it was opened to retail investors during the 2019 financial year. As at 30 June 2019, the fund has outperformed its benchmark by 9.7% (since inception, gross of fees). Hyperion's total funds under management at 30 June 2019 were \$6.6 billion.



Longwave Capital Partners

Longwave is a boutique investment manager that is dedicated to delivering superior, long-term results through the innovative combination of technology, experience and insight.

David Wanis and Jai Beathe are the founders of Longwave. Together, they have a long history of designing, building and managing highly successful investment strategies. From pioneering the Schroders Australia small and micro-cap strategies to running global multi-asset portfolios they have worked with a broad range of institutional, retail, charitable and sovereign wealth fund clients.

The Longwave Australian Small Companies Fund, Longwave's active and diversified portfolio of high-quality small companies that has been built through the combination of quantitative discipline and fundamental insight, launched on 1 February 2019.



Metrics

Metrics is a leading Australian non-bank corporate lender and alternative asset manager specialising in fixed income, private credit, equity and capital markets. Through its managed funds Metrics provides unrivalled access to the highly attractive Australian private debt market to investors ranging from individuals to global institutions.

Metrics launched its first wholesale fund in 2013 and is the manager of a number of wholesale investment trusts in addition to the MCP Master Income Trust (ASX: MXT), which successfully listed on the ASX in October 2017. Metrics' second ASX-listed vehicle, MCP Income Opportunities Trust (ASX: MOT), started trading in April 2019. Pinnacle acquired an equity interest in Metrics in August 2018, having been its distribution partner for a number of years. Assets under management at 30 June 2019 were \$4.6 billion, of which FUM was \$3.8 billion.



Omega Global Investors

Omega's "Smart Beta Plus" approach optimises exposures to factors that are researched to be return drivers while controlling common risk, thereby ensuring investors are appropriately rewarded.

Omega believes the benefits derived from Smart Beta Plus are compelling, providing the opportunity for investors to improve investment outcomes via a low-cost and systematic approach. Omega offers smart beta, factor-based investing across bonds, equities, FX and cash. Pinnacle acquired an equity interest in Omega in July 2018. As at 30 June 2019 Omega had FUM of \$4.3 billion.



Palisade Investment Partners

Palisade provides institutional investors with access to Australian infrastructure projects through tailored portfolios and co-mingled funds. Palisade's multi-disciplinary and experienced team focuses on attractive mid-market assets that are essential to the efficient functioning of the communities and economies they serve.

Palisade manages investments in assets within the Transport, Energy, Utilities, Renewables, Agri-infrastructure, and Social (PPP) sectors. Each asset is specifically targeted in sectors where Palisade believes it can exhibit a competitive advantage.

As at 30 June 2019, funds under management and investor commitments totalled approximately \$2.9 billion across Palisade's three pooled funds and separately managed accounts. Palisade's flagship fund, Palisade's Diversified Infrastructure Fund, generated a gross return of 10.5% for the year, including 7.7% yield.



Plato Investment Management

Plato was founded in Sydney, Australia, in 2006 and is majority owned and operated by its investment staff. Plato is a stable, research-led organisation focused on and aligned to client outcomes. The firm's strategies today encompass global and Australian equities that are tailored to specific investor objectives of wealth accumulation, income generation and downside protection.

In a difficult year for active management in Australia, Plato's tax-exempt and income strategies performed strongly, whilst its core and enhanced strategies slightly underperformed. With record low interest rates, Plato is seeing increased demand for its Australian shares income strategy now that the proposed reform to franking credit refunds is no longer being considered by the federal government.



Resolution Capital

Resolution Capital is a specialist global real estate securities manager with a successful long-term investment track record. The firm was established in 2004 and is headquartered in Sydney, Australia and maintains an office in New York. The firm is a value-orientated investment manager with the objective of delivering superior risk adjusted long-term returns, compared with recognised industry benchmarks. This is achieved through investment in a concentrated portfolio of carefully selected listed real estate securities with an emphasis on avoiding fundamental flaws which could reasonably result in permanent impairment of the underlying investments.

The firm continues to grow its investment and operational capabilities. During the year the firm launched a Collective Investment Trust for US-domiciled ERISA qualified pension plans and continues to diversify its client base and grow its funds sourced from international markets.

Funds under management were \$8.3 billion as at 30 June 2019.



Riparian Capital Partners

Riparian is a specialist water, agriculture and food investment firm, established in early 2019 with the specific purpose of identifying, acquiring and managing investments across the agricultural sector.

Riparian's investment team has extensive experience in agriculture, finance and asset management, predominantly in Australia but also covering the United States and Asia-Pacific. The team has proven its ability to identify key areas for operational efficiency, expansion and redevelopment of assets while driving value through active management of water portfolios and exposures.

SOLARIS

investment management

Solaris Investment Management

Solaris is a style neutral, Australian equities fund manager. The Solaris team consists of a diverse and experienced group of investment professionals. Solaris analysts are empowered as portfolio managers, making them fully accountable for their investment ideas and decisions. Solaris' tried and tested investment process offers Core, High Alpha and Long Short strategies with after-tax investment as a specialty.

Solaris had \$9.1 billion in funds under management as at 30 June 2019 with incremental funds coming from new and existing clients and investment performance. Solaris' core strategy has outperformed the S&P/ASX 200 Index by 2.0% per annum since inception on 9 January 2008 (to 30 June 2019). The information ratio for the strategy is notably strong over 3 years, 5 years and since inception.

Launched in the 2017 financial year, investors in the Solaris Australian Equity Long Short Fund have benefited from strong investment performance since inception of 19.9% per annum against the S&P/ASX 200 Index returning 11.3% per annum over the same period.



Spheria Asset Management

Spheria is a fundamental-based investment manager specialising in small and microcap companies. Spheria specifically seeks out businesses where the present value of future free cash flows can be reasonably ascertained and the underlying security is trading at a discount to its intrinsic value. Spheria's mission is to achieve strong investment performance for its clients with an emphasis on risk management.

At 30 June 2019 Spheria had \$1.2 billion in funds under management.



Two Trees Investment Management

Two Trees is an investment management firm that specialises in systematic global macro investing. Two Trees' mission is to help institutions, advisers, and individuals around the world grow their long-term wealth and attain genuine portfolio diversity for when they need it most.

Two Trees' competitive edge is in fusing together a deep philosophical understanding of financial economics with rigorous scientific techniques for forecasting returns, risk, and volatility, and the way in which they change through time.

Two Trees' Global Macro strategy is available through Australian and Cayman Islands domiciled vehicles, with a UCITS fund due to launch imminently.

Funds under management at 30 June 2019 were \$245 million.

Business strategies and prospects for future financial years

We continue to build Pinnacle by taking a measured approach to growth. We are focusing on supporting the growth of our current Affiliates with increased investment in distribution channels (for example, in international and listed markets) and infrastructure. We will also continue to invest in and seed new Affiliates where management teams have a strong track record and growth potential.

Economic conditions and material business risks

The material business risks facing the Group are equity market conditions and regulatory risk.

Equity market conditions

The Group's results and outlook are influenced by prevailing equity market conditions and, to a lesser extent, by broader economic trends and investor sentiment.

There was considerable turbulence in domestic and global equity markets during the 2019 financial year, with sharp declines in the last quarter of calendar year 2018 reversing equally sharply in the first quarter of calendar year 2019. The S&P/ASX 300 closed the year at close to its pre-GFC high. Despite the strong end to the financial year, the market declines during the first half did impact management fee revenues within our Affiliates.

There remain numerous global and domestic risks, with the prospect of escalating trade tensions threatening to impact on global growth prospects. Whilst it is evident that we would not be immune to a severe deterioration in market conditions, we recognise that our defence against such an event is to work with our Affiliates to create the best conditions within them where exceptional investment professionals can deliver outstanding investment performance. Also helpful in this regard is the fact that approximately 30% of all Affiliate FUM has the potential to earn performance fees, with none of those performance fees dependent on the performance of the market (they are all based on performance relative to benchmarks).

Whilst the past year has presented challenges for short-term returns, importantly, long-term performance remains excellent across all Affiliates.

Regulatory risk

The Group operates within a highly regulated environment. The Group remains vigilant in regards to regulatory requirements which are continually evolving and, in response, Pinnacle will continue to develop its business model to accommodate the changing environment within which it operates. We continue to invest in our Risk and Compliance function.

Review of Group Results

Group net profit after tax from continuing operations attributable to shareholders for the 2019 financial year is \$30.5 million. Total profit attributable to shareholders is also \$30.5 million with discontinued operations now all but concluded.

- The Group delivered a \$30.5 million net profit from continuing operations attributable to shareholders for the 2019 financial year, a 32.0% improvement. This was underpinned by a 32.9% increase to \$33.1 million in Pinnacle's share of net profits from the Pinnacle Affiliates. FUM increased by 42.9% to \$54.3 billion in the 2019 financial year, which includes \$6.8 billion 'acquired' in the Metrics and Omega transactions in July 2018.
- Group net tangible assets have increased by 80.5% to \$177.1 million with earnings per share of 18.3 cents up 28.0% from 14.3 cents from continuing operations.
- The Board has declared a fully franked final dividend of 9.3 cents per share payable on 4 October 2019.

Statement of Comprehensive Income

The following commentary provides an analysis of revenues and expenses for the 2019 financial year for continuing operations in comparison to the prior comparative period.

During the 2019 financial year, the Group's revenues and expenses were derived from Pinnacle and its controlled entities, which excludes the revenues and expenses of the Pinnacle Affiliates, the effect of which is reflected through Pinnacle's share of the equity accounted net profits.

Revenue from Continuing Operations

Revenue from continuing operations increased \$4.6 million to \$21.1 million, from \$16.5 million in the prior period. Further information regarding revenues are provided below and at note 1 of the financial statements.

Gains/(losses) on financial assets at fair value through profit or loss

This reflects the mark-to-market gains or losses on the Group's Principal Investments.

During the year to 30 June 2019, the Group gained a net \$2.7 million on its Principal Investments, on a 'marked to market' basis.

Expenses from Continuing Operations

During FY19, the Group has invested significantly to support future growth. Employee benefits expense increased \$4.2 million to \$12.4 million, mainly through increased headcount. Pinnacle invested in additional distribution and infrastructure staff to support existing Affiliates, and in preparation for future growth.

Share of net profit of jointly controlled entities

Share of net profit of jointly controlled entities accounted for using the equity method relates to the Group's share of the profits of the Pinnacle Affiliates which are equity accounted. Pinnacle's share of the net profits after tax from Pinnacle Affiliates is up 32.9% or \$8.2 million on the prior comparative period. Pinnacle Affiliates' FUM, which underpins the share of Pinnacle Affiliates' profits, increased by 42.9% to \$54.3 billion in the 2019 financial year, which includes \$6.8 billion 'acquired' in the Metrics and Omega transactions in July 2018. Underlying base management fees within the Pinnacle Affiliates also increased 46.4% on the prior comparative period. Further information is provided in note 21 to the financial statements.

Discontinued Operations

Discontinued operations contributed a \$0.04 million increase to NPAT. This represents the gain on the balance received from the Securities business for use of the deferred tax asset transferred on separation. This balance was recognised within other comprehensive income in the prior comparative period and was reclassified to form part of retained earnings at 1 July 2018 on adoption of AASB 9. The gain on the receipt of the funds during the current financial year was recognised in the statement of comprehensive income. There are no further payments due from the Securities business in relation to this item.

Consolidated Statement of Financial Position

The following commentary provides an analysis of assets and liabilities for the 2019 financial year for continuing operations.

Cash. Cash and cash equivalents increased by \$17.4 million to \$26.7 million at year-end compared to \$9.3 million at the end of the prior year. Cash inflows from operating activities were \$20.9 million, which included dividends received from Affiliates of \$27.0 million, compared with \$17.7 million in the prior year. Further information is provided at notes 6 and 23. The Group also completed a successful capital raising in July 2018, raising a net \$67.5m. \$48m was deployed in the Metrics and Omega transactions, with a further \$6.9m deployed to other Affiliates in accordance with Pinnacle's commitments under various shareholders' agreements in place.

Trade and other receivables. The value of trade and other receivables increased by \$5.5 million during the year largely due to an increase in income receivable, which relates directly to higher revenues in Pinnacle. Further information is provided at note 7 of the financial statements.

Financial assets at fair value through profit or loss were \$24.5 million, an increase of \$2.2 million on the prior period. During the year, Pinnacle has continued to support its Affiliates in both equity recycling and through

the provision of seed and foundation FUM for strategies managed by our Affiliates. Of the \$24.5 million, \$23.2 million is held in strategies managed by Pinnacle Affiliates. The Group has partially hedged its exposure to movements in the underlying indices.

Assets held at amortised cost increased by \$0.2 million to \$2.2 million at year end. This balance includes loans to entities under joint control. Further information is provided at note 9 of the financial statements.

Investments accounted for using the equity method reflects the carrying value of Pinnacle's investments in the Pinnacle Affiliates. This increased by \$57.7 million during the period to \$113.4 million. The change is attributable to the equity accounted profits of \$33.1 million from Pinnacle Affiliates, less the dividends received from the Pinnacle Affiliates of \$27.0 million, plus additional net capital contributed to the Pinnacle Affiliates during the year of \$51.3 million (including the \$48 million deployed in the Metrics and Omega transactions), plus impairment reversals of \$0.3 million. Further information is provided at note 21 of the financial statements.

Trade and other payables increased by \$2.6 million to \$8.5 million, which relates directly to higher costs in Pinnacle. Further information is provided at note 12 of the financial statements.

Provisions. The value of current and non-current provisions increased by \$0.3 million compared with the prior year, which relates directly to the increase in staff costs. Further information is provided at note 13 of the financial statements.



04/12

Community

Pinnacle is passionate about enabling better lives through investment excellence. This belief is reflected through Pinnacle's strong commitment – together with the Affiliates – towards partnering with the Pinnacle Charitable Foundation to drive positive, long-term social change. For the 2019 financial year, Pinnacle made cash contributions of \$311,000 (FY18: \$225,000) to the Foundation, with the Pinnacle Affiliates contributing a further \$110,000 to Foundation projects in collaboration (FY18: \$66,000).

Pinnacle Charitable Foundation

The Foundation operates as an independent public ancillary fund (PuAF), with a vision to help build a compassionate, creative and clever Australia. To achieve this, the Foundation and its forerunners have for 30 years maintained a commitment to actively grow the capacity and sustainability of inspiring Australian not-for-profit (NFP) organisations.

In every partnership, the Foundation's aim has been to facilitate the delivery of solutions which can be analysed and assessed, strengthened and scaled. As an early stage backer that frequently offers seed funding to encourage trials and incubate new projects, the Foundation has often been able to invest in the future of young, passionate charities as they seek to make a real difference within their communities.

With the financial backing of Pinnacle and access to extensive pro bono services across investment management, portfolio reporting, finance and IT, the Foundation operates with low overheads and high impact. Its investment strategy aims to provide reasonable capital protection whilst driving growth over the longer term, with investments held in a range of suitable products offered across Affiliates. These include funds offering franking credits, monthly income streams, global exposure and a range of non-equity exposed assets. As part of their broad commitment to the Foundation, all Affiliates rebate management fees associated with its management of investments for the Foundation.

This access to expertise, insight and market knowledge creates excellent opportunities for the Foundation to help improve the lives of those who need support – through partnering with professional, well-governed organisations so they can achieve greater results and focus on what matters most to them.

Affiliates collaborate with the Foundation to donate directly to eligible NFP organisations which actively demonstrate alignment with the interests of each Affiliate's employees, clients, investors and business strategies. During the 2019 financial year donations totalling \$306,000 were made by the Foundation, increased by a further \$110,000 from Affiliates. These funds have supported the ongoing efforts of charity partners working across Australia within the following five designated areas of focus:

- promotion of strong mental health awareness and support for prevention / early intervention strategies

aimed at reducing mental illness and driving down suicide rates;

- support for children from a range of environments who face acute and/or systemic disadvantage;
- legal assistance and advocacy for victims of sexual abuse and domestic violence;
- development of access to corporate supply chains and procurement initiatives for remote and Indigenous communities; and
- capacity building for world-leading medical researchers seeking treatments and cures for children's genetic diseases.

Detailed activities of the Foundation and all current charity partnerships can be found at <http://www.pinnacleinvestment.com/foundation>

Workplace giving

During the year, Pinnacle and a number of Affiliates continued to offer employee payroll giving, with donations made through salary sacrifice being matched by employers. Over the financial year this regular, monthly giving resulted in \$42,000 being donated to 44 charities.

In the month of May, Pinnacle hosted a special appeal in support of the Foundation, offering to give triple the amount of all donations made by employees across the Group via the Workplace Giving platform. A total of \$17,600 was generated, taking the program's total for FY19 to just under \$60,000.

Collaboration

Substantial additional support is provided by Pinnacle and Affiliates through other initiatives, reflecting their strong adherence to broad ESG (environmental, social and governance) principles. In FY19 this included Pinnacle and Plato's engagement with women studying finance through the provision of scholarships across several leading universities, and Antipodes' continued provision of pro bono investment services to the Future Generation Global Investment Company Limited (ASX: FGG).

Pinnacle also supports and sponsors events together with Affiliates and the wider funds management industry, where there is strategic relevance to Pinnacle's business operations, interests and values.

05/12

Directors' Profiles



Alan Watson

(Non-executive Independent Chair; member of Remuneration and Nominations Committee) BSc, GAICD.

Mr Watson joined the Board on 15 July 2013 and became Chair on 23 October 2015. Mr Watson is a Sydney-based former investment banker with 35 years of experience within various global equity markets. Over this period he established, directed and was responsible for the conduct of securities business both in Europe and Asia advising many companies on capital structuring, initial public offerings, takeovers and mergers and investment relations strategies.

Mr Watson has held positions as Managing Director at Barclays de Zoete Wedd Limited, Donaldson, Lufkin & Jenrette Securities Corporation, at Lehman Brothers Holdings Inc and as Head of Securities Europe for Macquarie Capital (Europe) Ltd.

Mr Watson is also an Independent Director of Airboss of America, listed on the Toronto Stock Exchange; an Independent Non-Executive Director of Australis Oil and Gas, listed on ASX; and Chair of The Winifred West Schools Foundation.

ASX Listed Company Directorships held in last 3 years (current & recent):

- Director of Australis Oil & Gas
- Director of Aurora Oil and Gas

Interests in shares and options

- 130,936 ordinary shares



Ian Macoun

(Managing Director) CFA, B Com, MFM, Dip FinSer (FP), FCPA, FAICD

Mr Macoun was appointed as Managing Director of the Company on 17 August 2016 and an executive director on 25 August 2016, having been the managing director and chair of Pinnacle since 2006. Mr Macoun's career to date has included more than 25 years as the CEO and chief investment officer of investment management firms, including the establishment of Australia's first "multi-boutique" funds management firm (Perennial Investment Partners – founding Managing Director from 1998), building a major new investment corporation (Queensland Investment Corporation; inaugural Chief Executive from 1988), and the management of a major Australian bank's investment operation (Westpac Investment Management; Managing Director from 1993).

Mr Macoun's early experience, in more than 10 years at Queensland Treasury, included extensive involvement with many major Australian and international financial market participants, and the Queensland Government's commercial participation in many major industrial development projects during the late 1970s and the 1980s. He was a First Assistant Under Treasurer when he moved to build and lead QIC.

Mr Macoun is also a director of the following Pinnacle Affiliates: Antipodes, Hyperion, Metrics, Palisade, Plato, Resolution Capital and Solaris.

ASX Listed Company Directorships held in last 3 years (current & recent):

- None

Interests in shares and options

- 27,654,085 ordinary shares in the Company
- 375,000 options



Deborah Beale AM

(Non-executive Independent Director, Chair of Remuneration and Nominations Committee and member of the Audit, Compliance and Risk Management Committee) B Comm, Grad Dip App Fin, MBA

Ms Beale began her working career in the finance industry where she was employed by Merrill Lynch for over a decade. She then moved to Ernst & Young where she specialised in risk management, governance and public and government relations. Ms Beale also served and continues to serve on a number of government, public, private and not-for-profit boards. Her broad experience includes the areas of finance, corporate governance, risk management, government and public relations.

Ms Beale is also the Chair of Federation Square Pty Ltd, Chair of Hyperion Asset Management Limited, Chair of Hyperion Holdings Limited and a director of Visit Victoria, Victorian Ports Corporation (Melbourne) and The Production Company.

ASX Listed Company Directorships held in last 3 years (current & recent):

- None

Interests in shares and options

- 105,668 ordinary shares in the Company



Lorraine Berends

(Non-executive Independent Director and member of Audit, Compliance and Risk Management Committee and Remuneration and Nominations Committee) B Sc, FIAA and FASFA

Ms Berends has worked in the financial services industry for over 35 years and possesses extensive experience in both investment management and superannuation. Before moving to a non-executive career in 2014 she worked for 15 years with US-based investment manager Marvin & Palmer Associates. Ms Berends contributed extensively to industry associations throughout her executive career, serving on the boards of the Investment Management Consultants Association (IMCA Australia, now the CIMA Society of Australia) for 13 years (seven as Chair) and the Association of Superannuation Funds Australia (ASFA) for 12 years (three as Chair). Ms Berends has been awarded Life Membership of both IMCA Australia and ASFA. She holds a BSc from Monash University, is a Fellow of the Actuaries Institute and a Fellow of ASFA.

Ms Berends is an independent non-executive director of Antipodes Global Investment Company Limited, Plato Income Maximiser Limited, Spheria Emerging Companies Limited and Hearts and Minds Investments Limited (listed investment companies). She is a company appointed director of Qantas Superannuation Limited and a director of MDC Foundation Limited (a not-for-profit company).

ASX Listed Company Directorships held in last 3 years (current & recent):

- Antipodes Global Investment Company Limited
- Plato Income Maximiser Limited
- Spheria Emerging Companies Limited
- Hearts and Minds Investments Limited

Interests in shares and options

- 11,944 ordinary shares in the Company



Gerard Bradley

(Non-executive Independent Director and Chair of the Audit, Compliance and Risk Management Committee and member of the Remuneration and Nominations Committee) B Com, Dip Adv Acc

Mr Bradley is Chair of Queensland Treasury Corporation and related companies, having served for 14 years as Under Treasurer and Under Secretary of the Queensland Treasury Department. He has extensive experience in public sector finance in both the Queensland and South Australian Treasury Departments.

Mr Bradley has substantial board experience, including 10 years as Chair of QSuper, and a wide range of directorships of major government financial and commercial corporations. Since 2012, he has worked in non-executive director roles in the public and private sectors.

Mr Bradley is also a Fellow of the Australian Institute of Company Directors, CPA Australia, Australian Institute of Chartered Accountants and Institute of Managers and Leaders.

ASX Listed Company Directorships held in last 3 years (current & recent):

- Star Entertainment Group Limited

Interests in shares and options

- 55,691 ordinary shares in the Company



Andrew Chambers

(Executive Director) MSc, B Arts (Hons), Grad Dip App Fin

Mr Andrew Chambers was appointed as Executive Director to the Company on 1 September 2016 and has been a senior executive with Pinnacle since he commenced with the firm in March 2008. Mr Chambers has extensive multi-channel (retail, wholesale and institutional) and multi-jurisdictional distribution experience and is currently responsible for leading the firm's institutional and international distribution strategy and execution. Prior to joining Pinnacle, Mr Chambers worked for Legg Mason, one of the world's largest pure play, multi-affiliate investment management firms.

Mr Chambers is also a director of the following Pinnacle Affiliates: Metrics, Omega, Riparian and Two Trees.

**ASX Listed Company Directorships
held in last 3 years (current & recent):**

- None

Interests in shares and options

- 5,525,414 ordinary shares in the Company
- 375,000 options



Adrian Whittingham

(Executive Director) B Bus

Prior to joining the Company in 2008, Mr Whittingham was Director, Head of Retail Sales with Schroder Investment Management in Sydney, from 2002 to April 2008. At Schroders Mr Whittingham was responsible for leading the business's direction and engagement with researchers, consultants, dealer groups and private clients.

Prior to Schroders, Mr Whittingham spent eight years at Zurich in product, research and business development roles.

Mr Whittingham is also a director of the following Pinnacle Affiliates: Firetrail, Hyperion, Longwave and Spheria.

**ASX Listed Company Directorships
held in last 3 years (current & recent):**

- None

Interests in shares and options

- 4,325,414 ordinary shares in the Company
- 375,000 options

06/12

Directors' Report

Your directors present their report on the Group, consisting of the Company and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

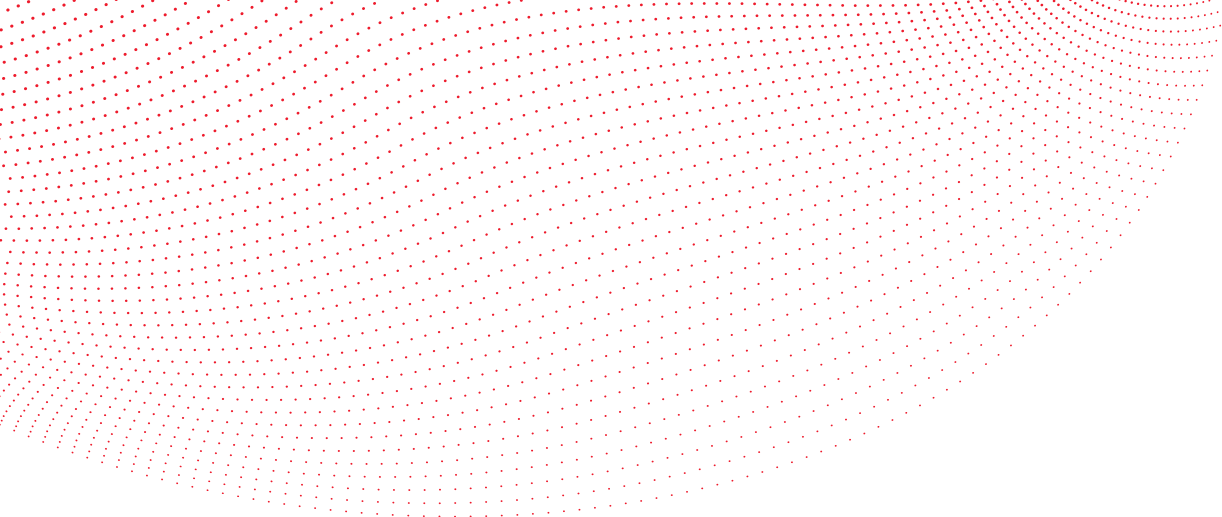
The directors of the Company during the whole of the financial year and up to the date of this report were:

- Mr A Watson
- Mr I Macoun
- Ms D Beale AM
- Ms L Berends (appointed 1 September 2018)
- Mr G Bradley
- Mr A Chambers
- Mr A Whittingham
- Mr S M Wilson AM (resigned 18 October 2018)

Information on the qualifications, experience and responsibilities of the directors is included in the directors' profiles on pages 22 to 25 of the 2019 Annual Report.

Earnings per share

	2019 Cents	2018 Cents
From continuing operations		
Basic earnings per share	18.3	14.3
Diluted earnings per share	17.1	13.2
Total attributable to shareholders		
Basic earnings per share	18.3	14.5
Diluted earnings per share	17.1	13.4



Dividends

In the 2019 financial year, the following dividends were paid:

- a fully franked final dividend of 7.0 cents per share on 5 October 2018.
- a fully franked interim dividend of 6.1 cents per share on 22 March 2019.

Since the end of the financial year, the Company has declared:

- a fully franked final dividend of 9.3 cents per share, to be paid on 4 October 2019.

Operating and Financial Review

The Operating and Financial Review can be found at pages 8 to 19 of the 2019 Annual Report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the reporting period.

Matters subsequent to the end of the financial year

Other than as outlined in note 28 of the financial statements at page 88, there has not arisen in the interval between the end of the financial year and the date of this directors' report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect:

- the Group's operations in future financial years; or
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

Remuneration Report

The Group's 2019 Remuneration Report sets out remuneration information for the Group's non-executive directors and Key Management Personnel.

The Remuneration Report contains the following sections:

- 01 Letter from the Chair of the Remuneration and Nominations Committee
- 02 Key Management Personnel
- 03 Role of Remuneration and Nominations Committee
- 04 Executive remuneration policy and framework for the Company
- 05 Links between performance and outcomes
- 06 Details of Executive Key Management Personnel remuneration
- 07 Executive service agreements
- 08 Non-executive director remuneration
- 09 Share-based payment compensation
- 10 Equity instrument disclosures relating to Key Management Personnel
- 11 Loans to Key Management Personnel
- 12 Equity Capital

Information in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act.

01 Letter from the Chair of the Remuneration and Nominations Committee

Dear Fellow Shareholders

In presenting shareholders with the 2019 Remuneration Report, we thought it would assist if we again summarise the philosophy underpinning our remuneration structures and practices and highlight key recent developments.

Responsibility

The Board is responsible for the remuneration of the directors and employees of Pinnacle and its controlled entities. The Board does not set the remuneration of the senior executives or employees of our Affiliates, as these arrangements are the responsibility of their respective boards, are generally negotiated prior to the establishment of each Affiliate and are subject to formal agreements in each case. The board of each Affiliate includes at least one representative of Pinnacle.

Philosophy

We believe that Pinnacle's success is inextricably linked to our ability to attract and retain a consistently high-quality management team, operating in a flexible and entrepreneurial environment, within which individual behaviours and interests of our executive group are directly aligned with external long-term shareholders through common long-term equity ownership. This philosophy has been applied to Pinnacle since its foundation in 2006.

Whilst this has been delivered to executives in a combination of base salary, short-term incentive and long-term incentive, it is worth noting that a consistent characteristic of Pinnacle LTI arrangements over the past decade has been the longevity of service required for executives to access the full benefits of these schemes. Our original LTI plan, established in 2009, required executives to stay with us for six years to earn the full equity awards. Similarly, its successor plan, currently in place and approved by shareholders in 2015, vested a proportion of its awards in January 2018, but requires our senior executives to be employed by Pinnacle until the end of 2020 (31 January 2020 for Mr Macoun) to get the full benefit of these arrangements.

We have previously stated that as a consequence of the long-term nature of these provisions, shareholders should expect there will be years when little or no new LTI will be awarded (as was the case during the three years ended 30 June 2018) and there may be years (such as the current financial year) when a more substantial LTI will be required, amongst other things, to accommodate new significant hires, promote and retain existing high-performing employees and reset provisions that are expiring. The Board approved a new LTI scheme (the Pinnacle Omnibus Plan), consistent with this philosophy, on 22 August 2018, which was then affirmed by shareholders on 18 October 2018. This scheme is summarised in this letter and detailed at page 32 of the Remuneration Report.

Applying our philosophy to 2019 financial year results

The outcome for the 2019 financial year can be summarised as follows:

- there has been a modest increase in fixed remuneration for two KMP (Andrew Chambers, from \$400,000 including superannuation, to \$425,000 including superannuation, an increase of 6.25%; and Alex Ihlenfeldt, from \$300,000 including superannuation, to \$320,000 including superannuation, an increase of 6.7%), the first increases since 2015. The fixed remuneration of the Managing Director, Ian Macoun, and Executive Director, Adrian Whittingham, remains unchanged (and has not been changed since 2015).
- a new LTI scheme (the Pinnacle Omnibus Plan) was approved by the Board on 22 August 2018. The weighted average price of the shares issued under the Pinnacle Omnibus Plan during the 2019 financial year was \$6.45 per share.
- STIs reflecting the assessment of performance were paid to KMP in relation to the 2019 financial year (refer to the table on page 34). In considering these, the Board noted:
 - growth in basic earnings per share from continuing operations of 27.8%
 - growth in NPAT from continuing operations to \$30.5m (2018: \$23.1m)
 - 43% growth in funds under management to \$54.3bn (2018: \$38.0bn), which includes FUM 'acquired' in the Metrics and Omega transactions of \$6.8bn. FUM growth was 25%, excluding this acquired FUM
 - net funds under management inflows of \$6.5bn (2018: \$7.9bn)
 - retail net funds under management inflows of \$2.9bn (2018: \$2.2bn)
 - we are clear that 'results matter' in determining remuneration. Whilst a lot of good work has been done during the year, and our business and profits have grown significantly, we have fallen short of the expectations we set ourselves and it is important that we recognise this. A number of factors have impacted on our results, some outside of our control, but our job is to deliver strong results for our shareholders and clients. It is on this basis that we are remunerated. We are accountable for the outcomes.

Historical Remuneration Outcomes

New shareholders in particular may not be familiar with the circumstances that have driven certain historical remuneration outcomes, and we felt it would be helpful to give some background to two specific matters. These are:

- the PIML LTI Schemes
- various related party loans

Shareholder approval for these matters has been previously sought and granted; hence these matters appear in the Remuneration Report as a matter of historical record.

PIML LTI Scheme – 2015 and 2019

Shareholders approved the participation of certain KMP in the LTI on 26 June 2015. Under this approval, executives received a combination of PIML equity and options in the Company. The options, 50% of which remain in place, were issued at a strike price which was at a premium to the then prevailing share price. Further details are set out at pages 32 to 33. No new options have been issued as part of the PIML LTI Scheme since 2015; however 50% of these options vested to executives in January 2018, and the balance are due to vest in 2020.

Given this background, and the recruitment and advancement since 2015 of a substantial number of new executives, the Board approved a new set of LTI arrangements (the Pinnacle Omnibus Plan) on 22 August 2018. The new LTI scheme and awards to executive directors under this scheme were approved by shareholders at the AGM on 18 October 2018. The key characteristics of the new scheme are:

- Instrument: Non-recourse loan funded acquisition of new equity in Pinnacle, as well as options in the Company for overseas employees.
- Scheme size: 4.8m loan shares and 0.25m options have been issued to employees, of which 1.7m loan shares have been allocated to KMP following shareholder approval at the AGM. Awards were made to 21 executives.
- Vesting conditions: combination of employment tenure for all awards and earnings per share growth for a portion of the awards, with the proportions varying dependent on the seniority of each particular role in Pinnacle.

These new arrangements are detailed on page 32 of the Remuneration Report.

Related party loans

As shareholders will recall, the PIML Acquisition, which involved a “swap” of PIML equity held by a number of PIML senior executives for newly issued equity in the Company, was approved by shareholders on 16 August 2016.

As part of the acquisition, the Company reissued existing loans to PIML executives which had previously allowed executives’ prior purchases of PIML equity, and issued the New Loans to PIML senior executives totalling \$3 million for the express purpose of acquiring additional equity from Deutsche Bank. The key terms of the aforementioned loans are set out on page 36.

The Company’s approach to remuneration will be regularly reviewed to ensure continued alignment with the Company’s strategy and growth. We hope you find the Remuneration Report that follows to be instructive and helpful.



Deborah Beale AM

Chair of Remuneration and Nominations Committee

02 Key Management Personnel

This Remuneration Report provides details of the remuneration of the Key Management Personnel of the Group for the year ended 30 June 2019. The Key Management Personnel for this period are listed in the tables below:

Executive Key Management Personnel

<i>Name</i>	<i>Position</i>
Ian Macoun	Managing Director and Executive Director
Andrew Chambers	Executive Director
Adrian Whittingham	Executive Director
Alex Ihlenfeldt	Chief Operating Officer and Chief Financial Officer

Non-executive Key Management Personnel

Current

<i>Name</i>	<i>Position</i>
Alan Watson	Chair
Steve Wilson AM (resigned on 18 October 2018)	Non-executive Director
Lorraine Berends (appointed on 1 September 2018)	Non-executive Director
Deborah Beale AM	Non-executive Director
Gerard Bradley	Non-executive Director

In accordance with the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* (Cth), the Key Management Personnel of the Group for the year ended 30 June 2019 comprised:

- each non-executive director of the Company;
- Ian Macoun, Andrew Chambers and Adrian Whittingham, each being executive directors of the Company;
- Alex Ihlenfeldt as Chief Operating Officer and Chief Financial Officer of the Company.

03 Role of Remuneration and Nominations Committee

The Remuneration and Nominations Committee is a committee of the Board. The Committee performs its role consistent with the overall objective of ensuring maximum shareholder benefit from the retention of a high-quality, high-performing Board and executive team. Its responsibilities during the 2019 financial year included the following:

- reviewing and making recommendations in relation to the Group's remuneration policies and practices to ensure that the Group provides a competitive and flexible remuneration structure, fairly and responsibly rewards employees, recognises categories of financial and non-financial performance, links reward to the creation of shareholder value, adopts an appropriate balance between fixed remuneration, short-term incentives and long-term incentives;
- reviewing executive remuneration and incentives and making recommendations to the Board in relation to share option schemes and equity participation plans;
- setting the terms and conditions of the employment of the Managing Director, advising the Board on the Managing Director's remuneration package, reviewing the performance of the Managing Director at least annually including progress made towards achieving the Group's strategic goals;
- reviewing the remuneration of non-executive directors for serving on the Board or any committee (both individually and in total) and recommending to the Board the remuneration and retirement policies for non-executive directors having regard to market trends and shareholder interests;
- setting the entitlements and expenses policy for the Chair, non-executive directors and the Managing Director;
- ensuring the Group's remuneration policies and practices comply with the provisions of the ASX Listing Rules and the Corporations Act and have regard to the ASX Principles;
- facilitating the review of individual directors' performance and of the Board annually;
- making recommendations to the Board concerning the appointment of new directors and, to the extent delegated to it by the Board, the Managing Director;
- identifying individuals who, by virtue of their experience, expertise, skills, qualifications, backgrounds, contacts or other qualities, are suitable candidates for appointment to the Board or to any relevant management position and recommending individuals accordingly for consideration by the Board;
- preparing, recommending for approval by the Board and overseeing the implementation of the Company's diversity policy; and
- on an annual basis, reviewing the proportion of women who are employed by the Company and submitting a report to the Board outlining its findings.

During the 2019 financial year, the Remuneration and Nominations Committee received recommendations on the remuneration for employees from Mr Macoun, the Managing Director. These recommendations were reviewed and, following discussion, recommendations were made to the Board.

The Charter for the Remuneration and Nominations Committee is incorporated in the Company's Corporate Governance Board Charters which can be found on the Company's website at <http://www.pinnacleinvestment.com/shareholders-investor-centre/>

04 Executive remuneration policy and framework for the Company

The Board remains focused on achieving sustainable growth and attractive returns for investors in the medium-to-long term. During the 2019 financial year, it has adopted a remuneration framework consisting of base salary, short-term incentives and long-term incentives and a remuneration policy which is aimed to motivate and retain highly skilled executives and align their interests with shareholders.

Base salary

Base salary is structured as a package, which may be delivered as a combination of cash and prescribed non-financial benefits and includes superannuation contributions.

Executives are offered a competitive base salary that comprises a fixed component of pay and rewards. An executive's base salary is reviewed on promotion or a substantial change in responsibilities.

There are no guaranteed base salary increases included in any executive's contract.

During the 2019 financial year, two executive Key Management Personnel received modest increases to their base salary (Andrew Chambers, from \$400,000 including superannuation, to \$425,000 including superannuation, an increase of 6.25%; and Alex Ihlenfeldt, from \$300,000 including superannuation, to \$320,000 including superannuation, an increase of 6.7%), the first increases since 2015. The fixed remuneration of the Managing Director, Ian Macoun, and Executive Director, Adrian Whittingham, remains unchanged (and has not been changed since 2015) as detailed on page 28.

Short-term incentives (STI)

An STI is a discretionary 'at risk' cash incentive payment which is paid to executives and employees on an annual basis and in accordance with remuneration policies and the terms and conditions of employment.

The Remuneration and Nominations Committee is responsible for reviewing recommendations from the Managing Director for STI and recommending them to the Board for approval.

Long-term incentives (LTI)

LTI are designed to encourage alignment of the interests of staff with increased value to shareholders in the long term. Participants are granted LTI, which only vest subject to specific conditions being met at the end of the vesting period.

LTI awards are granted at the Board's discretion following recommendations from the Remuneration and Nominations Committee, which has responsibility for reviewing recommendations made by the Managing Director in relation to LTI awards.

Omnibus incentive plan

On 22 August 2018 the Board approved the Pinnacle Omnibus Incentive Plan which constitutes a new set of LTI arrangements that provide for the ability to offer options, performance rights and loan funded shares to staff.

Senior executives will principally be offered loan funded ordinary shares in the Company, whereby the Company will provide limited recourse loans to senior executives to acquire shares at their current market value at the time of grant. The shares only vest once the employee remains employed with the Group for five years from the time of grant, with a portion vesting only upon the satisfaction of the following performance condition: the Company's earnings per share grows by an average annual growth rate of at least 15% per annum over the five-year period.

While LTI grants have historically been comprised of options granted under the EOSP, LTI will be granted under the Omnibus Incentive Plan going forward as it has been designed to follow best practice long-term incentive plans in the market and provides the Board with greater flexibility to award LTI that enhance the alignment of the interests of staff and shareholders.

Options component

In December 2014, the Company negotiated the PIML LTI Scheme with the senior executive shareholders of PIML. In July 2015, and as part of the PIML LTI Scheme, the Company issued 4.25 million options in the Company to senior executives under the EOSP at a strike price of 98.6 cents per share, calculated as the higher of the Company's NTA as at 1 January 2015 plus a premium of 20%, or the volume weighted average price of the Company's fully paid ordinary shares from 1 December 2014 to 31 March 2015.

50% of the options vested on 1 January 2018 and the balance are due to vest on 1 January 2020 with a six-month exercise period. Any options that remain unexercised at the end of the exercise period will lapse. The options are subject to clawback arrangements and bad leaver provisions. The participation of certain Key Management Personnel in this scheme was approved by shareholders on 26 June 2015.

Equity component

As part of the PIML LTI Scheme, in May 2015 the Company sold 4.29% of its equity in PIML to senior executives, subject to clawback arrangements. As part of the PIML Acquisition, this equity was 'swapped' for equity in the Company and a deed of acknowledgment was put in place, the effect of which is to roll over and preserve the long-term retentive nature of the PIML LTI Scheme by continuing the service conditions. In particular, should the relevant executives of the Group cease employment prior to certain dates ranging from March 2017 to December 2020, they will be required to forfeit and repay any increases in the value of certain equity holdings based on a pre-agreed formula. The PIML Acquisition, including the terms of these equity arrangements for senior executives, was approved by shareholders on 16 August 2016.

05 Links between performance and outcomes

During the 2019 financial year, the Managing Director conducted performance reviews of senior executives and made recommendations to the Remuneration and Nominations Committee in respect of their STIs. In making those recommendations, regard was had to the Group, team and individual performance relative to expectations (both financial and non-financial) over the period.

The table below shows key financial performance indicators which described the progress of the Group's performance during the 2019 financial year and over the last five financial years.

Key indicators of the Company's progress towards achieving its medium-term objectives included:

- growth in earnings per share from continuing operations of 27.8% in the 2019 financial year
- growth in NPAT from continuing operations attributable to shareholders from \$23.1 million in the 2018 financial year to \$30.5 million in the 2019 financial year
- increase in FUM from \$38.0bn as at 30 June 2018 to \$54.3bn as at 30 June 2019
- net FUM inflows of \$6.5bn during the 2019 financial year
- net retail FUM inflows of \$2.9bn during the 2019 financial year
- 94% of Affiliate strategies and products that have a track record of at least five years outperformed their benchmarks over the five years to 30 June 2019
- two new Affiliates, Riparian and Longwave, commenced during 2019, and the equity stakes in Metrics and Omega were also successfully acquired

	2019	2018	2017	2016	2015
Net profit/(loss) after tax from continuing operations attributable to shareholders (\$m)	30.5	23.1	12.0	5.8	(5.5)
Funds Under Management (FUM) (\$bn)*	54.3	38.0	26.5	19.8	16.0
Net FUM Inflows*	6.5	7.9	4.9	2.1	2.3
Net Retail FUM Inflows*	2.9	2.2	2.5	0.6	0.5
Closing share price (\$)	4.38	5.37	2.90	1.45	1.20
Dividend per share (cents)	15.40	11.60	7.00	3.30	1.60
Basic earnings per share (cents) from continuing operations	18.3	14.3	8.1	5.2	(5.2)
Diluted earnings per share (cents) from continuing operations	17.1	13.2	7.6	5.2	(5.2)

*Non-statutory measure

Note: In the 2015 year NPAT from continuing operations was reduced by \$9.4 million relating to the derecognition of deferred tax assets.

06 Details of Executive Key Management Personnel remuneration

The relative weightings of the three remuneration components for Key Management Personnel are set out in the table below for the year to 30 June 2019:

	% of total remuneration		
	Fixed remuneration	Performance-based remuneration	
		STI	LTI
Ian Macoun	52%	38%	10%
Andrew Chambers	41%	33%	26%
Adrian Whittingham	55%	28%	17%
Alex Ihlenfeldt	49%	35%	16%

Ian Macoun

In the 2019 financial year, Mr Macoun's base salary remained unchanged at \$600,000 per annum (inclusive of superannuation) and he earned an STI of \$450,000 (inclusive of superannuation). STI is a performance incentive of up to 100% of base salary awarded on the basis of meeting business and strategic objectives. Mr Macoun's salary has remained unchanged since the 2016 financial year.

In addition and in accordance with the terms of the PIML LTI Scheme described on page 32, on 1 July 2015 the Company granted 750,000 options over its ordinary shares to Mr Macoun. This grant of options was subject to shareholder approval given at an extraordinary general meeting on 26 June 2015.

In 2019, the Company also granted 300,000 loan shares under the Pinnacle Omnibus Plan described on page 32. This issue of loan shares was subject to shareholder approval given at the annual general meeting on 15 November 2018.

Andrew Chambers

In the 2019 financial year, Mr Chambers's base salary was increased from \$400,000 to \$425,000 per annum, the first increase since 2015 (inclusive of superannuation) and he earned an STI of \$318,750 (inclusive of superannuation). STI is a performance incentive of up to 100% of base salary awarded on the basis of meeting business and strategic objectives.

In addition and in accordance with the terms of the PIML LTI Scheme described on page 32, on 1 July 2015 the Company granted 750,000 options over its ordinary shares to Mr Chambers.

In 2019, the Company also granted 800,000 loan shares under the Pinnacle Omnibus Plan described on page 32. This issue of loan shares was subject to shareholder approval given at the annual general meeting on 15 November 2018.

Adrian Whittingham

In the 2019 financial year, Mr Whittingham's base salary remained unchanged at \$400,000 per annum (inclusive of superannuation) and he earned an STI of \$200,000 (inclusive of superannuation). STI is a performance incentive of up to 100% of base salary awarded on the basis of meeting business and strategic objectives.

In addition and in accordance with the terms of the PIML LTI Scheme described on page 32, on 1 July 2015 the Company granted 750,000 options over its ordinary shares to Mr Whittingham.

In 2019, the Company also granted 300,000 loan shares under the Pinnacle Omnibus Plan described on page 32. This issue of loan shares was subject to shareholder approval given at the annual general meeting on 15 November 2018.

Alex Ihlenfeldt

In the 2019 financial year, Mr Ihlenfeldt's base salary was increased from \$300,000 to \$320,000 per annum, the first increase since 2015 (inclusive of superannuation) and he earned an STI of \$240,000 (inclusive of superannuation). STI is a performance incentive of up to 100% of base salary awarded on the basis of meeting business and strategic objectives.

In addition and in accordance with the terms of the PIML LTI Scheme described on page 32, on 1 July 2015 the Company granted 425,000 options over its ordinary shares to Mr Ihlenfeldt. This grant of options was subject to shareholder approval given at an extraordinary general meeting on 26 June 2015.

In 2019, the Company also granted 300,000 loan shares under the Pinnacle Omnibus Plan described on page 32. This issue of loan shares was subject to shareholder approval given at the annual general meeting on 15 November 2018.

Remuneration details for Executive Key Management Personnel (calculated in accordance with applicable accounting standards) are set out in the table below:

Name	Short-term employee benefits			Post-employment benefits		Total short-term and post-employment benefits	Long-term benefits	Share-based payments		Total	Portion of remuneration at risk – STI %	Portion of remuneration at risk – LTI %
	Cash salary & fees \$	Cash bonus (STI) \$	Non-monetary benefits \$	Superannuation \$	Retirement benefits \$			Options & rights (LTI) \$	Termination benefits \$			
Managing Director												
Ian Macoun												
2019	575,000	450,000	-	25,000	-	1,050,000	9,910	117,250	-	1,777,160	38%	10%
2018	575,000	600,000	-	25,000	-	1,200,000	9,910	97,744	-	1,307,654	46%	7%
Other Key Management Personnel												
Andrew Chambers												
2019	400,000	318,750	-	25,000	-	743,750	(20,843)	254,876	-	977,783	33%	26%
2018	375,000	400,000	-	25,000	-	800,000	(14,663)	97,984	-	883,321	45%	11%
Adrian Whittingham*												
2019	375,000	200,000	-	25,000	-	600,000	(11,689)	119,545	-	707,856	28%	17%
2018	359,616	400,000	-	25,000	-	784,616	6,604	97,984	-	889,204	45%	11%
Alex Ihlenfeldt												
2019	295,000	240,000	-	25,000	-	560,000	7,595	109,949	-	677,544	35%	16%
2018	275,000	300,000	-	25,000	-	600,000	9,349	75,678	-	685,027	44%	11%
Totals												
2019	1,645,000	1,208,750	-	100,000	-	2,953,750	(15,027)	601,620	-	3,540,343		
2018	1,584,616	1,700,000	-	100,000	-	3,384,616	11,200	369,390	-	3,765,206		

*Mr Whittingham's base salary has remained unchanged since 2015. He took a short period of unpaid leave during the 2018 financial year, hence remuneration paid to him for that year was lower.

07 Executive service agreements

Remuneration and other terms of employment for Executive Key Management Personnel are formalised in service agreements.

Ian Macoun

During the 2017 financial year, and as part of the PIML Acquisition that was approved by shareholders on 16 August 2016, Ian Macoun was appointed Managing Director of the Company and entered into a new service agreement, the terms of which were substantially similar to his previous contract as Managing Director of PIML. Mr Macoun's contract provides for termination by either party upon giving three months' notice except where termination is due to misconduct. In addition, as part of the PIML Acquisition, shareholders voted to approve the payment of termination benefits to Mr Macoun in an amount of \$900,000 or 12 months' salary (whichever is higher) should Mr Macoun's employment be terminated in certain circumstances and consistent with his previous terms of employment. The termination provisions were agreed between Mr Macoun and PIML as part of his employment agreement in 2006 when he was initially employed by the Group. Termination benefits are not payable in the event of misconduct. No termination benefits were paid during the 2019 financial year.

In May 2015, PIML advanced to shareholding entities associated with Mr Macoun a loan of \$547,293 to acquire shares in PIML. The loan was unsecured, limited recourse and interest free. As part of the PIML Acquisition, this loan has been repaid and new loans reissued by the Company under the EOSP on substantially the same terms, save that it is now subject to a share mortgage.

In August 2016, as part of the PIML Acquisition which was approved by shareholders on 16 August 2016, the Company advanced to Mr Macoun's nominated shareholding entity a loan of \$500,000 for the express purpose of acquiring shares in the Company in the secondary market from Deutsche Australia. This loan is interest bearing and subject to a five-year term, limited recourse and secured by way of a share mortgage. Repayment will occur at the earlier of the end of the five-year term, the date on which any of the underlying shares are sold or within six months of the cessation of Mr Macoun's employment. Events of default under the loan include cessation of employment.

In November 2018, 300,000 loan shares were issued to Mr Macoun under the Pinnacle Omnibus Plan, approved by the Board on 22 August 2018. The shares are subject to service and performance conditions and will vest after three years, if the conditions are met. The loans are interest free and limited in recourse to the shares. They are repayable 10 years from grant date, on termination of employment or when the underlying equity is sold, whichever occurs earlier.

Andrew Chambers

Andrew Chambers, an executive director of the Company, is engaged under an employment agreement dated 9 March 2008 and subsequently amended on 7 May 2015 and 25 August 2016. The contract provides for termination by either party on at least three months' notice except where termination is due to misconduct.

In June 2009, July 2011 and January 2012, PIML advanced to Mr Chambers' nominated shareholding entity, three unsecured, limited recourse and interest free loans to acquire shares in PIML. The loans were immediately repayable if Mr Chambers ceased employment with the Company or sold some or all of his shares.

In May 2015, and as part of the PIML LTI Scheme, PIML advanced to Mr Chambers' nominated shareholding entity, an unsecured, limited recourse and interest free loan of \$547,293 to acquire shares in PIML. The loan included clawback and share cancellation arrangements if Mr Chambers ceased employment with the Company prior to certain key dates. As part of the PIML Acquisition which was approved by shareholders on 16 August 2016, all of the aforementioned loans were repaid and new loans reissued by the Company under the EOSP on substantially the same terms, save that they are now subject to various share mortgages.

In August 2016, as part of the PIML Acquisition, the Company advanced to Mr Chambers' nominated shareholding entity a loan of \$500,000 for the express purpose of acquiring shares in the Company in the secondary market from Deutsche Australia. This loan is interest bearing and subject to a five-year term, limited recourse and secured by way of a share mortgage. Repayment will occur at the earlier of the end of the five-year term, the date on which any of the underlying shares are sold or within six months of the cessation of Mr Chambers' employment. Events of default under the loan include cessation of employment.

In November 2018, 800,000 loan shares were issued to Mr Chambers under the Pinnacle Omnibus Plan, approved by the Board on 22 August 2018. The shares are subject to service and performance conditions and will vest after five years, if the conditions are met. The loans are interest free and limited in recourse to the shares. They are repayable 10 years from grant date, on termination of employment or when the underlying equity is sold, whichever occurs earlier.

Adrian Whittingham

Adrian Whittingham, an executive director of the Company, is engaged under an employment agreement dated 28 April 2008 and subsequently amended on 7 May 2015 and 25 August 2016. The contract provides for termination by either party on at least three months' notice except where termination is due to misconduct.

In June 2009, July 2011 and January 2012, PIML advanced to Mr Whittingham's nominated shareholding entity, three unsecured, limited recourse and interest free loans to acquire shares in PIML. The loans were immediately repayable if Mr Whittingham ceased employment with the Company or sold some or all of his shares. In May 2015, and as part of the PIML LTI Scheme, PIML advanced to Mr Whittingham's nominated shareholding entity, an unsecured, limited recourse and interest free loan of \$547,293 to acquire shares in PIML. The loan included clawback and share cancellation arrangements if Mr Whittingham ceased employment with the Company prior to certain key dates. As part of the PIML Acquisition which was approved by shareholders on 16 August 2016, all of the aforementioned loans were repaid and new loans were reissued by the Company under the EOSP on substantially the same terms, save that they are now subject to various share mortgages.

In August 2016, as part of the PIML Acquisition, the Company advanced to Mr Whittingham's nominated shareholding entity a loan of \$500,000 for the express purpose of acquiring shares in the Company in the secondary market from Deutsche Australia. This loan is interest bearing and subject to a five-year term, limited recourse and secured by way of a share mortgage. Repayment will occur at the earlier of the end of the five-year term, the date on which any of the underlying shares are sold or within six months of the cessation of Mr Whittingham's employment. Events of default under the loan include cessation of employment.

In November 2018, 300,000 loan shares were issued to Mr Whittingham under the Pinnacle Omnibus Plan, approved by the Board on 22 August 2018. The shares are subject to service and performance conditions and will vest after five years, if the conditions are met. The loans are interest free and limited in recourse to the shares. They are repayable 10 years from grant date, on termination of employment or when the underlying equity is sold, whichever occurs earlier.

Alex Ihlenfeldt

Alex Ihlenfeldt, the Chief Operating Officer and Chief Financial Officer, is engaged under an employment agreement dated 1 February 2011 and subsequently amended on 30 January 2012, 7 May 2015 and 25 August 2016. The contract provides for termination by either party on one month's notice except where termination is due to misconduct.

In January 2012, PIML advanced to Mr Ihlenfeldt's nominated shareholding entity, an unsecured, limited recourse and interest free loan of \$416,070 to acquire shares in PIML. The loan was immediately repayable if Mr Ihlenfeldt ceased employment with PIML or sold some or all of his shares. In May 2015, PIML advanced to interests associated with Mr Ihlenfeldt a loan of \$309,522 to acquire shares in PIML. The loan was interest free and limited recourse with various repayment terms on cessation of employment if before 31 December 2018 or following a sale of equity. As part of the PIML Acquisition, both of the aforementioned loans have been repaid and loans on substantially similar terms reissued by the Company under the EOSP, save that they are now subject to share mortgages.

In August 2016, as part of the PIML Acquisition which was approved by shareholders on 16 August 2016, the Company advanced to Mr Ihlenfeldt's nominated shareholding entity a loan of \$500,000 for the express purpose of acquiring shares in the Company in the secondary market from Deutsche Australia. This loan is interest bearing and subject to a five-year term, limited recourse and secured by way of a share mortgage. Repayment will occur at the earlier of the end of the five-year term, the date on which any of the underlying shares are sold or within six months of the cessation of Mr Ihlenfeldt's employment. Events of default under the loan include cessation of employment.

In November 2018, 300,000 loan shares were issued to Mr Ihlenfeldt under the Pinnacle Omnibus Plan, approved by the Board on 22 August 2018. The shares are subject to service and performance conditions and will vest after five years, if the conditions are met. The loans are interest free and limited in recourse to the shares. They are repayable 10 years from grant date, on termination of employment or when the underlying equity is sold, whichever occurs earlier.

08 Non-executive director remuneration

The structure of non-executive director remuneration is separate and distinct from that of executive remuneration.

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain non-executive directors with the appropriate skills and experience while incurring a cost that is acceptable to shareholders and other stakeholders.

Non-executive directors' fees are determined within an aggregate non-executive directors' fee pool limit, with any increase in the fee pool requiring approval by shareholders. The current aggregate fee pool currently stands at \$600,000 per annum and was approved by shareholders at the Company's annual general meeting on 24 October 2006. No changes were proposed or made to the aggregate fee pool during the 2019 financial year.

From the 2019 financial year, non-executive directors are able to sacrifice up to 100% of their fees in favour of immediately vesting Performance Rights under the Pinnacle Omnibus Incentive Plan, as approved at the AGM on 15 November 2018.

32,165 performance rights were granted to non-executive directors, of which 10,720 were exercised during the year. The performance rights were granted in lieu of fees.

The fees paid to non-executive directors from 1 July 2018 for Board and Committee positions are set out in the table below:

	Base fees
Chair	\$180,000
Non-executive director	\$100,000
Audit, Compliance and Risk Management Committee	
• Chair	\$15,000
• Member	\$5,000
Remuneration and Nominations Committee	
• Chair	\$15,000
• Member	\$5,000
Subsidiary Boards	\$0

Non-executive directors are not eligible to receive STI but may be eligible to participate in the EOSP. There are currently no outstanding grants to non-executive directors under the EOSP and, during the 2019 financial year, no non-executive directors participated in the EOSP.

Further details concerning the EOSP are set out on page 32.

Retirement allowances for non-executive directors

The Company does not provide retirement allowances for non-executive directors, which is consistent with the guidance contained in the ASX Principles. Superannuation contributions required under the Australian superannuation guarantee legislation are deducted from the relevant directors' overall fee entitlements where their fees are paid through payroll.

New non-executive director appointments

On appointment to the Board, new non-executive directors are provided with a letter of appointment setting out the Company's expectations, their responsibilities, rights and the terms and conditions of their engagement. All new non-executive directors participate in an induction process, which covers the operation of the Board and its committees and financial, strategic, operational and risk management issues. For further detail, refer to the Corporate Governance Statement on the Company's website.

Total remuneration for the non-executive directors in relation to the Company, Committee positions and subsidiaries for the 2019 financial year was \$554,593 and is presented in accordance with applicable accounting standards and shown in the table below:

Name	Short-term employee benefits			Post-employment benefits		Long-term benefits	Per- formance rights		Total \$	Total excluding non fee remuneration \$	Portion of remuneration at risk – STI %	Portion of remuneration at risk – LTI %
	Cash salary & fees \$	Cash bonus (STI) \$	Non-mone- tary benefits \$	Super- annuation \$	Retire- ment benefits \$	Long service leave \$	Per- formance rights \$	Term- ination benefits \$				
Non-executive directors												
Alan Watson												
2019	131,558	-	-	12,498	-	-	50,303	-	194,359	144,056	-	-
2018	100,457	-	-	9,543	-	-	-	-	110,000	110,000	-	-
Deborah Beale												
2019	86,659	-	-	8,233	-	-	20,750	-	115,642	94,892	-	-
2018	63,927	-	-	6,073	-	-	-	-	70,000	70,000	-	-
Gerard Bradley												
2019	97,032	-	-	-	-	-	22,968	-	120,000	97,032	-	-
2018	80,000	-	-	-	-	-	-	-	80,000	80,000	-	-
Steven Wilson (i)												
2019	32,925	-	-	-	-	-	-	-	32,925	32,925	-	-
2018	70,000	-	-	-	-	-	-	-	70,000	70,000	-	-
Lorraine Berends (ii)												
2019	64,764	-	-	6,153	-	-	20,750	-	91,667	70,917	-	-
2018	-	-	-	-	-	-	-	-	-	-	-	-
Totals												
2019	412,938	-	-	26,884	-	-	114,771	-	554,593	439,822	-	-
2018	314,384	-	-	15,616	-	-	-	-	330,000	330,000	-	-

(i) 2019: Mr Wilson was a Director until his resignation on 18 October 2018.

(ii) 2019: Ms Berends was appointed a Director on 1 September 2018.

09 Share-based payment compensation

Options

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods as at 30 June 2019 are as follows:

Grant Date	Category	Expiry date	Exercise period	Exercise price	Value per right/option at grant date	Number of rights/options granted during the year	Number of rights/options exercised during the year	Number of rights/options forfeited during the year	Number of rights/options at end of financial year	% Vested
1 July 2015	Options	30 Jun 20	125 days	\$0.99	\$0.32	0	0	0	1,337,000	0%

Details of options provided as remuneration to Executive Key Management Personnel are set out below. These options form part of the PIML LTI Scheme and were approved for Mr Macoun and Mr Ihlenfeldt by shareholders on 26 June 2015. Mr Chambers and Mr Whittingham were not Key Management Personnel at the date of grant and accordingly their participation did not require shareholder approval.

Name	Date of grant	Number of options/rights granted	Value (\$) of options/rights granted (i)	Vesting date	Number of options/rights vested (ii)	Value (\$) of options/rights vested (iii)	Number of options/rights forfeited/lapsed/sold	Value (\$) of options/rights forfeited/lapsed/sold
Key Management Personnel of the Group								
Ilan Macoun								
Options	1-Jul-15	375,000	\$110,663	1-Jan-18	375,000	\$1,036,500	-	-
Options	1-Jul-15	375,000	\$120,525	1-Jan-20	-	-	-	-
Subtotal		750,000			375,000	\$1,036,500	-	-
Andrew Chambers								
Options	1-Jul-15	375,000	\$110,663	1-Jan-18	375,000	\$1,036,500	-	-
Options	1-Jul-15	375,000	\$120,525	1-Jan-20	-	-	-	-
Subtotal		750,000			375,000	\$1,036,500	-	-
Adrian Whittingham								
Options	1-Jul-15	375,000	\$110,663	1-Jan-18	375,000	\$1,036,500	-	-
Options	1-Jul-15	375,000	\$120,525	1-Jan-20	-	-	-	-
Subtotal		750,000			375,000	\$1,036,500	-	-
Alex Ihlenfeldt								
Options	1-Jul-15	213,000	\$62,856	1-Jan-18	213,000	\$588,732	-	-
Options	1-Jul-15	212,000	\$68,137	1-Jan-20	-	-	-	-
Subtotal		425,000			213,000	\$588,732	-	-

(i) Fair values at grant date are calculated using a Black-Scholes option pricing model that takes into account the exercise price, the terms of the right or option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right or option. Model inputs for the grants made are set out in note 26 to the financial statements.

(ii) On the vesting of each option/right, the holder becomes entitled to receive one fully paid ordinary share in the Company on exercise of the option/right.

(iii) The amount is based on the intrinsic value of the option or right at vesting date

Loan Shares

The terms and conditions of each grant of equity and associated loan to Key Management Personnel is provided at pages 34 to 35. Details of the loan arrangements affecting remuneration in the previous, this or future reporting periods as at 30 June 2019 are as follows:

Name	Date of grant	Number of loan shares	Loan value at date of grant	Share-based payments value (i)	Vesting date	Number of shares vested	Value (\$) of shares vested (ii)	Number of shares forfeited/ lapsed/ sold	Value (\$) of shares forfeited/ lapsed/ sold
Key Management Personnel of the Group									
Ian Macoun									
Loan Shares	25-Aug-16	288,210	273,799	\$30,799	31-Dec-18	288,210	1,265,242	-	-
Loan Shares	25-Aug-16	287,888	273,494	\$33,846	31-Jan-20	-	-	-	-
Loan Shares	25-Aug-16	1,111,112	500,000	\$14,162	25-Aug-16	1,111,112	1,955,555	-	-
Loan Shares	15-Nov-18	300,000	1,697,460	\$649,587	14-Nov-21	-	-	-	-
Subtotal		1,987,210	2,744,753	\$728,394		1,399,322	3,220,797	-	-
Andrew Chambers									
Loan Shares	25-Aug-16	133,509	126,834	\$1,221	21-Mar-17	133,509	311,076	-	-
Loan Shares	25-Aug-16	288,210	273,799	\$30,799	31-Dec-18	288,210	1,265,242	-	-
Loan Shares	25-Aug-16	287,888	273,494	\$36,392	31-Dec-20	-	-	-	-
Loan Shares	25-Aug-16	1,111,112	500,000	\$14,162	25-Aug-16	1,111,112	1,955,555	-	-
Loan Shares	15-Nov-18	800,000	4,526,560	\$1,732,233	14-Nov-23	-	-	-	-
Subtotal		2,620,719	5,700,687	\$1,814,807		1,532,831	3,531,873	-	-
Adrian Whittingham									
Loan Shares	25-Aug-16	133,509	126,834	\$1,221	21-Mar-17	133,509	311,076	-	-
Loan Shares	25-Aug-16	288,210	273,799	\$30,799	31-Dec-18	288,210	1,265,242	-	-
Loan Shares	25-Aug-16	287,888	273,494	\$36,392	31-Dec-20	-	-	-	-
Loan Shares	25-Aug-16	1,111,112	500,000	\$14,162	25-Aug-16	1,111,112	1,955,555	-	-
Loan Shares	15-Nov-18	300,000	1,697,460	\$649,587	14-Nov-23	-	-	-	-
Subtotal		2,120,719	2,871,587	\$732,161		1,532,831	3,531,873	-	-
Alex Ihlenfeldt									
Loan Shares	25-Aug-16	437,968	416,070	\$74,503	30-Jan-18	437,968	2,023,412	-	-
Loan Shares	25-Aug-16	163,083	154,929	\$17,428	31-Dec-18	163,083	715,934	-	-
Loan Shares	25-Aug-16	162,761	154,623	\$20,575	31-Dec-20	-	-	-	-
Loan Shares	25-Aug-16	1,111,112	500,000	\$14,162	25-Aug-16	1,111,112	1,955,555	-	-
Loan Shares	17-Sep-18	300,000	2,187,510	\$777,184	16-Sep-23	-	-	-	-
Subtotal		2,174,924	3,413,132	\$903,852		1,712,163	4,694,901	-	-

(i) Fair values are calculated using a Black-Scholes option pricing model that takes into account the exercise price, the terms of the arrangement, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the arrangement.

(ii) The amount is based on the intrinsic value of the option or right at vesting date.

10 Equity instrument disclosures relating to Key Management Personnel

Options and rights holdings

The number of options and rights over ordinary shares in the Company held during the 2019 financial year by the directors of the Company and other Key Management Personnel of the Group, including personally related parties, are set out below:

	2019	2018
Balance at start of year	1,337,000	2,675,000
Granted as compensation	32,165	0
Exercised	(10,720)	(1,338,000)
Expired and other changes*	0	0
Balance at end of the year	1,358,445	1,337,000

*Includes changes due to staff commencing or ceasing to be Key Management Personnel during the year.

Shareholdings

The numbers of shares in the Company held during the financial year by each Director of the Company and other Key Management Personnel of the Group, including their related parties, are set out below:

Name	Balance at start of year	Granted during reporting year as compensation	Received during the year on the exercise of options and rights	Other changes during the year*	Balance at the end of the year
Non-executive directors					
Alan Watson	125,000	-	4,712	1,224	130,936
Steve Wilson	20,520,000	-	-	(1,170,000)	19,350,000
Lorraine Berends	-	-	1,944	10,000	11,944
Deborah Beale	102,500	-	1,944	1,224	105,668
Gerard Bradley	51,284	-	2,120	2,287	55,691
Executive directors					
Ian Macoun	27,123,997	300,000	-	230,088	27,654,085
Andrew Chambers	4,725,414	800,000	-	-	5,525,414
Adrian Whittingham	4,325,414	300,000	-	(300,000)	4,325,414
Key Management Personnel					
Alex Ihlenfeldt	4,730,213	300,000	-	(137,664)	4,892,549

11 Loans to Key Management Personnel

Details of loans made to Directors of the Company and other Key Management Personnel of the Group, including their related parties, are set out below:

(i) Aggregates for Key Management Personnel

	Balance at start of year \$	Loans issued during year \$	Other changes during the year (i) \$	Repayments made \$	Interest paid and payable for the year \$	Interest not charged \$	Balance at end of year \$	Number in Group at end of year
2019	4,652,865	10,108,990	-	(363,502)	52,828	190,226	14,451,181	4

(ii) Individuals with loans above \$100,000 during the financial year

	Balance at start of year \$	Loans issued during year \$	Other changes during the year (i) \$	Repayments made \$	Interest paid and payable for the year \$	Interest not charged \$	Balance at end of year \$	Highest indebtedness during the year \$
Ian Macoun	993,060	1,697,460	-	(89,324)	13,207	38,211	2,614,403	2,658,928
Andrew Chambers	1,227,315	4,526,560	-	(112,414)	13,207	50,791	5,654,668	5,722,282
Adrian Whittingham	1,227,315	1,697,460	-	(89,324)	13,207	50,791	2,848,658	2,893,182
Alex Ihlenfeldt	1,205,175	2,187,510	-	(72,440)	13,207	50,433	3,333,452	3,395,982

The loans referenced in the above table comprise:

- loans originally advanced by PIML and were for the purpose of acquiring shares in PIML.
- the New Loans.
- loans granted under the Pinnacle Omnibus Plan.

As part of the PIML Acquisition, shareholders approved the repayment of the original loans with the proceeds of loans reissued by the Company on 25 August 2016, as well as the advance of the New Loans. See pages 36 to 37 for further detail on the terms of the loans.

During the year to 30 June 2019, 1.7 million loan shares were issued to Key Management Personnel under the Pinnacle Omnibus Plan, approved by the Board on 22 August 2018. See pages 34 to 35 for further details on the terms of the loans.

The amounts shown for interest not charged in the tables above represents the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

12 Equity Capital

Shares under options/rights

Unissued ordinary shares of the Company under option at 30 June 2019 are as follows:

Date options granted	Expiry date	Exercise price of options	Number under option
1 July 2015	30 June 2020	\$0.99	2,125,000
21 December 2017	12 June 2023	\$3.93	600,000
14 March 2018	14 March 2021	Nil	1,079,365
15 November 2018	15 November 2023	\$5.6582	250,000
15 November 2018	15 November 2028	Nil	21,445
Total			4,075,810

Under the terms of the transaction documents in respect of the PIML Acquisition, approved by shareholders on 16 August 2016, in the event that the Company conducts a placement prior to 30 June 2020 in respect of the options issued on 1 July 2015, the Sellers are entitled to subscribe in the placement for up to 1,416,667 ordinary shares at the subscription price of the options. The Sellers will be entitled to subscribe in the placement in proportions that are pro-rata to their unvested options.

On 3 May 2018, the Sellers subscribed for 708,192 additional ordinary shares pursuant to their entitlement described above.

On 14 March 2018 Pinnacle Investment Management Limited entered into an agreement with Firetrail Investments Pty Limited for 24.35% ownership interest. This was funded partly by cash and partly by 2,158,733 zero-price options issued by Pinnacle Investment Management Group Limited. 1,079,365 options were exercised in the current year.

On 15 November 2018 250,000 options were issued to overseas staff under the Pinnacle Omnibus Plan. Additionally, 32,165 performance rights were granted to non-executive directors under the plan, of which 10,720 were exercised during the year.

Shares issued under the EOSP

As part of the PIML Acquisition, on 25 August 2016 37,043,917 ordinary shares were issued under the EOSP to the Sellers as consideration for the sale of their equity in PIML. This allocation was approved by shareholders on 16 August 2016.

End of Remuneration Report

Meetings of Board and Board Committees

The number of meetings of the Company's Board and of each Board Committee held during the year ended 30 June 2019 and the number of meetings attended by each director were as follows:

Meetings of Board and Board Committees

	Board		Audit, Compliance and Risk Committee		Remuneration and Nominations Committee	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
A Watson	14	14	5	-*	5	5
I Macoun	14	14	5	-*	5	-*
D Beale AM	14	14	5	5	5	5
G Bradley	14	14	5	5	5	5
L Berends	12	12	3	3	3	3
A Chambers	13	14	-	-	-	-
A Whittingham	14	14	-	-	-	-
S Wilson AM	6	6	2	2	2	2

*A Watson and I Macoun attended respective meetings by invitation.

Committee Membership

As at the date of this report, the Company had an Audit, Compliance and Risk Management Committee and a Remuneration and Nominations Committee.

Members acting on the committees of the Board are:

Audit, Compliance and Risk Committee	Remuneration and Nominations Committee
G Bradley (Chair)	D Beale AM (Chair)
D Beale AM	L Berends
L Berends	G Bradley
	A Watson

Company Secretary

The role of Company Secretary is performed by Mr Calvin Kwok. Mr Kwok is also general counsel of the Company with prior experience at Herbert Smith Freehills, UBS Global Asset Management and Deutsche Bank. Mr Kwok holds a Masters of Applied Finance, a Bachelor of Laws and a Bachelor of Commerce.

Environmental regulation

The Group is not affected by any significant environmental regulation in respect of its operations.

Insurance of officers

The Company has paid a premium for a contract insuring all directors and executive officers of the Company and certain related bodies corporate against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. The directors have not included in this report details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors and executive officers insurance liability contract as disclosure is prohibited under the terms of the contract.

The Company has agreed to indemnify each person who is, or has been a director, officer or agent of the Company and/or of certain of its related bodies corporate against all liabilities to another person (other than the Company or a related body

corporate) that may arise from their position as director, officer or agent, except where the liability arises out of conduct involving a lack of good faith. The Company is required to meet the full amount of any such liabilities, including costs and expenses for a period of seven years.

No liability has arisen since the end of the previous financial year which the Company would, by operation of the above indemnities, be required to meet.

Non-audit services

The Company may decide to employ the Auditor on assignments additional to their statutory audit duties.

Details of the amounts paid or payable to the Auditor for audit and non-audit services provided during the year are set out below.

The Board has considered the position and, in accordance with the advice received from the Audit, Compliance and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The directors are satisfied that the provision of non-audit services by the Auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- all non-audit services have been reviewed by the Audit, Compliance and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the Auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the Auditor's own work, acting in a management or a decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

During the 2019 financial year the following fees were paid or are payable for services provided by the Auditor, its related practices and non-related audit firms.

	2019 \$	2018 \$
(i) Audit and other assurance services		
Audit and review of financial statements	212,650	206,056
Other assurance services:		
Audit of regulatory returns	21,299	20,688
Audit of compliance plan – Responsible entity*	91,198	68,466
Other assurance services	-	-
Total remuneration for audit and other assurance services	325,147	295,210
(ii) Taxation services		
Tax services	108,873	103,893
Total remuneration for taxation services	108,873	103,893
(iii) Other services		
Other services	60,808	-
Total remuneration of PricewaterhouseCoopers Australia	494,828	399,103
Total remuneration of auditors	494,828	399,103

*Compliance plan audit charges are on-charged to managed funds to which responsible entity services are provided.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 49 of the 2019 Annual Report.

Rounding of amounts

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

Auditor

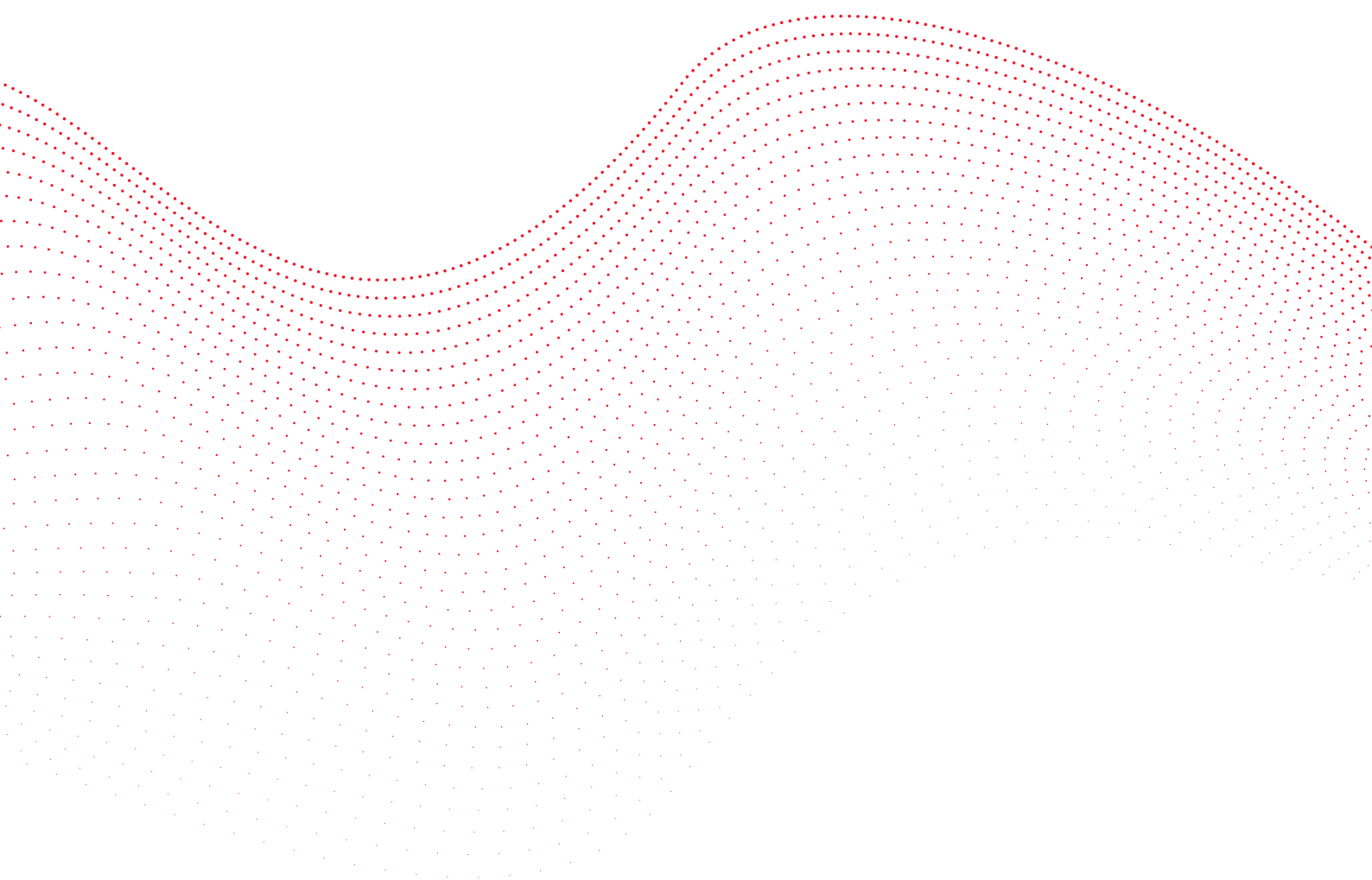
PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act. This report is made in accordance with a resolution of directors.



A Watson
Chair
Pinnacle Investment Management Group Limited
Sydney
6 August 2019

07/12

Auditor's Independence Declaration





Auditor's Independence Declaration

As lead auditor for the audit of Pinnacle Investment Management Group Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

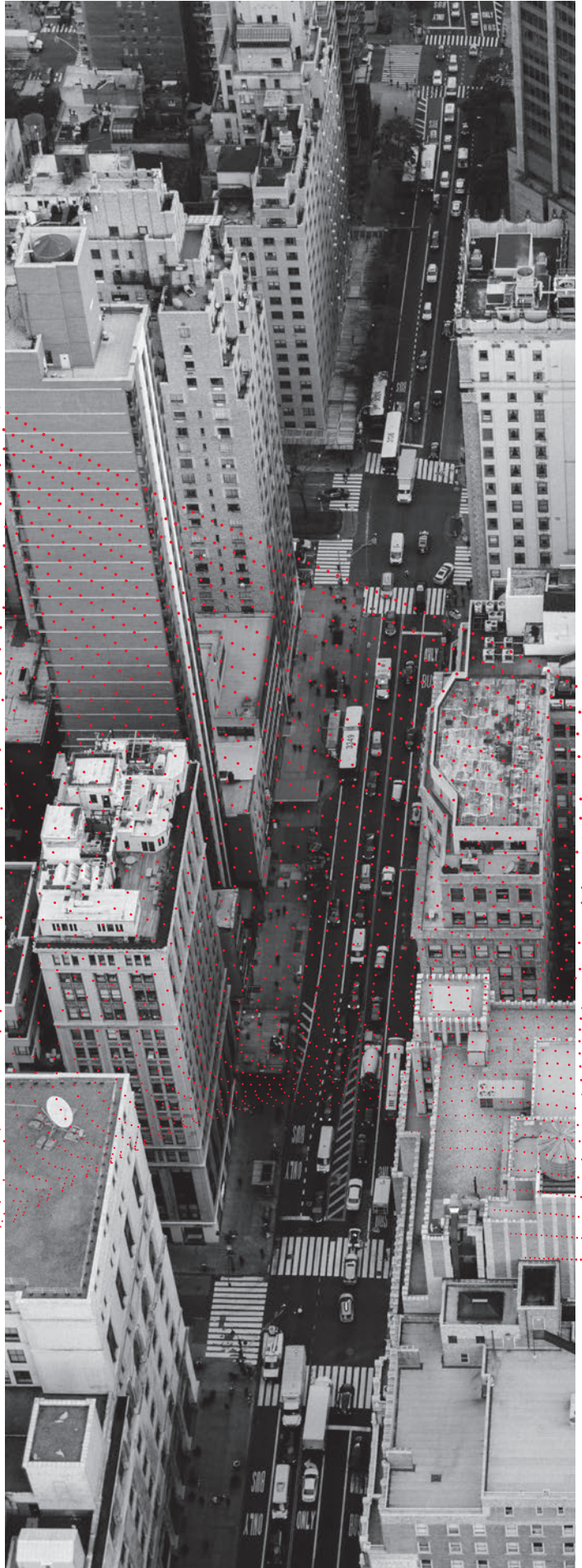
- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pinnacle Investment Management Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Ben Woodbridge', written over a light blue horizontal line.

Ben Woodbridge
Partner
PricewaterhouseCoopers

Brisbane
6 August 2019



08/12

Financial Statements

Pinnacle Investment Management Group Limited

ABN 22 100 325 184

Financial Report – 30 June 2019

Contents

Consolidated statement of profit or loss	52
Consolidated statement of comprehensive income	53
Consolidated statement of financial position	54
Consolidated statement of changes in equity	55
Consolidated statement of cash flows	56
Notes to the consolidated financial statements	57
Directors' declaration	101
Independent auditor's report to the members	102

These financial statements are the consolidated financial statements of the consolidated entity consisting of Pinnacle Investment Management Group Limited and its subsidiaries. The financial statements are presented in Australian currency.

Pinnacle Investment Management Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is Level 19, 307 Queen St, Brisbane QLD 4000 and its principal place of business is Level 35, 60 Margaret St, Sydney NSW 2000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report, which is not part of these financial statements.

These financial statements were authorised for issue by the Directors on 6 August 2019. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at the 'about us' and investor relations pages on our website: www.pinnacleinvestment.com/shareholders-investor-centre/

Consolidated statement of profit or loss

For the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Revenue from continuing operations	1	21,123	16,542
Fair value gains/(losses) on financial assets at fair value through profit or loss		1,246	(1,813)
Employee benefits expense		(12,420)	(8,190)
Short-term incentives expense		(4,485)	(4,236)
Long-term incentives expense	26(d)	(1,435)	(364)
Professional services expense		(1,715)	(648)
Property expense	2	(1,259)	(649)
Travel and entertainment expense		(814)	(706)
Technology and communications expense		(760)	(529)
Other expenses from operating activities	2	(2,103)	(1,168)
Share of net profit of jointly controlled entities accounted for using the equity method	21(d)	33,133	24,903
Profit before income tax		30,511	23,142
Income tax expense	3	-	-
Profit from continuing operations		30,511	23,142
Profit/(Loss) from discontinued operations		38	334
Profit for the year		30,549	23,476
Profit for the year is attributable to:			
Owners of Pinnacle Investment Management Group Limited		30,549	23,476
Earnings per share:	Notes	Cents	Cents
From continuing operations attributable to owners of Pinnacle Investment Management Group Limited			
Basic earnings per share	5	18.3	14.3
Diluted earnings per share	5	17.1	13.2
Total profit attributable to owners of Pinnacle Investment Management Group Limited			
Basic earnings per share	5	18.3	14.5
Diluted earnings per share	5	17.1	13.4

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Profit for the year		30,549	23,476
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Changes to the fair value of available-for-sale financial assets		-	(334)
Total comprehensive income/(loss) for the year		30,549	23,142
Total comprehensive income for the year is attributable to:			
Owners of Pinnacle Investment Management Group Limited		30,549	23,142
		30,549	23,142
Total comprehensive income for the year attributable to owners of Pinnacle Investment Management Group Limited arises from:			
Continuing operations		30,511	23,142
Discontinued operations		38	-
		30,549	23,142

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

Consolidated statement of financial position

For the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	26,720	9,332
Trade and other receivables	7	16,055	10,563
Financial assets at fair value through profit or loss	8	24,464	22,156
Assets held at amortised cost	9	2,234	2,011
Total current assets		69,473	44,062
Non-current assets			
Investments accounted for using the equity method	21	113,351	55,601
Property, plant and equipment		118	125
Intangible assets		3	7
Available-for-sale financial assets		-	114
Assets held at amortised cost	11	3,813	4,990
Total non-current assets		117,285	60,837
Total assets		186,758	104,899
LIABILITIES			
Current liabilities			
Trade and other payables	12	8,495	5,892
Provisions	13	1,119	805
Total current liabilities		9,614	6,697
Non-current liabilities			
Provisions	13	91	105
Total non-current liabilities		91	105
Total liabilities		9,705	6,802
Net assets		177,053	98,097
EQUITY			
Contributed equity	14	231,255	154,762
Reserves	15(a)	(50,694)	(46,137)
Accumulated losses	15(b)	(3,508)	(10,528)
Total equity		177,053	98,097

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

Consolidated statement of changes in equity

For the year ended 30 June 2019

Attributable to owners of Pinnacle Investment Management Group Limited				
Notes	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2017	148,834	(54,383)	(18,791)	75,660
Total comprehensive income for the year	-	(334)	23,476	23,142
Transactions with owners in their capacity as owners:				
Share-based payments	15(a)	627	(263)	364
Shares issued on exercise of options		2,096	-	2,096
Shares issued		698	-	698
Dividends paid to shareholders	16	1,519	(15,213)	(13,694)
Options issued	21(a)	-	9,498	9,498
Share placement, net of issue costs	14	-	-	-
Employee loan arrangements	14,15(a)	988	(655)	333
		5,928	8,580	(15,213)
Balance at 30 June 2018		154,762	(46,137)	98,097
Balance at 1 July 2018		154,762	(46,137)	98,097
Changes in accounting policy	30(a)(iii)	-	(114)	114
Balance at 1 July 2018		154,762	(46,251)	98,097
Total comprehensive income for the year		-	-	30,549
Transactions with owners in their capacity as owners:				
Share-based payments	15(a)	-	1,434	1,434
Options vested	21(a)	4,749	(4,749)	-
Shares issued		-	-	-
Dividends paid to shareholders	16	2,177	(23,643)	(21,466)
Performance rights		61	54	115
Share purchase plan, net of issue costs	14(a)	9,860	-	9,860
Share placement, net of issue costs	14	57,677	-	57,677
Employee loan arrangements	14,15(a)	1,969	(1,182)	787
		76,493	(4,443)	(23,643)
Balance at 30 June 2019		231,255	(50,694)	177,053

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

Consolidated statement of cash flows

For the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers		15,851	12,350
Payments to suppliers and employees		(22,307)	(17,584)
Dividends and distributions received		27,943	17,686
Interest received		64	222
Finance and borrowings costs paid		(105)	(103)
Proceeds from sale of financial assets at fair value through profit or loss		31,703	18,003
Payments to purchase financial assets at fair value through profit or loss		(32,059)	(9,704)
Net cash inflow/(outflow) from operating activities	23	21,090	20,870
Cash flows from investing activities			
Payments for property, plant and equipment		(53)	(43)
Proceeds from sale of investments accounted for using the equity method		3,639	446
Payments for investments accounted for using the equity method		(54,930)	(6,515)
Loan repayments from shareholders		787	333
Loan repayments from related parties		2,283	-
Loan advances to related parties		(1,500)	(5,804)
Net cash inflow/(outflow) from investing activities		(49,774)	(11,583)
Cash flows from financing activities			
Dividends paid to shareholders		(21,465)	(13,694)
Proceeds from issue of shares, net of issue costs		67,537	2,794
Net cash (outflow)/inflow from financing activities		46,072	(10,900)
Net increase/(decrease) in cash and cash equivalents		17,388	(1,613)
Cash and cash equivalents at the beginning of the financial year		9,332	10,945
Cash and cash equivalents at end of year	6	26,720	9,332

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

Notes to the consolidated financial statements

Group Results

1 Revenue from contracts with customers and other revenue	58
2 Expenses	58
3 Income tax expense	59
4 Segment information	60
5 Earnings per share	60

Operating Assets and Liabilities

6 Cash and cash equivalents	61
7 Trade and other receivables	61
8 Financial assets at fair value through profit or loss	62
9 Assets held at amortised cost	62
10 Net deferred tax assets	62
11 Assets held at amortised cost – non-current	63
12 Trade and other payables	63
13 Provisions	63

Capital and Financial Risk Management

14 Contributed equity	64
15 Reserves and accumulated losses	66
16 Dividends	67
17 Current liabilities – financing arrangements	68
18 Financial risk management	68
19 Contingencies and commitments	75

Group Structure

20 Subsidiaries	76
21 Investments accounted for using the equity method	77
22 Parent Entity financial information	80

Additional Notes

23 Additional cash flow information	81
24 Related party transactions	82
25 Key Management Personnel	84
26 Share-based payments	85
27 Remuneration of auditors	88
28 Events occurring after the reporting period	88
29 Critical accounting estimates and judgements	88
30 Summary of significant accounting policies	89

Group Results

This section provides information regarding the results and performance of the Group during the year, including further detail regarding revenue and expenses, income tax, segment reporting and earnings per share.

1 Revenue from contracts with customers and other revenue

(a) Disaggregation of revenue from contracts with customers

The Group derives its revenue from contracts with customers from the transfer of services over time. A disaggregation of the Group's revenue is shown below:

	2019 \$'000	2018 \$'000
Revenue from contracts with customers		
Services Revenue – over time		
Service charges	19,357	15,083
	19,357	15,083
Other revenue		
Directors fees	40	44
Interest received or due	248	221
Dividends and distributions	1,469	1,108
Other revenue	9	86
	1,766	1,459
	21,123	16,542

Dividends and distributions are received from financial assets held at fair value through profit or loss.

2 Expenses

Profit before income tax includes the following specific expenses:	2019 \$'000	2018 \$'000
Finance cost expense – included in other expenses from operating activities		
Interest and finance charges	105	108
Total finance cost expense	105	108
Rental expense relating to operating leases – included in property costs		
Minimum lease payments	876	413
Total rental expense relating to operating leases	876	413
Depreciation and amortisation expense – included in other expenses from operating activities		
Depreciation – property, plant and equipment	72	68
Total depreciation and amortisation expense	72	68

3 Income tax expense

	2019 \$'000	2018 \$'000
(a) Income tax expense/(benefit)		
Income tax expenses attributable to:		
Continuing operations	-	-
Discontinued operations	-	-
Total income tax expense/(benefit)	-	-
Current tax	(608)	27
Deferred tax	608	(27)
Adjustments for tax in respect of prior periods	-	-
Total current tax expense	-	-
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
(Increase)/Decrease in deferred tax assets	608	(27)
Increase in deferred tax liabilities	-	-
Total deferred tax expense/(benefit)	608	(27)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	30,511	23,142
Profit / Loss from discontinued operations before income tax expense	38	334
Profit before income tax	30,549	23,476
Tax at the Australian tax rate of 30% (2018: 30%)	9,164	7,043
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of profits of entities under joint control	(9,940)	(7,471)
Impairment	-	-
Non-deductible expenditure	466	138
Sundry items	-	(100)
	(310)	(390)
Adjustments for current tax in respect of prior periods	-	-
Deferred tax assets not recognised	310	390
Total income tax expense/(benefit)	-	-
(c) Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	60,364	58,286
Potential tax benefit at 30%	18,109	17,486

A deferred tax asset in relation to tax losses is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits against which to recover the losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax assets have not been recognised in full on the basis that there remains uncertainty regarding the timing and quantum of the generation of taxable profits.

(d) Tax consolidation legislation

Pinnacle Investment Management Group Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2003. Next Financial Limited and its subsidiaries joined the tax consolidated Group on 1 April 2009. Pinnacle Investment Management Limited and its subsidiaries joined the tax consolidated Group on 25 August 2016. The accounting policy in relation to this legislation is set out in note 30(f) and further information is provided at note 30(z).

4 Segment information

The Group operates one business segment being the funds management operations of Pinnacle. The business is principally conducted in one geographic location, being Australia.

5 Earnings per share

	2019 Cents	2018 Cents
(a) Basic earnings per share		
Attributable to the ordinary equity shareholders of the Company		
From continuing operations	18.3	14.3
From discontinued operations	-	0.2
Total basic earnings per share attributable to the ordinary equity shareholders of the company	18.3	14.5
(b) Diluted earnings per share		
Attributable to the ordinary equity shareholders of the Company		
From continuing operations	17.1	13.2
From discontinued operations	-	0.2
Total diluted earnings per share attributable to the ordinary equity shareholders of the company	17.1	13.4
(c) Reconciliations of earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Profit/(Loss) attributable to the ordinary owners of the Company used in calculating basic and diluted earnings per share:		
From continuing operations	30,511	23,142
From discontinued operation	38	334
Profit/(Loss) used in calculating basic and diluted earnings per share	30,549	23,476
	2019 Number	2018 Number
(d) Weighted average number of shares used as the denominator		
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	166,781,949	161,700,282
Adjustments for calculation of diluted earnings per share:		
Weighted average Treasury stock (see note 14(d))	8,239,835	10,438,184
Weighted average options	3,724,021	3,114,346
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	178,745,805	175,252,812

(e) Information concerning the classification of securities

Options and loan shares granted to employees under the employee share schemes are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options and loan shares have not been included in the determination of basic earnings per share.

Operating Assets and Liabilities

This section provides information regarding the assets and liabilities of the entity and includes more detailed breakdowns of individual balance sheet items.

6 Cash and cash equivalents

	2019 \$'000	2018 \$'000
Available cash at bank and on hand	26,343	8,965
Fixed-term deposits	377	367
Other committed cash at bank and on hand	-	-
	26,720	9,332

(a) Risk exposure

The Group's exposure to interest rate risk is discussed in note 18. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

(b) Fixed term and at call deposits

Fixed-term and at-call deposits bear floating interest rates between 1.45% and 1.75% (2018: 1.45% and 1.75%). At-call deposits have an average maturity of 30 days. Fixed-term deposits have a maturity ranging from 90 days to 1 year.

7 Trade and other receivables

	2019 \$'000	2018 \$'000
Trade receivables	7,757	2,842
Income receivable	4,223	6,906
Other receivables	3,871	707
Prepayments	204	108
	16,055	10,563

(a) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(b) Impairment and risk exposure

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in notes 18(a) and 18(b).

8 Financial assets at fair value through profit or loss

	2019 \$'000	2018 \$'000
Australian listed securities	12,615	10,783
Other unlisted equity securities	479	364
Derivative financial assets	712	739
Unlisted unit trusts	10,658	10,270
	24,464	22,156

Risk exposure and fair value measurements

Information about the Group's exposure to price risk and the methods and assumptions used in determining fair value is provided in note 18.

9 Assets held at amortised cost

	2019 \$'000	2018 \$'000
Loans to entities under joint control	2,234	2,011
	2,234	2,011

Loans to entities under joint control includes any adjustments for accumulated equity accounted losses where the associated equity investment value is less than zero as a result of accumulated losses being greater than the carrying value of the investment.

As outlined in note 30(l)(ii) loans to entities under joint control are assessed at least annually for possible indicators of impairment. Where indicators of impairment exist, the recoverability of these loans is determined.

10 Net deferred tax assets

	2019 \$'000	2018 \$'000
Deferred tax assets (a)	315	154
Deferred tax liabilities (b)	(315)	(154)
Net deferred tax assets	-	-

(a) Deferred tax assets**The deferred tax asset balance comprises temporary differences attributable to:**

Unrealised loss on fair value assets	-	154
Other	315	-
Total deferred tax assets	315	154
Set-off of deferred tax liabilities pursuant to set-off provisions	(315)	(154)
Net deferred tax assets	-	-

A deferred tax asset in relation to tax losses is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable income against which to recover the losses and from which the future reversal of underlying timing differences can be deducted. The deferred tax assets of the consolidated entity are currently not recognised under this criteria - refer note 3(c).

(b) Deferred tax liabilities**The deferred tax liabilities balance comprises temporary differences attributable to:**

Financial assets at fair value through profit or loss	302	134
Receivables	13	20
Total deferred tax liabilities	315	154

11 Assets held at amortised cost – non-current

	Note	2019 \$'000	2018 \$'000
Loans to related parties	24	3,813	4,990
		3,813	4,990

12 Trade and other payables

	2019 \$'000	2018 \$'000
Trade payables	2,513	477
Accrued expenses	1,303	1,042
Accrued bonuses	4,238	4,067
Other payables	441	306
	8,495	5,892

13 Provisions

	2019 \$'000	2018 \$'000
Current		
Employee benefits - annual leave and long service leave	1,119	805
	1,119	805
Non-Current		
Employee benefits - long service leave	91	105
	91	105

(a) Movements in provisions

Movements in each class of provision during the financial year are set out below:

	Employee Benefits \$'000
Current	
Balance at 1 July 2018	805
Amounts provided for during the year	314
Balance at 30 June 2019	1,119
Non-Current	
Balance at 1 July 2018	105
Amounts utilised during the year	(14)
Balance at 30 June 2019	91

14 Contributed equity

(a) Share capital

	2019 Shares	2018 Shares	2019 \$'000	2018 \$'000
Ordinary shares:				
Fully paid contributed equity (b)	169,676,000	153,905,571	231,255	154,762
Total contributed equity	169,676,000	153,905,571	231,255	154,762

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$'000
1 July 2017	Opening balance	149,818,238		148,834
	Issue of ordinary shares on exercise of options	2,125,000	\$0.99	2,095
	Share-based payment			627
	Issue of ordinary shares	708,192	\$0.99	699
	Dividend reinvestment	415,646	\$3.65	1,519
	Treasury stock vested (d)	838,495		988
30 June 2018	Closing balance	153,905,571		154,762
	Issue of ordinary shares on exercise of options	1,079,368	-	-
	Transfer from options reserve on exercise of options	-	-	4,749
	Share placement, net of issue costs	10,909,091	\$5.50	57,677
	Share purchase plan, net of issue costs	1,811,402	\$5.50	9,860
	Issue of ordinary shares on exercise of performance rights	10,720	-	-
	Transfer from performance rights reserve on exercise of performance rights	-	-	61
	Dividend reinvestment	333,199	\$6.53	2,177
	Treasury stock vested (d)	1,626,649		1,969
30 June 2019	Closing balance	169,676,000		231,255

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

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

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Treasury stock

Treasury stock are shares in Pinnacle Investment Management Group Limited that are subject to share mortgage under employee loans used for the purposes of acquiring interests in the Company. The value ascribed to treasury stock is the value of the loans secured by share mortgage at period end.

Treasury stock movement for the year includes the issue of 4.8 million loan shares to employees, including executive directors, issued under the Pinnacle Omnibus Plan approved by the Board on 22 August 2018. Shares issued to executive directors were approved by shareholders at the AGM on 18 October 2018.

Date	Details	Number of treasury shares	\$'000
1 July 2017	Opening balance	10,857,431	6,836
	Loan share repayments		(333)
	Treasury stock vested during the year	(838,495)	(655)
30 June 2018	Closing balance	10,018,936	5,848
	Issue of loan shares under Pinnacle Omnibus Plan	4,800,000	30,978
	Loan share repayments		(786)
	Treasury stock vested during the year	(1,626,649)	(1,074)
30 June 2019	Closing balance	13,192,287	34,966

(e) Employee share plans

Information relating to the Pinnacle Investment Management Group Employee Option Share Plan and Pinnacle Omnibus Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 26.

(f) Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

The Group monitors capital on the basis of both Group liquidity and capital and liquidity ratios required under various licences held by subsidiaries. There have been no reportable instances of non-compliance with externally imposed capital requirements in the current period.

15 Reserves and accumulated losses**(a) Reserves**

	2019 \$'000	2018 \$'000
Share-based payments reserve	4,106	3,854
Options reserve	4,749	9,498
Transactions with non-controlling interests reserve	(59,603)	(59,603)
Performance rights reserve	54	-
Available-for-sale financial assets reserve*	-	114
	(50,694)	(46,137)

*Reclassified to retained earnings upon adoption of AASB 9 on 1 July 2018 (see note 30(a)(iii)).

Movements:*Share-based payments reserve*

Balance at 1 July	3,854	4,772
Share-based payments expense	1,434	364
Shares issued on exercise of options	-	(627)
Employee loans subject to share-based payments arrangements	(1,182)	(655)
Balance at 30 June	4,106	3,854

Options reserve

Balance at 1 July	9,498	-
Options issued (refer note 21(a))	-	9,498
Options exercised	(4,749)	-
Balance at 30 June	4,749	9,498

Transactions with non-controlling interests reserve

Balance at 1 July	(59,603)	(59,603)
Balance at 30 June	(59,603)	(59,603)

*Available-for-sale financial assets reserve**

Balance at 1 July	-	448
Changes in fair value of available-for-sale financial assets (refer note 23)	-	(334)
Balance at 30 June	-	114

*\$114,000 reclassified from available-for-sale financial assets to retained earnings upon adoption of AASB 9 on 1 July 2018 (see note 30(a)(iii)).

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised;
- the grant date fair value of shares issued to employees;
- the issue of shares held by employee share plans to employees; and
- the grant date fair value of reissued loans under the Pinnacle Long-term Employee Incentive Plan and Pinnacle Omnibus Incentive Plan approved by the Board on 22 August 2018.

The available-for-sale financial assets reserve was used up until 1 July 2018 to recognise changes in the fair value of available-for-sale financial assets. This has been reclassified at 1 July 2018 to retained earnings following the adoption of AASB 9 (see note 30(a)(iii)).

The transactions with non-controlling interests reserve is used to recognise the excess of the consideration paid to acquire non-controlling interests above the carrying value of the non-controlling interest at time of acquisition.

The options reserve is used to recognise the value of zero-priced options issued by Pinnacle associated with investments in entities under joint control (see note 21).

(b) Accumulated losses

Movements in accumulated losses were as follows:

	2019 \$'000	2018 \$'000
Balance at 1 July	(10,414)	(18,791)
Profit/(Loss) for the year attributable to owners of Pinnacle Investment Management Group Limited	30,549	23,476
Dividends paid to shareholders	(23,643)	(15,213)
Balance at 30 June	(3,508)	(10,528)

16 Dividends

(a) Ordinary shares

	2019 \$'000	2018 \$'000
Interim dividend for the year ended 30 June 2019 of 6.1 cents per fully paid ordinary share paid on 22 March 2019 (2018: 4.6 cents paid on 23 March 2018)		
Fully franked based on tax paid @ 30.0%	11,095	7,501
Final dividend for the year ended 30 June 2018 of 7.0 cents per fully paid ordinary share paid on 5 October 2018 (2018: 4.8 cents paid on 6 October 2017)		
Fully franked based on tax paid @ 30.0%	12,548	7,712
Total dividends paid	23,643	15,213

(b) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 9.3 cents per fully paid ordinary share (2018: 7.0 cents). The aggregate amount of the proposed dividend to be paid on 4 October 2019 out of retained earnings at 30 June 2019, but not recognised as a liability at year end, is \$17,007,000 (\$12,547,000).

(c) Franked dividends

The final dividends recommended after 30 June 2019 will be fully franked out of existing franking credits.

	2019 \$'000	2018 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2018: 30%)	28,779	26,869

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the end of each reporting date.

The consolidated amounts include franking credits that would be available to the Company if distributable profits of subsidiaries were paid as dividends.

17 Current liabilities – financing arrangements

(a) Secured liabilities and assets pledged as security

The Group has a bank facility subject to annual review which is secured by a general security deed over the assets of a subsidiary of the Group, Ariano Pty Ltd, and guarantees provided by the Company and other Group entities (excluding entities within the Pinnacle Investment Management Limited and Next Financial Limited groups). The facility's next anniversary date is 30 June 2020. Details of the facility are as follows:

	2019 \$'000	2018 \$'000
Bank guarantees (amount used at balance date - \$5,301,000)	5,500	5,500
Corporate credit card (amount used at balance date – \$72,000)	660	360
	6,160	5,860

The bank facility is supported by a negative pledge that states that (subject to certain exceptions) the Group will not provide any security over its assets and that the Group's consolidated tangible net assets must not be less than 60% of its total tangible assets. Ongoing compliance with covenants is reviewed on a regular basis and compliance has been maintained during the period.

Assets pledged as security

The carrying amounts of assets pledged as security at balance date in relation to the bank guarantees are set out below:

	2019 \$'000	2018 \$'000
Current		
Cash and cash equivalents	1	1
Receivables	493	486
Total current assets pledged as security	494	487
Non-current		
Plant and equipment	18	34
Total non-current assets pledged as security	18	34
Total assets pledged as security	512	521

(b) Interest rate risk exposure

Information about the Group's exposure to interest rate changes is provided in note 18.

18 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk. A core focus of the Group's overall risk management program focuses on the volatility of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk governance is managed through the Board's Audit, Compliance and Risk Management Committee, which provides direct oversight of the Group's risk management framework and performance. The Board approves written principles for risk management covering areas such as principal investments, including the use of appropriate hedging strategies, and cash flow management. The management of risk throughout the Group is achieved through the procedures, policies, people competencies and risk monitoring functions that form part of the overall Group risk management framework.

This is achieved through regular updates in the form of targeted risk management analysis and reporting functions that provide an assessment of the Group's risk exposure levels and performance to benchmarks/tolerance limits.

The Group holds the following financial instruments:

	2019 \$'000	2018 \$'000
Financial assets		
Cash and cash equivalents	26,720	9,332
Trade and other receivables*	15,851	10,455
Financial assets at fair value through profit or loss	24,464	22,152
Available for sale financial assets**	-	114
Loans to jointly controlled associates (including Affiliate executives) (non-current)	3,813	4,990
Loans to jointly controlled associates (including Affiliate executives) (current)	2,234	2,011
	73,082	49,054
Financial liabilities		
Trade and other payables	8,495	5,892
	8,495	5,892

*Excludes prepayments (see note 7)

**Reclassified to financial assets at fair value through profit or loss upon adoption of AASB 9 on 1 July 2018.

(a) Market risk

(i) Foreign exchange risk

The Group is not materially exposed to foreign exchange risk. All of its major contracts with counterparties are denominated and settled in Australian Dollars, which is the reporting and operating currency of the Group. Substantially all of the Group's principal investments are also quoted and priced in Australian Dollars.

(ii) Price risk

Through its business transactions and investments, the Group is exposed to equity securities price risk. This risk is the potential for losses in Group earnings as a result of adverse market movements and arises from investments held by the Group that are classified on the consolidated statement of financial position as financial assets at fair value through profit or loss.

The Group manages the price impact of market risk through an established risk management framework. This includes the procedures, policies and functions undertaken by the business to manage market risk within tolerances set by the Board. Equity derivatives are used as an active risk mitigation function and the Group currently utilises such derivatives to reduce market risk of its equity exposures. The performance of the Group's direct equity exposures and market risk mitigants are monitored on a regular basis. The majority of the Group's equity investments are Australian listed equity securities and unlisted unit trusts as shown in the table below:

	30 June	
	2019 \$'000	2018 \$'000
Assets		
Australian listed equity securities	12,615	10,783
Other unlisted equity securities	479	364
Unlisted unit trusts	10,658	10,270
Derivative financial instruments - futures	712	739
Total assets at FVPL	24,464	22,270

18 Financial risk management (continued)

Sensitivity

The table below summarises the impact of increases/decreases in equity securities prices on the Group's after tax profit for the year and on equity. The analysis is based on the assumption that equity securities prices had increased/decreased by +/- 15% at 30 June 2019 (2018: +/- 15%) with all other variables held constant and all the Group's equity investments included in financial assets at fair value through profit and loss moved in correlation with the index.

	Impact on after-tax profit		Impact on equity	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Group	+799/-799	+2,515/-2,515	+799/-799	+2,515/-2,515

(iii) Interest rate risk

The Group's main interest rate risk arises from holding cash and cash equivalents. During 2019 and 2018, the Group's cash and cash equivalents were denominated in Australian Dollars. The Group reviews its interest rate exposure as part of the Group's cash flow management and takes into consideration the yields, duration and alternative financing options as part of the renewal of existing positions. As at the reporting date, the Group had the following cash and cash equivalents:

	30 June 2019		30 June 2018	
	Weighted average interest rate %	Floating interest rate \$'000	Weighted average interest rate %	Floating interest rate \$'000
Cash and cash equivalents	1.17%	26,720	1.17%	9,332
Exposure to cash flow interest rate risk		26,720		9,332

The Group's loans to entities under joint control are subject to fixed interest rates and carried at amortised cost. They are therefore not subject to interest rate risk in AASB 7.

Sensitivity

At 30 June 2019, if interest rates had changed by +/-100 basis points from the year end rates with all other variables held constant, after tax profit and equity for the year would have been \$187,000 lower/higher (2018: change of 100 basis points: \$65,000 lower/higher).

(b) Credit risk

Credit risk arises from cash and cash equivalents, financial assets at fair value through profit or loss, loans to entities under joint control, loans to shareholders and outstanding receivables.

Credit risk is managed on a Group basis. Credit risk relates to the risk of a client or counterparty defaulting on their financial obligations resulting in a loss to the Group. These obligations primarily relate to distribution and management fees. The Group does not carry significant trade receivable exposure to either a single counterparty or a group of counterparties. For banks and financial institutions, only independently rated parties with a minimum rating of BBB+ / A-1 are accepted as counterparties. As at the reporting date, the Group held the following credit risks:

	2019 \$'000	2018 \$'000
Cash and cash equivalents	26,720	9,332
Trade and other receivables*	15,851	10,455
Financial assets at fair value through profit or loss	24,464	22,152
Available-for-sale financial assets**	-	114
Loans to joint associates (including affiliate executives) (non-current)	2,234	4,990
Loans to joint associates (including affiliate executives) (current)	3,813	2,011
	73,082	49,054

*Excludes prepayments (see note 7).

**Reclassified to financial assets at fair value through profit or loss upon adoption of AASB 9 on 1 July 2018.

Impaired trade, other and loan receivables

The Group has two types of financial assets that are subject to the expected credit loss model:

- Trade and other receivables
- Loans to joint associates

While cash and cash equivalents and financial assets at fair value through profit or loss are also subject to the impairment requirements of AASB 9, the identified impairment loss was nil.

Loans to joint associates (including Affiliate executives)

All loans to joint associates are considered low credit risk, have had no significant increase in credit risk during the year, and as such the loss allowance was limited to 12 months expected credit losses. Loans to joint associates are considered to be low credit risk when they have a low risk of default and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term. New loans provided to joint associates are only provided once the underlying prospects of the entity have been fully evaluated. Additionally, loans to individuals to purchase shares are structured in such a way that they are either full recourse or secured on the shares issued. As such, at 30 June 2019 and 30 June 2018, the expected credit loss rate in relation to loans to joint associates was 0% and the loss allowance was \$nil.

Refer to note 30(l) for more information on the investments and other financial assets policy of the Group.

Trade and other receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rate and loss allowance has been assessed as \$nil as at 30 June 2019 (30 June 2018: \$nil). This is because there is no history of default and revenue is generated primarily through investments in jointly controlled entities, hence the recoverability of receivables can be determined with a high degree of certainty on a forward-looking basis. Furthermore, the Group also considered the classification of trade receivables as shown below. Refer to note 30(k) for more information on the trade receivables policy of the Group.

The Group records trade receivables and loans in the following classifications:

Neither past due nor impaired trade receivables and loans are those that are within their relevant contractual payment terms and thus have no expected credit loss due to the reasons above.

Past due but not impaired trade receivables and loans are those that have fallen outside of their contractual settlement terms. However there remains an expectation of full recovery, with no change in credit risk based on the value of the underlying equities and the financial position of the client or counterparty and as such there is no expected credit loss.

Past due and impaired trade receivables and loans are those that have fallen outside of the prescribed settlement terms and/or there is evidence to suggest that the client or counterparty will fail to meet their obligations and thus would result in an expected credit loss. This is \$nil as at 30 June 2019 (2018: \$nil).

	2019 \$'000	2018 \$'000
Trade and other receivables		
Neither past due nor impaired	16,055	10,455
Past due but not impaired	-	-
	16,055	10,455
Loans held at amortised cost		
Neither past due nor impaired	6,047	7,001
Total trade, other and loan receivables	6,047	7,001

18 Financial risk management (continued)**Credit quality**

The credit quality of financial assets can be assessed by reference to external credit ratings. These credit ratings are only available for cash assets, Australian listed debt securities and non-exchange traded derivative financial assets.

	2019 \$'000	2018 \$'000
Cash at bank and short-term bank deposits		
AA-	26,720	9,332
	26,720	9,332

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring actual and forecast cash flows. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding through available cash and readily liquefiable investments in the Group's Principal Investments portfolio. At 30 June 2019 the Group has \$51.2 million in available cash and Principal Investments.

Subsidiaries of the Company, Pinnacle Funds Services Limited, Pinnacle Investment Management Limited and Pinnacle RE Services Limited hold Australian Financial Services Licences and hold amounts in liquid assets in accordance with relevant ASIC regulations on the basis of expected cash flows. This is generally carried out at a local level in the operating companies of the Group in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities. The financial liabilities are broken down into maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	1 - 30 days \$'000	30 days to 90 days \$'000	90 days to 1 year \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
At 30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	4,258	4,237	-	8,495	8,495
Total financial liabilities	4,258	4,237	-	8,495	8,495
At 30 June 2018					
Trade and other payables	1,824	4,068	-	5,892	5,892
Total financial liabilities	1,824	4,068	-	5,892	5,892

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) 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) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2019				
Assets				
Australian listed equity securities	12,615	-	-	12,615
Other unlisted equity securities	-	-	479	479
Unlisted unit trusts	10,658	-	-	10,658
Derivative financial instruments - futures	712	-	-	712
Contingent consideration from disposal of discontinued operation	-	-	-	-
Total assets	23,985	-	479	24,464
<i>No liabilities were held at fair value at 30 June 2019.</i>				
30 June 2018				
Assets				
Australian listed equity securities	10,783	-	-	10,783
Other unlisted equity securities	-	-	364	364
Unlisted unit trusts	10,270	-	-	10,270
Derivative financial instruments - futures	739	-	-	739
Contingent consideration from disposal of discontinued operation	-	-	114	114
Total assets	21,792	-	478	22,270
<i>No liabilities were held at fair value at 30 June 2018.</i>				

There were no transfers between levels for recurring fair value measurements during the current year. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The fair value of Australian listed securities and exchange traded futures is based on quoted market prices at the end of the reporting period. The quoted price used for Australian listed securities and exchange traded options held by the Group is the current bid price. The quoted market price used for unlisted unit trusts is the current exit unit price. These instruments are included in level 1.

The fair value of unlisted equity securities and contingent consideration from disposal of discontinued operation is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

The carrying amounts of cash and cash equivalents and trade receivables and payables, are assumed to approximate their fair values due to their short-term nature. Loans to entities under joint control and loans to shareholders are carried at amortised cost. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

18 Financial risk management (continued)**Fair value measurements using significant unobservable inputs (level 3)**

Level 3 items include unlisted equity securities held by the Group, and contingent consideration from disposal of discontinued operations. The following table presents the changes in level 3 instruments for the years ended 30 June 2019 and 30 June 2018:

	Contingent consideration \$'000	Unlisted equity securities \$'000
Closing balance 30 June 2017	448	364
Unrealised gains recognised in fair value gains/(losses) on financial assets at fair value through profit or loss	-	-
Fair value adjustments recognised in other comprehensive income	(334)	-
Closing balance 30 June 2018	114	364
Contingent consideration received	(152)	-
Fair value adjustments recognised in profit or loss	38	115
Closing balance 30 June 2019	-	479

(i) Transfer between levels 1 and 3

There were no transfers between levels 1 and 3 during the year.

(ii) Valuation process

Unlisted equities valued under Level 3 are investments in unlisted companies. Where possible, the investments are valued based on the most recent transaction involving the securities of the company. Where there is no recent information or the information is otherwise unavailable, the value is derived from calculations based on the value per security of the underlying net tangible assets of the investee company.

Contingent consideration valued under Level 3 relates to the disposal of discontinued operations. The fair value of contingent consideration from disposal of the Securities business is determined based on forecasts of profits, taxable income and deferred tax asset utilisation using the latest financial information available for the business at balance date.

19 Contingencies and commitments

(a) Contingent assets and liabilities

(i) Guarantees

The Group has provided guarantees in relation to Australian Financial Services License Net Tangible Asset obligations (via bank guarantee) in respect of:

(i) Pinnacle Funds Services Limited - \$5,000,000 (2018: \$5,000,000)

(ii) Pinnacle RE Services Limited - \$50,000 (2018: \$50,000)

(iii) Pinnacle Services Administration Pty Limited - \$251,000 (2018: \$nil)

The unused bank guarantee facility available at balance date was \$199,000 (30 June 2018: \$450,000). The Group has also provided guarantees in relation to its corporate credit card facility (facility limit of \$660,000 of which \$588,000 was unused at balance date).

These guarantees may give rise to liabilities in the Company if the related entities do not meet their obligations that are subject to the guarantees.

No material losses are anticipated in respect of any of the above contingent liabilities.

(b) Commitments

(i) Capital commitments

There were no capital expenditure commitments at balance sheet date.

(ii) Lease commitments: Group as lessee

	2019 \$'000	2018 \$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	1,583	1,110
Later than one year but not later than five years	2,695	3,512
Non-cancellable operating leases	4,278	4,622

(c) Other expenditure commitments

	2019 \$'000	2018 \$'000
Commitments contracted for at reporting date but not recognised as liabilities are payable as follows		
Within one year	-	29
Later than one year and not later than five years	-	-
	-	29

(d) Other commitments

The Group has previously entered into agreements whereby it has agreed to advance sufficient funds to entities under joint control to cover their operating expenses until such time as the entity becomes profitable on a monthly basis and is generating positive cash flows. Further information in relation to these balances is provided in note 24.

	2019 \$'000	2018 \$'000
Joint Venture commitments contracted for at reporting date but not recognised as liabilities are payable as follows:		
Within one year	-	3,000
Later than one year and not later than five years	-	-
	-	3,000

Group Structure

This section provides information regarding the Group's subsidiaries and associates, and detail regarding discontinued operations.

20 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries in accordance with the accounting policy described in note 30(b). The country of incorporation of all subsidiaries is also their principal place of business.

Name of entity	Country of incorporation	Class of security	Equity holding	
			2019 %	2018 %
Pinnacle Investment Management Limited	Australia	Ordinary share	100	100
Pinnacle Funds Services Limited	Australia	Ordinary share	100	100
Pinnacle Services Administration Pty Ltd	Australia	Ordinary share	100	100
Pinnacle RE Services Limited	Australia	Ordinary share	100	100
Priority Funds Management Pty Ltd	Australia	Ordinary share	100	100
Priority Investment Management Pty Ltd	Australia	Ordinary share	100	100
Ariano Pty Ltd	Australia	Ordinary share	100	100
Next Financial Holdings Pty Ltd	Australia	Ordinary share	100	100
PNI Option Plan Managers Pty Ltd	Australia	Ordinary share	100	100
Pinnacle Investment Management (UK) Ltd	United Kingdom	Ordinary share	100	100

21 Investments accounted for using the equity method

(a) Carrying amounts

The Group holds investments in entities under joint control that undertake funds management activities. Information relating to these entities under joint control is set out below:

Name of company	Principal Activity	Ownership interest		Carrying value	
		2019 %	2018 %	2019 \$'000	2018 \$'000
Unlisted					
Plato Investment Management Limited	Funds Management	43.15	46.64	425	1,728
Palisade Investment Partners Limited	Funds Management	35.98	38.34	5,645	8,328
Hyperion Holdings Limited	Funds Management	49.99	49.99	11,492	11,002
Foray Enterprises Pty Limited	Funds Management	43.50	41.50	16,362	13,395
Solaris Investment Management Ltd	Funds Management	40.00	40.00	4,009	3,946
Spheria Asset Management Pty Ltd	Funds Management	40.00	40.00	1,559	1,497
Antipodes Partners Holdings Pty Ltd	Funds Management	23.57	23.57	6,950	4,904
Two Trees Investment Management Pty Ltd	Funds Management	43.96	43.96	-	-
Firetrail Investments Limited	Funds Management	23.50	24.35	14,797	10,801
Metrics Credit Holdings Pty Limited	Funds Management	35.00	-	48,881	-
Omega Global Investors Pty Limited	Funds Management	40.00	-	1,839	-
Longwave Capital Partners Pty Limited	Funds Management	40.00	-	420	-
Riparian Capital Partners Pty Limited	Funds Management	40.00	-	588	-
Other	Funds Management			384	-
				113,351	55,601

Each of the above entities under joint control is incorporated and has their principal place of business in Australia and are accounted for using the equity method.

On 2 August 2018 the Company completed the acquisition of a 35% interest in Metrics Credit Partners Pty Limited (MCP) for \$46 million through its wholly owned subsidiary PIML. Following this investment MCP has approximately \$40 million of excess cash to deploy in support of its medium-term growth initiatives.

On 23 July 2018 the Company also completed the acquisition of a 40% interest in Omega for \$2 million upfront and up to a \$1.2 million earn-out subject to profitability milestones.

The acquisitions were funded through an institutional placement completed on 25 July 2018 which raised \$60 million at a price of \$5.50 per share, representing a 1.3% discount to the 5 day VWAP, as well as the Share Purchase Plan (SPP) which raised \$10 million (see note 14).

During the prior year, PIML entered into an agreement with Firetrail Investments Pty Ltd for a 24.35% ownership interest. This was funded partly by cash and partly by zero-priced options issued by Pinnacle.

21 Investments accounted for using the equity method (continued)**(b) Summarised financial information for joint ventures**

	Hyperion Holdings Limited		Foray Enterprises Pty Limited*		Palisade Investment Partners Limited		Solaris Investment Management Limited	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Summarised statement of financial position								
Total current assets	9,044	17,207	16,766	13,771	25,410	19,239	11,854	12,513
Total non-current assets	17,898	7,671	5,763	3,376	6,404	4,450	438	548
Total current liabilities	(4,068)	(2,999)	(10,467)	(8,298)	(13,107)	(10,626)	(4,191)	(4,943)
Total non-current liabilities	(110)	(97)	(636)	(90)	(5,036)	(81)	(44)	(218)
Net Assets	22,764	21,782	11,426	8,759	13,671	12,982	8,057	7,900
Group share in %	49.99%	49.99%	43.5%	41.5%	35.98%	38.3%	40.0%	40.0%
Reconciliation to carrying amounts								
Opening net assets 1 July	21,782	10,898	8,759	10,327	12,982	9,996	7,900	7,418
Issued shares	-	-	-	-	-	-	-	-
Reserves	-	-	65	22	136	40	-	-
Total comprehensive income	15,641	15,898	15,102	10,410	9,559	9,823	11,857	10,482
Dividends paid	(14,659)	(5,014)	(12,500)	(12,000)	(9,006)	(6,877)	(11,700)	(10,000)
Closing net assets	22,764	21,782	11,426	8,759	13,671	12,982	8,057	7,900
Group's share of net assets	11,380	10,889	4,970	3,635	4,919	4,978	3,223	3,160
Excess consideration over share of net assets	112	113	11,392	9,760	726	3,350	786	786
Carrying amount	11,492	11,002	16,362	13,395	5,645	8,328	4,009	3,946
Summarised statement of comprehensive income								
Revenue	31,217	30,245	37,192	28,973	25,600	25,331	24,582	21,851
Net profit for the year after tax	15,641	15,898	15,102	10,410	9,559	9,823	11,857	10,482
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	15,641	15,898	15,102	10,410	9,559	9,823	11,857	10,482
Dividends received from joint venture entities	(7,328)	(2,507)	(5,278)	(5,010)	(3,410)	(2,704)	(4,680)	(4,000)

*Holding company for Resolution Capital Limited.

Individually immaterial jointly controlled entities

In addition to the interests disclosed above, the Group also has interests in a number of individually immaterial entities under joint control that are accounted for using the equity method.

	2019 \$'000	2018 \$'000
Aggregate carrying amount of individually immaterial joint ventures	75,842	18,930
Aggregate amounts of the Group's share of:		
Profit for the year	10,725	4,688
Other comprehensive income	-	-
Total comprehensive income	10,725	4,688

(c) Movements in carrying amounts

	2019 \$'000	2018 \$'000
Carrying amount at the beginning of the financial year	55,601	32,627
Purchase of shares in entities under joint control	54,930	14,661
Sales of shares in entities under joint control	(3,639)	-
Share of profit after income tax	33,133	24,903
Adjustment for loan impairment	354	644
Dividends received/receivable	(27,028)	(17,234)
Carrying amount at the end of the financial year	113,351	55,601

(d) Share of entities revenue, expenses and results

	2019 \$'000	2018 \$'000
Revenues	85,778	64,624
Expenses	(39,732)	(28,940)
Profit before income tax	46,046	35,684
Income tax expense	(12,913)	(10,781)
Profit after income tax	33,133	24,903

(e) Summary of entities under joint control

	2019 \$'000	2018 \$'000
Current assets	61,156	39,075
Non-current assets	32,635	8,736
Total assets	93,791	47,811
Current liabilities	26,191	20,092
Non-current liabilities	17,773	231
Total liabilities	43,964	20,323
Net assets	49,827	27,488

22 Parent Entity financial information

(a) Summary financial information

The individual financial statements for the Parent Entity show the following aggregate amounts:

	2019 \$'000	2018 \$'000
Statement of financial position		
Current assets	584	55,648
Non-current assets	129,655	23,851
Total assets	130,239	79,499
Current liabilities	262	27,394
Non-current liabilities	9,588	-
Total liabilities	9,850	27,394
Net assets	120,389	52,105
Shareholders' equity		
Contributed equity	231,255	154,762
Reserves	(62,794)	(56,688)
Accumulated losses	(48,072)	(45,969)
Total equity	120,389	52,105
Profit/(Loss) for the year	22,079	13,043
Total comprehensive income/(loss)	22,079	13,043

(b) Guarantees entered into by the Parent Entity

Details of guarantees entered into by the Group are provided at note 19.

23 Additional cash flow information

(a) Reconciliation to cash at the end of the year

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash at bank and on hand, deposits at call and cash held in trust net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2019 \$'000	2018 \$'000
Cash and cash equivalents	26,720	9,332
Balances per statement of cash flows	26,720	9,332

(b) Reconciliation of net cash flow from operating activities to profit

	2019 \$'000	2018 \$'000
Profit/(Loss) for the year	30,549	23,476
Depreciation and amortisation	64	98
Reinvested distributions received	(554)	-
Equity settled share-based payments	1,549	364
Net losses/(gains) on financial assets at fair value through profit or loss	(1,695)	(227)
Assets at amortised cost	(183)	-
Change in operating assets and liabilities, net of effects from acquisition and disposal of businesses:		
Trade and other receivables	(5,492)	(4,125)
Investments accounted for using the equity method	(6,106)	(7,700)
Financial assets at FVTPL	56	9,645
Trade and other payables	2,602	(500)
Provisions	300	(161)
Net cash (outflow)/inflow from operating activities	21,090	20,870

The reconciliation of net cash flow from operating activities to profit/(loss) includes both continuing and discontinued operations.

24 Related party transactions

(a) Parent Entity

The Parent Entity of the Group is Pinnacle Investment Management Group Limited (refer note 22).

(b) Subsidiaries and jointly controlled entities

Interests in subsidiaries are set out in note 20.

Interests in jointly controlled entities are set out in note 21.

Details of service charges to jointly controlled entities are provided in note 1.

Details of dividend payments from entities under joint control are provided in note 21.

(c) Key Management Personnel and Compensation

Disclosure relating to Key Management Personnel is set out in note 25.

Disclosure relating to share-based payments is set out in note 26.

(d) Transactions with other related parties

The following transactions occurred with related parties:

(i) Movement in loans to Key Management Personnel - loans provided 25 August 2016

Upon acquisition of the non-controlling interests of Pinnacle Investment Management Limited, the Company provided senior executives of its subsidiary Pinnacle Investment Management Limited with loans totaling \$3,000,002, the proceeds of which were used to partially fund the acquisition of shares from Deutsche Australia. This included loans of \$500,000 each to Mr Ian Macoun, Mr Alex Ihlenfeldt, Mr Adrian Whittingham and Mr Andrew Chambers who are Key Management Personnel of the Group.

The key terms of the loans are as follows:

- (a) The loans have a five-year term, are limited recourse and are interest bearing;
- (b) They are secured by way of a share mortgage (see further detail below);
- (c) Repayment will occur at the earlier of the end of the five-year term, the date on which any shares are sold or within six months of cessation of employment;
- (d) Events of default include cessation of employment, insolvency or any representation or warranty or statement of the borrower being incorrect or misleading.

As security for the loans, the Company has obtained a first ranking mortgage over 1,111,111 shares held by each executive. In the occasion of any event of default under the loans, the Company can exercise its rights to enforce its security including by the appointment of a receiver.

During the year interest of \$13,207 accrued on each of these loans to Key Management Personnel. The balance of each loan at 30 June 2019 including capitalised interest was \$536,748.

(ii) Movement in loans to Key Management Personnel – loans re-issued 25 August 2016

Upon acquisition of the non-controlling interest of Pinnacle Investment Management Limited, existing loans amounting to \$4,303,485 issued by Pinnacle Investment Management Limited in prior years to its senior executives to assist executives to acquire equity were re-issued by the Company. This included existing loans to Mr Ian Macoun, Mr Alex Ihlenfeldt, Mr Adrian Whittingham and Mr Andrew Chambers who are Key Management Personnel of the Group.

The loans date from 2009, 2011, 2012 and 2015 and were used to assist the executives to acquire equity in PIML. The loans are interest free and repayable on termination of employment or when the underlying equity is sold, whichever event occurs earlier. The re-issued loans are also secured by share mortgages with limited recourse to the shares.

The value of re-issued loans for each of the Key Management Personnel and repayments made during the year were as follows:

Key Management Personnel	Loan balance 1 July 2018 \$	Repayments made \$	Loan balance 30 June 2019 \$
Ian Macoun	469,520	(75,469)	394,051
Alex Ihlenfeldt	681,631	(42,686)	638,945
Adrian Whittingham	703,774	(75,469)	628,305
Andrew Chambers	703,774	(75,469)	628,305

(iii) Loan shares issued under the Pinnacle Omnibus Plan

During the year to 30 June 2019, 1.7 million loan shares were issued to Key Management Personnel under the Pinnacle Omnibus Plan, approved by the Board on 22 August 2018. The shares are subject to service and performance conditions and will vest after five years, if the conditions are met. The loans are interest free and limited in recourse to the shares. They are repayable 10 years from grant date, on termination of employment or when the underlying equity is sold, whichever occurs earlier.

The value of the loans issued for each of the Key Management Personnel at period end and repayments made during the half year were as follows:

Key Management Personnel	Loan balance 1 July 2018 \$	Repayments made \$	Loan balance 30 June 2019 \$
Ian Macoun	1,697,460	(13,855)	1,683,605
Alex Ihlenfeldt*	2,187,510	(29,754)	2,157,756
Adrian Whittingham	1,697,460	(13,855)	1,683,605
Andrew Chambers	4,526,560	(36,946)	4,489,614

*Shares were issued to Mr Ihlenfeldt prior to the dividend paid on 5 October 2018.

Shares were issued to the other KMP subsequent to the AGM on 15 October 2018.

(iv) Loans to other Related Parties

On 27 October 2017, a subsidiary of the Company provided loan funding totalling \$5.226 million to a number of Executives of Palisade Investment Partners Limited ("Palisade"), an Affiliate of the Company, to facilitate their purchase of shares in Palisade from an exiting shareholder. The loans have terms of between five and seven years, are interest-bearing and secured by shares in Palisade. The loans are recorded within other non-current assets in the consolidated statement of financial position.

During the year, interest of \$0.2 million accrued on these loans and repayments of \$1.4 million were made. The balance of the loans at 30 June 2019 including capitalized interest was \$3.813 million.

On 27 October 2017, the Company also purchased additional shares in Palisade from an exiting shareholder. The payment for additional capital is recorded within investments accounted for using the equity method in the consolidated statement of financial position. During the year, the Company sold a portion of its additional equity in Palisade for a total of \$2.8 million. The sale proceeds are recorded within investments accounted for using the equity method in the consolidated statement of financial position.

(e) Loans to/from related parties

	2019 \$	2018 \$
<i>Loans to joint associates (including Affiliate executives)</i>		
Balance at 1 July	7,000,823	932,266
Loans advanced	1,500,000	6,934,223
Interest accrued	183,671	146,568
Loans repaid	(2,282,847)	(368,000)
Share of equity accounted losses from Affiliates	(354,629)	(644,234)
Balance at 30 June	6,047,018	7,000,823

(f) Guarantees

The Group has provided guarantees to subsidiaries as described in note 19.

25 Key Management Personnel

(a) Key Management Personnel compensation

	2019 \$'000	2018 \$'000
Short-term employee benefits	2,853,750	3,284,616
Post-employment benefits	100,000	100,000
Long-term benefits	(15,027)	11,200
Share-based payments	601,620	369,390
Total Key Management Personnel compensation	3,540,343	3,765,206

Certain Key Management Personnel are party to the long-term employee incentive arrangement described in note 30(r)(vii). At 30 June 2019, the balance of loans issued to Key Management Personnel was \$12,304,146 (2018: \$2,558,701) relating to 4,685,272 shares issued in the Company (2018: 2,985,272 shares).

Detailed remuneration disclosures for Key Management Personnel are provided in the Remuneration Report.

(b) Loans to Key Management Personnel

Details of loans made to Directors of Pinnacle Investment Management Group Limited and other Key Management Personnel of the Group, including their related parties, are set out below:

(i) Aggregates for Key Management Personnel

	Balance at the start of the year \$	Interest paid and payable for the year \$	Loans advanced during the year \$	Loan repayments received \$	Other Changes* \$	Balance at the end of the year \$	Interest not charged \$	Number in Group at the end of the year
2019	4,652,865	52,828	10,108,990	(363,502)	-	14,451,181	190,226	4
2018	4,794,426	51,529	-	(193,090)	-	4,652,865	201,014	4

The amounts shown for interest not charged in the table above represents the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

26 Share-based payments

(a) Pinnacle Investment Management Group Employee Option Share Plan

The establishment of the Pinnacle Investment Management Group Employee Option Share Plan (EOSP) was approved by the Board during the 2007 financial year. The EOSP is designed to provide long-term incentives for staff (including executive and non-executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain service conditions are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
2019								
1 Jul 2016 (B)	30 Jun 2020	\$0.986	2,125,000	-	-	-	2,125,000	-
			2,125,000	-	-	-	2,125,000	-
Weighted average exercise price			\$0.99	-	\$0.99	-	\$0.99	-
2018								
1 Jul 2016 (A)	30 Jun 2018	\$0.986	2,125,000	-	(2,125,000)	-	-	-
1 Jul 2016 (B)	30 Jun 2020	\$0.986	2,125,000	-	-	-	2,125,000	-
			4,250,000	-	(2,125,000)	-	2,125,000	-
Weighted average exercise price			\$0.99	-	\$0.99	-	\$0.99	-

No options were exercised during the current year (2018: 2,125,000). In the current year, the weighted average share price at the date of exercise of options exercised during the year was \$nil (2018: \$4.35). The weighted average remaining contractual life of share options outstanding at the end of the year was 1.0 year (2018: 2.0 years).

Under the plan, participants are granted options which vest if the employees are still employed by the Group at the end of the vesting period. The Board may elect to waive the continuing service condition (for example in cases of redundancy) and allow options to continue.

Options granted under the plan carry no dividend or voting rights.

The plan is consolidated into the Group's financial statements in accordance with note 30(b)(ii).

Fair value of interests granted – 1 July 2016 (A)

Options were granted for no consideration and vest based on fulfilment of specified service conditions. Vested options are exercisable for a period of six months after vesting. The fair value of options was determined using a Black-Scholes pricing model taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the instrument.

- Fair value at grant date: \$0.30 per option
- Exercise price: \$0.986
- Grant date: 1 July 2016
- Vesting date: 1 January 2018
- Share price at grant date: \$1.20
- Expected price volatility of the Company's shares: 31%
- Expected dividend yield: 3.63%
- Risk free interest rate: 2.03%

26 Share-based payments (continued)

Fair value of interests granted – 1 July 2016 (B)

Options were granted for no consideration and vest based on fulfilment of specified service conditions. Vested options are exercisable for a period of six months after vesting. The fair value of options was determined using a Black-Scholes pricing model taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the instrument.

- Fair value at grant date: \$0.32 per option
- Exercise price: \$0.986
- Grant date: 1 July 2016
- Vesting date: 1 January 2020
- Share price at grant date: \$1.20
- Expected price volatility of the Company's shares: 31%
- Expected dividend yield: 3.63%
- Risk free interest rate: 2.31%

(b) Pinnacle Long-term Employee Incentive Plan

Information regarding the Pinnacle Long-term Employee Incentive Plan is provided in notes 30(r)(vii) and 25(a).

(c) Pinnacle Omnibus Plan

The establishment of the Pinnacle Omnibus Plan was approved by the Board on 22 August 2018 and by shareholders at the AGM on 18 October 2018. The Omnibus Plan is designed to provide long-term incentives for staff (including executive and non-executive directors) to deliver long-term shareholder returns. The plan provides for the ability to offer options, performance rights and loan funded Shares to staff. Under the plan, the shares and options only vest if certain service and performance conditions are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Set out below are summaries of options and loan shares granted under the plan:

(i) Loan Shares

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
2019								
17 Sep 2018	16 Sep 2023	\$7.2917	-	2,600,000	-	-	2,600,000	-
15 Nov 2018	14 Nov 2023	\$5.6582	-	1,400,000	-	-	1,400,000	-
12 Mar 2019	11 Mar 2024	\$5.1234	-	800,000	-	-	800,000	-
			-	4,800,000	-	-	4,800,000	-
Weighted average exercise price			-	\$6.45	-	-	\$6.45	-

4,800,000 loan shares were issued to staff during the financial year. The shares are subject to service and performance conditions and will vest after five years, if the conditions are met. The loans are interest free (until vesting date) and limited in recourse to the shares. They are repayable 10 years from grant date, on termination of employment or when the underlying equity is sold, whichever occurs earlier. Loan shares issued under the plan carry dividend and voting rights.

Fair value of interests granted – 17 September 2018

The fair value of loan shares were determined using a Black-Scholes pricing model taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the instrument.

- Fair value at grant date: \$2.59 per loan share
- Exercise price: \$7.2917
- Grant date: 17 September 2018
- Vesting date: 16 September 2023
- Share price at grant date: \$7.31
- Expected price volatility of the Company's shares: 36%
- Expected dividend yield: 0.00%
- Risk free interest rate: 2.28%

Fair value of interests granted – 15 November 2018

The fair value of loan shares were determined using a Black-Scholes pricing model taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the instrument.

- Fair value at grant date: \$2.17 per loan share
- Exercise price: \$5.6582
- Grant date: 15 November 2018
- Vesting date: 14 November 2023
- Share price at grant date: \$5.64
- Expected price volatility of the Company's shares: 40%
- Expected dividend yield: 0.00%
- Risk free interest rate: 2.28%

Fair value of interests granted – 12 March 2019

The fair value of loan shares were determined using a Black-Scholes pricing model taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the instrument.

- Fair value at grant date: \$2.31 per loan share
- Exercise price: \$5.1234
- Grant date: 12 March 2019
- Vesting date: 11 March 2024
- Share price at grant date: \$5.18
- Expected price volatility of the Company's shares: 49%
- Expected dividend yield: 0.00%
- Risk free interest rate: 1.76%

(ii) Options

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
2019								
15 Nov 2018	14 Nov 2023	\$5.6582	250,000	-	-	-	250,000	-
			250,000	-	-	-	250,000	-
Weighted average exercise price			\$5.66	-	-	-	\$5.66	-

Fair value of interests granted – 15 November 2018

250,000 options were granted for no consideration and vest based on fulfilment of specified service and performance conditions and will vest after five years if the conditions are met. The fair value of options were determined using a Black-Scholes pricing model taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the instrument.

- Fair value at grant date: \$1.86 per option
- Exercise price: \$5.6582
- Grant date: 15 November 2018
- Vesting date: 14 November 2023
- Share price at grant date: \$5.64
- Expected price volatility of the Company's shares: 40%
- Expected dividend yield: 1.6%
- Risk free interest rate: 2.28%

Options issued under the plan carry no dividend and voting rights.

26 Share-based payments (continued)

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of incentive expenses were as follows:

	2019 \$'000	2018 \$'000
Pinnacle Investment Management Group Employee Option Share Plan	153	277
Pinnacle Omnibus Plan	1,210	-
Pinnacle Long-term Employee Incentive Plan	72	87
Total share-based payment transactions	1,435	364

27 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company and its related practices:

	2019 \$'000	2018 \$'000
(a) PricewaterhouseCoopers Australia		
(i) Audit and other assurance services		
Audit and review of financial statements	212,650	206,056
Other assurance services:		
Audit of regulatory returns	21,299	20,688
Audit of compliance plan - Responsible entity *	91,198	68,466
Other assurance services	-	-
Total remuneration for audit and other assurance services	325,147	295,210
(ii) Taxation services		
Tax services	108,873	103,893
Total remuneration for taxation services	108,873	103,893
(iii) Other services		
Other services	60,808	-
Total remuneration of PricewaterhouseCoopers Australia	494,828	399,103
Total remuneration of auditors	494,828	399,103

*Compliance plan audit charges are on-charged to managed funds to which responsible entity services are provided.

28 Events occurring after the reporting period

On 1 July 2019, the Company entered into a convertible shareholder loan agreement with Omega, an Affiliate of the Company. The loan is for a maximum of \$500,000, is interest-bearing and has a term of two years. If conversion conditions are met, the loan will convert into equity at a rate of 0.99% for every \$50,000 such that if the entire loan converted to equity, the Company would own an additional 9.9% of Omega.

29 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future in the preparation of the financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions

that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of non-financial assets

The Group tests at least annually whether assets have suffered any impairment, in accordance with the accounting policy stated in note 30(i). Where required, the recoverable amounts of assets have been determined based on value-in-use calculations. These calculations require the use of assumptions. For impairment policies regarding financial assets see notes 30(k) and 30(l).

(ii) Income taxes

The Group can recognise deferred tax assets relating to carried forward tax losses and deductible timing differences to the extent that it is considered probable that there will be future taxable profits relating to the same taxation authority against which the carried forward tax losses and deductible timing differences will be utilised. As at the reporting date the deferred tax assets of the consolidated entity have not been recognised on the basis that their recovery is not considered probable.

(b) Critical judgements in applying the Group's accounting policies

(i) Fair value of financial assets

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date (refer to note 18(d) for further details).

(ii) Entities subject to joint control

Entities subject to joint control are not considered controlled entities for the purposes of AASB 10 on the basis that all key strategic and operational decisions require a unanimous vote by the Board of Directors (refer to note 30(b) for further details).

(iii) Share-based payments

The Group measures equity settled share-based payment transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by management using option pricing models that use estimates and assumptions. Management exercises judgement in preparing the valuations and these may affect the value of any share-based payments recorded in the financial statements (refer to notes 30(r)(iv) and 26 for further details).

(iv) Contingencies

The Group has made certain judgements and estimates relating to the contingent assets and liabilities outlined in note 19(a). These assumptions are based on all existing information available through to the date of signing the Financial Report.

30 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Pinnacle Investment Management Group Limited and its subsidiaries ("the Group") - refer to note 20.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- AASB 9 *Financial Instruments*, and
- AASB 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the Group's accounting policies.

(iii) AASB 9 Financial Instruments – Impact of adoption

The Group has adopted AASB 9 *Financial Instruments* from 1 July 2018.

30 Summary of significant accounting policies (continued)

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 *Financial Instruments* from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in notes 30(k) and 30(l). In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated. Under the new requirements the four current categories of financial assets have been replaced with three measurement categories, namely fair value through profit and loss, fair value through other comprehensive income, and amortised cost.

On 1 July 2018 (the date of initial application of AASB 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate AASB 9 categories. The result of this reclassification was to reclassify the available-for-sale financial asset (30 June 2018: \$114,000) to financial assets at fair value through profit and loss (FVTPL). There was no impact to the classification of other financial assets or loans to joint associates (including Affiliate executives) included in other assets (current and non-current) and they will continue to be recognised at amortised cost. Financial assets held at fair value through profit or loss (including derivatives) also remain unchanged.

The total impact on the Group's retained earnings as at 1 July 2018 is as follows:

	2019 \$'000
Closing accumulated losses 30 June 2018	(10,528)
Reclassify investments from available-for-sale to FVPL	114
Opening accumulated losses 1 July 2018	(10,414)

There is no impact on the Group's accounting for financial liabilities held at fair value, as the Group does not have any such financial liabilities. Trade payables also remain unchanged.

Similarly, the new hedging rules have also had no impact, as the Group does not undertake hedge accounting.

The new impairment model introduces the expected credit loss (ECL) model which could result in the earlier recognition of credit losses, however there is no impact to impairment provisions to date as the expected credit loss rate is nil.

See notes 30(k) and 30(l).

(iv) AASB 15 Revenue from Contracts with customers – Impact of adoption

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018.

AASB 15 *Revenue from Contracts with Customers*, which replaced AASB 18 *Revenue* and AASB 11 *Construction Contracts*. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model requires the Group to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied.

There is no impact from the adoption of AASB 15 in relation to the timing of when the Group recognises revenues.

Revenue for providing services is recognised in the accounting period when the services are rendered. Fees are not recognised where there is a risk of significant revenue reversal.

(v) Early adoption of standards

The Group has elected not to apply any of the pronouncements before their operative date in the annual reporting period beginning 1 July 2018.

(vi) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, and financial assets (including derivative instruments) at fair value through profit or loss.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pinnacle Investment Management Group Limited as at 30 June 2019 and the results of all subsidiaries for the year then ended. Pinnacle Investment Management Group Limited and its subsidiaries together are referred to in these financial statements as the "Group" or the "consolidated entity".

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 30(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position, respectively.

(ii) Employee share trust

The Group has formed a trust to administer the Group's employee share plans. Where the substance of the relationship is that control rests with the Group, the employee share trust is consolidated and any shares held by the trust are disclosed as treasury stock and deducted from contributed equity (refer to note 14 and note 26(a)).

(iii) Entities under joint control

Entities under joint control are all entities over which the Group has a shareholding of between 20% and 49.99% of the voting rights, which have been assessed to meet the classification of joint venture under AASB 11 *Joint Arrangements*, due to the requirement for unanimous decision making in relation to a number of strategic matters contained in the shareholders agreements. Further, the Group does not have direct rights to the assets, and obligations for the liabilities of the entities. Investments in entities under joint control are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in entities under joint control includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 21).

The Group's share of the post-acquisition profits or losses and other comprehensive income of entities under joint control is recognised in the consolidated statement of comprehensive income.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received or receivable from entities under joint control are recognised as a reduction in the carrying amount of the investment in the consolidated statement of financial position.

When the Group's share of losses in an entity under joint control equals or exceeds its interest in the entity under joint control, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity under joint control.

Unrealised gains on transactions between the Group and entities under joint control are eliminated to the extent of the Group's interest in the entities under joint control. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of entities under joint control have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amounts of investments in entities under joint control is tested for impairment in accordance with the policy described in note 30(i).

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate transactions with non-controlling interests reserve within equity attributable to owners of Pinnacle Investment Management Group Limited.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated statement of comprehensive income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, entity under joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of comprehensive income.

30 Summary of significant accounting policies (continued)

If the ownership interest in an entity under joint control is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

(d) Foreign currency translation

(i) 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 (the 'functional currency'). The consolidated financial statements are presented in Australian Dollars, which is also the functional and presentation currency of all entities in the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of amounts collected on behalf of third parties. The Group recognises revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer.

Revenue is recognised for the major business activities as follows:

(i) Service charges

Revenue for providing services is recognised over time using the output method in the accounting period when the services are rendered. Fees are not recognised where there is a risk of significant revenue reversal. Where the contracts include multiple performance obligations, the transaction will be allocated based on the standalone selling prices. Consideration is payable when invoiced.

(ii) Interest received or due

Interest income is recognised using the effective interest method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset (after deduction of the loss allowance).

(iii) Dividends and distributions

Dividends and distributions are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence (refer to note 30(i)).

(f) Income tax

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and entities under joint control operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Tax consolidation legislation

Pinnacle Investment Management Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated statement of financial position.

The head entity, Pinnacle Investment Management Group Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred amounts, Pinnacle Investment Management Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities. Details about the tax funding agreement are disclosed in note 30(z)(ii).

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 19). Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration for a business combination is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

(i) Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount

30 Summary of significant accounting policies (continued)

exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash held in trust for clients is reported as other cash and cash equivalents and is included within trade payables.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires lifetime expected losses to be recognised from initial recognition of the receivables. The expected loss rates are based on the payment profiles of sales over a period of 36 months before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are also adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off if there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of trade receivables

Collectability of trade receivables were reviewed on an ongoing basis. Debts which were known to be uncollectable were written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) was used when there was objective evidence that the Group would not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) were considered indicators that the trade receivable was impaired. The amount of the impairment allowance was the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables were not discounted if the effect of discounting was immaterial.

The amount of the impairment loss was recognised in the consolidated statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised became uncollectable in a subsequent period, it was written off against the allowance account. Subsequent recoveries of amounts previously written off were credited against other expenses in the consolidated statement of comprehensive income.

(l) Investments and other financial assets

Classification and measurement

The classification and measurement of financial instruments is determined by the accounting standard AASB 9 *Financial Instruments*. AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities, and is driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

In accordance with AASB 9 *Financial Instruments: Recognition and Measurement*, the Group's investments and other financial assets are categorised in one of the three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this

category if acquired principally for the purpose of selling in the short term. Derivatives are also carried at fair value through profit or loss unless they are designated as hedges (see note 30(m) for further details about the types of derivatives held).

At initial recognition, the Group measures a financial instrument at fair value through profit or loss at its fair value. Transaction costs of financial assets and liabilities at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arise.

Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans at amortised cost

A financial asset is classified at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest (SPPI) on the principal outstanding. This comprises loans to joint associates (including affiliate executives) which are included in other current and non-current assets within the statement of financial position.

Loans are held for collection of contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest (SPPI) on the principal outstanding. Loans assets are measured initially at fair value plus transaction costs and subsequently at amortised cost using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each reporting date to determine whether there is objective evidence of impairment.

At each reporting date, the Group measures the loss allowance on loans at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Group shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income on a separate line item. When a loan receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

Recognition and derecognition

The Group recognises financial assets on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets from this date.

Financial assets are derecognised when the right to receive cash flows from the investments has expired or the Group has transferred substantially all risks and rewards of ownership.

Previous accounting policy – investments and other financial assets

Classification

The Group classified its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depended on the purpose for which the investments were acquired. The classification of investments was determined at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss were financial assets held for trading. A financial asset was classified in this category if acquired principally for the purpose of selling in the short term. Derivatives were classified as held for trading unless they were designated as hedges. Assets in this category were classified as current assets if they were expected to be settled within 12 months, otherwise they were classified as non-current.

(ii) Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They were included in current assets, except for those with maturities greater than 12 months after the reporting period, which were classified as non-current assets. Loans and receivables were included in trade and other receivables and other current assets.

(iii) Available-for-sale financial assets

Financial assets that were not classified into any of the other categories were included in the available-for-sale category.

30 Summary of significant accounting policies (continued)

Recognition and derecognition

Regular purchases and sales of financial assets were recognised on trade-date, being the date on which the Group commits to purchase or sell the asset. At initial recognition financial assets were initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss were initially recognised at fair value and transaction costs were expensed in the consolidated statement of comprehensive income. Financial assets were derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

Loans and receivables were subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss were subsequently carried at fair value. Gains or losses arising from changes in fair value were recognised as follows:

- For financial assets at fair value through profit and loss – in fair value gains/(losses) on financial assets at fair value through profit and loss; and
- For other monetary and non-monetary securities classified as available for sale – in other comprehensive income.

Fair value

The fair values of quoted investments were based on current bid prices. Units in managed funds were valued at the pre-distribution exit price at year end. If the market for a financial asset was not active (and for unlisted securities) the Group established fair value by using valuation techniques. These include reference to recent arm's-length transactions or to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

The Group assessed at each balance date whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

• Assets carried at amortised cost

If there was objective evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the loss recognised in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease can be related objectively to an event that occurred after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in the consolidated statement of comprehensive income.

• Assets classified as available-for-sale

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss was removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

(m) Derivative financial instruments

Derivative instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value through profit and loss at each reporting date. Derivative instruments include equity futures, interest rate futures and equity options.

The Group enters into transactions in certain derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and options. The Group uses derivatives to manage its exposure to equity investments held.

The Group holds the following derivative instruments:

(a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange.

(n) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the 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 repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or in the case of leasehold improvements, the shorter lease term as follows:

- Plant and equipment 2 - 5 years
- Furniture and fittings 2 - 5 years
- Leasehold improvements 3 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 (note 30(i)).

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income.

(o) Intangible assets

IT development and software

Costs incurred in developing products or systems and acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. The costs capitalised are external direct costs of materials and services, and where applicable the direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years from the point at which the asset is ready to use.

IT development costs include only those costs directly attributable to the development phase that can be reliably measured and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

30 Summary of significant accounting policies (continued)

(r) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months after the end of each reporting period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave, which are not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service, are recognised in the provision for employee benefits. They are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Remeasurement as a result of experience adjustments and changes in assumption are recognised in the consolidated statement of comprehensive income.

The obligations are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

Contributions to defined contribution funds are recognised as an employee benefits expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Group has no further payment obligations once the contributions have been paid.

(iv) Share-based payments

Share-based compensation benefits are provided to certain employees via the Pinnacle Investment Management Group Employee Option Share Plan, the Pinnacle Omnibus Plan, and where applicable, WHIG long-term incentive share plan and Pinnacle long-term employee incentive agreements. Information relating to these schemes is set out in note 26.

The fair value of options and rights granted under the plans is recognised as an employee benefits expense with a corresponding increase in share-based payments reserve. The total amount to be expensed is determined by reference to the fair value of the options and rights granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market performance vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options and rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to the share-based payment reserve.

The plan is administered by AET Structured Finance Services Pty Ltd, see note 30(b)(ii). When the options are exercised, the trust transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

The fair value at grant date of the plans is determined using option pricing models that take into account the exercise price, the vesting period, the vesting and performance criteria, the impact of dilution, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield, and the risk free interest rate for the vesting period.

(v) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations

benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(vii) Long-term employee incentive agreements

The Group has long-term employee incentive schemes which enable certain employees of the Group, under full recourse and limited recourse loan arrangements, to acquire PNI shares. The schemes are designed to align the interests of the employees with those of shareholders.

The fair value of the limited recourse loan arrangements under the long-term employee incentive schemes are recognised as an employee benefits expense with a corresponding increase in share-based payment reserve. The total amount to be expensed is determined by reference to the fair value of the limited recourse loan arrangements, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. The total expense is recognised over the vesting period, which is the period over all of the specified vesting conditions are to be satisfied. The inflows and outflows associated with these arrangements are accounted for on a net basis, as the arrangements are expected to be settled net.

Certain entities under joint control have similar incentive schemes and Pinnacle may provide cash funding to certain employees of these entities in order for the employees to acquire shares in the entities. Pinnacle accounts for these contributions as investments in entities under joint control. Remuneration of the employees is recorded in the entities under joint control and Pinnacle records its share of the profits or losses of these entities upon equity accounting. A liability is recorded to the extent that Pinnacle has a net obligation to the employee of a jointly controlled entity under the employee contract.

(s) Contributed equity

Ordinary shares are classified as equity (note 14).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Dividends

Provision is made for the amount of any dividend declared being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

(u) Earnings per share

(i) Basic earnings per share

Basic earnings after tax per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by; and
- the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (see note 14(d)).

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

(w) Disposal group held for sale and discontinued operations

The assets and liabilities of the disposal group are classified as held-for-sale and stated at the lower of carrying amount and fair value less costs of disposal if their carrying amount is to be recovered principally through a sale transaction rather than continuing use.

30 Summary of significant accounting policies (continued)

Assets of the disposal group classified as held-for-sale are presented separately from other assets in the consolidated statement of financial position. The liabilities of the disposal group classified as held-for-sale are presented separately from other liabilities in the consolidated statement of financial position.

A discontinued operation is a component of the Group's business that has been disposed of or is classified as held-for-sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of comprehensive income.

(x) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Director's Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(y) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published which are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 16 Leases (effective from 1 January 2019)

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The standard is mandatory for financial years commencing on or after 1 January 2019.

The standard is applicable for the first time in the 2020 financial year and will affect the accounting for the Group's property leases by bringing them on balance sheet. As at the reporting date, the Group has non-cancellable operating lease commitments of \$4.3 million (see note 19(b)(ii)). For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately \$4.3 million on 1 July 2019 and lease liabilities of \$4.3 million. Overall, net assets will be unchanged, however net current assets will be \$1.6 million lower due to the presentation of a portion of the liability as a current liability. The Group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(z) Parent Entity financial information

The financial information for the Parent Entity, Pinnacle Investment Management Group Limited, disclosed in note 22 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Pinnacle Investment Management Group Limited.

(ii) Tax consolidation legislation

Pinnacle Investment Management Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation – refer note 30(f)(i).

The entities have entered into a tax funding agreement under which the wholly owned entities fully compensate Pinnacle Investment Management Group Limited for any current tax payable assumed and are compensated by Pinnacle Investment Management Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Pinnacle Investment Management Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

(iii) Share-based payments

The grant by the Parent Entity of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution to that subsidiary. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to share-based payment reserve.

09/12

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 51 to 100 are in accordance with the Corporations Act, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that Pinnacle Investment Management Group Limited will be able to pay its debts as and when they become due and payable.

Note 30(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act.

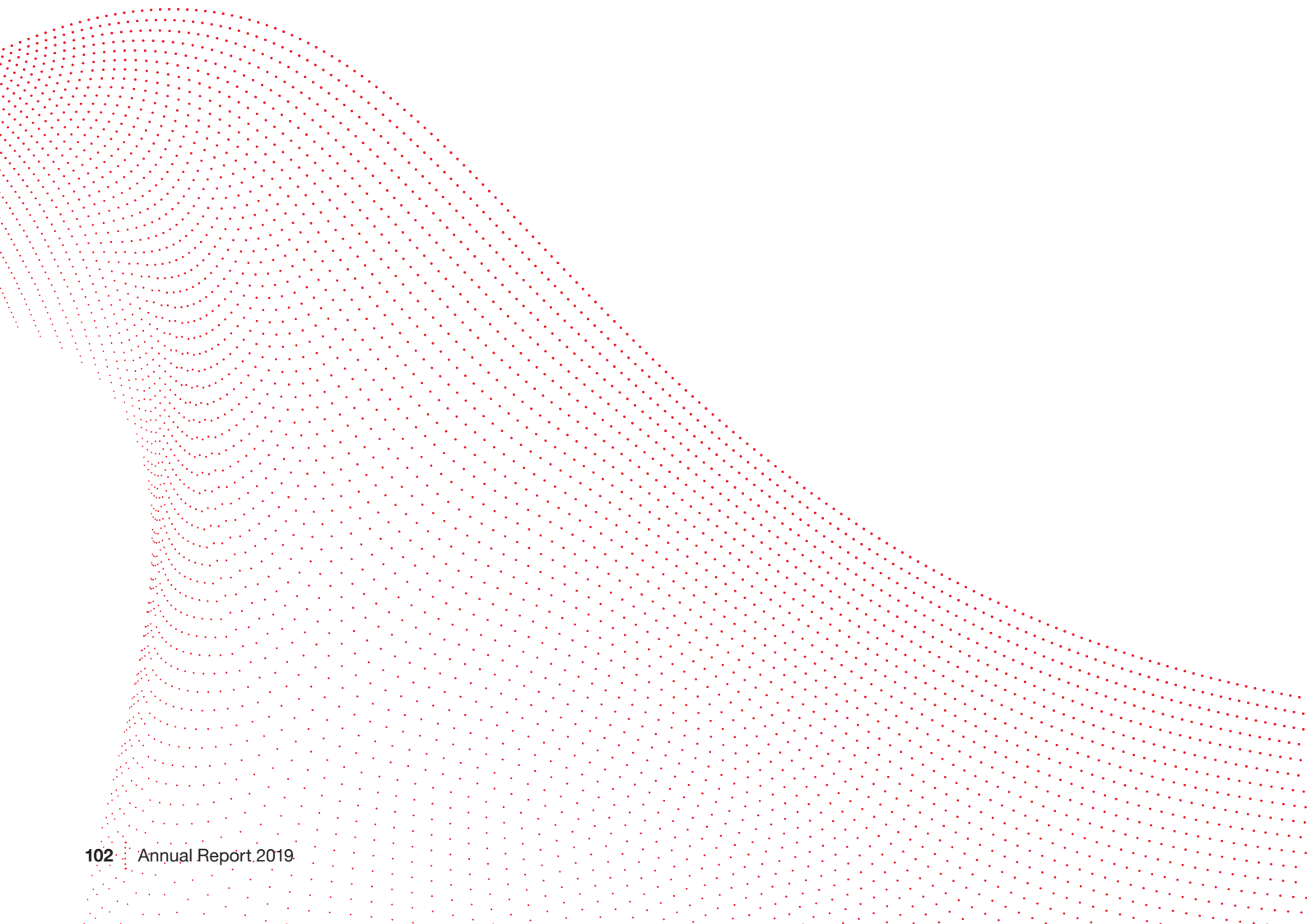
This declaration is made in accordance with a resolution of the directors.



A Watson
Chair
Sydney
6 August 2019

10/12

Independent Auditor's Report





Independent auditor's report

To the members of Pinnacle Investment Management Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Pinnacle Investment Management Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

During the year, the Group's operations included thirteen affiliated fund managers ("the Pinnacle Affiliates") with differing investment styles and offerings. The Group also provides distribution services, business support and responsible entity services to the Pinnacle Affiliates and external parties via subsidiaries.

The Group has minority shareholdings in the Pinnacle Affiliates and has assessed them to be joint ventures due to the requirement for unanimous decision making in relation to a number of strategic matters contained in the shareholders agreements. The financial results of the Group consolidate the subsidiaries and apply equity accounting to the Pinnacle Affiliates.



Materiality

- For the purpose of our audit we used overall Group materiality of \$1.5 million, which represents approximately 5% of the Group's profit before tax from continuing operations.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax from continuing operations because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We audited the most financially significant subsidiaries within the Group, being Pinnacle Investment Management Limited, Pinnacle Funds Services Limited and Pinnacle RE Services Limited. We performed targeted audit procedures over the remaining significant balances and we performed further audit procedures over the consolidation process.
- We performed an audit of each of the financially significant Pinnacle Affiliates on a stand-alone basis. In establishing the overall approach to the Group audit, we considered the type of work that needed to be performed by us, as the Group's auditor, or by the component auditors operating under instructions.
- We audited the Group's equity accounting for the Pinnacle Affiliates, including the Group's share of net profit of jointly controlled entities accounted for using the equity method and the Group's investments accounted for using the equity method recognised in the Group financial statements.

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. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
Performance fee revenue of Pinnacle Affiliates (Refer to note 30(b)(iii) Summary of significant accounting policies) Pinnacle Affiliates' funds under management have the potential to earn performance fees, based on an assessment of performance relative to benchmarks. These benchmarks are agreed between the Affiliates and their clients, and set out in relevant Product Disclosure Statements. This was a key audit matter because the performance fee revenues recognised by Pinnacle Affiliates are material in nature, and the variability of returns can be significant. This performance fee revenue has a significant impact on the Group's share of net profits of jointly controlled entities accounted	We performed the following procedures, amongst others: • Tested a sample of calculated performance fees as follows: ○ Assessed whether the calculation methodologies utilised by management were in accordance with the contractual arrangements, the Group accounting policy, and the requirements of Australian Accounting Standards. ○ Compared the hurdle rates and accumulated deficiency clauses back to the relevant contracts. ○ Obtained audit evidence from relevant external sources to assess key inputs into the calculations (e.g. for net asset values and fund returns).


Key audit matter
How our audit addressed the key audit matter

for using the equity method.

Additionally, during the year the Group and its Affiliates adopted new revenue accounting policies due to the mandatory introduction of AASB 15 *Revenue for Contracts with Customers*. This required additional management analysis to ensure the performance fee revenue was recognised and measured appropriately in accordance with the new accounting policies.

- Taking into account inputs into the calculation, recalculated the performance fees.
- Traced the performance fee revenue to subsequent cash receipts.
- Assessed the adequacy of revenue disclosures in light of the requirements of Australian Accounting Standards.

Carrying values of investments in Affiliates

(Refer to note 21(a) Investments accounted for using the equity method - Carrying amounts) \$113,351K

Investments in Affiliates are recorded in the Group's balance sheet at cost, with Pinnacle's share of profits/(losses) of each Affiliate increasing/(decreasing) the carrying value of its' investment and dividends received reducing the investment carrying amount.

Pinnacle is also required to assess the carrying value of the investment in each Affiliate at each balance date for any indicators of impairment. If the carrying value is deemed to be higher than the fair value of Pinnacle's share in the Affiliate, Pinnacle is required to impair the investment carrying amount to its fair value.

This was a key audit matter because of the size of these investment balances and because the movements which make up those investment balances are significant.

We performed the following procedures, amongst others:

- Evaluated the accounting for acquisitions of investments in Affiliates during the year, as follows:
 - Agreed key terms and transaction details to relevant source documents.
 - Assessed the appropriateness of the classification and accounting treatment of the investment in each new Affiliate with reference to Australian Accounting Standards.
 - Assessed on a sample basis the mathematical accuracy of management's calculations used to measure and record each acquisition.
- Evaluated the changes in the carrying value of investments in Affiliates during the year, as follows:
 - Performed individual audits over the underlying Affiliate financial information, using component auditors where required.
 - Considered the appropriateness of any adjustments made to Affiliate financial information in light of Australian Accounting Standards.
 - Reperformed the equity method of accounting calculations for a sample of investments.
- Evaluated the Group's impairment indicator assessments at balance date, as follows:



Key audit matter

How our audit addressed the key audit matter

- Assessed on a sample basis the mathematical accuracy of management's calculations.
- Traced key assumptions used in management's assessments (comparable publicly available net profit after tax multiples) to external sources.

Accounting for Omnibus Incentive Plan

(Refer to note 26 (c) Share based payments - Pinnacle Omnibus Plan) \$1,210K

During the year the Group provided benefits to employees (including executive and non-executive directors) in the form of a new long term incentive plan called the Omnibus Incentive Plan. Under this plan, options, performance rights and loan funded shares were issued to directors and employees. The performance rights and options only vest if certain service and performance conditions are met. These transactions are classified by the Group as equity-settled share-based payment transactions.

This was a key audit matter because accounting for share based payments requires judgement in determining the fair value of these equity instruments on grant date, assessing the likelihood of specific performance hurdles being met, and the vesting period over which the share based payment should be recognised.

It also relates to the remuneration of Key Management Personnel, which we consider material by nature.

Our audit procedures included the following, amongst others:

- Compared the terms and conditions in the signed agreements for all options and performance rights issued to directors and employees during the financial year to those included in the share-based payment expense calculations.
- Assessed whether key inputs such as, spot price, strike price, vesting period, share price volatility, risk free rates, and dividend yields, which are used in the calculations for the performance rights and share option valuation models ("model"), by comparing to observable market data or the signed agreements.
- Recalculated a sample of calculations from the model to assess mathematical accuracy.
- Assessed whether the share based payment expense was recognised over the appropriate vesting period by comparing to the contractual terms and assessing the likelihood of performance and service obligations being met.
- Evaluated the adequacy of disclosures in the financial report in light of the requirements of Australian Accounting Standards.



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, 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 accordingly 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 on the other information that we obtained prior to the date of this auditor's report, 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 34 to 44 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Pinnacle Investment Management Group Limited for the year ended 30 June 2019 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.

A stylized, handwritten signature of 'PricewaterhouseCoopers' in black ink.

PricewaterhouseCoopers

A handwritten signature of 'Ben Woodbridge' in black ink.

Ben Woodbridge
Partner

Brisbane
6 August 2019

11/12

Shareholder Information

The shareholder information set out in the following pages is correct as at 2 August 2019.

Ordinary fully paid shares (total)

Range of Units Snapshot

Range	No. of shareholders	No. of shares	% of issued Capital
1 – 1,000	957	448,555	0.25
1,001 – 5,000	1,468	4,168,111	2.28
5,001 – 10,000	523	3,832,414	2.10
10,001 – 100,000	544	16,257,196	8.89
100,001 – 9,999,999,999	137	158,162,011	86.49
Rounding			-0.01
Total	3,629	182,868,287	100.00

Unmarketable parcels

Range	Minimum parcel size	No. of shareholders	Units
Minimum \$ 500.00 parcel at \$ 4.10 per unit	122	172	7318

Twenty largest shareholders

Rank	Name	Units	% of Units
1	Macoun Generation Z Pty Ltd	20,896,469	11.43
2	HSBC Custody Nominees (Australia) Limited	19,638,913	10.74
3	J P Morgan Nominees Australia Pty Limited	16,370,396	8.95
4	Warragai Investments Pty Ltd	7,040,000	3.85
5	Macoun Superannuation Pty Ltd	5,903,323	3.23
6	Andrew and Fleur Chambers	5,525,414	3.02
7	BNP Paribas Noms Pty Ltd	5,491,278	3.00
8	Kinauld Pty Ltd	4,810,000	2.63
9	Mr Alexander William Macdonald Grant	4,670,090	2.55
10	Mr Adrian Whittingham	4,325,414	2.37
11	Usinoz Pty Ltd	3,934,463	2.15
12	AJF Squared Pty Ltd	3,866,484	2.11
13	National Nominees Limited	3,355,325	1.83
14	BNP Paribas Noms Pty Ltd	3,100,918	1.70
15	Mr David Francis Cleary	2,907,149	1.59
16	Earlston Nominees Pty Ltd	2,870,000	1.57
17	Mr David Noel Groth	2,811,224	1.54
18	Citicorp Nominees Pty Limited	2,351,537	1.29
19	Mark Cormack and Melanie Cormack	1,585,435	0.87
20	Mr Barry Athol Bicknell	1,225,000	0.67
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		122,678,832	67.09
Total remaining holders balance		60,189,455	32.91

Substantial shareholdings

The names of the shareholders who have notified the Company of a substantial holding in accordance with section 671B of the Corporations Act are:

Substantial shareholder	No. of shares	% of issued shares
Ian Macoun and associates	27,654,085	15.12%
Steve Wilson and associates	18,950,000	10.36%

Voting rights

Upon a poll each share shall have one vote.

Options and performance rights on issue**Distribution of securities****Options**

There are 3,804,365 options on issue as at 5 August 2019.

The options are held by:

A&T Structured Finance Services Pty Ltd as trustee for the Pinnacle Investment Management Group Employee Option Share Plan; Redback Capital Pty Ltd; Headlands Nominees Pty Ltd; Roys Peak Pty Ltd; Fist Family Pty Ltd; Kyle Macintyre and Daniella Macintyre.

The options are not listed.

Performance rights

There are 21,445 performance rights on issue as at 5 August 2019.

The performance rights are held by:

Alan Watson; Dab Hand Pty Ltd; Ronald Berends and Gerard Bradley

12/12

Corporate Directory

Pinnacle Investment Management Group Limited

Incorporated in Queensland on 23 April 2002

ABN

22 100 325 184

Directors

Alan Watson, Chair

Ian Macoun, Managing Director
(from 17 August 2016; executive director
from 25 August 2016)

Deborah Beale AM

Lorraine Berends

Gerard Bradley

Andrew Chambers

Adrian Whittingham

General Counsel and Company Secretary

Calvin Kwok

Chief Financial Officer and Chief Operating Officer

Alex Ihlenfeldt

Share Registry

Computershare Investor Services Pty Limited
Level 1, 200 Mary Street
Brisbane QLD 4000

Telephone 1300 850 505

ASX Code

PNI

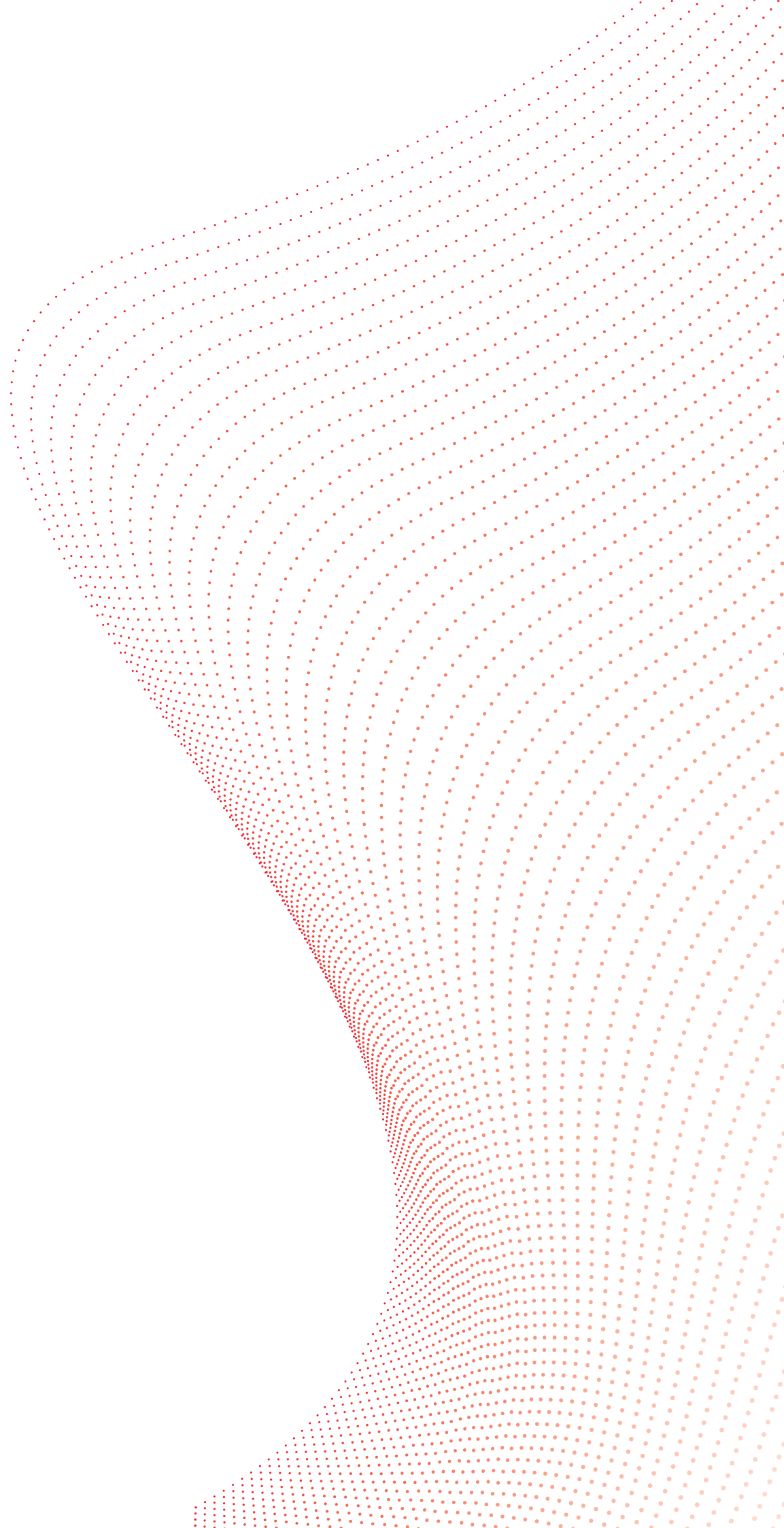
Shares are listed on the Australian Securities Exchange

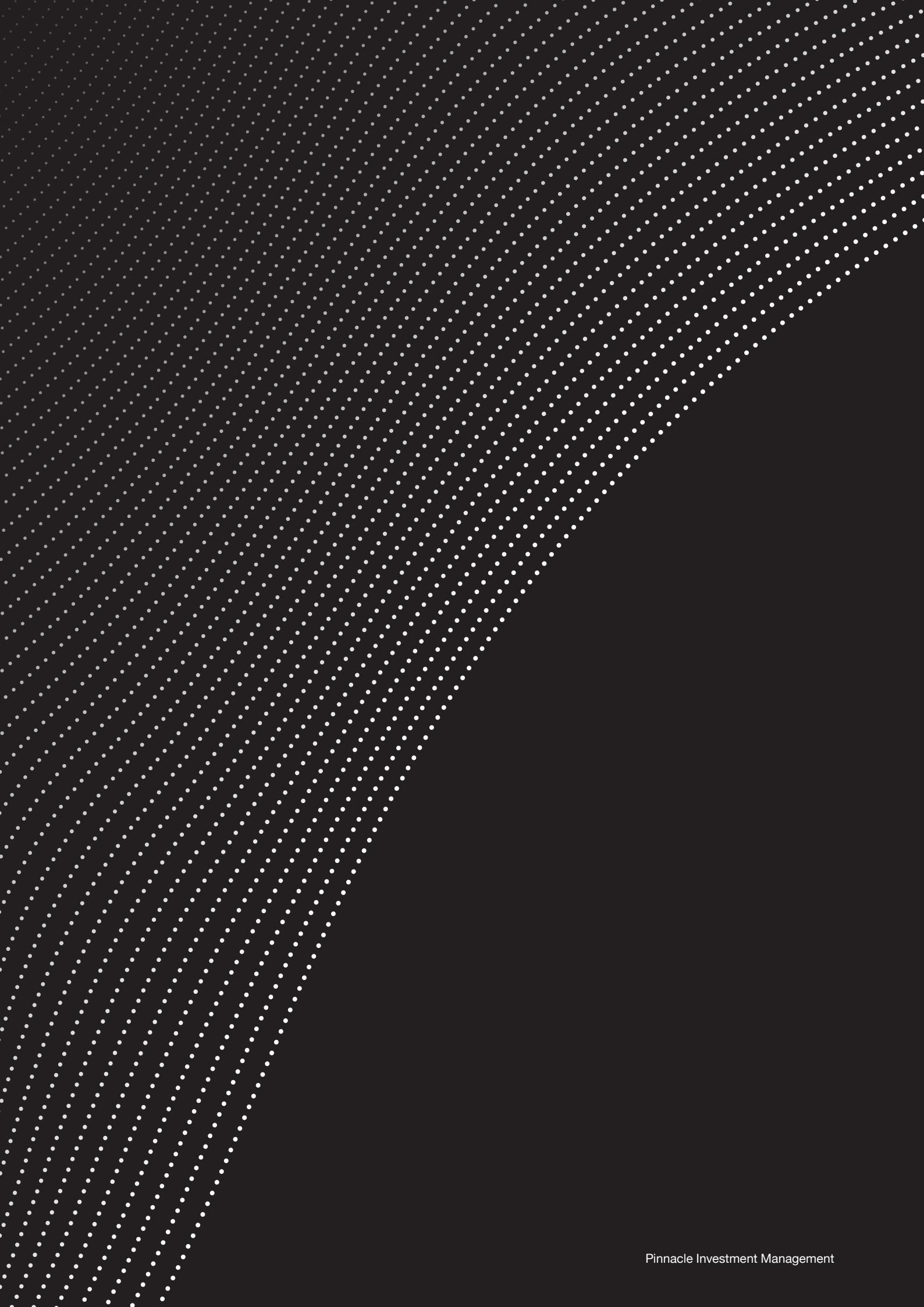
Bankers

Commonwealth Bank of Australia

Auditor

PricewaterhouseCoopers







www.pinnacleinvestment.com

Australia

Brisbane

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Sydney

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Melbourne VIC 3000

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London

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69 Old Broad Street,
London EC2M 1QS