

# Wilson HTM Investment Group Ltd

Annual Report

2014



**Pinnacle**  
INVESTMENT MANAGEMENT



**Wilson HTM**  
INVESTMENT GROUP




# WILSON HTM INVESTMENT GROUP LTD

The entities that now comprise the Wilson HTM Investment Group were first established in 1895. From those early stages, the Wilson HTM Investment Group Ltd has evolved as set out below.

## Pinnacle

In 1996, the Group established Hyperion and in 2006 Hyperion became part of a newly formed funds management business headed by Pinnacle to develop and support new boutique funds management businesses. Pinnacle has shareholdings of between 25% and 49.9% in each of the six Pinnacle Boutiques. Pinnacle Boutiques have won the following major industry awards and recognitions:

	<p>Money Management/Lonsec</p> <ul style="list-style-type: none"><li>Hyperion was named 'Fund Manager of the Year 2013' and also won two main Australian Equities Awards – 'Australian Equities (Broad Cap)' and 'Australian Equities (Small Cap)'.</li><li>Plato was awarded the 2013 Retirement Product Innovation Award for its Plato Australian Shares Income Fund.</li><li>The Plato Australian Shares Income Fund received an upgrade in its Lonsec Research rating to "Highly Recommended" during FY2014.</li></ul>
	<p>Morningstar</p> <ul style="list-style-type: none"><li>Hyperion was named Domestic Equity Category winner; and</li><li>Resolution Capital was named Listed Property Category winner.</li></ul>

## Wilson HTM

The Wilson HTM business comprises the Securities business, Priority Funds, Next Financial and Principal Investments and includes:

### Securities business

- wealth management advisory for private investors including investment advice, stockbroking and financial planning;
- corporate advisory and equity capital market services specialising in emerging companies;
- an in-house research team focusing on emerging and small capitalised companies with access to a broader research capability via a strategic partnership with Deutsche Australia and Deutsche Bank AG, the former owning 19.8% of the Company's issued capital; and
- institutional advice, trading and distribution with offices in Brisbane, Sydney and Melbourne, as well as Dalby, Gold Coast and Hervey Bay.

### Priority Funds – Wilson HTM Priority Growth and Wilson HTM Priority Core Funds

The Priority Funds embody our investment philosophy of identifying outstanding investment opportunities early by capturing the investment ideas generated across the business.

The Priority Funds provide investors with access to:

- diversified, actively managed portfolios and recommendations from one of Australia's largest mid-capitalised research teams;
- priority access to IPOs and other sought after capital raisings not always available to retail investors; and
- specialist large capitalised and strategic research.

The Wilson HTM Priority Core Fund became eligible for an independent investment rating in 2013 and was subsequently awarded the highest 5 star rating\* available from Morningstar. The Wilson HTM Priority Core Fund has retained this rating throughout the 2014 financial year.

\* Footnotes are referenced inside back cover.





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### Financial Calendar

Dividend record date .....	8 September 2014
Dividend date .....	18 September 2014
Annual General Meeting .....	Wednesday, 26 November 2014
Interim Results announcement .....	Thursday, 26 February 2015
Full Year Results announcement .....	Friday 28 August 2015

*The Company reserves the right to change these dates.*

### Annual General Meeting

The 2014 Annual General Meeting will be held at 3pm Wednesday 26 November 2014 at the Company's Sydney office at Level 14, 99 Elizabeth Street, Sydney.

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

## 01 CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of the Board I am pleased to report a return to profitability and a substantially improved performance by the Group after a number of challenging years. We reported a consolidated net profit after tax of \$4.8 million attributable to shareholders for the 2014 financial year and will pay a fully franked dividend of 2.75 cents per share to shareholders.

The result reflects significantly increased profits in our Pinnacle funds management business and a turnaround in profits in Wilson HTM.

Key achievements in the Group's result include the following:

- Pinnacle's share of net profit after tax from its equity interests in the Pinnacle Boutiques is \$8.4 million, a 37% increase from the previous year;
- a return to profitability in Wilson HTM with a net profit before tax of \$2.0 million compared with a loss of \$4.4 million in 2013<sup>1</sup>;
- revenues from our Securities business up 13% on the prior year through an uplift in both corporate finance and broking revenues; and
- Principal Investment mark to market gains of \$1.2 million underpinned by our investment in the Wilson HTM Priority Core Fund.

Pinnacle achieved a 13% increase in funds under management across its Boutiques. The current year's result and industry projections for growth in superannuation and managed funds support the ongoing strategy in investing in our funds management businesses.

In April 2014 the Board formally appointed Alexander (Sandy) Grant to the position of Managing Director following a successful transition in leadership in the first half of the financial year. Mr Grant has undertaken a process of simplifying and aligning the businesses comprising Wilson HTM, further reducing costs, and focusing on generating new business and profits. It is satisfying to report that in better operating conditions, and through these initiatives, the Securities business has returned to profit with a net profit before tax of \$1.2 million compared with a loss before tax of \$7.0 million in the prior year.

The Group's liquidity has improved during the financial year with cash and Principal Investments totalling \$26.3 million and net tangible assets of \$54.4 million as at 30 June 2014.

Further details of the financial and operating performance of each business unit are provided in the Operating and Financial Review.

Our aim has always been to build a company that is sustainable through cycles. The Board remains committed to supporting the growth in Pinnacle and developing its Boutique offering. In the Securities business, quality advice, independence, risk management and accountability will be key drivers in ensuring further progress in the 2015 financial year. The Board also considers there remains significant opportunity for a high quality independent securities house.

On 12 August 2014 we advised the ASX that the Group is engaged in an ongoing dialogue with Shaw Stockbroking regarding the Securities business. Preliminary due diligence is being undertaken under appropriate confidentiality arrangements. Shareholders should note that there is no certainty that any agreement or transaction between the Group and Shaw Stockbroking will be reached as a result of these discussions. The Board will submit any such agreement or transaction to shareholders for their approval prior to implementation.

In December 2013, the Board was pleased to welcome Erica Lane as an independent non-executive director. The Board acknowledges the valuable contribution of Ian Fraser who retired as deputy chair of the Board and as chairman of the Audit Compliance and Risk Management Committee on 27 November 2013.

Our people are the basis of the organisation and the primary drivers of performance and my thanks must go to the executive management teams in each of Pinnacle and Wilson HTM, and their staff, for their hard work and commitment in returning the Group to profitability.

Finally, I thank you the shareholder and clients for your support and custom. We end this financial year on a positive note, however, the Board is aware that investors and clients expect results. The Board will continue to work with management to improve profits, our service offering and examine opportunities that will deliver shareholder value.

I look forward to meeting you at the Group's Annual General Meeting in Sydney on 26 November 2014.

Yours faithfully,



Steven M Skala AO  
CHAIRMAN  
WILSON HTM INVESTMENT GROUP LTD

Melbourne  
27 August 2014

<sup>1</sup> Net profit before tax excludes profit before tax attributable to non-controlling interests in the Wilson HTM Priority Core Fund required to be consolidated into the Group's results

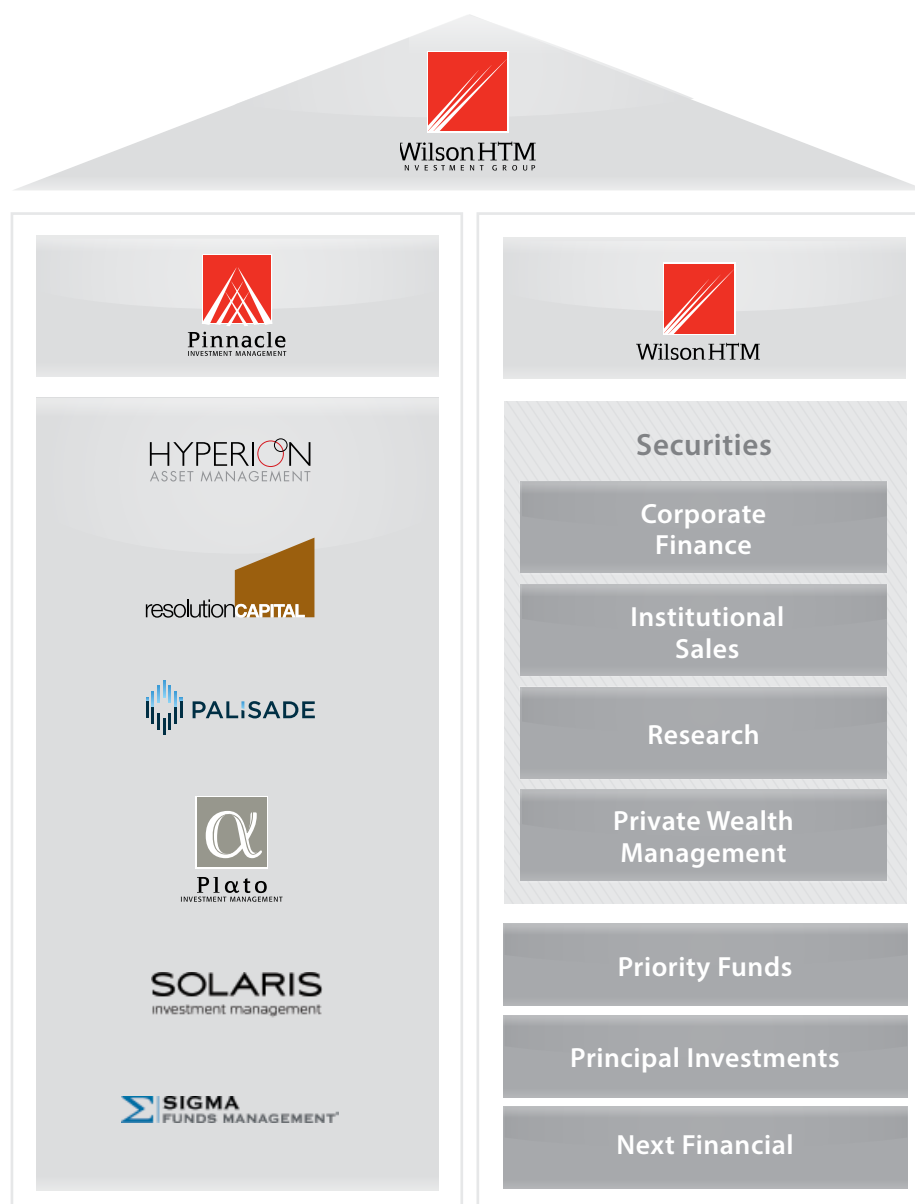
## 02 OVERVIEW OF WILSON HTM INVESTMENT GROUP

The companies that now comprise the Group were first established in 1895 and grew through both organic growth and acquisition to the group of companies it is today. The Company listed on the Australian Stock Exchange in 2007.

The diagram below shows the composition of the Group today comprising Pinnacle and Wilson HTM.

The Group owns 79.3% of Pinnacle which in turn holds equity interests of between 25% to 49.9% in the Pinnacle Boutiques. Pinnacle provides distribution services, business support and responsible entity services to the Pinnacle Boutiques, as well as to external fund managers.

Wilson HTM includes the Securities business, the Priority Funds, Principal Investments and Next Financial.



## 03 OPERATING AND FINANCIAL REVIEW

### Financial Performance – Highlights

- Group NPAT \$4.8 million attributable to shareholders up from NLAT \$1.6 million
- Earnings per share 4.7 cents up from loss per share of 1.6 cents
- Fully franked dividend 2.75 cents per share up from nil cents
- Net tangible assets \$54.4 million or \$0.53 per share up from \$0.46 per share
- Pinnacle Segment NPAT \$5.9 million up 97% from NPAT \$3.0 million
- Pinnacle's share of Pinnacle Boutiques NPAT \$8.4 million up 37% from NPAT \$6.2 million
- Wilson HTM NPBT<sup>2</sup> \$2.0 million up from a NLBT of \$4.4 million
- Securities business revenues of \$52.9 million up 13% from \$46.7 million
- Cash and Principal Investments totalling \$26.3 million up 58% from \$16.7 million<sup>2a</sup>
- FUM of \$13.8 billion up 12% from \$12.3 billion

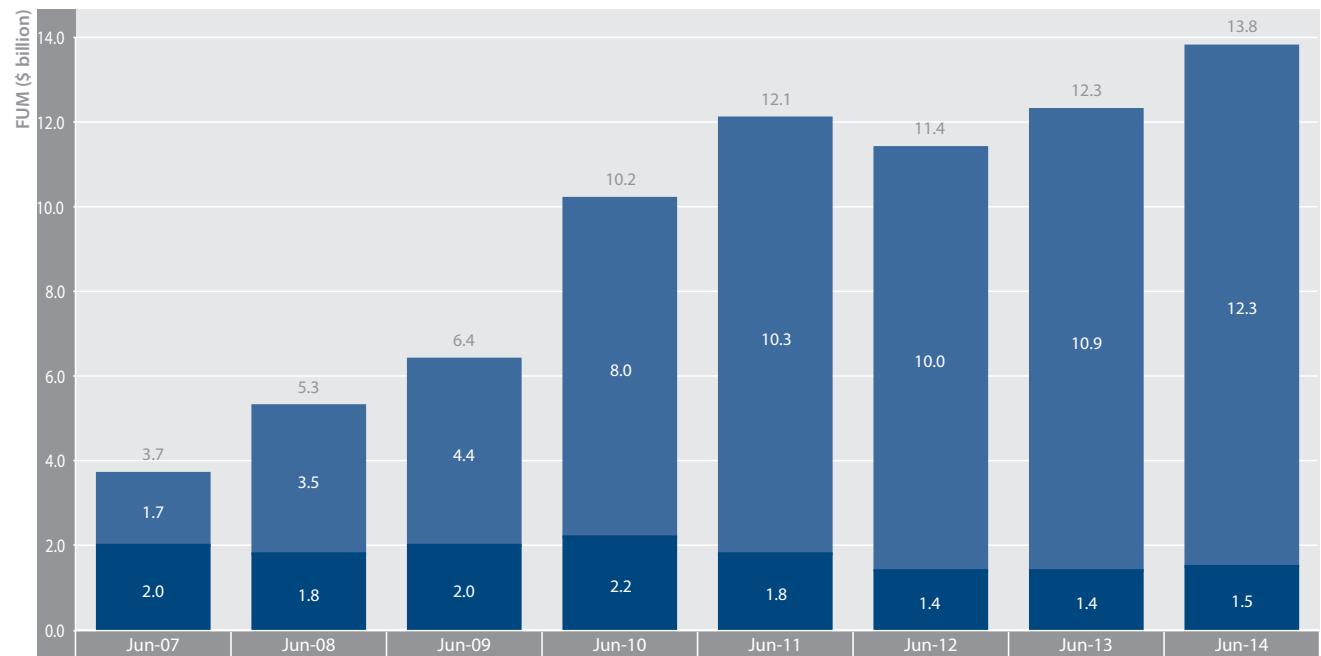
Composition of Group results (\$ million)	1H2014	2H2014	FY2014	FY2013
<b>Pinnacle<sup>^</sup></b>	<b>2.6</b>	<b>3.3</b>	<b>5.9</b>	<b>3.0</b>
Securities business	0.6	0.6	1.2	(7.0)
Principal Investments	1.3	(0.1)	1.2	1.6
Priority Funds	(0.3)	(0.2)	(0.5)	1.5
Next Financial	(0.2)	0.3	0.1	(0.5)
<b>Wilson HTM (pre consolidation of WHTM Priority Core Fund)</b>	<b>1.4</b>	<b>0.6</b>	<b>2.0</b>	<b>(4.4)</b>
Consolidation of WHTM Priority Core Fund	2.3	0.0	2.3	2.4
Wilson HTM	3.7	0.6	4.3	(2.0)
Group overhead (unallocated)	(0.9)	(0.9)	(1.8)	(1.7)
Group net profit/(loss) before tax	<b>5.4</b>	<b>3.0</b>	<b>8.4</b>	<b>(0.7)</b>
Tax benefit/(expense)	(0.2)	0.2	0.0	2.3
Less minority interests	(2.9)	(0.7)	(3.6)	(3.2)
<b>Group net profit/(loss) after tax attributable to shareholders</b>	<b>2.3</b>	<b>2.5</b>	<b>4.8</b>	<b>(1.6)</b>
<sup>^</sup> Includes share of Pinnacle Boutiques	3.5	4.9	8.4	6.2

<sup>2</sup> Net profit before tax excludes profit before tax attributable to non-controlling interests in the Wilson HTM Priority Core Fund required to be consolidated into the Group's results

<sup>2a</sup> Excludes consolidation of cash and Principal Investments from Wilson HTM Priority Core Fund.

Wilson HTM Investment Group Ltd – FUM

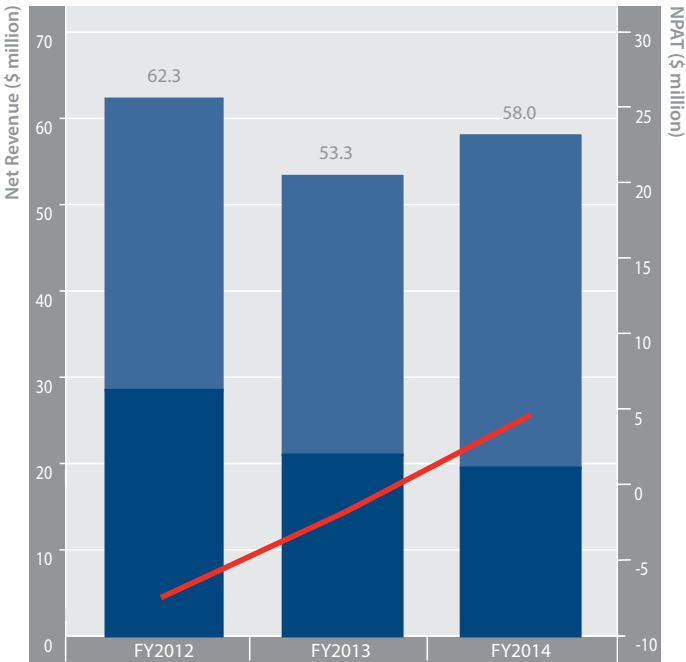
Wilson HTM Pinnacle\*



\*Pinnacle FUM includes 100% of FUM managed by the Pinnacle Boutiques.  
At 30 June 2014, the Company had a 79.3% interest in Pinnacle, which in turn has an interest in the Pinnacle Boutiques ranging from 25% to 49.9%.

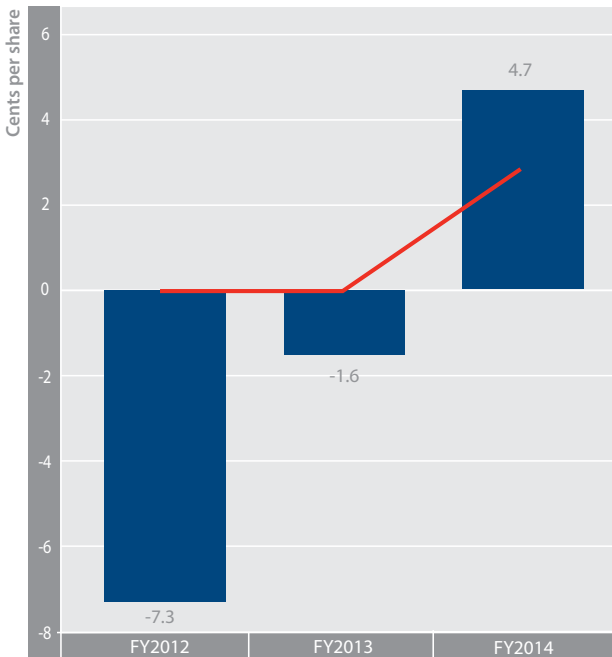
Wilson HTM Investment Group Ltd – Net Revenue NPAT

Advisory Transactional NPAT



Wilson HTM Investment Group Ltd - Earnings and dividends per share

Normalised Basic EPS\* Dividends per share



\*For more information refer to note 43 Earnings per Share.



## 03 OPERATING AND FINANCIAL REVIEW

### Nature of operations

The Group has two business segments – Pinnacle and Wilson HTM.

Pinnacle develops and supports boutique fund managers.

Pinnacle is owned 79.3% by the Company, with the balance held by senior executives. Pinnacle has shareholdings of between 25% and 49.9% in each of the Pinnacle Boutiques which together have \$12.3 billion in FUM as at 30 June 2014. Pinnacle Boutiques generated revenues of \$55.7 million which was up 18% and NPAT of \$18 million up 45% on the 2013 financial year. Pinnacle's share of NPAT from Pinnacle Boutiques was \$8.4 million up 37% on the prior year. Pinnacle and the Pinnacle Boutiques employed 79 staff as at 30 June 2014.

The results for the Group consolidate Pinnacle and equity accounts the Pinnacle Boutiques. This approach is unchanged from the prior year. The revenues of Pinnacle relate to the provision of support services and third-party distribution. The Pinnacle Boutiques' key revenue streams are management and performance fees based on the value and performance of FUM. Note 39 shows the equity accounted contribution from Pinnacle Boutiques with further commentary in relation to Pinnacle on pages 15 to 17.

Wilson HTM is owned 100% by the Group and includes the Securities business, Priority Funds, Next Financial and Principal Investments. The Securities business has evolved its client offering from stockbroking to include wealth management, corporate finance and funds management services. The Securities business has two key revenue types being transactional and advisory. Transactional revenues comprise both retail and institutional brokerage and corporate finance transactional revenues. Advisory revenues comprise fees from private clients for discretionary and non-discretionary portfolio advice, financial planning, portfolio administration and funds management. These advisory revenues are based on FUM and are not considered as volatile as transactional revenues.

As at 30 June 2014, Wilson HTM employed 178 people, a reduction of 32 during the 2014 financial year. Of these, 124 interacted with clients and 54 provided support services, including to the Company.

Wilson HTM holds Principal Investments primarily through the Wilson HTM Priority Core Fund. Gains and losses on fair value of Principal Investments are recognised through the profit and loss. Refer to notes 6 and 11 in the financial statements for further details.

Included within Wilson HTM is the 100% owned structured product business operated by Next Financial. In late 2010, Next Financial ceased offering new products to focus on servicing

existing products to their maturity or earlier if clients choose to redeem. The exposures relating to Next Financial have continued to reduce materially during the 2014 financial year. This reduction has a significant impact on revenue and assets and liabilities when comparing the financial statements with the prior comparative period. Refer to the commentary on Next Financial on page 22 and refer to notes 5, 7, 12, 13, 21 and 24 in the financial statements for further detail.

## Principal Activities

The principal activities of the Group are set out below and are unchanged from the prior year.

### Pinnacle

- developing and operating funds management businesses;
- providing distribution, infrastructure support and administration services to the Pinnacle Boutiques; and
- providing distribution support to other external parties.

### Wilson HTM

- corporate finance and research;
- wealth management to private clients;
- stockbroking to private and institutional clients;
- corporate superannuation and insurance services;
- specialty funds management through Priority Funds;
- selected investments as Principal; and
- servicing structured products for clients.

## Business strategies and prospects for future financial years

Progress has been made in its two business segments, with Pinnacle segment enjoying a substantial improvement in profits with segment net profit after tax of \$5.9 million in the 2014 financial year compared with a \$3.0 million net profit after tax in the prior comparative period. Wilson HTM returned to profitability with a net profit before tax of \$2.0 million<sup>3</sup> compared with a net loss before tax of \$4.4 million in the 2013 financial year.

At a Group level, the business will focus on efficient capital allocation between its two business segments and reducing overhead costs consistent with a simpler business model. Pinnacle will seek to strengthen its portfolio of boutique asset managers through investment and service provision including high quality distribution, responsible entity and funds management infrastructure services.

From time to time Pinnacle will consider assisting experienced and talented investment professionals to commence a new boutique investment strategy where we know demand to be

strong and special talent to be needed. Pinnacle anticipates further strong growth, underpinned by expectations that the funds management industry, which it serves, will continue to expand over the coming decade and beyond.

The Securities business will continue to focus on profits through quality advice, risk management, accountability and independence.

On 12 August 2014 we advised the ASX that the Group is engaged in an ongoing dialogue with Shaw Stockbroking regarding the Securities business. Preliminary due diligence is being undertaken under appropriate confidentiality arrangements. Shareholders should note that there is no certainty that any agreement or transaction between the Group and Shaw Stockbroking will be reached as a result of these discussions. The Board will submit any such agreement or transaction to shareholders for their approval prior to implementation.

## 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 and investor sentiment.

In Australia, record low interest rates, the weak dollar, reasonable valuations, and the rally in financial stocks have underpinned a rise in the share market for the second year in a row.

This growth has supported strong results in Pinnacle which is well positioned to capitalise on opportunities in the future. The Deloitte "Positioning for Prosperity" report<sup>4</sup> highlights that superannuation FUM is expected to more than triple from \$1.5 trillion in 2013 to \$7.6 trillion in 2033. In addition, the report identifies wealth management as one of the five industries expecting substantial future growth in Australia.

The ASX All Ordinaries has risen 12.7% in the 2014 financial year. The Small Ordinaries which is representative of the emerging company segment in which Wilson HTM specialises increased by 9.6% during the 2014 financial year.

In the Securities business, industry brokerage transactional values have not increased in line with equity markets, impacting broking revenues. Equity capital markets and merger and acquisition activity have improved during the 2014 financial year.

In order to ensure growth and sustainability in the Securities business,

<sup>3</sup> Net profit before tax excludes profit before tax attributable to non-controlling interests in the Wilson HTM Priority Core Fund required to be consolidated into the Group's results

<sup>4</sup> "Building the Lucky Country #3, Business Imperatives for a prosperous Australia : Positioning for Prosperity; Catching the Wave" Deloitte; March 2014

## 03 OPERATING AND FINANCIAL REVIEW

the Board has recognised that scale is desirable in the current environment. Lower transactional values and growing competition remain an issue for broker revenues. This year's change in leadership with its focus on reducing costs, simplifying the business and alignment has resulted in a sharp turnaround in profits. The Securities business is now positioned to leverage off improving markets and look for opportunities to grow scale.

### Regulatory Risk

WIG operates in a highly regulated environment which is continually evolving and we strive to ensure that the Group is compliant with the new financial and regulatory requirements. We are currently implementing changes to our AML/CTF Program and obligations required by the commencement of US legislation, the *Foreign Account Tax Compliance Act* in Australia on 1 July 2014. We expect further regulatory changes in the year forward, such as changes to the ASIC class order relating to managed discretionary account services, new obligations to register with the Tax Practitioners Board and meet its compliance requirements.

### Review of Group Results

Group net profit after tax attributable to shareholders for the 2014 financial year is \$4.8 million, a significant turnaround from the \$1.6 million net loss after tax attributable to shareholders reported last year.

- The Pinnacle Segment reported a \$5.9 million net profit after tax for the 2014 financial year, a 97% improvement. This was underpinned by a 37% increase to \$8.4 million in Pinnacle's share of net profits from the Pinnacle Boutiques. FUM increased by 13% to \$12.3 billion in the 2014 financial year.
- Wilson HTM returned to profits<sup>5</sup> with a \$2.0 million net profit before tax from a loss before tax of \$4.4 million. This turnaround was the consequence of increased revenues through stronger corporate deal flow, market share gain in broking and a reduction in the fixed cost base. Additionally healthy equity markets resulted in gains in Principal Investments of \$1.2 million, which was down from \$1.8 million last year, but with a much reduced market exposure.

The Group's liquidity has grown with cash and Principal Investments of \$26.3 million at 30 June 2014, up from \$16.7 million at 30 June 2013. This was derived from dividends received from the Pinnacle Boutiques, operating cashflows from the Securities business and performance fees from Priority Funds in respect of the 2013 financial year. The Group continues to have no corporate debt.

Group net tangible assets have increased by 13% to \$54.4

million with earnings per share of 4.7 cents versus a loss per share of 1.6 cents in the 2013 financial year.

The Board has declared a final fully franked dividend of 2.75 cents per share.

### Statement of Comprehensive Income

The following commentary provides an analysis of revenues and expenses for the 2014 financial year in comparison to the prior comparative period.

The Group's revenues and expenses are effectively those of Wilson HTM and Pinnacle and exclude the revenues and expenses of the Pinnacle Boutiques. Their effect is reflected through Pinnacle's share of the equity accounted net profits. In order for readers of this document to better understand Pinnacle and their effect on the Group please refer to page 15 to 17.

### Revenue from Continuing Operations

Revenue from continuing operations decreased by \$0.4 million or 0.7%, with gross revenues in Next Financial down \$4.3 million, due to the reduction in its structured product business. Group revenue from continuing operations excluding Next Financial is up 7% or \$3.9 million for the 2014 financial year.

### Brokerage – Retail and Institutional

The improved All Ordinaries has been led by strong performance in the financial sector. Retail clients remain risk averse with limited appetite for mid to small capitalised stocks, instead opting for high yield shares that are held for longer periods. This has seen brokerage subdued in comparison to the rise in equity markets.

Securities brokerage overall rose 11% reflecting an improvement in market share.

### Corporate Finance Revenues

Across mid to small capitalised companies, the primary specialty of Wilson HTM, the number of transactions increased by 20% and capital raised grew by 106%.

Wilson HTM's corporate finance revenues are up 72% to \$12.9 million.

<sup>5</sup> Net profit before tax excludes profit before tax attributable to non-controlling interests in the Wilson HTM Priority Core Fund required to be consolidated into the Group's results

## Advisory Fees

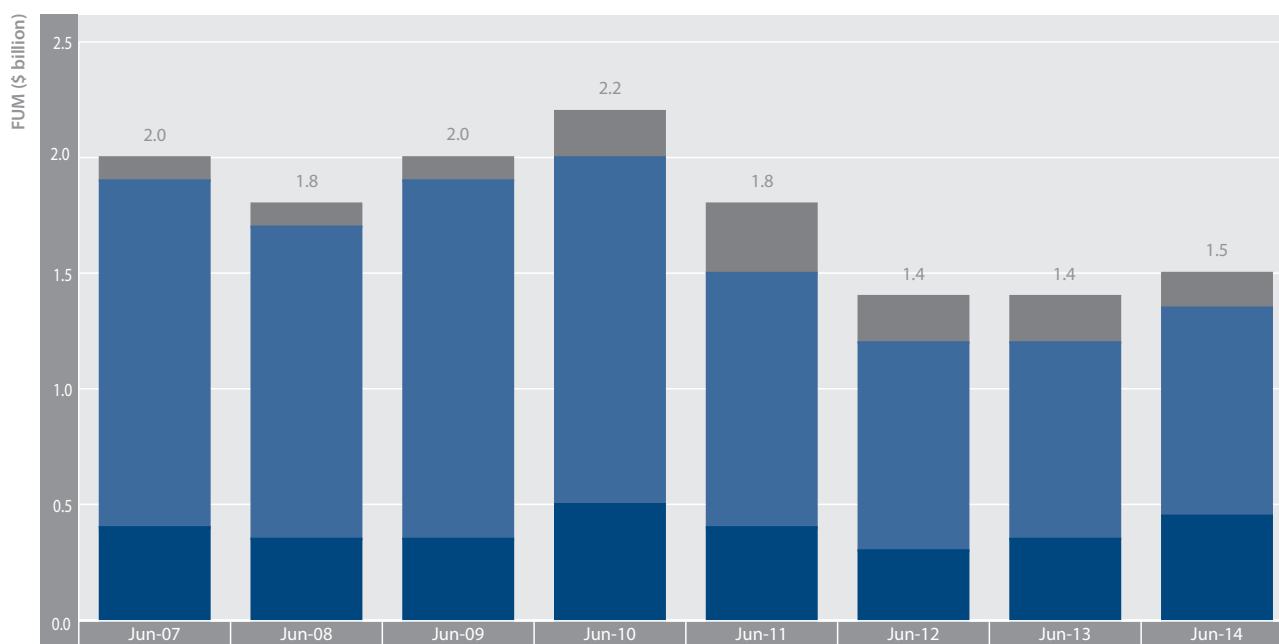
Average FUM in Wilson HTM rose from \$1.4 billion in the 2013 financial year to \$1.5 billion in the 2014 financial year. Despite FUM being up on average by 4%, advisory revenues have declined by 6% due to clients moving to lower fee products.

Refer to note 5 Revenue from operations for further detail.

The graph below shows FUM (\$billions) for Wilson HTM excluding Next Financial as at 30 June for the periods June 2007 to June 2014.

### Wilson HTM Funds Under Management

■ Externally managed ■ Internal advisory ■ Priority Funds



## Performance Fees

During the 2014 financial year performance fees were down \$2.8 million compared with the 2013 financial year. There were no performance fees in the Priority Funds. Refer to note 5 Revenue from operations and Priority Funds on page 22 for further detail.

Performance fees for Pinnacle Boutiques are included in equity accounted profits from Pinnacle Boutiques and are not separately included in the Group accounts.

## Next Financial

The planned reduction in the Next Financial structured products business has resulted in revenues being \$4.3 million lower, a 72% reduction. The size of the structured product book was \$3.9 million at 30 June 2014, down from \$8.0 million at 30 June 2013, and is expected to mature by 30 June 2015. Refer to note 5 Revenue from operations and the commentary relating to Next Financial on page 22 for further detail.

## Gains on financial assets at fair value through profit or loss

Gains on financial assets at fair value which were recognised in profit or loss were \$3.3 million and comprise of \$1.2 million in fair value gains on Principal Investments predominantly in the Priority Funds, \$0.1 million in fair value gains in Next Financial, and \$2.0 million through the consolidation of the Wilson HTM Priority Core Fund. However the Wilson HTM Priority Core Fund was de-consolidated on 31 December 2013. Refer to note 6 and the commentary relating to Principal Investments on page 22 for further detail.

## Expenses

*Employee benefits expense* declined by \$4.1 million or 12.7% relative to the prior comparative period. The decrease is mainly due to further staff reductions in Wilson HTM in the 2014 financial year, and realising the full year benefit of staff reductions during the 2013 financial year.

*Commission and incentive expense* is higher by \$6.8 million reflecting increased revenues in the Securities business and

## 03 OPERATING AND FINANCIAL REVIEW

profits across all business segments in comparison to the prior reporting period. Profits in Wilson HTM and Securities business has resulted in incentives being paid to Research and Support Staff in relation to the 2014 financial year compared to none in the prior year.

*Depreciation and amortisation expense* is down 43% or \$0.9 million mainly due to the relocation of our Melbourne and Sydney offices. During the 2013 financial year leasehold improvement depreciation and make-good expense were accelerated to fully expense the previous Melbourne premises due to the early end of lease in March 2013. The previous Sydney premises assets were at end of life in May 2013.

*Impairment expense* is down \$0.7 million due to the reversal of a prior year fair value adjustment of the Pinnacle loan to Plato. This fair value adjustment of the loan was reversed in the 2014 financial year as a result of Plato making its maiden profit.

*Computer and communication expenses* are 15% or \$0.7 million lower and include the costs associated with the Intrapower / Trusted Cloud outsourcing arrangements. These outsourcing costs are lower with a reduction in headcount.

*Transaction processing expense* is a variable cost based on brokerage volumes.

*Property expenses* are 29% or \$1.2 million lower compared with the prior comparative period following the relocation of offices in Melbourne and Sydney. Wilson HTM has realised savings in relation to rental and outgoing expenses. In addition the 2013 financial year included one off costs of \$0.3 million in relation to the exit of leases.

*Legal and professional fees* are down \$2.3 million in the 2014 financial year.

*Consultant fees and payaways* were down 12% or \$0.3 million compared with the prior reporting period. Payments to third party brokers for corporate finance transactions are \$1.0 million compared with \$0.5 million in the 2013 financial year.

*Structured Product expense and Finance cost expense* relate to the costs associated with Next Financial's instalment products, which has declined in the 2014 financial year due to the maturity of these products, and the resulting decrease in product related debt. Refer to commentary on Next Financial on page 22 and refer to notes in the financial statements 7, 21 and 24 for further detail.

*Share of net profit of jointly controlled entities accounted for using the equity method.* This relates to the Group's share of the profits of the Pinnacle Boutiques which are equity accounted. Net profits after tax from Pinnacle Boutiques are up 37% or \$2.2 million on the prior comparative period. Pinnacle Boutique

FUM which underpins the share of Pinnacle Boutique profits, increased by 13% to \$12.3 billion during the 2014 financial year. Further detail is provided in relation to Pinnacle on pages 15 to 17 and in notes 15 and 39 of the financial statements.

*Non-Controlling Interest.* This relates to the interests of minority shareholders of Pinnacle (20.7 %), and the minority unit holders of the Wilson HTM Priority Core Fund up until the time it was de-consolidated from the Group on 31 December 2013. Refer to notes 30, 37 and 38 for further detail.

### Consolidated Statement of Financial Position

*Cash* – a net increase in total cash and cash equivalents of \$12.7 million is due mainly to \$7.9 million of dividends received from Pinnacle Boutiques during the financial year and \$4.5 million redeemed from the investment in Wilson HTM Priority Core Fund.

The Group has no corporate debt however it has a finance facility which provides a bank guarantee and overdraft facility with the Commonwealth Bank of Australia Limited with a maturity date of 30 November 2015. Refer to notes 9 and 24 of the financial statements.

*Investments accounted for using the Equity method* – this reflects Pinnacle's investment in the Pinnacle Boutiques. Investments increased by \$0.5 million as the value of equity accounted profits of \$8.4 million from Pinnacle Boutiques exceeded the value of dividends of \$7.9 million received during the period. Refer to notes 15 and 39 of the financial statements.

*Trade and Other Receivables* – decreased by \$4.9 million, primarily due to the receipt of a \$3.2 million performance fee receivable, attributable to Priority Funds from the 2013 financial year. There was no performance fee accrual as at 30 June 2014. In addition prepaid expenses reduced by \$0.3 million compared with the prior reporting period.

*Financial assets at fair value through profit or loss* have decreased by \$15.4 million compared with the 2013 financial year. This was primarily due to a \$11.9 million reduction attributable to the de-consolidation of the Wilson HTM Priority Core Fund at 31 December 2013. During the 2014 financial year \$4.5 million was redeemed from the Principal Investment in the Wilson HTM Priority Core Fund, which was offset by Principal Investment gains of \$1.2 million. Refer to notes 11 and 37 of the financial statements.

*Loans to Investors and Borrowings* – decreased by \$4.4 million and \$3.3 million respectively reflecting the decline in product related debt supporting Next Financial's instalment product.

Next Financial's instalment product has continued to reduce through contractual maturities and investor-elected early redemptions. The loan balance was \$3.9 million at 30 June 2014. By 30 June 2015 the loan balance is expected to be nil. Refer to notes 13 and 21 of the financial statements.

*Property plant and equipment & Intangibles* declined by \$0.4 million in comparison with the 2013 financial year. Depreciation and amortisation in relation to property, plant and equipment & intangibles totalled \$0.8 million in the 2014 financial year. This was offset by \$0.4 million in additions for the Sydney and Melbourne premises. Refer to notes 16 and 18 of the financial statements.

*Deferred Tax Assets (DTA) and Deferred Tax Liabilities (DTL)* – The DTA decreased by \$0.3 million due to a reduction in DTA for timing differences. This was offset by a reduction in the DTL relating to timing differences of \$0.3 million. Refer to notes 17 and 25 of the financial statements.

*Trade and other payables* – the decrease of \$14.8 million is principally due to the impact of the \$13.5 million de-consolidation of the Wilson HTM Priority Core Fund at 31 December 2013. A decline in accrued expense across the Group accounts is responsible for the remaining balance of the reduction. Refer to notes 20, 37 and 38 of the financial statements.

*Derivative Financial Assets and Liabilities* – each reduced by \$0.7 million compared with the 2013 financial year in line with the continued reduction in the Next Financial instalment book. The Next Financial instalment book is expected to reduce to nil by 30 June 2015. Refer to note 12 of the financial statements.

*Provisions* – grew by \$0.4 million. This was mainly due to the \$0.3 million increase in the make-good provision for the Sydney premises. Annual and long service leave provisions have remained steady in comparison with the prior reporting period. Refer to notes 22 and 26 of the financial statements.

*Other non-current assets and liabilities* – non-current assets and liabilities have increased by \$2.5 million and \$2.0 million respectively due to the accounting requirement to capitalise the fit-out costs of the new Sydney and Melbourne offices. There is no profit or loss impact as the cost associated with the fit-out is offset by a corresponding provision that is offset against future rental expense. Both items are being amortised over the term of the lease for each office. Refer to notes 19 and 27 of the financial statements.



## 03 OPERATING AND FINANCIAL REVIEW

### Segment Result

#### Pinnacle Segment

This segment comprises the Group's 79.3% equity share in Pinnacle which includes its investment in the Pinnacle Boutiques. The Pinnacle Segment contributed \$5.9 million net profit after tax to the Group result for the 2014 financial year compared with \$3.0 million in the 2013 financial year.

The 100% result in Pinnacle Group was \$6.5 million in net profit after tax up from \$4.3 million in the 2013 financial year. This was underpinned by Pinnacle's share of the Pinnacle Boutiques' profit after tax increasing by 37% or \$2.2 million on the prior comparative period to \$8.4 million.

The table below outlines the performance of the Pinnacle Group for the 2014 and 2013 financial years.

	FY2014	FY2013
<b>Pinnacle Boutiques (100% aggregate basis)</b>		
FUM (\$billion)	12.3	10.9
(\$million)		
Revenue	55.7	47.3
<b>Net profit before tax</b>	<b>26.2</b>	<b>18.3</b>
Tax expense	(8.2)	(5.9)
<b>Net profit after tax</b>	<b>18.0</b>	<b>12.4</b>
Pinnacle share of Pinnacle Boutiques NPAT statutory result	8.4	6.2
Add back Impairment expense (note 7 financial statements)	0.2	(0.5)
<b>Pinnacle share of Pinnacle Boutiques NPAT</b>	<b>8.6</b>	<b>5.7</b>
<b>Pinnacle</b>		
Revenue	4.3	4.4
Expenses	(6.2)	(6.3)
Share of Pinnacles Boutiques net profit after tax statutory result	<b>8.4</b>	<b>6.2</b>
<b>Pinnacle Group statutory result #</b>	<b>6.5</b>	<b>4.3</b>

# 100% of Pinnacle (The Group has a 79.3% interest as at 30 June 2014). Excludes Wilson HTM costs related to Pinnacle

Further analysis on Pinnacle is provided on pages 15 to 17 and in notes 38 and 39 of the financial statements.

Wilson HTM incurred net expenses in relation to Pinnacle of \$0.6 million.

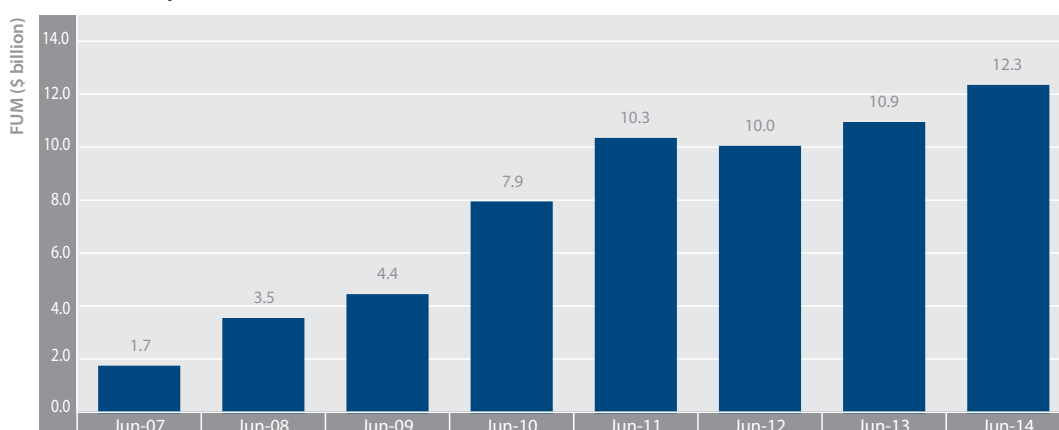
<sup>7</sup> Revenue shown is 100% of all Pinnacle Boutiques' revenue. This is shown to indicate trend and excludes revenue derived by Pinnacle itself, which is consolidated into the Group's financial statements



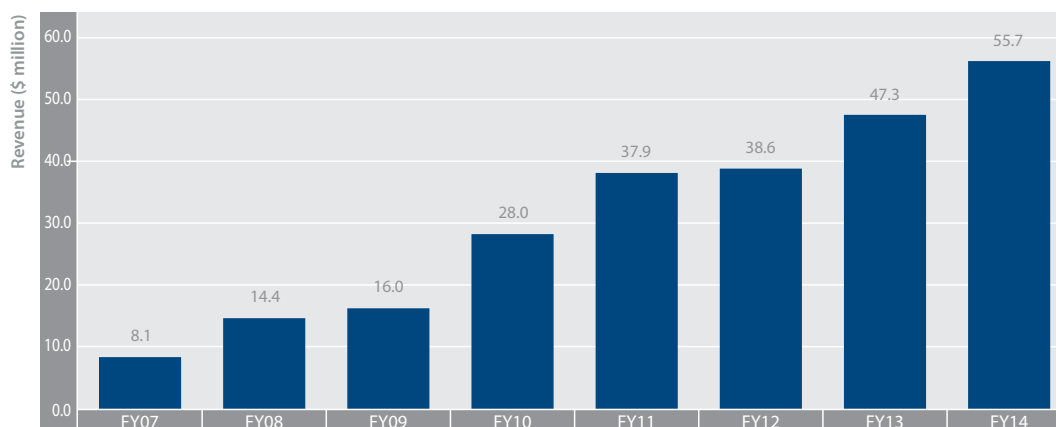
## Pinnacle

Pinnacle will continue its distribution partnership with Metrics Credit Partners, which provides institutional investors with access to the Australian corporate loan market and an opportunity to share in attractive risk-adjusted returns that have previously only been available to traditional banks. Substantial FUM was won on behalf of Metrics Credit Partners by Pinnacle during the 2014 financial year.

### Pinnacle Boutiques – FUM Growth<sup>6</sup>



### Pinnacle Boutiques – Revenue Growth<sup>7</sup>



Pinnacle's focus during the year was on continuing to support each of the Pinnacle Boutiques and assisting them to grow their business and profitability. The quality of the Pinnacle Boutiques was affirmed and demonstrated in many ways during the year, including by the investment returns they produced and the strength of market interest and support for their investment offerings.

<sup>6</sup> Pinnacle FUM includes 100% of FUM managed by the Pinnacle Boutiques. At 30 June 2014, the Company had a 79.30% interest in Pinnacle, which in turn has an interest in the Pinnacle Boutiques ranging from 25% to 49.9%.

## 03 OPERATING AND FINANCIAL REVIEW

Following is an overview of each of the Pinnacle Boutiques during the year to 30 June 2014.



### Solaris

Solaris is a specialist manager of listed Australian equities following a neutral style.

Solaris' FUM as at 30 June 2014 totalled \$2.6 billion. Solaris' clients benefited from strong investment out-performance in the year, the core strategy outperforming the S&P/ASX200 by 4.82%. Since inception on 9 January 2008 to 30 June 2014, Solaris' core strategy has outperformed the S&P/ASX 200 Index by 2.09 % per annum.

The 2014 financial year was one in which Solaris sought successfully to demonstrate its ability to generate alpha for its clients and enjoy team stability after a period of change.



### Hyperion

Hyperion is a specialist manager of listed Australian equities following a growth style.

The 2014 financial year was a rewarding one for Hyperion clients. The company generated strong out-performance for clients for the full year. Hyperion's long term track record of investment performance in both its large capitalised and small capitalised portfolios is first quartile amongst its competitors since inception.

The Hyperion Australian Growth Companies Fund ended the year with an absolute performance of 22.46% after fees (5.20% above the S&P ASX 300 Accumulation Index) and the Hyperion Small Growth Companies Fund ended the year with an absolute performance of 18.64% after fees (5.53% above the S&P ASX Small Ordinaries Accumulation Index).

Retail inflow combined with the performance of the Hyperion portfolios saw FUM climb from \$4 billion at 30 June 2013 to \$4.9 billion at the end of the 2014 financial year. The focus of the company in the year ahead is to maintain strong investment performance for clients while further building retail distribution opportunities.



### Resolution Capital

Resolution Capital is a specialist manager of Australian and global listed real estate securities portfolios.

The FUM in these portfolios grew to \$2.9 billion during the 2014 financial year, representing a year on year growth of 7%.

Resolution Capital's long term out-performance track record remains pleasing, outperforming the benchmark FTSE EPRA/NAREIT Developed Index (in AUD TRI) by 220 basis points, for the year ended 30 June 2014.

The business is continuing to make very good progress on its ambition to diversify its client base with endorsement from a number of major asset consultants and superannuation funds.



### Plato

Plato is a specialist manager of Australian equities following a systematic quantitative style, with a focus on after tax investing for pension phase and accumulation phase superannuation.

During the year all of Plato's beta one strategies outperformed their benchmarks. Plato now has a strong three-year track record across its product mix, with all strategies ahead over that 3 year period, or since inception for strategies with less than 3 years track record. Two of the Plato's lower beta strategies underperformed the market in the year, but are performing well since inception and on a risk adjusted basis. During the year Plato closed its legacy long short funds to focus resources on our long only income based strategies.

Plato continues to have very significant interaction with consultants and prospective investors, including financial advisers. This interaction has proven positive, with FUM continuing to increase, with strong inflows from retail investors.



### Palisade

Palisade is a specialist manager of unlisted infrastructure assets with a focus on mid-market assets in Australia. Palisade provides institutional investors with flexible access to infrastructure investment through pooled funds and separately managed portfolios for institutional investors.

Palisade continues to grow strongly and expand its investment team to cater for the sustained growth in investments under management.

As at 30 June 2014 FUM and investor commitments totalled in excess of \$1.3 billion. During the 2014 financial year the various funds and individual portfolios managed by Palisade delivered rates of return of between 12.2% and 16.3%.

Palisade continues to enjoy the support of asset consultants and continues to raise further capital for investment as well as having a strong pipeline of investment opportunities.



### Sigma

Sigma is a specialist manager of Australian equities following a value style.

Sigma's strong valuation discipline combined with an explicit focus on business risk differentiates its approach and defines its results. Sigma is structured as an integrated Large and Small Capitalised investment team within an aligned partnership model, which is a key source of competitive advantage, providing greater insight across the entire Australian Equities universe.

During the 2014 financial year, strong out-performance over the benchmarks for the Sigma Select Equities Fund (+5.4%) and Sigma Emerging Companies Strategy (+8.0%) places the business in good shape to gain further traction with existing and new clients over the coming year.

Sigma continues to work closely with asset consultants and prospective investors to grow funds under management in a sensible manner and to diversify sources of revenue.

### Strategies looking forward

Pinnacle intends to continue to provide high quality distribution, responsible entity and funds management infrastructure services, and to support each of the Pinnacle Boutiques to remain focussed on investing, to enable them to continue to perform strongly and to grow their FUM and profitability.

From time to time Pinnacle will consider assisting experienced and talented investment professionals to commence a new boutique in investment strategies where we know demand to be strong and special talent to be needed.

Pinnacle anticipates further strong growth, underpinned by expectations that the funds management industry, which it serves, will continue to expand over the coming decade and beyond.

## 03 OPERATING AND FINANCIAL REVIEW

### Wilson HTM

Wilson HTM comprises the Securities business, Priority Funds, Next Financial and Principal Investments. In turn, the Securities business encompasses corporate finance, equity capital markets, institutional sales, research, private wealth management and funds management services. Separate commentary is provided on each of the Securities business, Priority Funds, Next Financial and Principal Investments beginning on page 19 of the 2014 Annual Report.

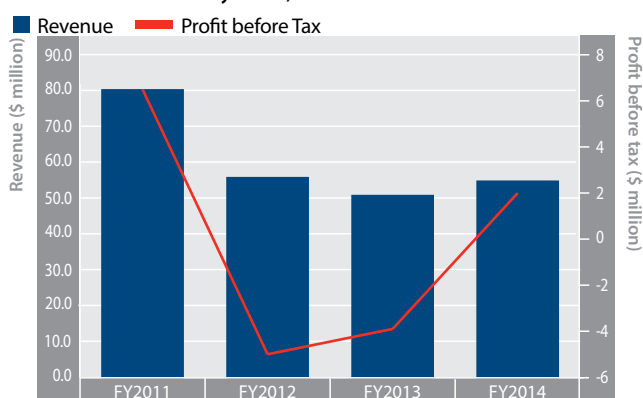
Wilson HTM reported a net profit before tax<sup>8</sup> of \$2.0 million for the 2014 financial year, which was a significant improvement of \$6.4 million. The result was comprised of a Securities business net profit before tax of \$1.2 million compared with a loss before tax of \$7.0 million, Principal Investment gains of \$1.2 million versus \$1.8 million gains in the prior year; and a profit in Next Financial of \$0.1 million compared with a loss of \$0.5 million in the 2013 financial year.

The consolidation of the net profit before tax attributable to non-controlling interests in the Wilson HTM Priority Core Fund was \$2.3 million compared with \$2.4 million in the 2013 financial year.

Wilson HTM revenues and profits are impacted by the wind down of the structured product business in Next Financial and the consolidation of the net profit or loss before tax attributable to non-controlling interests in the Wilson HTM Priority Core Fund. At 31 December 2013 the Wilson HTM Priority Core Fund was de-consolidated and is not expected to influence the Group's results in the future.

To provide an overview of the operating performance of Wilson HTM the graph below shows revenue and net profit before tax for Wilson HTM excluding Next Financial and the consolidation of the Wilson HTM Priority Funds.

#### Wilson HTM Revenue & profit before tax (excluding Next Financial & consolidation of Priority Funds)

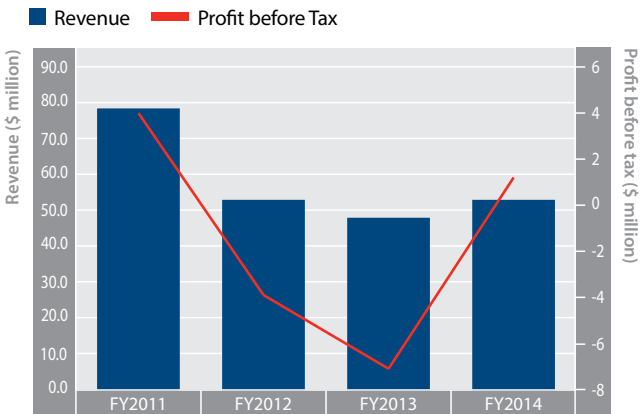


<sup>8</sup> Net profit before tax excludes profit before tax attributable to non-controlling interests in the Wilson HTM Priority Core Fund required to be consolidated into the Group's results.

### Securities business

The Securities business result for the 2014 financial year was a \$1.2 million net profit before tax which was an \$8.2 million turnaround in profits on the prior reporting period. Revenues of \$52.9 million were up 13% from \$46.7 million in the prior reporting period. The uplift in performance was through stronger corporate finance, higher brokerage and a sustained reduction in the costs base. Fixed costs across this business declined \$8.4 million or 18% in the 2014 financial year when compared with the 2013 financial year, mainly through further reductions in staff, the full year benefit from staff reductions from the prior year and the change in premises in Sydney and Melbourne.

Securities business– Revenue & profit before tax



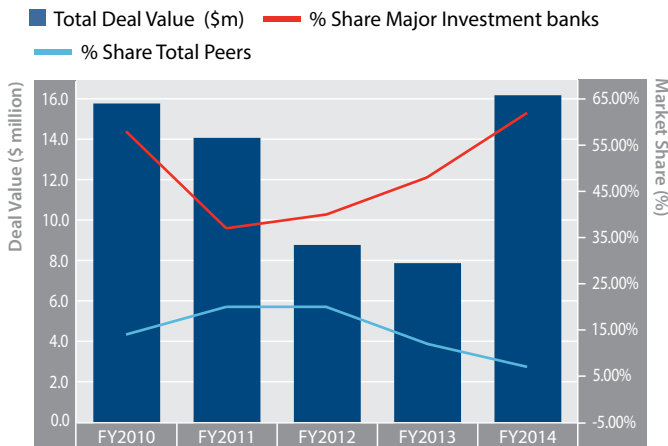
This graph highlights the turnaround in Australian equity capital markets with total transactional value growing 106% and the number of deals increasing by 99 deals to 603 in the 2014 financial year compared with the prior comparative period. In addition, the graph provides an overview of how the global investment banks have expanded their competitiveness in the mid to small capitalised company segment in which Wilson HTM specialises. The global investment banks grew their market share from 49% in the 2013 financial year to 62% in the 2014 financial year. In comparison, peer market share declined from 12% to 7% in the 2014 financial year. Despite this pressure, Wilson HTM has improved its deal value by 80% and number of transactions by 62% in the 2014 financial year compared with the prior comparative period.

Corporate finance revenues were \$12.9 million up 72% or \$5.4 million compared with \$7.5 million in the prior year.

### Corporate Finance

The graph below illustrates the market trend in equity capital markets and the shift in participation of global investment banks compared with Wilson HTM and its peers.

Total value of equity capital raisings and follow-ons with market cap up to US\$1.5bn



Source: Dealogic  
Peers include Euroz Securities Ltd, Evans & Partners Pty Ltd, Patersons Securities Ltd, Bell Potter Securities Ltd, RBS, BBY and Shaw Corporate Finance Pty Ltd. Major Investment Banks include - Macquarie Group, Goldman Sachs, UBS, JPMorgan, Credit Suisse, Deutsche Bank, Bank of America Merrill Lynch and Citi

## 03 OPERATING AND FINANCIAL REVIEW

Throughout the 2014 financial year, Wilson HTM advised and participated on a number of transactions, including those shown below:

### Equity Capital Market transactions

 <p><b>\$80,000,000</b> Initial Public Offer <i>Lead Manager &amp; Underwriter</i></p> <p>June 2014</p>	 <p><b>\$1,000,000,000</b> Initial Public Offer <i>Co-Manager</i></p> <p>April 2014</p>	 <p><b>\$30,000,000</b> Unlisted Bond Issue <i>Lead Manager</i></p> <p>May 2014</p>
 <p><b>\$2,600,000</b> Placement <i>Lead Manager &amp; Underwriter</i></p> <p>April 2014</p>	 <p><b>\$18,000,000</b> Placement &amp; Rights Issue <i>Lead Manager &amp; Underwriter</i></p> <p>March 2014</p>	 <p><b>\$9,100,000</b> Placement <i>Lead Manager</i></p> <p>March 2014</p>
 <p><b>\$153,000,000</b> Placement <i>Co-Lead Manager</i></p> <p>December 2013</p>	 <p><b>\$56,000,000</b> Placement <i>Lead Manager</i></p> <p>December 2013</p>	 <p><b>\$12,000,000</b> Placement <i>Lead Manager</i></p> <p>December 2013</p>
 <p><b>\$53,000,000</b> Placement <i>CLM &amp; Joint Bookrunner</i></p> <p>November 2013</p>	 <p><b>\$6,000,000</b> Placement &amp; Entitlement Offer <i>Lead Manager</i></p> <p>September 2013</p>	 <p><b>\$20,700,000</b> Placement &amp; Entitlement Offer <i>Joint Lead Manager</i></p> <p>September 2013</p>
 <p><b>\$15,000,000</b> Placement &amp; Underwritten SPP <i>Joint Lead Manager</i></p> <p>September 2013</p>	 <p><b>\$7,500,000</b> Placement <i>Lead Manager</i></p> <p>August 2013</p>	 <p><b>\$5,000,000</b> Placement <i>Lead Manager</i></p> <p>June 2013</p>

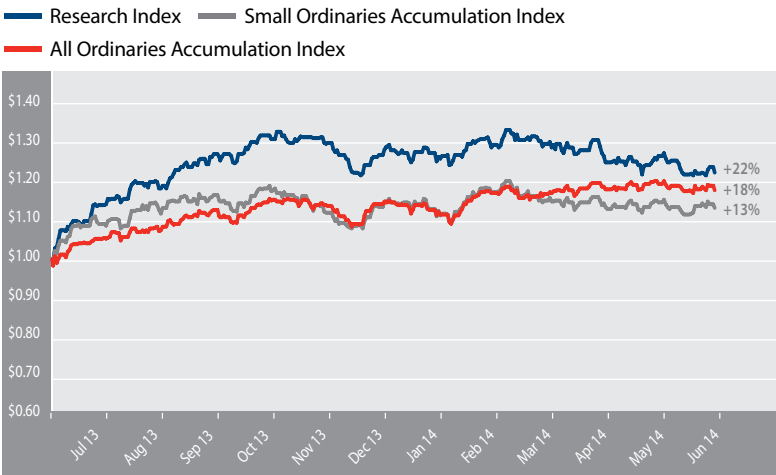
Institutional Sales

The institutional team had another successful year growing revenues by 15% in the 2014 financial year following a 35% increase in 2013 financial year. The uplift in revenues was due to a 19% increase in transactional value reflecting an increase in market share.

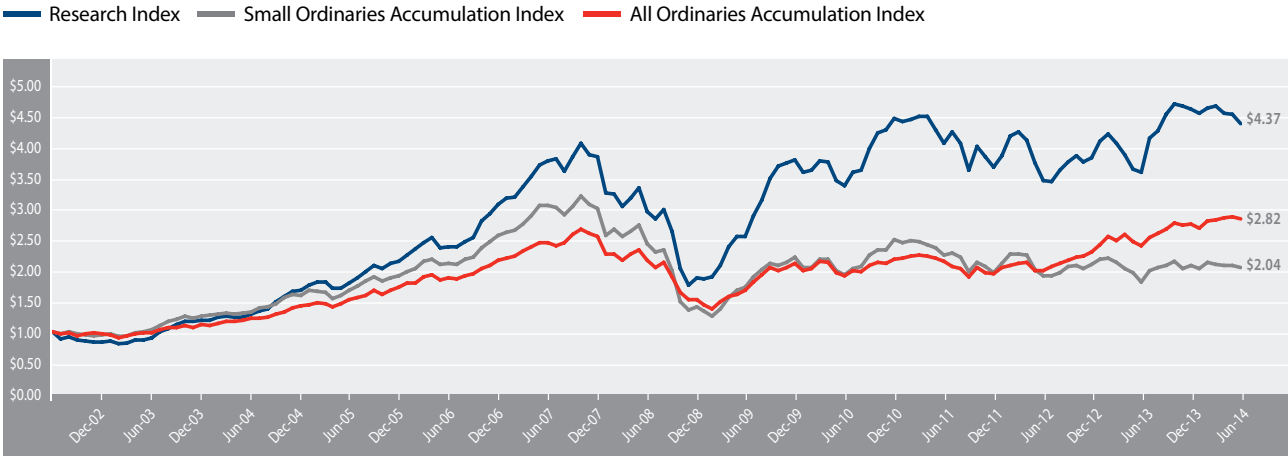
Research

Research covers around 100 stocks which, combined with the relationship with Deutsche Bank AG, provides clients with access to research coverage of over 220 companies. Strong performances were achieved from the Securities business model portfolios, including the flagship, income and emerging growth model portfolios. The tactical asset allocation suite also outperformed its relevant benchmark. The mid capitalised equities team outperformed the All Ordinaries and Small Ordinaries Accumulation Indices, as measured by the Research Index (see graph right and below). Recommendations in the resources, diversified financials and healthcare sectors underpinned a good year for the Research team.

Wilson HTM Research Index vs Benchmark – Value of \$1 at 1 July 2013 through to 30 June 2014



Wilson HTM Research Index vs Benchmark – Value of \$1 at 1 July 2002 through to 30 June 2014



Private Wealth Management

Private Wealth Management which comprises investment advisory, financial planning and wealth management grew revenues by 15% through an increase in activity from stockbroking and equity capital market transactions. In addition the value of assets held for advice increased by 11% over the course of the 2014 financial year.

The majority of costs in the private wealth management business is variable and aligned to transaction volumes. The direct costs attributable to the business decreased by 35% during the year, which lead to a significant increase in the gross margin for the business.

Private Wealth Management continues to invest in its advisory capabilities to ensure clients are offered a broad range of alternatives. This extends from traditional stockbroking activities through to portfolio advisory services across all asset classes and complex financial planning inclusive of superannuation and insurance strategies. Specific investment includes development of the research offering, increased corporate opportunities and enhancements to the reporting platform.

## 03 OPERATING AND FINANCIAL REVIEW

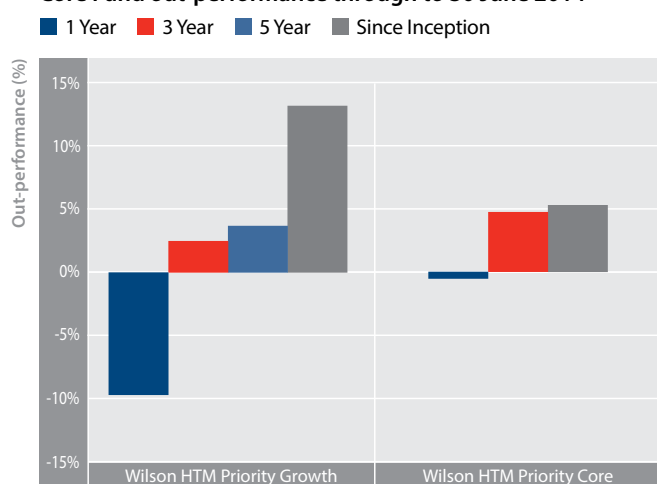
### Priority Funds – Wilson HTM Priority Growth and Priority Core Funds

Priority Funds embody Wilson HTM's investment philosophy of early identification of opportunities by capturing the investment ideas generated across all facets of the business.

The Wilson HTM Priority Growth Fund is an actively managed portfolio of primarily small and mid-capitalised Australian companies with strong long-term capital growth and out-performance potential. With a return of 15.17 % per annum and out-performance of 12.92% per annum since its inception in July 2005, it has provided long-term returns to investors. Returns in the 2014 financial year were disappointing at 3.51% compared with its benchmark S&P/ASX Small Ordinaries Accumulation returns of 13.11%.

The Wilson HTM Priority Core Fund combines a selection of the best ASX 100 stocks with an allocation of small capitalised company stocks to drive out-performance. The Wilson HTM Priority Core Fund became eligible for an independent investment rating in 2013 and was subsequently awarded the highest 5 star rating (please reference inside back cover) available from Morningstar. Since its inception on 22 June 2010, the Priority Core Fund has outperformed its benchmark, the All Ordinaries Accumulation Index, by 5.31% per annum, with performance of 14.02 % per annum. Returns in the 2014 financial year were 17.33% compared with benchmark returns of 17.64%.

#### Wilson HTM Priority Growth Fund and Wilson HTM Priority Core Fund out-performance through to 30 June 2014



Benchmarks: Wilson HTM Priority Growth Fund – S&P/ASX Small Ordinaries Accumulation Index. Inception date was 4 July 2005.

Wilson HTM Priority Core Fund – S&P/ASX All Ordinaries Accumulation Index. Inception date was 22 June 2010.

Returns are expressed net of fees. Past Performance is not a reliable indicator of future performance. (Please refer to the inside back cover)

### Next Financial

The Group acquired Next Financial, a business primarily focused on structured products, in April 2009. In late 2010, Next Financial ceased offering new products and focused on servicing existing products to their contractual maturity or earlier if clients choose to redeem. The instalment book declined from \$8.0 million at 30 June 2013 to \$3.9 million at 30 June 2014. The decline in the instalment book has led to an increase in available cash due to a corresponding reduction in committed cash balances and the part repayment of the portion of the instalment book funded by the Group. Other balance sheet items have reduced in line with the reduction in the instalment book. The contractual maturities of the remaining structured products will continue to occur progressively through to 30 June 2015.

The majority of Next Financial's other products, including managed account portfolios, individually managed accounts and equity administration services, are now closed. Some products are in the final stages of cessation, but these have had minimal impact on the financial results for the year ended 30 June 2014.

Next Financial reported a net \$0.1 million profit before tax for the 2014 financial year.

### Principal Investments

Principal Investments comprises the Group's investments in equity securities and unit trusts as well as the consolidation of the non-controlling interests in the Wilson HTM Priority Core Fund.

As at 30 June 2014 the Principal Investments' portfolio included \$5.7 million in long positions with the majority invested in the Wilson HTM Priority Core Fund. The portfolio included a \$2.7 million XJO Put Option short position. During the year \$4.5 million of direct investment in the Wilson HTM Priority Core Fund was redeemed, increasing cash available to the Group.

Principal Investments contributed \$1.2 million in net profit before tax with \$1.2 million fair value gains versus \$1.8 million gains in the 2013 financial year.

The Group is required to consolidate \$2.3 million net profit before tax attributable to the non-controlling interests in the Wilson HTM Priority Core Fund. The consolidation of the Wilson HTM Priority Core Fund included \$2.0 million in fair value gains in the 2014 financial year. The non-controlling interests in the Wilson HTM Priority Core Fund were de-consolidated at 31 December 2013 and are not expected to influence the Group's accounts in the future.

Refer to notes 6, 11, 37 and 38 for further detail.



## Community Investment

The Group remains a strong sponsor of the wider community, reflecting the Group's core values of supporting its clients, employees and the causes which matter most to them. Community Investment partnerships are managed through the strategies described below.

### Foundation

The Foundation is the principal means through which the Group continually provides support through donations of almost \$3 million given to more than 55 separate organisations. The Foundation, established in 1988, has operated as a registered Public Ancillary Fund since 1998. Created to enable long term sustainable giving, it has a major focus on supporting charitable causes which are actively championed by employees.

The Foundation actively seeks to partner with entities which are either at "start up" stage, looking to expand, entrepreneurial in nature or which are seeking innovative solutions to complex problems. In this way, the Foundation reflects a core Group doctrine; supporting good ideas based on solid research and helping to build the capacity of organisations to grow.

Each year applications in support of specific projects which address set criteria are submitted by employees for donations of up to \$20,000. Requests are vetted for compliance and if successful, are then assessed and rated by a peer internal review committee. The committee makes recommendations to the board of the trustee of the Foundation, which approves dispersals at the end of June each year.

Internal champions need to demonstrate engagement with the nominated entity through such activities as board or committee involvement, financial contribution, strategic advice, mentoring, volunteering and / or fundraising. The following employee aligned projects have been supported in the 2014 financial year through donations of up to \$20,000 per charity:

## Organisation

### Fighting Chance Australia: NSW

Support for a new social enterprise, the Avenue Program, is helping to provide meaningful employment for physically disabled young adults. Avenue sources beautiful handcrafts from charitable projects around the world which employ people with disabilities in their production, and sells them directly to the Australian consumer. Fighting Chance staff – themselves with disabilities – run this innovative, forward thinking project.

### ICON Cancer Foundation: QLD

Research funding for the Damian Griffin Patient Outcome Project has helped assess the effectiveness of current practices in relation to core cancer services within the ICON clinics. Through identifying process improvements for patients, each can receive an improved quality of life and experience.

### Karonga School: NSW

The purchase of two state of the art interactive whiteboards is opening up a wide range of opportunities for the school's special needs students across learning and communicating. These sophisticated tools are recommended in fields such as speech therapy, and are seen as providing an innovative way for children to engage and develop through interaction.

### MND and Me Foundation: QLD

The purchase of iPad and software equipment for the Communication Assistance Program provides direct assistance to sufferers of Motor Neurone Disease who have lost the ability to communicate through speech. The Program brings an improved quality of life, by enabling sufferers to maintain their independence and dignity for longer.



### **OzHarvest: QLD**

Support is helping OzHarvest establish a presence on the Gold Coast, rescuing surplus food and helping local charities to feed those in need. Regular food deliveries from OzHarvest enable these charities to reduce their own spending on food, redirecting donations and volunteer efforts into education, rehabilitation and other services.

### **The Reach Foundation: NSW & VIC**

Funding for a review and redesign of The Birdcage Program, offered to young women aged 13-18 years, is ensuring the continued relevance of this workshop. Birdcage explores contemporary issues in a safe and facilitated space, with updated content focusing on the core influences impacting young women today, including social media.

This continues the Foundation's long term connection with Reach in NSW, following the highly successful completion of the five year partnership which helped seed fund the company's move from Victoria into NSW.

### **The Shepherd Centre: NSW**

Support has enabled 26 children to access the Children's Group Program offered at the Centre, by taking part in "Hear we go" sessions. These are important to help deaf and hearing impaired children develop their listening ability, speech and language skills in 'real world' situations supported by trained professionals.

### **Taronga Conservation Society Australia: NSW**

The unique in-situ Native Wildlife Recovery Programs support Taronga's ongoing conservation programs for native animals. The in-situ programs actively encourage young people to become ambassadors for local species in crisis and develop a lifelong sense of environmental responsibility.

In 2011, the Foundation established a national partnership linked to the causes which were highly valued by a cross section of the Group's clients: medical research and children's health issues. A three year partnership was undertaken with HeartKids Australia which established an innovative new "Grants in Aid" program. This offers small, one year research grants to build capacity and explore cutting edge research with the aim of better understanding childhood heart disease.

The Grants in Aid program comprises three streams of funding:

- small research grants suitable as seed funding or for pilot studies
- research infrastructure support
- research capacity building

The \$150,000 in seed funding which the Foundation contributed over the course of three years has enabled the Grants in Aid program to fund 18 projects to the total value of \$794,484.

As a result of the success of the partnership, HeartKids Australia was invited in March to submit a proposal to become the major national partner of the Foundation for an initial three year period. The project identified by HeartKids Australia as being of most importance and value is the establishment of a national registry to collect and store health information on patients living with congenital heart disease. This will provide researchers and doctors with information to help improve treatment options and long term health outcomes. It will also allow important insight into the impact and effectiveness of interventions. The registry will be used to evaluate the outcomes and inform the planning of effective services which are consistent with best practice.

An initial \$100,000 donation was gifted in June to enable HeartKids Australia to undertake a scoping study with all relevant stakeholders. This will determine if a registry is feasible and if so, will document how it can best be established, managed, monitored and operated.

## **Strategic sponsorships**

The Group has also sponsored charitable events of importance to employees and clients. These have included:

- Brisbane Big City Barbecue (founding sponsor)
- Griffo's Challenge (founding sponsor)
- Santos LNG Brisbane to the Gold Coast Cycle Challenge (founding sponsor)
- Kidsafe Qld

## **Employee participation and volunteering**

The Group actively supports employee participation and attendance at charitable fund raising and promotional events which this financial year has included:

- Yalari Annual Gala Dinner (founding sponsor)
- PwC Cool Night Classic
- Lord Mayor's Community Foundation (Melbourne)
- Movember

## **Workplace Giving Program**

Through offering a Workplace Giving Program, the Group continues to match employee donations made via monthly pre-tax payroll deductions. Matching is on a dollar-for-dollar basis for any eligible Australian charity, up to \$3,000 per employee per annum. In the 2014 financial year a total of \$47,000 was distributed to 20 charities across Australia, taking the overall total since the program began seven years ago to almost \$650,000 donated to just under 100 charities.

The Group also paid all associated operating and reporting costs for the program, ensuring that double the amount of each employee's donation was received by their charity partner.



## 05 DIRECTORS' PROFILES



### Mr S M Skala AO

BA, LLB (Hons) (UQ), BCL (Oxon)

#### Non-executive Chairman

#### Experience and expertise

Steven Skala joined the Board in 2002, and was appointed Chairman on 2 March 2011 at which time he relinquished his role as the official representative of Deutsche Australia. Since 2004, he has been Vice Chairman of Deutsche Bank AG Australia and New Zealand.

Mr Skala is a former commercial lawyer with more than 20 years' experience in corporate law. Between 1982 and 1985, he was a partner of Brisbane law firm Morris Fletcher and Cross (now Minter Ellison). Between 1985 and 2004, Mr Skala was a partner of law firm Arnold Bloch Leibler and was head of its Corporate and Commercial Practice for several years.

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

None

#### Other Directorships

- Vice Chairman of Deutsche Bank AG Australia and New Zealand
- Director of Deutsche Australia
- Director of Australian Broadcasting Corporation
- Director of Hexima Limited
- Director of The Centre for Independent Studies
- Director of The General Sir John Monash Foundation
- Vice President of The Walter and Eliza Hall Institute of Medical Research
- Member of International Council, the Museum of Modern Art (New York)

#### Special responsibilities

- Chairman of the Board
- Director of Wilson HTM Funds Management Pty Ltd
- Director of Next Financial

#### Interests in shares and options

- 853,753 ordinary shares in the Company



### Mr C Darvall AM

BA, FAICD, SF FIN

#### Non-executive director

#### Experience and expertise

Chum Darvall joined the Board in October 2005, as a director appointed by Deutsche Australia, the Group's major shareholder. Mr Darvall joined Deutsche Bank AG Australia and New Zealand in September 1994 as Director of Treasury and in 1998 became Head of Global Markets with responsibility for all debt market related activities. Mr Darvall served as Chief Executive Officer of Deutsche Bank AG Australia and New Zealand from July 2002 to March 2011. He held the position of Vice Chairman of Deutsche Bank AG Australia and New Zealand until July 2014.

Prior to his role with Deutsche Bank AG Australia and New Zealand, Mr Darvall worked in the financial markets divisions of Westpac (1985-1994) and BA Australia Ltd (1981-1985), a subsidiary of Bank of America.

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

None

#### Other Directorships

- Chairman of TransGrid
- Chairman of Metrics Credit Partners
- Director of Victor Chang Cardiac Research Institute
- Director of Financial Markets Foundation for Children
- Director of Australian Cricketers' Association Player Hardship Fund
- Member of Macquarie University Council
- Member of Australia Council's Major Performing Arts Panel
- Member of Palisade Investment Partners Advisory Board
- Chair of the BPAY Development (NPP) Advisory Council

#### Special responsibilities

- Chairman of the Audit Compliance and Risk Management Committee
- Member of the Remuneration and Nominations Committee
- Director of Pinnacle

#### Interests in shares and options

- 300,000 ordinary shares in the Company

Until 1 July 2014, Mr Darvall was the nominee director of Deutsche Australia, which holds 20,502,303 shares in the Company.

## 05 DIRECTORS' PROFILES



### Ms E Lane

BMedSc, PGradDipComp, MBA (Chicago), MBA (Melb), MAICD

#### Non-executive director

Independent

#### Experience and expertise

Erica Lane joined the Board on 9 December 2013 as an independent non-executive director. Ms Lane is currently a non-executive director of Slater & Gordon Ltd and has previously served as a non-executive director of Victorian Funds Management Corporation, Eastern Health and Ilhan Food Allergy Foundation. She also runs her own business advisory consulting practice working with a number of major corporates.

Ms Lane held senior executive positions with ANZ Bank, initially as Head of Group Performance Management in Finance, then General Manager of Insurance & Trustees. She has also worked with Booz Allen & Hamilton, with Unisys in IT development and with Arthur Andersen in business consulting.

She has an MBA from the University of Chicago with specialisations in Finance and Public Policy and an MBA from the University of Melbourne where she was awarded the Murdoch Fellowship in 1992. Her other qualifications include a Post Graduate Diploma in Computing and a Bachelor of Medical Science degree with specialisations in microbiology and immunology.

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

- Director of Slater & Gordon Ltd (appointed 23 December 2008)

#### Other Directorships

- Director of Erica Lane & Associates Pty Ltd

#### Special responsibilities

- Member of Audit Compliance and Risk Management Committee
- Member of Remuneration and Nominations Committee

#### Interests in shares and options

None



### Mr S M Wilson AM

B Com, LLB (UQ), Hon PhD (QUT & Griffith), FAICD, SF Fin, MSAA

#### Non-executive director

#### Experience and expertise

Steven Wilson has over 36 years of professional investment experience, including four years with Cazenove & Co. in London before joining Wilson & Co in 1984. Since then he has spent 25 years as Chairman, Managing Director or Joint Managing Director of the Company. He co-founded Hyperion in 1996, Pinnacle in 2006 and founded Priority Funds in 2005. He also established the Foundation in 1988. In October 2011, Mr Wilson resigned from his executive position whilst remaining on the Board as a non-executive director, and now also provides consultancy services.

Mr Wilson has previously served on several boards including Chairman of South Bank Corporation, Hyperion, St John's Cathedral Completion Fund and Queensland Rugby Union, and as a Director of Telstra Corporation, Tourism Queensland and the Council of Queensland University of Technology.

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

None

#### Other Directorships

- Chairman of Barambah Wines
- Director of Australian Oil-Shale Holdings Ltd
- Director of The Centre for Independent Studies
- Trustee of University of Queensland Rugby Union Foundation

#### Special responsibilities

- Chairman of Wilson HTM Investment Management Pty Limited
- Chairman of Next Financial
- Director of Pinnacle
- Chairman of the Priority Funds Investment Committee
- Member of the Audit Compliance and Risk Management Committee.

#### Interests in shares and options

- 18,913,000 ordinary shares in the Company



## Mr A Watson

BSc, GAICD

### Non-executive director

Independent

#### Experience and expertise

Alan Watson joined the Board on 15 July 2013 as an independent non-executive director.

Mr Watson has 30 years of experience in investment banking within various global equity markets. Over that period he established, directed and was responsible for the conduct of securities businesses both in Europe and Asia, working for Barclays de Zoete Wedd Limited, Donaldson, Lufkin & Jenrette Securities Corporation and Lehman Brothers Holdings Inc. and most recently as Head of Securities Europe for Macquarie Capital (Europe) Ltd. Throughout this time, Mr Watson has advised many companies on capital structuring, initial public offerings, takeovers and mergers, investment relations strategies and regulatory obligations. Mr Watson is also an independent director of the TSX listed manufacturing company AirBoss of America Corp.

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

- Director of Airboss of America Corp
- Director of Elixir Petroleum Limited until May 2014
- Director of Aurora Oil and Gas Limited until June 2014

#### Other Directorships

- Director of Tomsuca Investments Pty Limited
- Director of Finter Superannuation Pty Limited

#### Special responsibilities

- Chairman of Remuneration and Nominations Committee

#### Interests in shares and options

None



## Mr A W M Grant

B Econ UQ, Grad Dip SIA

### Managing director

#### Experience and expertise

Alexander Grant was appointed Managing Director on 11 April 2014 and was appointed to the Board on the same date. Mr Grant had held the position of Chief Executive Officer in an acting capacity since 2 July 2013.

Mr Grant has been employed in the stockbroking and wealth management industries for more than 30 years, working with a number of institutions. He joined the Group in 1992 and has held several leadership roles, including a directorship of the Group between 2004 and 2007, Head of Institutional Stockbroking and is currently Head of Wilson HTM Priority Funds.

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

None

#### Other Directorships

- Director of Brisbane Boys College Foundation Limited

#### Special responsibilities

- Managing Director
- Director of Next Financial
- Director of Wilson HTM Services Pty Ltd
- Director of Pinnacle

#### Interests in shares and options

- 3,870,090 ordinary fully paid shares in the Company
- 20,000 vested performance rights and 200,000 unvested options held in the EOSP
- 1,200,000 options have been approved by the Board, subject to shareholder approval at the 2014 Annual General Meeting on 26 November 2014.

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 2014.

## Directors

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

Mr S M Skala AO  
 Mr C Darvall AM  
 Mr S M Wilson AM  
 Mr A Watson (appointed 15 July 2013)  
 Ms E Lane (appointed 9 December 2013)  
 Mr A W M Grant (appointed Managing Director 11 April 2014)

Former directors

Mr W J McLeland (resigned 1 September 2013)  
 Mr I H Fraser (resigned 27 November 2013)  
 Mr A R B Coppin (resigned 5 July 2013)

Information on the qualifications, experience and responsibilities of the directors is included in the directors' profiles on pages 27 to 29 of the 2014 Annual Report.

## Earnings per share

	2014 Cents	2013 Cents
<b>(a) Basic earnings per share</b>		
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company	4.7	(1.6)
<b>(b) Diluted earnings per share</b>		
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company	4.5	(1.6)

## Dividends

There were no dividends paid to shareholders during the current or previous financial year.

Since the end of the 2014 financial year the directors have recommended the payment of a final ordinary dividend of 2.75 cents per fully paid share to be paid on 18 September 2014.

## Operating and Financial Review

The Operating and Financial Review can be found at pages 6 to 22 of the 2014 Annual Report.

## Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group from the date of the last financial report to the date of this directors' report.

## Matters subsequent to the end of the financial year

On 12 August 2014, the Company announced that it was engaged in an ongoing dialogue with Shaw Stockbroking in relation to its Securities business. Preliminary due diligence is being undertaken under appropriate confidentiality arrangements and the Board will submit any agreement or transaction to shareholders for their approval prior to implementation.

Other than as set out above or as detailed in note 41 of the financial statements, 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
- Results of those operations in future financial years; or
- Group's state of affairs in future financial years.

## Environmental regulation

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

## Company Secretary

The Company Secretary is Don Mackenzie who was appointed on 15 January 2014.

## Meetings of Directors

The number of meetings of the Company's Board and of each Board committee held during the year ended 30 June 2014 and the number of meetings attended by each director were as follows:

	Meetings of Board and committees					
	Board		Audit Compliance & Risk Management		Remuneration & Nominations	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
S Skala AO	15	15	-	-	-	-
C Darvall AM	14	15	4	5	4	5
S Wilson AM	14	15	3	3	-	-
A Watson (i)	14	14	-	-	5	5
E Lane (ii)	8	8	2	2	2	2
A M W Grant (iii)	3	3	-	-	-	-
I H Fraser (iv)	6	6	3	3	3	3
W J McLeland (v)	3	4	2	2	1	1

(i) A Watson appointed 15 July 2013.

(ii) E Lane appointed 9 December 2013.

(iii) A W M Grant appointed Managing Director 11 April 2014. Mr Grant attended 12 board meetings as Acting Chief Executive Officer.

(iv) I H Fraser resigned 27 November 2013.

(v) W J McLeland resigned 1 September 2013.

### Remuneration Report

The Group's 2014 Remuneration Report which sets out remuneration information for the Group's non-executive directors and Key Management Personnel.

The Remuneration Report contains the following sections:

- A. Key Management Personnel**
- B. Role of Remuneration and Nomination Committee**
- C. Executive remuneration policy and framework for Wilson HTM**
- D. Links between performance and outcomes**
- E. Details of Executive Key Management Personnel remuneration**
- F. Executive service agreements**
- G. Non-executive director remuneration**
- H. Share based payment compensation**
- I. Equity instrument disclosures relating to Key Management Personnel**
- J. Loans to Key Management Personnel**
- K. Other transactions with Key Management Personnel**

Information in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

#### A 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 2014. The Key Management Personnel for this period are listed in the tables below:

##### Executive Key Management Personnel

###### Current

<i>Name</i>	<i>Position</i>
Alexander Grant	Managing Director (from 11 April 2014); previously Acting Chief Executive Officer (2 July 2013 to 11 April 2014)
Ian Macoun	Chairman and Managing Director of Pinnacle

###### Former

<i>Name</i>	<i>Position</i>
Andrew Coppin	Managing Director (to 2 July 2013; Director to 5 July 2013)
Karen Penrose	Chief Financial Officer, Chief Operating Officer and Company Secretary (to 15 January 2014)

## Non-Executive Key Management Personnel

### Current

<i>Name</i>	<i>Position</i>
Steven Skala AO	Chairman
Chum Darvall AM	Director
Steven Wilson AM	Director
Alan Watson	Director (from 15 July 2013)
Erica Lane	Director (from 9 December 2013)
<i>Name</i>	<i>Position</i>
Warren McLeland	Director (to 1 September 2013)
Ian Fraser	Deputy Chairman (to 27 November 2013)

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 2014 comprise each non-executive director of the Company and executive director Alexander Grant, together with Ian Macoun.

## B 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. It is primarily responsible for making recommendations to the Board in relation to:

- Ensuring the Group has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders
- Ensuring the Group observes those remuneration policies and practices
- Fairly and responsibly rewarding executives having regard to the performance of the Group, of the executives themselves, and the general pay environment for the industries in which we operate
- Ensuring compliance with the provisions of the ASX Listing Rules, the ASX Principles and the *Corporations Act 2001*
- Assisting the Chairman in facilitating the review of Board performance annually
- The appointment of new directors (both executive and non-executive) and to the extent delegated to it by the Board, of the Managing Director
- Developing suitable criteria for Board candidates, having regard to the fact that the Board should comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds, including gender

The Remuneration and Nominations Committee does not provide recommendations on the remuneration for Ian Macoun, managing director and chairman of Pinnacle. The responsibility for the remuneration of Ian Macoun sits with the board of Pinnacle, which includes three directors of the Company.

The Charter for the Remuneration and Nominations Committee is incorporated in the Company's Corporate Governance Statement which can be found on the Company's website at <http://www.wilsonhtm.com.au/about-us/corporate-governance>

### C Executive remuneration policy and framework for Wilson HTM

The Board is committed to achieving sustainable long-term growth and returns for investors. To this end, the remuneration policy aims to attract, motivate, develop and retain highly skilled executives and align their interests with shareholders. The remuneration framework consists of base salary, short term incentives and long term incentives.

#### 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 minimum superannuation guarantee contributions.

Executives are offered a competitive base salary that comprises the fixed component of pay and rewards. Base salary for executives is reviewed annually to ensure the executive's pay is competitive with the market in the context of total remuneration. An executive's base salary is also reviewed on promotion.

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

#### Short term incentives (STI)

STI, excluding commission structures, are an 'at risk' cash incentive payment which is paid to executives and staff at the discretion of the Board 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 for Board approval.

STI arrangements for staff who are not remunerated by reference to commissions are as follows:

- STI percentage pools
  - STI pools for executives and business units are based on a percentage of net profits.
  - The percentage of net profit is pre-approved by the Board following a recommendation from the Remuneration and Nominations Committee at the beginning of the financial year.
  - An STI pool is accrued at the end of the financial year based on the pre-approved net profit percentages. The STI pool is subject to the satisfaction of performance conditions.
  - The final STI pools are approved by the Board following a recommendation from the Remuneration and Nominations Committee.
  - The allocation of the STI pool takes into consideration an individual's performance over the period.
- Discretionary cash bonus
  - The Managing Director may at his discretion allocate a cash bonus to a business unit or individual. A discretionary cash bonus will generally only be paid on the condition that the Group or a business unit has generated a minimum level of net profit. The discretionary cash bonus takes into consideration key performance indicators, business unit performance and individual performance over the period.
  - A discretionary cash bonus is approved by the Board following a recommendation by the Remuneration and Nominations Committee.
  - The Board retains the right to grant discretionary cash bonuses in recognition of, however not restricted to, additional workloads and ad hoc assignments.

STI are generally payable after approval of the full year financial report by the Board.

Following the mandatory commencement of the Future of Financial Advice legislation, and with effect from 1 July 2013, the Group ensures that its revenue-generating private wealth management staff are not receiving conflicted remuneration. This is monitored through our internal compliance program.

#### Commission structures

More broadly, in line with market practice, the majority of revenue-generating staff in the Securities business are rewarded under commission structures tied to a percentage payout of revenue in lieu of STI awards. Additional cash STI awards may be provided from the STI pool, adding to commission in exceptional circumstances. There were no additional cash STI awarded in the year ended 30 June 2014.

Steve Wilson was the only Key Management Personnel to receive or participate in commission schemes during the 2014 financial year. Details of Steve Wilson's commission payments appear on page 40 and 45.

#### Long term incentives (LTI)

LTI have been provided to certain employees under the EOSP and the LTISP.

##### Employee option share plan (EOSP)

Options over shares in the Company were granted under the EOSP, which was initially approved by shareholders at the general meeting on 20 April 2007. Further approval to grant additional options under the EOSP was given by shareholders at the Company's annual general meeting on 27 November 2012.

The EOSP is designed to provide LTI for senior employees in order to encourage alignment of the interests of staff with increased value to shareholders in the long term. Under the EOSP, participants are granted options, which only vest subject to specific conditions being met at the end of the vesting period.

When exercisable, each option is convertible into one ordinary share in the Company. Participation in the EOSP is at the Board's discretion and no individual has a contractual right to participate or to receive any guaranteed benefits. Options granted under the EOSP carry no dividend or voting rights.

The rules of the EOSP contain a restriction on removing the 'at-risk' aspect of the instruments granted to executives, including to Key Management Personnel. Participants may not enter into any transaction designed to remove the 'at-risk' aspect of an instrument before it vests.

Certain performance rights granted under the EOSP in May 2012 and December 2012 lapsed on 31 August 2013 as the performance vesting condition was not met (namely that the Company's 20 day volume weighted average share price equalled or exceeded 50 cents on 30 August 2013).

In December 2012, the Board approved (following shareholder approval at the Company's general meeting on 27 November 2012) the allocation of up to 10 million options over ordinary shares in the Company under the EOSP to selected employees. The options entitle each holder to a right to acquire an ordinary share during the vesting period (27 February 2015 – 30 June 2015) subject to service conditions and the payment of the exercise price.

In February 2014, the Company granted 500,000 options over its ordinary shares to Bradley Gale, Head of Private Wealth Management, in accordance with his employment contract. The options have an exercise price of \$0.75 and will vest on or around 27 February 2015 and may be exercised until 30 June 2015. The options are subject to service conditions, and terms and conditions consistent with the EOSP.

##### Long term incentive share plan (LTISP)

There were no new offers made under this plan in the 2014 financial year and the Board has resolved to terminate the plan.

### D Links between performance and outcomes

Each year, the Managing Director conducts a formal performance review of senior Wilson HTM executives which has regard to the following criteria:

- Contribution
- Expertise and competency
- Behaviours, including:
  - Ensuring results are delivered with integrity, meeting client satisfaction and adhering to business ethics
  - A commitment to client service
  - Self-management and self-development
  - Teamwork

The Managing Director makes a recommendation to the Remuneration and Nominations Committee in respect of whether additional STI should be paid in addition to base salary, commissions and any other contractual benefits that have been paid during the course of the year.

This year's outcomes have been considered within the context of an improving financial performance over the past three years. The table below shows key financial performance indicators applicable to the Group's performance over the last 5 financial years:

	2014	2013	2012	2011	2010
Net profit/(loss) after tax attributable to shareholders (\$m)	4.8	(1.6)	(7.6)	(3.4)	(7.6)
Closing share price (\$)	0.61	0.19	0.20	0.67	1.15
Dividend per share (\$)	0.0275	Nil	Nil	0.02	0.03
Diluted earnings per share (cents)	4.5	(1.6)	(7.3)	(5.1)	(7.4)

## E Details of Executive Key Management Personnel remuneration

The relative weightings of the three remuneration components for executive Key Management Personnel are set out in the table below for the year to 30 June 2014:

	% of total remuneration		
	Fixed Remuneration	Performance-based remuneration	
		STI	LTI
Alexander Grant	60%	36%	4%
Ian Macoun	70%	30%	0%

### Alexander Grant

In accordance with the terms of his appointment as Managing Director, Alexander Grant's base salary was set at \$400,000 per annum (inclusive of superannuation) with effect from 1 December 2013.

Mr Grant is entitled to receive an STI (based on the overall Group profitability and a threshold profitability in the Securities business) for the 2014 financial year. The STI was capped at \$400,000 and based on the incentive structure Mr Grant will receive an incentive of \$242,000 of which \$100,000 is contractually guaranteed for the 2014 financial year. Mr Grant was awarded 100% of the STI to which he is entitled under the incentive structure.

Subject to shareholder approval at the Company's annual general meeting on 26 November 2014, it is intended that Mr Grant will be granted 1,200,000 options, vesting in two equal tranches of 600,000, on 27 February 2015 and 27 February 2016, with an exercise price of \$0.595, and otherwise on terms and conditions consistent with the EOSP. The exercise price was calculated as the higher of a 20% premium of Group NTA per share as at 31 December 2013, or VWAP between 1 January 2014 and 31 May 2014.

### Ian Macoun

Ian Macoun's base salary of \$450,000 per annum (inclusive of superannuation) did not change in the 2014 financial year.

In the 2014 financial year the board of Pinnacle determined STI to be paid to Mr Macoun in recognition of the performance of Pinnacle. Mr Macoun received incentives of \$193,395 in relation to the 2014 financial year. STI is a combination of an amount based on achievement of key performance indicators and a discretionary amount and the incentive paid represents 100% of that combined amount.

## 06 DIRECTORS' REPORT

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		Long-term benefits	Share based payments	Termination Benefits	Total	Portion of remuneration at risk - STI	Portion of remuneration at risk - LTI
		Cash salary & fees	Cash bonus (STI)	Non-monetary benefits	Super-annuation	Retirement benefits	Long service leave	Options & Rights (LTI)			%	%
		\$	\$	\$	\$	\$	\$	\$	\$	\$		
<b>Managing Director:</b>												
Alexander Grant (ii)	2014	368,317	242,000	-	25,000	-	5,807	24,548	-	665,672	36%	4%
<b>Chairman and managing director of Pinnacle:</b>												
Ian Macoun	2014	425,000	193,395	-	25,000	-	-	-	-	643,395	30%	-
	2013	425,000	116,075	-	25,000	-	-	-	-	566,075	21%	-
<b>Former Key Management Personnel:</b>												
Andrew Coppin	2013	474,677	-	22,210	28,305	-	-	82,734	-	607,926	-	14%
	2013 (i)	-	-	-	10,000	-	-	-	493,079	503,079	-	-
Karen Penrose	2014	207,353	-	1,264	13,331	-	-	13,115	122,714	357,777	-	4%
	2013	380,733	-	7,837	22,482	-	-	31,524	-	442,576	-	7%
<b>Totals</b>	<b>2014</b>	<b>1,000,670</b>	<b>435,395</b>	<b>1,264</b>	<b>63,331</b>	<b>-</b>	<b>5,807</b>	<b>37,663</b>	<b>122,714</b>	<b>1,666,844</b>	<b>-</b>	<b>-</b>
	2013	1,280,410	116,075	30,047	85,787	-	-	114,258	493,079	2,119,656	-	-

(i) Termination benefits

(ii) Alexander Grant was appointed Acting Chief Executive Officer from 2 July 2013 and appointed as Managing Director from 11 April 2014.

### F Executive service agreements

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

Mr Grant is engaged under a service agreement with an initial fixed term to 30 June 2015 and thereafter the agreement reverts to a permanent employment contract. Either Mr Grant or the Company may terminate his engagement by giving six months notice. The Company may make payment in lieu of notice. If Mr Grant's engagement is terminated for cause or because he resigns other than to give effect to his retirement, he forfeits any entitlement to an STI or to exercise any options granted as an LTI. If Mr Grant's engagement ends for any other reason, Mr Grant will remain entitled to exercise any options granted as an LTI and will be entitled to receive a payment (other than in the event of a change of control of the Company) that will not exceed 12 months base salary after the payment of statutory entitlements and which will be inclusive of any payment in lieu of notice.

The chairman and managing director of Pinnacle, Ian Macoun, is engaged under an ongoing service agreement with Pinnacle that provides for termination by either party upon giving one month's notice except where termination is due to misconduct. A termination payment of at least \$900,000 is payable upon termination by the Company, unless termination is due to misconduct. In addition in 2006, the Group advanced Mr Macoun with a loan of \$1.119 million to acquire shares in Pinnacle and agreed to pay, at the time of repayment of the loan (being the time of sale of Pinnacle shares by Mr Macoun) a bonus with a net value equal to the outstanding balance of the loan. The loan is unsecured and interest free. There is a net nil exposure in relation to the loan and bonus. The tax liability of the Group that will arise on payment of the bonus has been expensed in prior years.

## G 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 the 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.

During the year, the Remuneration and Nominations Committee reviewed the current fee arrangements for non-executive directors and engaged an external adviser to provide data for a comparator group which the Committee considered. The Remuneration and Nominations Committee neither sought nor received any recommendation as defined in Section 9B of the *Corporations Act 2001* from the external adviser in relation to the data. Having reviewed the data the Committee has considered the current levels of remuneration were appropriate for the financial year, and no changes were proposed.

Payments to non-executive directors in relation to Company, committee and fees in relation to other directorships in controlled entities for the 2014 financial year were \$534,414. Fees in relation to the directorship of the Company and committees are set out below. Further information on subsidiary board fees and other fees are detailed on page 40.

	Annual fees
Chairman	\$135,000
Non-executive director	\$67,500
Audit Compliance and Risk Management Committee	
– Chair	\$9,000
– Member	\$0
Remuneration and Nominations Committee	
– Chair	\$9,000
– Member	\$0

In February 2014, Steven Wilson entered into an agreement with Wilson HTM Services Pty Ltd, a subsidiary of the Company, to provide investment management services. This agreement is on the same terms and conditions as other independent consultants to Wilson HTM Services Pty Ltd. Mr Wilson received commissions under his consultancy arrangement of \$36,370 for investment management services.

Non-executive directors are not eligible to receive STIs but may be eligible to participate in the EOSP.

Further details concerning the EOSP are set out on page 35.

## 06 DIRECTORS' REPORT

Remuneration details for the non-executive directors are presented in accordance with applicable accounting standards and are shown in the table below.

Name		Short-term employee benefits			Post employment benefits		Long-term benefits	Share based payments		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-monetary benefits	Superannuation	Retirement benefits	Long service leave	Options & Rights (LTI)	Termination Benefits				
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
<b>Non-executive directors:</b>													
Steven Skala (i)	2014	148,570	-	-	11,430	-	-	-	-	160,000	160,000	-	-
	2013	148,853	-	-	11,147	-	-	-	-	160,000	160,000	-	-
Chum Darvall (ii)	2014	94,500	-	-	-	-	-	-	-	94,500	94,500	-	-
	2013	90,000	-	-	-	-	-	-	-	90,000	90,000	-	-
Steven Wilson (iii)	2014	151,370	-	-	-	-	-	-	-	151,370	115,000	-	-
	2013	250,000	60,000	-	-	-	-	8,845	-	318,845	123,845	19%	3%
Alan Watson (v)	2014	66,590	-	-	6,160	-	-	-	-	72,750	72,750	-	-
	2013	-	-	-	-	-	-	-	-	-	-	-	-
Erica Lane (vi)	2014	34,932	-	-	3,231	-	-	-	-	38,163	38,163	-	-
	2013	-	-	-	-	-	-	-	-	-	-	-	-
Warren McLeland	2014	11,671	-	-	1,080	-	-	-	-	12,750	12,750	-	-
	2013	70,183	-	-	6,316	-	-	-	-	76,499	76,499	-	-
Ian Fraser (iv)	2014	22,655	-	-	18,596	-	-	-	-	41,250	41,250	-	-
	2013	79,688	-	-	19,312	-	-	-	-	99,000	99,000	-	-
<b>Totals</b>	<b>2014</b>	<b>530,288</b>	<b>-</b>	<b>-</b>	<b>40,496</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>570,784</b>	<b>534,413</b>	<b>-</b>	<b>-</b>
	2013	638,724	60,000	-	36,775	-	-	8,845	-	744,344	549,344	-	-

- (i) 2014: Steven Skala received director's fees of \$135,000 plus a sum of \$25,000 under a contractual arrangement, whereby the Company contributes \$25,000 towards administrative support. 2013: Mr Skala received director's fees of \$135,000 plus a sum of \$25,000 for administrative support.
- (ii) 2014: Chum Darvall received director's fees of \$72,000 in his capacity as a director and six months as committee chair and \$22,500 in relation to his directorship of Pinnacle. 2013: Mr Darvall received director's fees of \$67,500 and \$22,500 in relation to his directorship of Pinnacle.
- (iii) 2014: Steven Wilson received \$67,500 as director's fees, \$22,500 in relation to his directorship of Pinnacle, \$25,000 relation to his role of Chair of the Priority Funds Investment Committee, and \$36,370 in commission payments. 2013: Steven Wilson received \$67,500 as director's fees, \$22,500 in relation to his directorship of Pinnacle, \$25,000 relation to his role of Chair of the Priority Funds Investment Committee, and \$195,000 in relation to his consultancy services.
- (iv) 2014: Ian Fraser (resigned 27 November 2013) received director's fees of \$31,875 in his capacity as a director and committee chair and \$9,375 in relation to his capacity as chair of Next Financial. 2013: Mr Fraser received director's fees of \$76,500 in his capacity as a director and committee chair and \$22,500 in his capacity as chair of Next Financial.
- (v) 2014: Alan Watson was appointed 15 July 2013 and received director's fees of \$72,750 in his capacity as a director and committee chair. (appointed committee chair 1 September 2013).
- (vi) 2014: Erica Lane was appointed 9 December 2013 and received director's fees of \$38,163 in her capacity as a director.

### 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. All new non-executive directors participate in a briefing, 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 page 49 of the 2014 Annual Report.

## H Share based payment compensation

### Legacy LTI Plan

There are no remaining shares held under the Wilson HTM Equity Participation Plan and the Wilson HTM Equity Participation Plan trust. An application has been lodged with ASIC to wind up the Wilson HTM Equity Participation Plan and the Wilson HTM Equity Participation Plan Trust.

### Outstanding LTI grants

The terms and conditions of each grant of options or rights affecting remuneration in the previous, this or future reporting periods as at 30 June 2014 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 April 2009	Options	31 Mar 14	n/a	\$1.00	\$0.15	0	0	295,487	0	0%
11 September 2009	Options	11 Sep 14	2 years	\$0.00	\$1.02	0	360,000		96,000	100%
12 October 2010	Options	30 Sep 13	30 days	\$0.00	\$0.95	0	584,090	18,995	0	100%
12 October 2010	Options	30 Sep 13	30 days	\$0.00	\$0.68	0	94,975		0	100%
1 February 2011	Options	30 Sep 13	30 days	\$0.00	\$0.55	0	66,482		0	100%
1 February 2011	Options	30 Sep 13	30 days	\$0.00	\$0.90	0	28,492		0	100%
25 May 2012	Rights	30 Aug 13	n/a	\$0.00	\$0.05	0	0	3,281,000	0	0%
24 December 2012	Rights	30 Aug 13	n/a	\$0.00	\$0.05	0	0	300,000	0	0%
19 February 2013	Options	30 Jun 15	123 Days	\$0.27	\$0.19	0	0	640,000	4,900,000	0%
19 February 2013	Options	30 Jun 15	123 Days	\$0.32	\$0.19	0	0	925,000	2,275,000	0%
24 February 2014	Options	30 Jun 15	124 Days	\$0.75	\$0.12	500,000	0	0	500,000	0%

All options listed in the table above relate to the EOSP with the exception of the 1 April 2009 options. These relate to grants whereby there has been an issuance of a limited recourse loan by the Group to the participant to allow them to purchase shares. Under AASB 2 "Share Based Payments" this arrangement is treated as a right to purchase ordinary share capital at a future date. The last of these loans was settled in April 2014.

## Details of options and rights provided as remuneration to executive Key Management Personnel are set out below.

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
<b>Key Management Personnel</b>								
<i>Current Key Management Personnel</i>								
Alexander Grant								
Options	11 Sept 2009	20,000	\$20,452	11 Sept 2012	20,000	\$20,452	-	-
Options	12 Oct 2010	47,487	\$45,207	1 Sept 2013	47,487	\$45,207	-	-
Rights	25 May 2012	100,000	\$4,960	31 Aug 2013	-	-	100,000	\$4,960
Options	19 Feb 2013	200,000	\$37,840	27 Feb 2015	-	-	-	-
<b>Sub-Total</b>		<b>367,487</b>	<b>\$108,459</b>		<b>67,487</b>	<b>\$65,659</b>	<b>100,000</b>	<b>\$4,960</b>
<i>Former Key Management Personnel</i>								
Andrew Coppin								
Rights	24 Dec 2012	300,000	\$14,880	31 Aug 2013	-	-	300,000	\$14,880
Options (iv)	19 Feb 2013	1,700,000	\$321,640	27 Feb 2015	-	-	600,000	\$113,520
<b>Sub-Total</b>		<b>2,000,000</b>	<b>\$336,520</b>		<b>-</b>	<b>-</b>	<b>900,000</b>	<b>\$128,400</b>
Karen Penrose								
Options	12 Oct 2010	94,975	\$61,270	1 Sept 2013	94,975	\$61,270	-	-
Rights	25 May 2012	100,000	\$4,960	31 Aug 2013	-	-	100,000	\$4,960
Options (v)	19 Feb 2013	225,000	\$42,570	27 Feb 2015	-	-	75,000	\$42,570
<b>Sub-Total</b>		<b>419,975</b>	<b>\$108,800</b>		<b>94,975</b>	<b>\$61,270</b>	<b>175,000</b>	<b>\$47,530</b>

- (i) Fair values at grant date are calculated independently using a binomial approximation 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 in the financial year ended 30 June 2014 are set out in note 44 to the financial statements.
- (ii) On the vesting of each option/right, the holder became entitled to receive one fully paid ordinary share in the Company on exercise of the option/right.
- (iii) The amount is based on fair value of the option or right at grant date.
- (iv) As part of the termination arrangements for Andrew Coppin 600,000 options were forfeited.
- (v) As part of the termination arrangements for Karen Penrose 75,000 options were forfeited.

## I Equity instrument disclosures relating to Key Management Personnel

### (i) Option and rights holdings

The numbers of options and rights over ordinary shares in the Company held during the financial year by the director's of the Company and other Key Management Personnel of the Group, including their personally related parties, are set out below.

	2014	2013
Balance at start of year	2,419,975	374,975
Granted as compensation	-	2,225,000
Exercised	(142,462)	(180,000)
Expired and other changes*	(2,057,513)	-
<b>Balance at end of year</b>	<b>220,000</b>	<b>2,419,975</b>

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

### (ii) 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.

#### 2014 – Ordinary Shares

##### Wilson HTM Investment Group Ltd

Name	Balance at start of the 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
<b>Non-executive Directors:</b>					
Steven Skala	853,753	-	-	-	853,753
Chum Darvall	300,000	-	-	-	300,000
Steven Wilson	18,913,000	-	-	-	18,913,000
Alan Watson	-	-	-	-	-
Erica Lane	-	-	-	-	-
<b>Former Non-executive Director:</b>					
Ian Fraser	142,500	-	-	-	142,500
Warren McLeland	112,500	-	-	-	112,500
<b>Executive Director:</b>					
Alexander Grant	3,822,603	-	47,487	-	3,870,090
<b>Former Executive Director:</b>					
Andrew Coppin	768,160	-	-	(768,160)	-
<b>Other Key Management Personnel of the Group:</b>					
Ian Macoun	100,000	-	-	-	100,000
<b>Former Key Management Personnel of the Group:</b>					
Karen Penrose	-	-	94,975	(18,859)	76,116

#### 2014 – Ordinary Shares

##### Pinnacle Investment Management Limited

Name	Balance at start of the 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
<b>Other Key Management Personnel of the Group:</b>					
Ian Macoun	31,680	-	-	-	31,680

## 06 DIRECTORS' REPORT

### J 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 the start of the year \$	Interest paid and payable for the year \$	Interest not charged \$	Balance at the end of the year \$	Number in Group at the end of the year
2014	1,352,863	6,862	57,180	1,119,000	1

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

	Balance at the start of the year \$	Interest paid and payable for the year \$	Interest not charged \$	Balance at the end of the year \$	Highest indebtedness during the year \$
<b>2014</b>					
<b>Key Management Personnel</b>					
Andrew Coppin*	233,863	6,862	-	-	233,948
Ian Macoun	1,119,000	-	57,180	1,119,000	1,119,000

\* Mr. Coppin repaid the loan during the 2014 year. Please refer to note 36.

The loans are advanced from Wilson HTM Services Pty Ltd and Wilson HTM Investment Group Ltd and are for the purpose of acquiring shares in Wilson HTM Investment Group Ltd.

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

### (k) Other transactions with Key Management Personnel

#### Deutsche Bank AG

Deutsche Bank AG is a substantial shareholder of the Company through Deutsche Australia Limited who holds 19.80% of the Company's shares (2013 - 19.80%).

Deutsche Bank AG provides its Australian equities research product to the Company for use as the basis for the preparation of publications or briefing notes for distribution solely to the Company's Private Wealth Management clients under the Wilson HTM brand.

As part of the management of the structured product book held by Next Financial, during the period Group entities transacted in over-the-counter option contracts where the counterparty to the contract was Deutsche Bank AG. All transactions took place on normal commercial terms and conditions. At 30 June 2014 there were no outstanding over-the-counter option contracts with Deutsche Bank AG.

Steven Skala is a non-executive director of the Company and is a Director of Deutsche Bank Australia. Chum Darvall is a non-executive director of the Company and was Vice Chairman of Deutsche Bank AG Australia and New Zealand until 1 July 2014.

#### Evaellen Pty Ltd (Andrew Coppin)

On 2 July 2013 a repayment of \$116,974 was made on the loan to Evaellen Pty Ltd, an entity associated with Andrew Coppin. A further repayment was made on 26 June 2014 of \$123,751 to repay the loan in full. Interest accrued during the year was \$6,862 (30 June 2013 - \$15,413). The balance of the loan at 30 June 2014 is \$nil (30 June 2013 - \$233,863).

### Steven Wilson AM

A director of the Group, Steven Wilson AM entered into a consulting arrangement with the Group effective 1 December 2011. The agreement, which ceased on 30 June 2013, provided for consulting services to be provided under normal commercial terms. The agreement was made on an arm's length basis. For the year ended 30 June 2014 no consultancy fees were paid to Mr Wilson under this agreement in addition to his fees as a Director (2013 - \$195,000).

In February 2014, Mr Wilson entered into a new agreement with Wilson HTM Ltd, a subsidiary of the Company, to provide investment management services. This agreement is on the same terms and conditions as other Wilson HTM Ltd advisors. For the year ended 30 June 2014 \$36,370 was paid to Mr Wilson under this agreement.

### Chum Darvall AM

A director of the Group, Chum Darvall AM was appointed in February 2014 as a member of the Palisade Investment Partners Advisory board, which is associated with a jointly controlled entity. During the year Mr Darvall received fees of \$25,000 from the entity (2013, nil).

Some of the directors of the Company and other Key Management Personnel of the Group (including their related parties) transact broking and investment advisory business with Group entities from time to time on terms no more favourable than those available to all employees within the Group.

### Shares provided on exercise of remuneration options

There were 162,462 ordinary shares in the Company allocated as a result of the exercise of options by Key Management Personnel during the financial year ended 30 June 2014.

### Shares under option/rights

Unissued ordinary shares of the Company under option at 30 June 2014 are as follows:

Date options/rights granted	Expiry date	Exercise price of options	Number under options/rights
11 September 2009	11 September 2014	\$0.00	96,000
19 February 2013	30 June 2015	\$0.27	4,900,000
19 February 2013	30 June 2015	\$0.32	2,275,000
24 February 2013	30 June 2015	\$0.75	500,000
Total			7,771,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

### Shares issued on the exercise of options

The Company issued 1,134,039 ordinary shares on the exercise of options granted under the EOSP during the year ended 30 June 2014. Since that date 28,000 shares have been issued.

### End of Remuneration report.

## 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.

## 06 DIRECTORS' REPORT

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.

Pinnacle is indemnified by the insurance arrangements described above. Next Financial also maintains separate insurance policies.

### Non-audit services

The Company may decide to employ the Auditor on assignments additional to their statutory audit duties where the Auditor's expertise and experience with the Company and/or the Group are important.

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 2001*. 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 2001* 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 2014 financial year the following fees were paid or are payable for services provided by the Auditor, its related practices and non-related audit firms:

	Consolidated	
	2014 \$	2013 \$
<b>Assurance services</b>		
<b>1. Audit services</b>		
PricewaterhouseCoopers Australia firm:		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	244,343	300,125
<b>Total remuneration for audit services</b>	<b>244,343</b>	<b>300,125</b>
<b>2. Other assurance services</b>		
PricewaterhouseCoopers Australia firm:		
Audit of regulatory returns	48,905	65,230
Audit of compliance plans	38,686	63,865
Other agreed upon procedures	14,200	20,800
<b>Total remuneration for other assurance services</b>	<b>101,791</b>	<b>149,895</b>
<b>Total remuneration for assurance services</b>	<b>346,134</b>	<b>450,020</b>
<b>Taxation services</b>		
PricewaterhouseCoopers Australia firm:		
Tax compliance services, including review of company income tax returns	89,522	97,815
<b>Total remuneration for taxation services</b>	<b>89,522</b>	<b>97,815</b>

*Continued over*

	Consolidated	
	2014 \$	2013 \$
<b>Advisory services</b>		
PricewaterhouseCoopers Australia firm:		
Other advisory services	29,700	139,076
<b>Total remuneration for advisory services</b>	<b>29,700</b>	<b>139,076</b>
<b>Total remuneration of PricewaterhouseCoopers Australia firm</b>	<b>465,356</b>	<b>686,911</b>
<b>Total remuneration of auditors</b>	<b>465,356</b>	<b>686,911</b>

## Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 48 of the 2014 Annual Report.

## Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, 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 Class Order 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 2001*.

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



Mr S M Skala AO  
CHAIRMAN  
WILSON HTM INVESTMENT GROUP LTD

Melbourne  
27 August 2014



### Auditor's Independence Declaration

As lead auditor for the audit of Wilson HTM Investment Group Ltd for the year ended 30 June 2014, 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 Wilson HTM Investment Group Ltd during the year.

A handwritten signature in black ink, reading 'M O'Donnell'.

Michael O'Donnell  
Partner  
PricewaterhouseCoopers

27 August 2014

**PricewaterhouseCoopers, ABN 52 780 433 757**  
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## 08 CORPORATE GOVERNANCE

The Company and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board endorses the ASX Principles and intends over the forthcoming financial year to ensure that its governance policies and practices are refreshed in accordance with the 3rd edition of the ASX Principles in order that it can report against them during the 2015 financial year.

A summary of the Company's main corporate governance policies and practices is set out below. All these policies and practices, unless otherwise stated, were in place for the entire year. The policies are publicly available in the Corporate Governance Charter on the Company's website at <http://www.wilsonhtm.com.au/about-us/corporate-governance>.

### 1. Foundations For Management And Oversight

**1.1.** The relationship between the Board, the Managing Director and the Executive Committee is critical to the Group's long term success. The directors are responsible to the shareholders for the performance of the Group and seek to direct the Group in the interests of the shareholders and of the Group as a whole. Day to day management of Wilson HTM, the implementation of the corporate strategy and foundation of business plans are delegated by the Board to the Managing Director as set out in the Company's Board charter.

**1.2.** The chairman of Pinnacle, who is also Pinnacle's managing director, is responsible for the day to day management and corporate strategy of the Funds Management business, with guidance from the board of Pinnacle.

### 2. Structure Of The Board

#### 2.1. The Board of Directors

Details of the directors, their experience, expertise, qualifications, term of office and independence status, are set out on pages 27 to 29 of the 2014 Annual Report.

#### 2.2. Board composition

The composition of the Board is determined in accordance with the Company's constitution and the relevant provisions of the Board charter, which require the Board to be comprised of at least half non-executive directors and at least two independent directors (as defined in the ASX Principles) having a mix of complementary skills and experience from a diverse range of backgrounds, including gender. The Board seeks to achieve skills and experience from within the financial services industry as well as other areas, including but not limited to, specific backgrounds in institutional and retail sales and investment, funds management, audit, risk and legal.

As at the date of this report, the Board comprised six directors, five of whom are non-executive directors, of which two are considered independent. The Board refresh will continue having regard to current market conditions and the rights of representation by the Company's major shareholder, Deutsche Australia.

The Company does not comply with ASX Principle 2.1 which requires that a majority of the Board be comprised of independent directors. This is because the Board considers that the current composition of the Board, with its depth of knowledge of both the Company and the industry in which it operates, has been in the best interests of shareholders, particularly during the volatile economic environment of the past few years.

The Company does not comply with ASX Principle 2.2 which requires that the Chairman be independent. Steven Skala has held the position of non-executive Chairman since 2 March 2011. The Board does not consider Steven Skala to be independent as he has an interest in the management and affairs of Deutsche Bank AG Australia and New Zealand. Although Steven Skala is not considered independent, the Board believes that he is the most appropriate person for the role, given his extensive experience and depth of knowledge of the industry and the Company.

The Company has structured its Board to ensure it can exercise critical and independent judgement in relation to business dealings through:

- maximising the value the directors bring to the Company through the forum of an Audit Compliance and Risk Management Committee and a Remuneration and Nominations Committee comprising non-executive directors; and
- ensuring that the directors collectively have a broad range of technical expertise, skills and commercial experience, relating both to the industry in which the Group operates and also more widely.

### 2.3. Responsibilities of the Board

The responsibilities of the Board include:

- providing a strategic direction for the Company;
- the composition of the Board itself, including the appointment and retirement or removal of directors;
- reviewing the performance of the directors;
- determining the remuneration of the Chairman;
- having input into and final approval of management's development of corporate strategy and performance objectives and refining direction where considered appropriate;
- monitoring and approving the progress of major capital expenditure initiatives, capital management and acquisitions and divestitures;
- monitoring and questioning management's performance and progress in the achievement of agreed objectives;
- approving and monitoring financial and other reporting
- oversight of the Group including its control and accountability systems;
- reviewing and overseeing the operation of systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and regulatory compliance;
- monitoring industry developments relevant to the Group and its business;
- developing suitable key indicators of financial performance for the Group and its business;
- overall corporate governance of the Group, including the strategic direction, establishing goals for the management and monitoring the achievement of these goals; and
- oversight of Board sub-committees.

The Chairman is responsible for leading the Board, representing the Group to the public generally, ensuring directors are properly briefed, regularly reviewing the performance of the Managing Director and of the Board, facilitating Board discussions and, in conjunction with the Managing Director, growing the sustainable per share value of the Company.

The Managing Director is responsible for the day to day operations of Wilson HTM, ensuring that the Board is kept abreast of the major matters affecting Wilson HTM, and in conjunction with senior executive management reviewing operations, financial performance, staff engagement, client services and implementing strategies and policies for Wilson HTM.

The Board charter requires that the roles of the Chairman and the Managing Director be undertaken by separate people.

The chairman and managing director of Pinnacle is responsible for the day to day operations of Pinnacle and for implementing Pinnacle's strategies and policies. He prepares business plans and reports to Pinnacle's board on achievements against objectives set out in the business plans and reviews operations, financial performance, strategy implementation and client services.

Any powers not specifically reserved for the Board are deemed to have been delegated to the Managing Director and the chairman and managing director of Pinnacle.

### 2.4. Independence and conflicts of interest

The Board has adopted the test of director independence set out in Box 2.3 of the ASX Principles. Having regard to this definition, the Board considers a director to be independent if he or she is not a member of management and is free of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with a director's ability to act in the best interests of the Company. The Board has not adopted any quantitative thresholds in relation to dealing with entities in which a director may have a financial interest and instead performs assessments on a case by case basis.

Consistent with obligations imposed by the *Corporations Act 2001* and the ASX Listing Rules, directors are required to declare any conflicts of interest and, where deemed necessary, do not participate in any discussions or any decisions which relate to the conflict. The Board regularly assesses the independence of the non-executive directors based on their disclosure of interests. As at the date of this report, the independent directors are Erica Lane and Alan Watson.

Chum Darvall was nominated as the special director of Deutsche Australia. With effect from 1 July 2014, Deutsche Australia notified Mr Darvall that in conducting himself as a director he was entitled to do so as if he as independent of, and unaffiliated to, the Deutsche Bank group. Steven Skala has an interest in the management and affairs of Deutsche Bank AG Australia and New Zealand.

The Board has determined that these directors are not independent as Deutsche Australia is the largest shareholder in the Company. Steven Wilson is not considered independent as he has a substantial shareholding in the Company's securities and has an ongoing relationship with the business and its clients in a consultancy capacity.

The non-executive directors meet regularly, without the Managing Director or management present, to discuss the operation of the Board and other matters. Relevant matters arising from these meetings are tabled with the full Board at the following Board meeting.

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Group's expense. All directors have unrestricted access to all employees of Wilson HTM and, subject to the law, access to all records and information held by employees and external advisers of Wilson HTM. The Board receives regular detailed financial and operational reports from senior management of Wilson HTM and Pinnacle.

## 2.5. Term of office and appointment of new directors

Under the Company's constitution, all directors must retire from office (and may seek re-election) no later than the third annual general meeting following their last election. Deutsche Australia, as the major shareholder, is entitled under the constitution to appoint a number of directors based on the percentage of shares held and the size of the Board. As noted above, with effect from 1 July 2014, Deutsche Australia has had no nominee director on the Board.

Prospective candidates for election and re-election to the Board are reviewed by the Remuneration and Nominations Committee. The Remuneration and Nominations Committee considers the experience, skills, gender and background of the candidates and the requirements of the Board, to ensure the Board's overall composition enables it to discharge its responsibilities and lead the Company effectively.

## 2.6. Director induction and continuing education

Orientation programs are in place for all newly appointed directors. All directors are encouraged to continue their education by attending external training and education sessions that keep directors informed of relevant regulatory and market developments and ensure that each director is well placed to effectively discharge his or her responsibilities.

## 2.7. Review of board, director and senior executive performance

The Board aims to conduct an annual assessment of its collective performance, individual director performance, the performance of the Chairman and of the Company's committees.

During the 2014 financial year, the Board has undertaken an annual review of its own performance and that of its committees and individual directors. This process is led by the Chairman, based on a formal questionnaire and evaluation provided to each director. Each director also meets with the Chairman individually to assess performance. The outcomes of the review are summarised in a written report prepared by the Chairman and are taken into account in improving board and committee performance and efficiency. The review of the Chairman is assessed by other directors.

A review of the performance of senior executives is undertaken each year by the Managing Director. Page 36 of the Remuneration report provides further detail.

## 2.8. Board Committees

The Board has two committees, being the:

- Remuneration and Nominations Committee; and
- Audit, Compliance and Risk Management Committee.

The committees are comprised of non-executive directors. Details of the members' qualifications are set out on pages 27-29 of the 2014 Annual Report and attendance at committee meetings is set out in the Directors' Report on page 31.

The Corporate Governance Charter contains a sub-charter for each committee, which sets out each committee's role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate.

The Board periodically reviews the sub-charters of each of the committees.

Copies of the committee charters are available within the Corporate Governance Charter on the Group's website at <http://www.wilsonhtm.com.au/about-us/corporate-governance>.

Each committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Matters determined by a committee are submitted to the full Board as recommendations for Board decisions.

### 2.8.1. Remuneration and Nominations Committee

The Remuneration and Nominations Committee is chaired by Alan Watson, with Chum Darvall and Erica Lane as committee members. The Company Secretary also acts as Secretary of the committee. The role of the Remuneration and Nominations Committee includes:

- ensuring the Group has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders;
- ensuring the Group observes those remuneration policies and practices;
- fairly and responsibly rewarding executives having regard to the performance of the Group, of the executives themselves, and the general pay environment for the industry in which we operate;
- ensuring compliance with the ASX Listing Rules, ASX Principles and the *Corporations Act 2001*;
- assisting the Chairman in facilitating the review of Board performance annually;
- the appointment of new directors, (both executive and non-executive) and to the extent delegated to it by the Board, of the Managing Director; and
- developing suitable criteria for Board candidates having regard to the fact that the Board should comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds, including gender.

An external consultant or adviser may be engaged where it is considered appropriate to assist the Remuneration and Nominations Committee to identify and select candidates with the desired skills and experience and to add diversity to the Board.

The Remuneration and Nominations Committee does not provide recommendations on the remuneration for Ian Macoun, managing director and chairman of Pinnacle. The responsibility for the remuneration of Ian Macoun sits with the board of Pinnacle, which includes three directors of the Company.

Further details of the remuneration arrangements in place for non-executive directors and the Key Management Personnel are set out in the Remuneration Report commencing on page 32.

### 2.8.2. Audit Compliance and Risk Management Committee

The Audit Compliance and Risk Management Committee is chaired by Chum Darvall, with Erica Lane and Steve Wilson as committee members. The Company Secretary also acts as Secretary of the Committee.

The role of the Audit Compliance and Risk Management Committee is to:

- ensure an appropriate Committee structure is in place so as to facilitate a proper review function by the Board;
- monitoring the establishment of an appropriate internal control framework, including information systems, and its operation and considering enhancements;
- monitoring corporate risk assessment and compliance with internal controls;
- overseeing business continuity planning and risk mitigation arrangements;
- reviewing reports on any material defalcations, frauds and thefts from the Group;
- reviewing reports on the adequacy of insurance coverage;
- monitoring compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the Company Secretary in relation to those requirements;
- reviewing significant transactions which are not a normal part of the Group's business;
- reviewing the nomination, performance and independence of the external auditors, including recommendations to the Board for the appointment or removal of any external auditor;
- liaising with the external auditors and ensuring that the annual audit is conducted in an effective manner that is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
- reviewing management processes supporting external reporting;
- reviewing financial statements and other financial information distributed externally;

- reviewing audit, compliance and risk services provided by the Group to third parties for compliance by the Group with its contractual obligations in delivering those services;
- reviewing external audit reports to ensure that, where major deficiencies of breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management; and
- reviewing and monitoring compliance with the Code of Ethics.

The responsibilities of the Audit Compliance and Risk Management Committee apply only to the Group and its controlled entities. The Audit Compliance and Risk Management Committee does not perform any function in respect of entities where the Company does not have the capacity to determine the outcome of decisions in relation to financial and operating policies. These entities include the Pinnacle Boutiques, with Pinnacle responsible for audit, compliance and risk oversight.

The Audit Compliance and Risk Management Committee meets at least four times annually. The Audit Compliance and Risk Management Committee members have appropriate compliance and risk expertise, are financially literate and have an appropriate understanding of the industry in which the Company operates.

Further details of the Audit Compliance and Risk Management Committee's role are set out in the Audit Compliance and Risk Management Committee charter.

### 3. Ethical And Responsible Decision Making

#### 3.1. Code of Ethics and Values

Within its Corporate Governance Charter, the Company has a Code of Ethics and Values which has been endorsed by the Board and applies to all directors. The objective of the Code of Ethics and Values is to give directors mandatory directions to be followed in performing their duties to enable them to achieve the highest possible standards in the discharge of their obligations and to give them a clear understanding of best practice in corporate governance.

A copy of the Code of Ethics and Values is available within the Corporate Governance Charter on the Company's website at <http://www.wilsonhtm.com.au/about-us/corporate-governance>.

To ensure high standards of ethical conduct the Company has also developed and implemented a Code of Conduct which applies to all directors, employees, contractors and consultants of the Company and its related bodies corporate, including Pinnacle. The Code of Conduct sets out a clear set of rules and guidelines for directors, employees, contractors and consultants to follow when carrying out their work. The Code of Conduct is reviewed regularly and processes are in place to promote and achieve its implementation within the Group.

In particular, the Code of Conduct requires that directors, employees, consultants and contractors:

- be faithful and diligent, and actively pursue the Group's best interests and at all times maintain reasonable ethical, professional and technical standards;
- devote the whole of their time, attention and skill during normal working hours and at other times as reasonably necessary to their duties;
- not act in conflict with the best interests of the Group;
- not compete with the Group;
- not, in performing their duties, accept any financial or other benefit except from the Group;
- not conduct themselves in a manner, whether during or after work hours, which causes damage or potential damage to the Group's property or reputation;
- not use internet, email or voicemail at their workplace for excessive personal use or to view or distribute offensive or illegal material; and
- not to unlawfully discriminate against, or sexually harass, another person.

A copy of the Code of Conduct is available on the Company's website at <http://www.wilsonhtm.com.au/about-us/corporate-governance>

### 3.2. Diversity

In the 2014 financial year, the Company nominated five areas to measure gender diversity progress being:

- average fixed remuneration for male and female employees
- return to work rates following parental leave;
- employee turnover for male and female employees;
- training and development; and
- employment engagement survey results.

Whilst the results for return to work from parental leave were strong at 75%, the percentage of females that made up the total departures in each financial year has increased from 32% in the 2013 financial year to 47% in the 2014 financial year. There is one female on the Board, one female senior executive but no females in sales and adviser roles. As a result, there was no improvement in the average remuneration comparisons between male and female staff.

The table below shows the average remuneration across the Group in the 2014 financial year (excluding Pinnacle) and comparatives for the prior year:

	Board*		Senior Executive		Remaining Organisation	
	Number	Average Remuneration	Number	Average Remuneration	Number	Average Remuneration
Male	4	\$86,625	8	\$296,826	119	\$175,027
Female	1	\$67,500	1	\$230,000	54 (68/2013)	\$79,574 (\$77,118/2013)

\* Excludes the Managing Director and based on board fees set out on page 39 of the 2014 Annual Report

The Group recognises that achieving a more diverse workplace will take continued focus and effort and in this regard it continues to promote training and development across its workforce, with 10% of the female workforce undertaking Company supported courses relevant to their roles. In addition, the directors have indicated that they are committed to improving female representation across the Group.

The percentage of female employees in Wilson HTM including women in senior executive positions and women on the Board at 30 June 2014 was:

- Board – 20% (1 of 5)
- Senior executive – 11% (1 out of 9)
- Female employees across the organisation – 30% (55 out of 182) excludes Board

The Company has set itself the following diversity targets for the 2015 financial year:

- Continue to improve the number of staff accessing the Group's flexible working arrangements
- Improve retention of female staff
- Improve female representation across the Group
- Improve number of females completing relevant training and development

## 4. Integrity In Financial Reporting

The performance of the Auditor is reviewed annually. It is the Auditor's policy to rotate audit engagement partners on listed companies at least every five years. The lead audit engagement partner rotated in the second half of the 2014 financial year.

An analysis of fees paid to the Auditor, including a breakdown of fees for non-audit services, is provided in the Directors' Report and in the financial statements. The Auditor provides a declaration of independence to the Audit Compliance and Risk Management Committee.

The Auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

## 5. Continuous Disclosure And Securities Trading

The Company is committed to giving all shareholders timely and equal access to information concerning the Company.

The Company has written policies to enable it to fulfil its continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules. The Continuous Disclosure Policy was updated and adopted by the Board in February 2014 and is available on the Company's website at <http://www.wilsonhtm.com.au/about-us/corporate-governance>.

The Company's continuous disclosure obligations are reviewed as a standing item on the agenda for each meeting of the Board. Each director is required at every such meeting to confirm details of any matter within his or her knowledge that might require disclosure to the market.

The Board is ultimately responsible for the Company's compliance with its continuous disclosure obligations. The Board has appointed the Group Disclosure Officers to assist it in meeting these obligations. The Board has specific responsibility for disclosure in relation to the following matters:

- financial results;
- dividends;
- profit outlooks, including a material upgrade or downgrade to the Group's expected results;
- the award of a new, or the termination of an existing, significant mandate for the funds under management;
- resignations and appointments of directors and key personnel;
- material changes to employment, service and consultancy agreements with the Managing Director and any director; and
- key strategic decisions.

The Group Disclosure Officers may refer a matter to the Board for its approval where they consider it appropriate to do so. Any two of the Group Disclosure Officers, acting jointly, are authorised by the Board to approve disclosures to the ASX in relation to all matters (including the form and content of such an announcement) other than those specifically reserved for the Board's approval in the paragraph above.

Once a determination has been made, the Company Secretary is responsible for preparing and lodging an announcement to the ASX, which is approved by the Board or by the Group Disclosure Officers under their delegated authority from the Board, prior to release to the ASX.

All information disclosed to the ASX is posted on the Company's website once confirmation of the information's release has been received by the Company Secretary from the ASX. This includes ASX announcements, annual reports and half-year reports, notice of members' meetings, briefings by the Managing Director, media releases and material presented at investor, media and analyst briefings.

The Company has a Securities Trading Policy, which establishes fixed prohibited periods where directors, executives and employees are specifically prohibited from trading, being between:

- (a) 30 June and a full trading day following the announcement to the ASX of the Group's annual results; and
- (b) 31 December and a full trading day following the announcement to the ASX of the Group's half-yearly results.

In accordance with ASX Listing Rule 12.9, a copy of the current Securities Trading Policy has been lodged with the ASX and is available on the Company's website at <http://www.wilsonhtm.com.au/about-us/corporate-governance>.

Pre-approval to trade during a fixed prohibited period will only be provided in exceptional personal circumstances.

Directors, executives and employees are also prohibited from dealing in Company securities for short term speculative gain or whilst in possession of inside information. Key Management Personnel, employees and their related parties are also prohibited from entering into any hedging arrangements regarding their unvested or restricted securities received under employee incentive schemes.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company.

### 6. Shareholder Communication and Participation

The Board is conscious of its obligations to promote effective communication with shareholders, encourages their participation at general meetings, and in particular the annual general meeting, and aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs. The Board has adopted, as part of its Board charter, procedures to assist the Company to deliver effective shareholder communication.

In addition to its Continuous Disclosure policy, as detailed above, shareholder participation is encouraged as follows:

- The location of the annual general meeting is rotated between different State capital cities to encourage attendance from a cross-section of shareholders;
- The annual report is distributed to all shareholders according to their stated or inferred preferences. The Board ensures that the annual report complies with the disclosures required by the *Corporations Act 2001*;
- Proposed major changes in the Group which may impact on share ownership rights and the removal and appointment of directors are submitted to a vote of shareholders at a general meeting;
- The Auditors attend the annual general meeting and are available to answer questions from shareholders on the conduct of the audit and the preparation and content of the audit report;
- The half yearly report contains summarised financial information and a review of the operations of the Group during the period. The report is lodged with and available from the ASX;
- Company announcements are made in a manner which is factual, timely, clear and objective, so as not to omit any information material to decisions of shareholders and potential investors in the Company; and
- Information concerning the Company and the Group, including copies of announcements made through the ASX and the Annual Report and half yearly report, is made available to shareholders and prospective investors in the Company on the Company's website. The Company has a continuing commitment to electronic communication with shareholders and stakeholders generally including via its website.

In addition to the regular risk monitoring and reporting that occurs at the levels of management and the Audit Compliance and Risk Management Committee, the Board receives regular updates from management on the key risk profile performances for the Group. The Board also receives regular written assurances from the Managing Director and the group financial controller that the information they provide to the Board with regard to the integrity of the financial statements is based on a robust and appropriate system of risk management and internal control and that this system is operating effectively in relation to financial reporting risks.

For the year ended 30 June 2014, the Board has received written certification from the Managing Director and the group financial controller that in accordance with section 295A of the *Corporations Act 2001* the financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

**Wilson HTM Investment Group Ltd**  
**ASX Corporate Governance Council Best Practice Recommendations**  
**For the year ended 30 June 2014**

	ASX Principle	Reference	Comply / Non-comply
<b>Principle 1: Lay solid foundations for management and oversight</b>			
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	1.1 and Board Charter	Comply
1.2	Disclose the process for evaluating the performance of senior executives	Remuneration Report	Comply
1.3	Provide the information indicated for reporting on Principle 1	Directors' Profiles, Directors' Report, Remuneration Report and Board Charter	Comply
<b>Principle 2: Structure the board to add value</b>			
2.1	A majority of the Board should be independent directors.	2.2 and 2.4	Non-Comply
2.2	The Chair should be an independent director.	2.2 and 2.4	Non-Comply
2.3	The roles of Chair and Managing Director / Chief Executive Officer should not be exercised by the same individual.	2.3	Comply
2.4	The Board should establish a nomination committee.	2.8, 2.8.1, Remuneration and Nominations Committee Charter	Comply
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	2.7	Comply
2.6	Provide the information indicated for reporting on Principle 2.	2.2 - 2.8, Directors' Profiles and Directors' Report	Comply
<b>Principle 3: Promote ethical and responsible decision making</b>			
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>• The practices necessary to maintain confidence in the Company's integrity.</li> <li>• The practices necessary to take into account the Board's legal obligations and the reasonable expectations of stakeholders.</li> <li>• The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	3.1 3.1 3.1	Comply Comply Comply
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and to annually assess the objectives and progress towards achieving them.	3.2	Comply
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	3.2	Comply
3.4	Companies should disclose in each annual report the proportion of women across the whole organisation, women in senior management positions and women on the Board.	3.2	Comply
3.5	Provide the information indicated for reporting on Principle 3.	3.1 – 3.2, website	Comply

*Continued over*

## 08 CORPORATE GOVERNANCE

	ASX Principle	Reference	Comply / Non-comply
<b>Principle 4: Safeguard integrity in financial reporting</b>			
4.1	Establish an audit committee.	2.8.2	Comply
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>• Consists only of non-executive directors.</li> <li>• Consists of a majority of independent directors.</li> <li>• Is chaired by an independent chair, who is not chair of the Board.</li> <li>• Has at least three members.</li> </ul>	2.8 and 2.8.2 2.8 and 2.8.2 2.8 and 2.8.2 2.8.2	Comply Non-comply Non-comply Comply
4.3	The audit committee should have a formal charter.	2.8 Audit, Compliance and Risk Management Committee charter	Comply
4.4	Provide the information indicated for reporting on Principle 4.	2.8.2, Director Profiles, Directors' Report and website	Comply
<b>Principle 5: Make timely and balanced disclosure</b>			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	5	Comply
5.2	Provide the information for reporting on Principle 5.	5 and website	Comply
<b>Principle 6: Respect the rights of shareholders</b>			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of the policy.	6 and Board Charter	Comply
6.2	Provide the information for reporting on Principle 6.	Website	Comply
<b>Principle 7: Recognise and manage risk</b>			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	7	Comply
7.2	Require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to the Board on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	7	Comply
7.3	Disclose whether the Board has received assurance from the Managing Director (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	7 and Directors' declaration	Comply
7.4	Provide the information indicated for reporting on Principle 7.	7 and website	Comply

*Continued over*

	ASX Principle	Reference	Comply / Non-comply
<b>Principle 8: Remunerate fairly and responsibly</b>			
8.1	The Board should establish a remuneration committee.	2.8, 2.8.1, Remuneration and Nominations Committee charter	Comply
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>• Consists of a majority of independent directors.</li> <li>• Is chaired by an independent chair, who is not chair of the Board.</li> <li>• Has at least three members.</li> </ul>	2.8 and 2.8.1 2.8 and 2.8.1 2.8 and 2.8.1	Comply Comply Comply
8.3	Clearly distinguish the structure of non executive directors' remuneration from that of executive directors and senior executives.	Remuneration Report	Comply
8.4	Provide the information indicated for reporting on Principle 8.	Directors' Report and Remuneration Report	Comply



## GLOSSARY

Term	Definition
2014 Annual Report	means this document.
ASX Principles	means the Corporate Governance Principles and Recommendations, 2nd Edition, published by the ASX Corporate Governance Council.
Auditor	means PricewaterhouseCoopers.
Board	means the Board of directors of Wilson HTM Investment Group Ltd.
Chairman	means Steven Skala AO, the Chairman of the Board.
Company	means Wilson HTM Investment Group Ltd.
Company Secretary	means Don Mackenzie.
Deutsche Australia	means Deutsche Australia Limited, which holds a 19.8% shareholding in the Company.
EOSP	means the Wilson HTM Employee Option Share Plan.
Foundation	means the charitable foundation founded by the Company in 1998 for long term sustainable giving, formerly known as the Wilson Foundation.
FUM	means funds under management.
Group	means Wilson HTM Investment Group Ltd and the entities that it controls.
Group Disclosure Officers	means each of the Managing Director, the group financial controller, group commercial manager, company secretary and the managing director and chairman of Pinnacle.
Hyperion	means Hyperion Asset Management Ltd.
Key Management Personnel	means the individuals identified as such on pages 32 and 33 of the 2014 Annual Report.
LTI	means long term incentives offered to staff by the Group.
LTISP	means the long term incentive share plan.
Managing Director	means Alexander Grant.
Next Financial	means Next Financial Limited.
NLAT	means net loss after tax.
NPAT	means net profit after tax.
Palisade	means Palisade Investment Partners Ltd.
Pinnacle	means Pinnacle Investment Management Limited.
Pinnacle Group	means Pinnacle Investment Management Limited and Pinnacle Boutiques.
Pinnacle Boutiques	means each of Hyperion Asset Management Ltd, Palisade Investment Partners Ltd, Plato Investment Management Ltd, Solaris Investment Management Limited, Resolution Capital Limited and Sigma Funds Management Pty Ltd.
Pinnacle Segment	means Pinnacle and costs incurred by Wilson HTM in relation to Pinnacle.
Plato	means Plato Investment Management Ltd.
Principal Investment	means investments made by the Group in listed and unlisted equities and unit trusts on its own behalf and for its own benefit.
Priority Funds	means each of Wilson HTM Priority Growth fund and Wilson HTM Priority Core fund, being two proprietary funds managed by Wilson HTM Investment Management Pty Ltd.
Resolution Capital	means Resolution Capital Limited.
Securities business	means the Group's corporate finance, equity capital markets, institutional sales, research, private wealth management and funds management services and business services.
Sigma	means Sigma Funds Management Pty Ltd.
Solaris	means Solaris Investment Management Limited.
STI	means short term incentive offered to staff by the Group.
Wilson HTM	means the Securities business, the Priority Funds, Next Financial and Principal Investments.





09

FINANCIAL STATEMENTS

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Wilson HTM Investment Group Ltd and its subsidiaries. The financial statements are presented in Australian currency.

Wilson HTM Investment Group Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Wilson HTM Investment Group Ltd  
 Level 38, 71 Eagle Street  
 Brisbane QLD 4000

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 27 August 2014. 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' page on our website: [www.wilsonhtm.com.au](http://www.wilsonhtm.com.au).

## 09 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 \$'000	2013 (Restated) \$'000
<b>Revenue from continuing operations</b>	5	<b>60,511</b>	<b>60,934</b>
Fair value gains on financial assets at fair value through profit or loss	6	3,343	4,475
Employee benefits expense		(28,398)	(32,533)
Commissions and incentives expense		(15,122)	(8,370)
Computers and communications expense		(4,203)	(4,928)
Property expense		(3,012)	(4,260)
Market information expense		(2,731)	(2,989)
Consultants fees and payaways		(2,436)	(2,752)
Transaction processing expense		(1,882)	(2,013)
Depreciation and amortisation expense	7	(1,153)	(2,033)
Insurance expense		(1,126)	(1,244)
Travel and entertainment expense		(1,107)	(1,131)
Management fees		(281)	(279)
Marketing and advertising expense		(279)	(255)
Structured product expense		(131)	(2,268)
Legal and professional services expense		(153)	(2,484)
Impairment expense	7	173	(532)
Finance cost expense	7	(870)	(2,740)
Other expenses from operating activities		(1,233)	(1,462)
Share of net profit of jointly controlled entities accounted for using the equity method	39(d)	8,444	6,160
<b>Profit/(loss) before income tax</b>		<b>8,354</b>	<b>(704)</b>
Income tax benefit	8	28	2,342
<b>Profit after income tax</b>		<b>8,382</b>	<b>1,638</b>
<b>Total comprehensive profit for the year</b>		<b>8,382</b>	<b>1,638</b>
Profit/(loss) is attributable to:			
<b>Wilson HTM Investment Group Ltd</b>		<b>4,792</b>	<b>(1,637)</b>
Non-controlling interests		3,590	3,275
		<b>8,382</b>	<b>1,638</b>
Total comprehensive profit/(loss) for the year is attributable to:			
<b>Wilson HTM Investment Group Ltd</b>		<b>4,792</b>	<b>(1,637)</b>
Non-controlling interests		3,590	3,275
		<b>8,382</b>	<b>1,638</b>
<b>Earnings per share for gain/(loss) attributable to the ordinary owners of the Parent Entity:</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	43	4.7	(1.6)
Diluted earnings per share	43	4.5	(1.6)

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

## 09 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	2014 \$'000	2013 (Restated) \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	20,604	7,867
Trade and other receivables	10	5,592	10,529
Financial assets at fair value through profit or loss	11	5,746	21,140
Derivative financial assets	12	385	1,035
Loans to investors	13	3,959	8,381
Other current assets	14	-	296
<b>Total current assets</b>		<b>36,286</b>	<b>49,248</b>
<b>Non-current assets</b>			
Property, plant and equipment	16	1,237	1,572
Deferred tax assets	17	13,284	13,579
Intangible assets	18	16	116
Investments accounted for using the equity method	15	19,362	18,849
Other non-current assets	19	5,850	3,356
<b>Total non-current assets</b>		<b>39,749</b>	<b>37,472</b>
<b>Total assets</b>		<b>76,035</b>	<b>86,720</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	20	9,044	23,879
Borrowings	21	3,215	6,508
Derivative financial liabilities	12	353	1,068
Provisions	22	3,616	3,509
Other current liabilities	23	305	585
<b>Total current liabilities</b>		<b>16,533</b>	<b>35,549</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	25	1,021	1,343
Provisions	26	1,375	1,126
Other non-current liabilities	27	2,661	694
<b>Total non-current liabilities</b>		<b>5,057</b>	<b>3,163</b>
<b>Total liabilities</b>		<b>21,590</b>	<b>38,712</b>
<b>Net assets</b>		<b>54,445</b>	<b>48,008</b>
<b>EQUITY</b>			
Contributed equity	28	57,534	57,051
Reserves	29(a)	1,231	1,149
Accumulated losses	29(b)	(6,924)	(11,456)
<b>Capital and reserves attributable to owners of Wilson HTM Investment Group Ltd</b>		<b>51,841</b>	<b>46,744</b>
Non-controlling interests	30	2,604	1,264
<b>Total equity</b>		<b>54,445</b>	<b>48,008</b>

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

## 09 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Attributable to owners of Wilson HTM Investment Group Ltd				Non-controlling interests \$'000	Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000		
<b>Balance at 1 July 2012</b>		<b>56,943</b>	<b>741</b>	<b>(9,819)</b>	<b>47,865</b>	<b>698</b>	<b>48,563</b>
Profit for the period as reported in the 2013 financial statements		-	-	(1,637)	(1,637)	2,731	1,094
Changes in accounting policies		-	-	-	-	544	544
<b>Total restated comprehensive (loss)/ income for the year</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>(1,637)</b>	<b>(1,637)</b>	<b>3,275</b>	<b>1,638</b>
<b>Transactions with owners in their capacity as owners:</b>							
Share-based payments	29	-	875	-	875	-	875
Transfer from reserves	29	467	(467)	-	-	-	-
Movement in treasury stock held by employee share trusts	28	562	-	-	562	-	562
Other transactions with non-controlling interests		-	-	-	-	(2,709)	(2,709)
Buy-back of forfeited share plan shares	28	(921)	-	-	(921)	-	(921)
		108	408	-	516	(2,709)	(2,193)
<b>Balance at 30 June 2013</b>		<b>57,051</b>	<b>1,149</b>	<b>(11,456)</b>	<b>46,744</b>	<b>1,264</b>	<b>48,008</b>
<b>Balance at 1 July 2013</b>		<b>57,051</b>	<b>1,149</b>	<b>(11,456)</b>	<b>46,744</b>	<b>1,264</b>	<b>48,008</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>4,792</b>	<b>4,792</b>	<b>3,590</b>	<b>8,382</b>
<b>Transactions with owners in their capacity as owners:</b>							
Share-based payments	29	-	443	-	443	-	443
Transfer from reserves	29	361	(361)	-	-	-	-
Transactions with non-controlling interests		-	-	(260)	(260)	(2,250)	(2,510)
Movements in treasury stock held by employee share trusts	28	122	-	-	122	-	122
		483	82	(260)	305	(2,250)	(1,945)
<b>Balance at 30 June 2014</b>		<b>57,534</b>	<b>1,231</b>	<b>(6,924)</b>	<b>51,841</b>	<b>2,604</b>	<b>54,445</b>

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

## 09 CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 \$'000	2013 (Restated) \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		67,938	63,367
Payments to suppliers and employees		(67,476)	(73,417)
Receipts of premiums on put options over listed securities		519	7,115
Payments of premiums on put options over listed securities		(552)	(7,226)
Dividends received		8,556	4,602
Interest received		1,609	2,663
Finance and borrowings costs paid		(672)	(2,330)
Loan facility advances – clients		3,338	19,478
Loan facility repayment – clients		(3,294)	(18,305)
Proceeds from sale of financial assets at fair value through profit or loss		2,782	33,388
Payments to purchase financial assets at fair value through profit or loss		(3,985)	(34,715)
<b>Net cash flow from operating activities</b>	<b>42</b>	<b>8,763</b>	<b>(5,380)</b>
<b>Cash flows from investing activities</b>			
Repayment of loans by other entities		442	-
Payments for property, plant and equipment		(37)	(1,209)
Payments for investments		-	(547)
<b>Net cash flow from investing activities</b>		<b>405</b>	<b>(1,756)</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by fund unitholders		4,471	6,026
Payments for redemptions to fund unitholders		(262)	(3,079)
Loan advances from related parties		100	510
Loan advances to related parties		(480)	(588)
Dividends paid to non-controlling interests		(260)	-
<b>Net cash flow from financing activities</b>		<b>3,569</b>	<b>2,869</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>12,737</b>	<b>(4,267)</b>
Cash and cash equivalents at the beginning of the financial year		7,867	12,134
<b>Cash and cash equivalents at end of year</b>	<b>9</b>	<b>20,604</b>	<b>7,867</b>

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

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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## 1 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 Wilson HTM Investment Group Ltd and its subsidiaries ("the Group") refer to note 38.

### (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 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

The following standards and amendments have been applied for the first time in the annual reporting period commencing 1 July 2013:

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards;
- AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact in accounting policy on the current period;
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13;
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011);
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle; and
- AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The adoption of AASB 10 resulted in an adjustment to the amounts recognised in the financial statements. These are explained and summarised below.

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The investments in entities accounted for using the equity method was previously accounted for as a jointly controlled entity using the equity method. These investments have been assessed to meet the classification criteria of a joint venture under AASB 11. As a result, the Group's accounting for its interests in jointly controlled entities was not affected by the adoption of the new standard since the Group had already applied the equity method in accounting for these interests.

The other standards either have no impact or only apply to affect the disclosures in the notes to the financial statements.

#### Change in accounting policy: consolidated financial statements

AASB 10 Consolidated Financial Statements was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements and in Interpretation 112 Consolidation – Special Purpose Entities.

The Group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. As a result the Group's investment in the Wilson HTM Priority Core Fund (the Fund), for which a subsidiary acts as the investment manager and the Group had a 39.43% ownership interest at 30 June 2013, has been consolidated into the Group's financial statements.

During the period the Group partially redeemed its unit-holding in the Fund, so that the Group's ownership interest in the Fund reduced to 21.84% at 31 December 2013. Due to the dilution in the Group's voting rights and reduction in exposure to variable returns from the Fund, the Fund has been deconsolidated effective 31 December 2013 (refer note 37).

In addition, the Wilson HTM Investment Group Employee Option Share Plan was required to be consolidated, however this did not materially impact the financial statements (refer to note 1(b)(ii)).

No other changes to the composition of the consolidated Group were required as a result of the introduction of the new standards.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Impact on the financial statements

As a result of the application of AASB 10 and the resulting changes to the entity's accounting policy, prior year financial statements have had to be restated, the effect of which is as follows:

### Consolidated Statement of Comprehensive Income

	30 June 2013 (Previous) \$'000	AASB 10 Adjustments \$'000	30 June 2013 (Restated) \$'000	30 June 2014 \$'000
<b>Revenue from continuing operations</b>	<b>60,578</b>	<b>356</b>	<b>60,934</b>	<b>60,511</b>
Fair value gains on financial assets at fair value through profit or loss	3,940	535	4,475	3,343
Employee benefits expense	(32,533)	-	(32,533)	(28,398)
Commissions and incentives expense	(8,370)	-	(8,370)	(15,122)
Computers and communications expense	(4,928)	-	(4,928)	(4,203)
Property expense	(4,260)	-	(4,260)	(3,012)
Market information expense	(2,989)	-	(2,989)	(2,731)
Consultants fees and payaways	(2,752)	-	(2,752)	(2,436)
Legal and professional services expense	(2,484)	-	(2,484)	(153)
Structured product expense	(2,268)	-	(2,268)	(131)
Depreciation and amortisation expense	(2,033)	-	(2,033)	(1,153)
Transaction processing expense	(2,013)	-	(2,013)	(1,882)
Insurance expense	(1,244)	-	(1,244)	(1,126)
Travel and entertainment expense	(1,131)	-	(1,131)	(1,107)
Impairment expense	(532)	-	(532)	173
Marketing and advertising expense	(255)	-	(255)	(279)
Management fees	(145)	(134)	(279)	(281)
Finance cost expense	(2,740)	-	(2,740)	(870)
Other expenses from operating activities	(1,249)	(213)	(1,462)	(1,233)
Share of net profit of jointly controlled entities accounted for using the equity method	6,160	-	6,160	8,444
<b>(Loss)/gain before income tax</b>	<b>(1,248)</b>	<b>544</b>	<b>(704)</b>	<b>8,354</b>
Income tax benefit	2,342	-	2,342	28
<b>Profit after income tax</b>	<b>1,094</b>	<b>544</b>	<b>1,638</b>	<b>8,382</b>
<b>Total comprehensive profit for the year</b>	<b>1,094</b>	<b>544</b>	<b>1,638</b>	<b>8,382</b>
Profit loss is attributable to:				
<b>Wilson HTM Investment Group Ltd</b>	<b>(1,637)</b>	<b>-</b>	<b>(1,637)</b>	<b>4,792</b>
Non-controlling interests	2,731	544	3,275	3,590
	<b>1,094</b>	<b>544</b>	<b>1,638</b>	<b>8,382</b>
Total comprehensive profit/(loss) for the year is attributable to:				
<b>Wilson HTM Investment Group Ltd</b>	<b>(1,637)</b>	<b>-</b>	<b>(1,637)</b>	<b>4,792</b>
Non-controlling interests	2,731	544	3,275	3,590
	<b>1,094</b>	<b>544</b>	<b>1,638</b>	<b>8,382</b>

## Consolidated Statement of Financial Position

	30 June 2013 (Previous) \$'000	AASB 10 Adjustments \$'000	30 June 2013 (Restated) \$'000	30 June 2014 \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6,401	1,466	7,867	20,604
Trade and other receivables	10,405	124	10,529	5,592
Financial assets at fair value through profit or loss	9,156	11,984	21,140	5,746
Derivative financial assets	1,035	–	1,035	385
Loans to investors	8,381	–	8,381	3,959
Other current assets	296	–	296	–
<b>Total current assets</b>	<b>35,674</b>	<b>13,574</b>	<b>49,248</b>	<b>36,286</b>
<b>Non-current assets</b>				
Property, plant and equipment	1,572	–	1,572	1,237
Deferred tax assets	13,579	–	13,579	13,284
Intangible assets	116	–	116	16
Investments accounted for using the equity method	18,849	–	18,849	19,362
Other non-current assets	3,356	–	3,356	5,850
<b>Total non-current assets</b>	<b>37,472</b>	<b>–</b>	<b>37,472</b>	<b>39,749</b>
<b>Total assets</b>	<b>73,146</b>	<b>13,574</b>	<b>86,720</b>	<b>76,035</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	10,305	13,574	23,879	9,044
Borrowings	6,508	–	6,508	3,215
Derivative financial liabilities	1,068	–	1,068	353
Provisions	3,509	–	3,509	3,616
Other current liabilities	585	–	585	305
<b>Total current liabilities</b>	<b>21,975</b>	<b>13,574</b>	<b>35,549</b>	<b>16,533</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	1,343	–	1,343	1,021
Provisions	1,126	–	1,126	1,375
Other non-current liabilities	694	–	694	2,661
<b>Total non-current liabilities</b>	<b>3,163</b>	<b>–</b>	<b>3,163</b>	<b>5,057</b>
<b>Total liabilities</b>	<b>25,138</b>	<b>13,574</b>	<b>38,712</b>	<b>21,590</b>
<b>Net assets</b>	<b>48,008</b>	<b>–</b>	<b>48,008</b>	<b>54,445</b>

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated Statement of Cash Flows

	30 June 2013 (Previous) \$'000	AASB 10 Adjustments \$'000	30 June 2013 (Restated) \$'000	30 June 2014 \$'000
<b>Cash flows from operating activities</b>				
Receipts from customers	63,367	–	63,367	67,938
Payments to suppliers and employees	(73,281)	(136)	(73,417)	(67,476)
Receipts of premiums on put options over listed securities	7,115	–	7,115	519
Payments of premiums on put options over listed securities	(7,226)	–	(7,226)	(552)
Dividends received	4,347	255	4,602	8,556
Interest received	2,646	17	2,663	1,609
Finance and borrowings costs paid	(2,330)	–	(2,330)	(672)
Loan facility advances – clients	19,478	–	19,478	3,338
Loan facility repayment – clients	(18,305)	–	(18,305)	(3,294)
Proceeds from sale of financial assets at fair value through profit or loss	31,126	2,262	33,388	2,782
Payments to purchase financial assets at fair value through profit or loss	(32,288)	(2,427)	(34,715)	(3,985)
<b>Net cash flow from operating activities</b>	<b>(5,351)</b>	<b>(29)</b>	<b>(5,380)</b>	<b>8,763</b>
<b>Cash flows from investing activities</b>				
Repayment of loans by other entities	–	–	–	442
Payments for property, plant and equipment	(1,209)	–	(1,209)	(37)
Payments for investments	(547)	–	(547)	–
<b>Net cash flow from investing activities</b>	<b>(1,756)</b>	<b>–</b>	<b>(1,756)</b>	<b>405</b>
<b>Cash flows from financing activities</b>				
Proceeds from applications by fund unitholders	2,148	3,878	6,026	4,471
Payments for redemptions to fund unitholders	(696)	(2,383)	(3,079)	(262)
Loan advances from related parties	510	–	510	100
Loan advances to related parties	(588)	–	(588)	(480)
Dividends paid to non-controlling interest	–	–	–	(260)
<b>Net cash flow from financing activities</b>	<b>1,374</b>	<b>1,495</b>	<b>2,869</b>	<b>3,569</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(5,733)</b>	<b>1,466</b>	<b>(4,267)</b>	<b>12,737</b>
Cash and cash equivalents at the beginning of the financial year	12,134	–	12,134	<b>7,867</b>
<b>Cash and cash equivalents at end of year</b>	<b>6,401</b>	<b>1,466</b>	<b>7,867</b>	<b>20,604</b>

#### (iii) 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 2013.

#### (iv) Historical cost convention

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

#### (v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

## **(vi) Adjustment of prior period balances**

Apart from the adjustments disclosed in note 1(a)(ii), prior period balances have been adjusted where changes in the business have resulted in additional or altered disclosures in the current period. These additional adjustments have been minor in nature and have not resulted in any adjustment to the reported result after tax or net assets of the Group.

## **(b) Principles of consolidation**

### **(i) Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Wilson HTM Investment Group Ltd ("Company" or "Parent Entity") as at 30 June 2014 and the results of all subsidiaries for the year then ended. Wilson HTM Investment Group Ltd and its subsidiaries together are referred to in this financial report 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 1(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 trusts**

The Group has formed trusts 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 the shares held by the trust are disclosed as treasury stock and deducted from contributed equity (refer to note 28 and note 44(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, that the entity is not deemed to control under relevant accounting standards. The entities have been assessed to meet the classification of a joint venture under AASB11, due to the requirement for unanimous decision making in relation to a number of strategic matters contained in the shareholders agreements. 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 39).

The Group's share of the post-acquisition profits or losses of entities under joint control is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in the consolidated statement of changes in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from entities under joint control reduce the carrying amount of the investment in the consolidated financial statements.

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.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### **(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 reserve within equity attributable to owners of Wilson HTM Investment Group Ltd.

When the Group ceases to have 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 profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity 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 profit or loss.

If the ownership interest in a jointly-controlled entity or an associate 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. In relation to the Group this function is performed by the Board of directors.

### **(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 the Group's functional and presentation currency.

#### **(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, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

### **(e) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable net of the amount of Goods and Services Tax (GST).

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

#### **(i) Brokerage, commission and management fees**

Brokerage, commission and management fee income are recognised when the Group has performed the related service and the amount of revenue can be reliably measured.

**(ii) Performance fees**

Performance fee income is recognised when the Group has performed the related service.

**(iii) Equity capital markets and corporate advisory income**

Equity capital markets and corporate advisory income are recognised when the Group has performed the related service.

**(iv) Interest income**

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the loan, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

**(v) Dividends**

Dividends 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 note 1(m).

**(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 associates 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.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (i) Tax consolidation legislation

Wilson HTM Investment Group Ltd 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 financial statements.

The head entity, Wilson HTM Investment Group Ltd, 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 stand alone taxpayer in its own right.

In addition to its own current and deferred amounts, Wilson HTM Investment Group Ltd 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. Details about the tax funding agreement are disclosed in note 8.

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.

### (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 35). 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.

The capitalised lease incentive (note 19) represents the value of leasehold improvements provided to the Group which are recognised as an asset in accordance with the Urgent Issues Group (UIG) Interpretation 115 Operating Leases - Incentives. An equal corresponding liability is recognised as deferred lease incentive (refer below). The asset is amortised on a straight-line basis over the lease term.

Lease incentive income from operating leases is recognised in other income on a straight line basis over the lease term. The deferred lease incentive is the amount of the lease incentive received (note 27).

Where applicable a provision for make-good is also recognised in respect of leased premises (note 26).

### (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 interests 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 interests 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 and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss 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 entity'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 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 profit or loss.

### (i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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 exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell 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, 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 and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

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 provision for impairment. Trade receivables are due for settlement no more than 3 working days from the date of recognition for any Australian Securities Exchange ("ASX") related balances and generally due 30 days from the date of recognition for all other balances. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will 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) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is 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 are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the consolidated statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible 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 consolidated statement of comprehensive income.

### (l) Loans to investors

Loans are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise when the Group provides money directly to a debtor with no intention of selling the receivable. Loans to investors are measured at amortised cost using the effective interest method. To determine the amortised cost balance, the loan balance is also adjusted by fees received and paid as part of the instalment product. These fees include the initial establishment and advisory fees which are capitalised and included in the loan balance.

Loans to investors under the instalment warrant products include an embedded derivative which enables the client to put its share portfolio to the Group for the original investment amount at maturity or during the period of the instalment. Under AASB 139, the embedded derivative is separated from the loan balance by grossing up the loan balance by the fair value of the derivative. The embedded derivative is then accounted for in accordance with note 1(n).

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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All loans are collateralised by equity securities and put options either granted by highly rated counterparties or traded on a major exchange. A daily margining system is used to ensure adequate collateral is held against all loans. The margining system assigns a collateral value to securities based on their market capitalisation and liquidity. In the event the collateral supporting a loan falls below the required level, a margin call is made which if not paid may result in the closing out of the loan.

### (m) Investments and other financial assets

#### Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. The classification of investments is determined at initial recognition.

#### (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 classified as held for trading unless they are designated as hedges. 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 and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period, which are classified as non-current assets. Loans to investors are classified as current assets as the client may terminate their investment at any time. Loans and receivables are included in trade and other receivables (note 10).

#### Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, being the date on which the Group commits to purchase or sell the asset. Investments are 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 are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are 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 are carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

#### Fair value

The fair values of quoted investments are based on current bid prices. Units in managed funds are valued at the pre-distribution exit price at year end. If the market for a financial asset is not active (and for unlisted securities) the Group establishes 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 assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is 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. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

### (n) Derivative financial instruments – futures and options

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 at each reporting date. Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

Derivative instruments include equity futures, interest rate swaps and equity options. The Group uses derivative instruments to hedge against the risks associated with its instalment warrant product and the interest rate risk associated with individually managed account loans. Hedge accounting is not applied in respect of these instruments.

### (o) Derivative financial instruments – structured securities

#### Instalments – NF 900

These securities were issued by Next Financial Limited with a maximum maturity of 3.5 years, however, these ceased on 29 April 2013.

### (p) Fair value estimation

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

The fair value of financial instruments traded in active markets is based on quoted market prices at balance date. The quoted market price used for financial assets held by the Group is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities 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.

### (q) 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 assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, 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 assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

### (r) Intangible assets

#### (i) Client list

A client list acquired as part of a business combination is recognised separately from goodwill. The client list is carried at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows from the client list over its estimated useful life, which is 2.5 years.

#### (ii) IT development and software

Costs incurred in developing products or systems and costs incurred in 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. Costs capitalised include external direct costs of materials and services and 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.

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

### (s) 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 3 days of recognition for any ASX related balances and 30 days of recognition for all other balances. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

### (t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. This includes bank funding for loans to clients as the Group does not have the right to defer settlement if called by the financier.

## (u) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

## (v) 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 has been 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 each 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.

## (w) 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 is 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 liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related service is recognised in the provision for employee benefits and 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 national Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### (iii) Retirement benefit obligations

Contributions to defined contribution funds are recognised as an 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.

### (iv) Share-based payments

Share-based compensation benefits are provided to certain employees via four different instruments, comprising the Wilson HTM Investment Group Equity Participation Plan, Wilson HTM Investment Group Employee Option Share Plan, WHIG Long-term Incentive Share Plan and WHIG Employee Share Acquisition Plan. Information relating to these schemes is set out in note 44.

The fair value of options and rights granted under the plans is recognised as an employee benefits expense with a corresponding increase in equity. 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 but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market 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 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 profit or loss, with a corresponding adjustment to equity.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The plans are administered by AET Structured Finance Services Pty Ltd, see note 1(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 independently determined using binomial approximation or Monte Carlo approximation option pricing models that takes into account the exercise price, the vesting period, the vesting and performance criteria, 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 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 may be payable when employment is terminated otherwise than in accordance with the employment contract, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. 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 a long term employee incentive scheme which enables certain employees of Pinnacle Investment Management Limited ("Pinnacle"), under full recourse and limited recourse loan arrangements, to acquire shares in Pinnacle Investment Management Limited. The scheme is designed to align the interests of the employees with those of Pinnacle shareholders.

Certain schemes include a ratchet mechanism whereby a pro-rata net profit after tax (NPAT) multiple is payable to the employee if, based on the applicable multiple, the value of the equity held exceeds the outstanding loan balance. This payment mechanism only applies after the employee has completed a specified service period.

When an employee leaves the scheme, it is intended that Pinnacle will facilitate the transfer of the shares to a new employee at an agreed price and the loan arrangements with the outgoing employee are settled. If an agreement with a new employee cannot be reached, Pinnacle has the right to re-acquire the shares. It is intended that Pinnacle and the existing shareholders will retain their respective pro-rata ownership.

Pinnacle accounts for the inflows and outflows associated with these arrangements on a net basis, as the arrangements are expected to be settled net. An expense is recorded in the statement of comprehensive income and a liability recorded to align the amount payable with that which can be demanded by the employee under the terms of the employment contract.

Certain jointly-controlled entities have similar incentive schemes and Pinnacle provides cash funding to certain employees of these entities in order for the employees to acquire shares in the jointly-controlled entities.

Pinnacle accounts for these contributions as investments in jointly-controlled entities. Remuneration is recorded in these entities and Pinnacle records its share of the profits or losses of the entity upon equity accounting.

A liability is recorded to the extent that Pinnacle has a net obligation to the employee of the jointly-controlled entities under the employee contract.

## (x) Contributed equity

Ordinary shares are classified as equity (note 28).

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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

## (y) Dividends

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

## (z) Earnings per share

### (i) Basic earnings per share

Basic earnings 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;
- 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 (note 28(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.

## (aa) 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's, are presented as operating cash flows.

## (ab) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, 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 Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (ac) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 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 9 Financial Instruments, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2017)\*

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017\* but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Group did not have any available-for-sale financial assets at 30 June 2014, and will continue to reassess the impact of the standard up to its introduction.

\*The mandatory application of this standard may be further deferred once the IASB has agreed on a mandatory date and the equivalent international standard.

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

### (ad) Parent Entity financial information

The financial information for the Parent Entity, Wilson HTM Investment Group Ltd, disclosed in note 45 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### (i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Wilson HTM Investment Group Ltd. Dividends received from associates are recognised in the Parent Entity's profit or loss, rather than being deducted from the carrying amount of these investments.

#### (ii) Tax consolidation legislation

Wilson HTM Investment Group Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Wilson HTM Investment Group Ltd, and the controlled entities in the tax consolidated group 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 stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Wilson HTM Investment Group Ltd 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.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Wilson HTM Investment Group Ltd for any current tax payable assumed and are compensated by Wilson HTM Investment Group Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Wilson HTM Investment Group Ltd 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, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

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.

### (iii) Financial guarantees

Where the Parent Entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

### (iv) Share-based payments

The grant by the Company 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 investment in subsidiaries, with a corresponding credit to equity.

## 2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate 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, underwriting risk and cash flow management. The management of risk throughout the Group is achieved through the procedures, policies, systems, 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:

	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	20,604	7,867
Trade and other receivables	4,279	8,836
Financial assets at fair value through profit or loss	5,746	21,140
Derivative financial assets	385	1,035
Loans to investors	3,959	8,381
Loans to entities under joint control (current)	-	296
Loans to shareholders and entities under joint control (non-current)	3,717	3,356
	<b>38,690</b>	<b>50,911</b>
<b>Financial liabilities</b>		
Trade and other payables	9,044	23,879
Borrowings	3,215	6,508
Derivative financial liabilities	353	1,068
	<b>12,612</b>	<b>31,455</b>

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (a) Market risk

#### (i) Foreign exchange risk

A subsidiary is exposed to foreign exchange risk through the issue of structured products to investors denominated in a foreign currency. The risk has been mitigated by funding the loan through borrowing in the same functional currency. The loan to investors includes an embedded derivative, the risk of which has been managed by purchasing over-the-counter (OTC) options in the same functional currency.

The Group's financial assets and liabilities are denominated in Australian dollars except as set out below:

	30 June 2014		30 June 2013	
	EUR \$'000	Other \$'000	EUR \$'000	Other \$'000
Cash and cash equivalents (\$AUD equivalent)	–	–	–	3

#### Sensitivity

Based on the financial instruments held at 30 June 2014, had the Australian dollar weakened/strengthened by 10% against the above currencies with all other variables held constant, the Group's post-tax profit for the year and equity would not have changed (2013 – no change). The Group's exposure to other foreign exchange movements is not material.

#### (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 and 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 on a daily basis 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 listed and unlisted unit trusts.

#### 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 the financial assets at fair value through profit or loss had increased/decreased by 15% (2013 – 15%) with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

	Impact on post-tax profit		Impact on equity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Group	±603	±2,200	±603	±2,200

### (iii) Interest rate risk

The Group's main interest rate risk arises from borrowings to fund the loans to structured product investors, holding cash and cash equivalents and from short-term borrowings at variable rates. During 2014 and 2013, the Group's cash and cash equivalents and borrowings 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.

The Group has been exposed to interest rate risk through the issue of fixed rate loans. The Group provided fixed rate loans to investors for one year, however the funding provided to the Group is at variable rates. There were no fixed rate loans during the 12 months to 30 June 2014. Interest rate risk also occurs through the issue of instalment products which are structured securities issued to the investor. This product results in the Group entering into a loan agreement with an external financial institution. The Group hedges these risks through the use of interest rate swap agreements.

As at the reporting date, the Group had the following cash and cash equivalents and borrowings:

	30 June 2014		30 June 2013	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
<b>Group</b>				
Cash and cash equivalents	2.4%	20,604	2.9%	7,867
Loans to investors	5.4%	3,959	5.3%	8,381
Borrowings	4.6%	(3,215)	4.8%	(6,508)
<b>Net exposure to cash flow interest rate risk</b>		<b>21,348</b>		<b>9,740</b>

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

### Sensitivity

At 30 June 2014, 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 \$149,000 lower/higher (2013 – change of 100 basis points: \$58,000 lower/higher).

### Details of the contracts that the Group held at 30 June 2014

As at 30 June 2014 the Group had entered into various interest rate swap agreements with Westpac in relation to a total loan liability of \$3.2 million for an average duration of 90 days at an average rate of 4.58%.

### Details of the contracts that the Group held at 30 June 2013

As at 30 June 2013 the Group had entered into various interest rate swap agreements with Westpac in relation to a total loan liability of \$6.5 million for an average duration of 90 days at an average rate of 4.77%.

### (b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, financial assets at fair value through profit or loss, loans to controlled entities and entities under joint control, tax related receivables from controlled entities, loans to shareholders, loans to investors, outstanding receivables and deposits with banks and financial institutions.

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 brokerage, equity capital markets and corporate advisory transactions and management fees. Trade receivables include receivables resulting from equity brokerage transactions. Credit risk in relation to these receivables is mitigated by the Group having the contracted right to liquidate the underlying equity securities to settle the receivable. The Group does not carry material 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.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The credit risk on loans issued to investors under the instalment warrant product is mitigated via the structure of the instalment. Shares purchased as part of the investment which are held beneficially for the investor, along with the option issued by the Group (embedded within the instalment product), are held as security for the loan. As a result there is limited recourse to the investor. To hedge the embedded option issued by the Group to the investor, the Group purchases American style (exercise) put options over the individual underlying shares. They are either over-the-counter (OTC) or exchange traded options (ETO). All OTC options purchased are issued by counterparties that have a minimum S&P long term credit rating of AA at the time of issuing the OTC option. They must also be approved in accordance with the relevant funding provider/financier's requirements. As part of the instalment product, investors can also borrow the initial upfront costs including the establishment fee and interest costs. A strict approval process is performed to ensure that loans are only issued to investors that meet appropriate lending requirements. All shares purchased as part of the instalments product are held with third party custodians (Pershing Securities Australia Pty Ltd or ABN AMRO Clearing Sydney Pty Ltd).

The Group held the following credit risks:

	2014 \$'000	2013 \$'000
Cash and cash equivalents	20,604	7,867
Trade and other receivables	4,279	8,836
Financial assets at fair value through profit or loss	5,746	21,140
Derivative financial assets	385	1,035
Loans to investors	3,959	8,381
Loans to controlled entities and entities under joint control (current)	-	296
Loans to shareholders and entities under joint control (non-current)	3,717	3,356
	<b>38,690</b>	<b>50,911</b>

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

Neither past due nor impaired trade receivables and loans to investors are those that are within their relevant contractual payment terms and there is no evidence to suggest that the client or counterparty will fail to meet their obligations.

Past due but not impaired trade receivables and loans to investors are those that have fallen outside of their contractual settlement terms. However there remains an expectation of full recovery based on the value of the underlying equities and the financial position of the client or counterparty.

Past due and impaired trade receivables and loans to investors 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. Refer to note 1(k) for more information on the trade receivables policy of the Group.

	2014 \$'000	2013 \$'000
<b>Trade and other receivables</b>		
Neither past due nor impaired	4,241	8,639
Past due but not impaired	35	111
Past due and impaired	3	86
	<b>4,279</b>	<b>8,836</b>
<b>Loans</b>		
Neither past due nor impaired	7,676	12,033
<b>Total trade and loan receivables</b>	<b>11,955</b>	<b>20,869</b>

### Impaired trade and loan receivables

As at 30 June 2014 receivables of the Group with a nominal value of \$3,000 (2013 - \$86,000) were impaired. The amount of the provision recognised in respect of these receivables was \$3,000 (2013 - \$81,000). The individually impaired receivables mainly relate to customers, which are in difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:

	2014 \$'000	2013 \$'000
1 to 3 months	-	2
3 to 6 months	-	18
Over 6 months	3	66
	<b>3</b>	<b>86</b>

As of 30 June 2014, trade receivables of \$35,000 (2013 - \$111,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing of these receivables is as follows:

	2014 \$'000	2013 \$'000
1 to 3 months	27	65
3 to 6 months	7	36
Over 6 months	1	10
	<b>35</b>	<b>111</b>

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

	2014 \$'000	2013 \$'000
<b>Cash at bank and short-term bank deposits</b>		
AA-	20,599	7,696
A+	5	171
	<b>20,604</b>	<b>7,867</b>
<b>Derivative financial assets</b>		
A+	339	-
A	-	858
Exchange traded options and unrated assets	46	177
	<b>385</b>	<b>1,035</b>

### (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, and its corporate debt facilities. At 30 June 2014 the Group has \$25.8 million (2013 - \$12.1 million) in available cash and Principal Investments.

The corporate debt facility has been extended to 30 November 2015 and includes an overdraft facility of \$2.5 million that can be used to provide short term funding, if this were to be required. At no time in the past three financial years, has the Group drawn on its corporate debt facilities.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A subsidiary of the Company, Wilson HTM Ltd, is a participant of the ASX and is required to maintain a defined liquid capital ratio in relation to its trading risk requirements. This liquid capital requirement is monitored on a regular basis and reported to the Australian Securities and Investments Commission (ASIC) monthly. Subsidiaries of the Company, Next Financial Limited, Pinnacle Funds Services Limited, Wilson HTM Corporate Finance Limited, Pinnacle Investment Management Limited and Pinnacle RE Services Limited hold Australian Financial Services Licences (AFSL) and hold amounts in liquid assets as per regulations of the ASIC on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies 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.

### Financing arrangements

The Group had access to the following undrawn borrowing facilities (excluding bank funding for loans to clients) at the end of the reporting period:

	2014 \$'000	2013 \$'000
<b>Overdraft and intra-day settlement facilities</b>		
Expiring within one year	–	–
Expiring between one and two years	10,000	10,000
Expiring beyond two years	–	–
	<b>10,000</b>	<b>10,000</b>

Further information on financing arrangements is detailed in note 24.

### 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

	3 days or less \$'000	4–30 days \$'000	30 days to 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount \$'000
<b>At 30 June 2014</b>							
Non interest bearing	–	6,045	2,762	237	–	9,044	9,044
Variable rate	–	–	–	–	–	–	–
Fixed rate	–	–	3,215	–	–	3,215	3,215
Derivative financial liabilities	–	–	353	–	–	353	353
<b>Total financial liabilities</b>	<b>–</b>	<b>6,045</b>	<b>6,330</b>	<b>237</b>	<b>–</b>	<b>12,612</b>	<b>12,612</b>
<b>At 30 June 2013</b>							
Non interest bearing	–	7,134	16,459	286	–	23,879	23,879
Variable rate	–	–	11	–	–	11	11
Fixed rate	–	–	6,497	–	–	6,497	6,497
Derivative financial liabilities	–	–	1,068	–	–	1,068	1,068
<b>Total financial liabilities</b>	<b>–</b>	<b>7,134</b>	<b>24,035</b>	<b>286</b>	<b>–</b>	<b>31,455</b>	<b>31,455</b>

#### (d) Cash flow and fair value interest rate risk

The Group's earnings are affected by movements in market interest rates due to funds borrowed and/or funds held in high interest deposit accounts. However, the Group's income and operating cash flows are not materially exposed to such changes in market interest rates.

#### (e) 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:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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
- 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:

30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Trading derivatives	46	339	–	385
Trading securities	5,287	–	459	5,746
<b>Total assets</b>	<b>5,333</b>	<b>339</b>	<b>459</b>	<b>6,131</b>
<b>Liabilities</b>				
Derivatives used for hedging	–	353	–	353
<b>Total liabilities</b>	<b>–</b>	<b>353</b>	<b>–</b>	<b>353</b>
At 30 June 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Trading derivatives	177	858	–	1,035
Trading securities	20,274	330	536	21,140
<b>Total assets</b>	<b>20,451</b>	<b>1,188</b>	<b>536</b>	<b>22,175</b>
<b>Liabilities</b>				
Derivatives used for hedging	–	1,068	–	1,068
<b>Total liabilities</b>	<b>–</b>	<b>1,068</b>	<b>–</b>	<b>1,068</b>

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) 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. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise debt investments and derivative financial instruments. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The carrying amounts of cash and cash equivalents, trade receivables and payables, loans to investors, loans to entities under joint control and loans to shareholders are assumed to approximate their fair values due to their short-term nature. 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. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

### Fair value measurements using significant unobservable inputs (level 3)

Level 3 items are unlisted equity securities held by the Group. The following table presents the changes in level 3 items for the periods ended 30 June 2014 and 30 June 2013:

	Unlisted equity securities \$'000
<b>Opening Value 1 July 2012</b>	<b>680</b>
Disposals	(54)
Gains/(losses) recognised in fair value gains on financial assets at fair value through profit or loss	(90)
<b>Closing Balance 30 June 2013</b>	<b>536</b>
Transfer to level 1	(152)
Gains/(losses) recognised in fair value gains on financial assets at fair value through profit or loss	75
<b>Closing Balance 30 June 2014</b>	<b>459</b>

#### (i) Transfer between levels 1 and 3

In 2014 a return of capital by one of the unlisted companies in which the Group holds an investment resulted in the group receiving shares in a listed company. This investment in a listed company is shown in level 1 as at 30 June 2014.

#### (ii) Valuation process

Trading Securities valued under Level 3 are investments in unlisted companies. Where possible, the investments are valued based on the price per security of 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 assets of the investee company.

### (f) Settlement Risk

The Group is indirectly exposed to settlement risk through the non-payment by clients of equity buy positions within the prescribed timeframe for payment of such transactions (usually 3 days from the date of transaction) as a result of its clearing and settlement arrangement with Pershing Financial Services Australia Pty Ltd. A review of all outstanding balances is completed on a daily basis to ensure clients are able to settle positions as they fall due. The Group has not incurred any material loss resulting from non-settlement.

## 3 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 entity 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. 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 assets**

The Group tests at least annually whether assets have suffered any impairment, in accordance with the accounting policy stated in note 1 (i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

**(ii) Income taxes**

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the Group has recognised deferred tax assets relating to carried forward tax losses 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 will be utilised. The Group has forecast future taxable profits by applying assumptions to budgeted results to extrapolate forecast taxable profits for future financial years. If these assumptions change this may alter the period over which the deferred tax asset is recovered. The utilisation of these tax losses also depends on the ability of the entity to satisfy certain tests at the time that the losses are recouped.

**(iii) Valuation of 'Over-the-counter' (OTC) option instruments**

The Group purchases derivative instruments from appropriate financial institutions, for which the fair values of the OTC options are assessed monthly at mark-to-market. The Group receives valuation confirmations from counterparties to the derivatives to substantiate closing value. Changes in fair value are recognised immediately in the consolidated statement of comprehensive income.

**(iv) Loans to investors – amortised cost using effective interest rate**

Loans under instalment warrants are recognised at their amortised cost using the effective interest method. The embedded derivative, which enables the client to put its share portfolio to the Group for the original investment amount at maturity or during the period of the instalment, is recognised in the consolidated statement of financial position at fair value.

**(v) Provision for legal claims**

The Group makes judgements concerning the potential impact of legal claims. These calculations require the use of assumptions concerning the likely success of each claim and the potential amount of compensation payable. Amounts recognised in respect of claims outstanding at balance date are disclosed in note 22.

**(b) Critical judgements in applying the Group's accounting policies****(i) Fair value of derivatives and other financial instruments**

The fair value of financial instruments that are not traded in an active market (eg over-the-counter derivatives) 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. The Group has used discounted cash flow analysis for various financial assets that were not traded in active markets.

**(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. The investments in entities subject to joint control are accounted for using the equity method of accounting.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### (iii) Business combinations

As part of the acquisition accounting for business combinations, where appropriate, management have determined the fair value of both the consideration transferred for the acquisition and the identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination. The calculation and allocation of fair values is based on evidence available to management at the time of the business combination and requires the use of estimates and judgements, including in respect of cash flow models. The recognition and measurements of amounts recorded at acquisition may remain provisional for up to 12 months from the date of acquisition due to the time necessarily required to resolve uncertainty and complete the initial accounting.

### (iv) Share-based payments

The Group measures equity settled share-based payment transactions by reference to the value of the equity instruments at the date at which they are granted. The fair value is determined by management using Monte Carlo or binomial approximation 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 report.

### (v) Contingencies

The Group has made certain judgements and estimates relating to the contingent liabilities outlined in note 34. These assumptions are based on all existing information available at the signing date of the financial report.

## 4 Segment information

### (a) Description of segments

During the period the Group re-assessed its business segmentation resulting in two reporting segments being identified, Wilson HTM and Pinnacle, based on internal management reports used to make strategic decisions that are reviewed by the Board of directors. The business segmentation is considered from a product and services perspective and the two reportable segments identified consist of:

#### Pinnacle

- developing and operating funds management businesses;
- providing distribution, infrastructure support and administration services to the Pinnacle Boutiques; and
- providing distribution support to other external parties.

#### Wilson HTM

- corporate finance and research;
- wealth management to private clients;
- stockbroking to private and institutional clients;
- corporate superannuation and insurance services;
- specialty funds management through Priority Funds;
- selected investments as Principal; and
- servicing structured products for clients.

## (b) Operating segments

2014	Wilson HTM \$'000	Pinnacle \$'000	Consolidated \$'000
<b>Segment revenue</b>			
Revenue from continuing operations	54,033	4,855	58,888
Interest income on structured products	1,198	-	1,198
Other interest revenue	83	-	83
<b>Total segment revenue</b>	<b>55,314</b>	<b>4,855</b>	<b>60,169</b>
Unallocated revenue	-	-	342
<b>Consolidated revenue</b>	<b>-</b>	<b>-</b>	<b>60,511</b>
<b>Segment result excluding non-controlling interests</b>	<b>2,020</b>	<b>4,561</b>	<b>6,581</b>
Segment result attributable to non-controlling interests*	2,250	1,340	3,590
<b>Segment result</b>	<b>4,270</b>	<b>5,901</b>	<b>10,171</b>
Net unallocated expenses			(1,817)
<b>Profit before income tax</b>			<b>8,354</b>
Income tax benefit			28
<b>Profit for the year</b>			<b>8,382</b>
<b>Other information regarding operating segments</b>			
Share of net profit of entities accounted for using the equity method	-	8,444	8,444
Total depreciation and amortisation expense	1,146	7	1,153
Interest and finance charges – corporate	(13)	597	584
Unallocated – interest and finance charges – corporate			(385)
Total interest and finance charges – corporate			199
Amortisation using effective interest rate	243	-	243
Interest and finance charges – client	428	-	428
Total finance cost expense			870
Fair value gains on financial assets at fair value through profit or loss	3,343	-	3,343

\*The non-controlling interest attributable to the Wilson HTM segment relates to interests in the Wilson HTM Priority Core Fund. The fund was deconsolidated from the Group effective 31 December 2013 (refer note 37).

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2013	Wilson HTM \$'000	Pinnacle \$'000	Consolidated \$'000
<b>Segment revenue</b>			
Revenue from continuing operations	52,736	4,949	57,685
Interest income on structured products	2,898	-	2,898
Other interest revenue	127	-	127
<b>Total segment revenue</b>	<b>55,761</b>	<b>4,949</b>	<b>60,710</b>
Unallocated revenue			224
<b>Consolidated revenue</b>			<b>60,934</b>
<b>Segment result excluding non-controlling interests</b>	<b>(4,384)</b>	<b>2,050</b>	<b>(2,334)</b>
Segment result attributable to non-controlling interests*	2,386	889	3,275
<b>Segment result</b>	<b>(1,998)</b>	<b>2,939</b>	<b>941</b>
Net unallocated expenses			(1,645)
<b>Profit before income tax</b>			<b>(704)</b>
Income tax benefit			2,342
<b>Profit for the year</b>			<b>1,638</b>
<b>Other information regarding operating segments</b>			
Share of profits of entities accounted for using the equity method		6,160	6,160
Depreciation and amortisation expense	2,004	4	2,008
Unallocated - depreciation and amortisation expense			26
Total depreciation and amortisation expenses			2,033
Interest and finance charges - corporate	255	642	897
Unallocated - interest and finance charges - corporate			(522)
Total interest and finance charges - corporate			375
Amortisation using effective interest rate	719	-	719
Interest and finance charges - client	1,646	-	1,646
Total finance cost expense			2,740
Fair value gains on financial assets at fair value through profit or loss	4,475	-	4,475

\*The non-controlling interest attributable to the Wilson HTM segment relates to interests in the Wilson HTM Priority Core Fund. The fund was deconsolidated from the Group effective 31 December 2013 (refer note 37).

### Segment revenue

Sales between segments are carried out at arms length and are eliminated on consolidation. The revenue from external parties reported to the Board of directors is measured in a manner consistent with that in the Consolidated Statement of Comprehensive Income.

The entity is domiciled in Australia and revenue is predominantly sourced from customers within Australia.

### Net profit/loss before income tax

The Board of directors assess the performance of the operating segments based on a measure of net profit before income tax. This measurement basis excludes some corporate overheads and Group costs which are not allocated to segments.

## 5 Revenue from operations

	2014 \$'000	2013 \$'000
<b>Services revenue</b>		
Brokerage	25,712	24,703
Fund management fees and commissions	17,001	18,155
Performance fee income	334	3,159
Corporate finance equity capital markets revenue	10,896	4,222
Corporate finance advisory revenue	1,990	3,257
Interest income on structured products (Next Financial)	1,198	2,898
Management and advisor fees (Next Financial)	129	1,043
Amortisation of loan establishment fees (Next Financial)	54	104
	<b>57,314</b>	<b>57,541</b>
<b>Other revenue</b>		
Service charges to entities under joint control	1,555	1,163
Directors fees	76	88
Interest received or due	614	460
Dividends	626	847
Other revenue	326	835
	<b>3,197</b>	<b>3,393</b>
	<b>60,511</b>	<b>60,934</b>

## 6 Fair value gains on financial assets at fair value through profit or loss

	2014 \$'000	2013 \$'000
<b>Held as Principal*</b>	<b>1,229</b>	<b>1,805</b>
Minority interests in the Priority Core Fund**	2,031	2,328
	<b>3,260</b>	<b>4,133</b>
Next Financial	83	342
	<b>3,343</b>	<b>4,475</b>

\* Relates to fair value gains and losses of Principal Investments held directly by the Group.

\*\* Represents the minority interest share of the Wilson HTM Priority Core Fund's fair value gains and losses. The Fund was deconsolidated on 31 December 2013 (refer note 37).

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7 Expenses

	2014 \$'000	2013 \$'000
<b>Profit before income tax includes the following specific expenses:</b>		
<b>Finance cost expense (i)</b>		
Interest and finance charges – corporate	199	375
Amortisation using effective interest rate	243	719
Interest and finance charges – client	428	1,646
	<b>870</b>	<b>2,740</b>
<b>Rental expense relating to operating leases</b>		
Minimum lease payments	2,654	3,950
<b>Total rental expense relating to operating leases</b>	<b>2,654</b>	<b>3,950</b>
<b>Depreciation and amortisation</b>		
Depreciation – property, plant and equipment	687	1,634
Depreciation – capitalised lease incentive	366	-
Amortisation – software	40	279
Amortisation – client list	60	120
<b>Total depreciation and amortisation expense</b>	<b>1,153</b>	<b>2,033</b>
<b>Impairment</b>		
Impairment – loans to related parties and investments accounted for using the equity method	(173)	532
<b>Total impairment expense</b>	<b>(173)</b>	<b>532</b>

(i) Interest and finance charges are shown divided into two components, those attributable to the corporate treasury functions and those related to the client operations of Next Financial Limited (refer to note 24).

### 8 Income tax benefit

#### (a) Income tax benefit

	2014 \$'000	2013 \$'000
Current tax	(822)	(1,590)
Deferred tax	953	(753)
Adjustments for tax in respect of prior periods	(159)	1
	<b>(28)</b>	<b>(2,342)</b>
Deferred income tax benefit included in income tax benefit comprises:		
Decrease in deferred tax assets (note 17)	1,273	2,847
(Decrease) in deferred tax liabilities (note 25)	(320)	(3,600)
	<b>953</b>	<b>(753)</b>

## (b) Numerical reconciliation of income tax benefit to prima facie tax payable

	2014 \$'000	2013 \$'000
Profit/(loss) from continuing operations before income tax benefit	8,354	(704)
Tax at the Australian tax rate of 30% (2013 – 30%)	2,506	(211)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of profits of jointly controlled entities	(2,533)	(1,848)
Share of profits of consolidated funds	(675)	(716)
Impairment	(52)	160
Non-deductible expenditure	257	286
Sundry items	(41)	(360)
	<b>(538)</b>	<b>(2,689)</b>
Adjustments for tax in respect of prior periods	(159)	1
Deferred tax assets not recognised*	669	346
	<b>510</b>	<b>347</b>
<b>Total income tax benefit</b>	<b>(28)</b>	<b>(2,342)</b>

\* Relates to deferred tax assets in relation to Pinnacle Investment Management Limited which have not been recognised on the basis that it is not considered probable that the tax losses giving rise to the deferred tax assets will be recovered.

## (c) Unrecognised tax losses

	2014 \$'000	2013 \$'000
Tax losses of Pinnacle Investment Management Limited for which no deferred tax asset has been recognised	12,879	10,772
Potential tax benefit at 30%	<b>3,864</b>	<b>3,232</b>

## (d) Tax consolidation legislation

Wilson HTM Investment Group Ltd and its wholly-owned Australian controlled entities adopted the tax consolidation legislation from 1 July 2003. Next Financial Limited and its subsidiaries joined the tax consolidated group on 1 April 2009. The accounting policy in relation to this legislation is set out in note 1(f).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Wilson HTM Investment Group Ltd.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Wilson HTM Investment Group Ltd for any current tax payable assumed and are compensated by Wilson HTM Investment Group Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Wilson HTM Investment Group Ltd 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, which may be issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9 Current assets – Cash and cash equivalents

	2014 \$'000	2013 \$'000
Available cash at bank and on hand	20,135	3,272
Other committed cash at bank and on hand	466	4,512
Cash held in trust on behalf of clients (note 20)	3	83
	<b>20,604</b>	<b>7,867</b>

#### (a) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. 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) Restrictions on the use of cash

Other committed cash at bank and on hand includes:

- cash received for net prepaid interest from instalment holders of \$300,000 (2013 – \$2,734,000) for which a corresponding liability is included in other current liabilities – refer note 23.
- cash held by managed funds of \$nil (2013 – \$1,466,000) which are consolidated within the financial statements of the Group.

Cash held in trust is held on behalf of clients and represents uninvested funds by the client. A corresponding liability is recognised within trade and other payables (note 20).

#### (c) Cash at bank deposits

Cash at bank deposits bear floating interest rates between 2.5% and 3.3% (2013 : 2.0% and 3.5% ). These deposits have an average maturity of 30 days.

#### (d) Fair value

The carrying amount for cash and cash equivalents equals the fair value.

### 10 Current assets – Trade and other receivables

	2014 \$'000	2013 \$'000
Trade receivables	1,228	4,905
Related party receivable	66	439
Other income receivable	1,793	2,295
Prepayments	1,313	1,693
Instalment income receivable	-	5
Other receivables and deposits	1,192	1,192
	<b>5,592</b>	<b>10,529</b>

#### (a) Effective interest rates and credit risk

All of the Group's receivables are classified as current and are non-interest bearing.

There is no significant concentration of credit risk with relation to current receivables as the Group has a large number of clients across a range of investor categories. Refer to note 2 for more information on the financial risk management policy of the Group.

## (b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the Group's trade receivables.

## 11 Current assets – Financial assets at fair value through profit or loss

	2014 \$'000	2013 \$'000
Australian listed equity securities*	41	20,297
Other unlisted equity securities	459	536
Listed and unlisted unit trusts	5,246	307
	<b>5,746</b>	<b>21,140</b>

\*The balance for the prior year includes Australian listed equity securities held by the Wilson HTM Priority Core Fund. The Fund was deconsolidated on 31 December 2013 (refer note 37).

Changes in fair values of financial assets at fair value through profit or loss are detailed in note 6.

## (a) Risk exposure and fair value measurements

Information about the Group's exposure to price risk and about the methods and assumptions used in determining fair value is provided in note 2.

## 12 Derivative financial instruments

	2014 \$'000	2013 \$'000
<b>Current assets</b>		
Exchange traded put options (a)	46	177
Over-the-counter put options (a)	339	858
<b>Total current derivative financial instrument assets</b>	<b>385</b>	<b>1,035</b>
<b>Current liabilities</b>		
Embedded options in loan agreements (a)	353	1,068
<b>Total current derivative financial instrument liabilities</b>	<b>353</b>	<b>1,068</b>

## (a) Instruments used by the Group

A subsidiary of the Group purchases exchange traded options and over-the-counter options to specifically hedge against market risks associated with the capital protection which is granted to instalment warrant investors on the value of the underlying investment portfolio. These embedded derivatives provide investors with the right, but not the obligation, to put the portfolio of shares to the subsidiary at an amount that approximates the principal value of the loan made to the investors, up to the maturity of the instalment investment.

Additionally, the Group from time to time purchases exchange traded options to specifically hedge against market risks associated with its Principal Investments portfolio.

## (b) Risk exposures and fair value measurements

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk and about the methods and assumptions used in determining fair values is provided in note 2. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of derivative financial assets mentioned above.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Current assets – Loans to investors

	2014 \$'000	2013 \$'000
Loans under instalment products	3,959	8,370
Loans under individually managed accounts (floating rate)	–	11
	<b>3,959</b>	<b>8,381</b>

Loans under the instalment product business conducted by a subsidiary generally have a maximum term of five years. Interest is payable in advance on the anniversary date of the loan. Next Financial Limited ceased to offer instalment products in September 2010.

The instalment loan proceeds are used by the investor to purchase a portfolio of selected shares in ASX listed entities. An exchange traded option or over-the-counter put option is purchased to provide the primary capital protection mechanism for the instalment investment product. These embedded derivatives provide investors with the right, but not the obligation, to put the portfolio of shares to the subsidiary at an amount that approximates the principal value of the loan made to the investors, up to the maturity of the instalment investment. These options also serve to protect against any change in the value of the investment portfolio which might impair the recoverability of the loan principal.

Instalment holders may choose to exit the transaction at any time without incurring exit fee penalties. If this scenario arises, the over-the-counter option or exchange traded option may be exercised and the sale proceeds will be used to pay the outstanding loan.

Loans on other products comprise loans under individually managed accounts. Interest on loans under individually managed accounts, payable in advance is fixed for one year.

### 14 Current assets – Other current assets

	2014 \$'000	2013 \$'000
Loans from Pinnacle Investment Management Limited to entities under joint control (refer note 36)	–	<b>296</b>

Loans to entities under joint control includes the written down value of the investment where that value is less than zero as a result of accumulated losses being greater than the cost of the investment.

### 15 Non-current assets – Investments accounted for using the equity method

	2014 \$'000	2013 \$'000
Investments in jointly controlled entities (note 39)	<b>19,362</b>	<b>18,849</b>

Investments in jointly controlled entities are accounted for in the Group's financial statements using the equity method of accounting and are carried at cost.

## 16 Non-current assets – Property, plant and equipment

	Plant and equipment \$'000	Fixtures and fittings \$'000	Leasehold improvements \$'000	Total \$'000
<b>At 30 June 2012</b>				
Cost	6,191	1,724	12,096	20,011
Accumulated depreciation and impairment	(6,045)	(1,697)	(10,133)	(17,875)
<b>Net book amount</b>	<b>146</b>	<b>27</b>	<b>1,963</b>	<b>2,136</b>
<b>Year ended 30 June 2013</b>				
Opening net book amount	146	27	1,963	2,136
Additions	62	–	1,008	1,070
Disposals	(11)	(3)	(95)	(109)
Depreciation charge	(105)	(24)	(1,396)	(1,525)
<b>Closing net book amount</b>	<b>92</b>	<b>–</b>	<b>1,480</b>	<b>1,572</b>
<b>At 30 June 2013</b>				
Cost	6,222	1,714	10,938	18,874
Accumulated depreciation and impairment	(6,130)	(1,714)	(9,458)	(17,302)
<b>Net book amount</b>	<b>92</b>	<b>–</b>	<b>1,480</b>	<b>1,572</b>
<b>Year ended 30 June 2014</b>				
Opening net book amount	92	–	1,480	1,572
Additions	15	–	337	352
Disposals	(6)	–	(14)	(20)
Depreciation charge	(53)	–	(614)	(667)
<b>Closing net book amount</b>	<b>48</b>	<b>–</b>	<b>1,189</b>	<b>1,237</b>
<b>At 30 June 2014</b>				
Cost	4,595	762	7,980	13,337
Accumulated depreciation and impairment	(4,547)	(762)	(6,791)	(12,100)
<b>Net book amount</b>	<b>48</b>	<b>–</b>	<b>1,189</b>	<b>1,237</b>

All property, plant and equipment is held by subsidiary entities - Wilson HTM Services Pty Ltd, Next Financial Limited and Pinnacle Services Administration Pty Ltd.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17 Non-current assets – Deferred tax assets

	2014 \$'000	2013 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Unrealised loss on fair value assets	230	217
Embedded derivatives relating to Next Financial Limited	106	267
Employee benefits	1,028	1,028
S40-880 deductions	241	276
Capital allowances	1,087	1,219
Provisions	468	444
Accruals	1,178	1,448
Tax losses*	8,622	8,321
Other	324	359
<b>Total deferred tax assets</b>	<b>13,284</b>	<b>13,579</b>
Deferred tax assets expected to be recovered within 12 months	3,448	3,570
Deferred tax assets expected to be recovered after 12 months	9,836	10,009
	<b>13,284</b>	<b>13,579</b>

\*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.

	Tax losses \$'000	Capital allowances \$'000	Derivatives \$'000	Other \$'000	Total \$'000
Movements					
<b>At 1 July 2012</b>	6,795	1,343	2,514	4,191	14,843
Adjustments relating to prior periods	149	–	–	(156)	(7)
(Charged)/credited					
– to profit or loss – current	1,590	–	–	–	1,590
– to profit or loss – deferred	(213)	(124)	(2,247)	(263)	(2,847)
<b>At 30 June 2013</b>	<b>8,321</b>	<b>1,219</b>	<b>267</b>	<b>3,772</b>	<b>13,579</b>
<b>At 1 July 2013</b>	8,321	1,219	267	3,772	13,579
Adjustments relating to prior periods	34	–	–	10	44
(Charged)/credited					
– to profit or loss – current	934	–	–	–	934
– to profit or loss – deferred	(667)	(132)	(161)	(313)	(1,273)
<b>At 30 June 2014</b>	<b>8,622</b>	<b>1,087</b>	<b>106</b>	<b>3,469</b>	<b>13,284</b>

## 18 Non-current assets – Intangible assets

	Client list \$'000	Computer software \$'000	Total \$'000
<b>At 1 July 2012</b>			
Cost	300	8,194	8,494
Accumulated amortisation and impairment	(120)	(7,859)	(7,979)
<b>Net book amount</b>	<b>180</b>	<b>335</b>	<b>515</b>
<b>Year ended 30 June 2013</b>			
Opening net book amount	180	335	515
Amortisation charge	(120)	(279)	(399)
<b>Closing net book amount</b>	<b>60</b>	<b>56</b>	<b>116</b>
<b>At 30 June 2013</b>			
Cost	300	8,182	8,482
Accumulated amortisation and impairment	(240)	(8,126)	(8,366)
<b>Net book amount</b>	<b>60</b>	<b>56</b>	<b>116</b>
<b>Year ended 30 June 2014</b>			
Opening net book amount	60	56	116
Amortisation charge	(60)	(40)	(100)
<b>Closing net book amount</b>	<b>–</b>	<b>16</b>	<b>16</b>
<b>At 30 June 2014</b>			
Cost	300	5,120	5,420
Accumulated amortisation and impairment	(300)	(5,104)	(5,404)
<b>Net book amount</b>	<b>–</b>	<b>16</b>	<b>16</b>

No individual intangible asset is material to the Group.

## 19 Non-current assets – Other non-current assets

	2014 \$'000	2013 \$'000
Loans to employee shareholders	397	860
Loans from Pinnacle Investment Management Limited to entities under joint control (refer note 36e)	3,320	2,496
Capitalised Lease Incentive	2,133	–
	<b>5,850</b>	<b>3,356</b>

Loans to employee shareholders are used by employees for the purpose of purchasing shares in Wilson HTM Investment Group Ltd and Pinnacle Investment Management Limited and its jointly controlled entities, are repayable on sale of shares or termination of employment and are primarily repaid via dividends received from those entities.

As outlined in note 3(a) 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. This relies on assumptions regarding the future profitability of the jointly controlled entities and their ability to service the loans.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 Current liabilities – Trade and other payables

	2014 \$'000	2013 \$'000
Trade payables	56	13,516
Accrued expenses	3,764	4,605
Accrued bonuses and commissions	3,931	3,501
Instalment payables	-	1,084
Other payables	1,290	1,007
Other payables – structured products	-	83
Cash held in trust on behalf of clients (note 9)	3	83
	<b>9,044</b>	<b>23,879</b>

### 21 Current liabilities – Borrowings

	2014 \$'000	2013 \$'000
<b>Secured</b>		
Bank funding for loans to clients – Instalment products	3,215	6,497
Bank funding for loans to clients – Individual products	-	11
Total secured current borrowings	3,215	6,508
<b>Total current borrowings</b>	<b>3,215</b>	<b>6,508</b>

#### (a) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in note 2.

#### (b) Security

Information about the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in note 24.

### 22 Current liabilities – Provisions

	2014 \$'000	2013 \$'000
Employee benefits	3,616	3,463
Legal claims (a)	-	46
	<b>3,616</b>	<b>3,509</b>

#### (a) Legal claims

The amounts represent a provision for certain legal claims brought against the Group by clients.

## (b) Movements in provisions

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

	Legal claims \$'000	Employee benefits \$'000
<b>2014</b>		
<b>Current</b>		
Carrying amount at the start of the year	46	3,463
Additional provisions recognised	-	153
Amounts utilised during the year	(46)	-
<b>Carrying amount at end of year</b>	<b>-</b>	<b>3,616</b>

## 23 Current liabilities – Other current liabilities

	2014 \$'000	2013 \$'000
Unearned interest and administration fee income	199	155
Unearned non-refundable interest prepayment	101	290
Other unearned income	5	140
	<b>305</b>	<b>585</b>

## 24 Current liabilities – Financing arrangements

### (a) Secured liabilities and assets pledged as security

#### Corporate loan facilities

During June 2014 the Group extended its corporate loan, bank guarantee and overdraft facilities. The facilities expire on 30 November 2015 and are secured by a fixed and floating charge over the assets and undertakings of the Group (excluding entities within the Pinnacle Investment Management Limited and Next Financial Limited groups).

	2014 \$'000	2013 \$'000
Intraday settlement facility (amount used at balance date – nil)	7,500	7,500
Bank overdraft (amount used at balance date – nil)	2,500	2,500
Bank guarantee (amount used at balance date – \$8,235,000)	10,000	12,000
	<b>20,000</b>	<b>22,000</b>

These facilities are 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 Net Tangible Assets must not be less than \$40 million.

Ongoing compliance with covenants is reviewed on a regular basis and compliance has been maintained during the period.

#### Banking funding facilities for loans to clients of Next Financial Limited

Next Financial Limited utilises funding lines provided by Westpac Banking Corporation (Westpac) for loans to clients through its geared investment product. These loans are secured by equitable charges over securities and cash which Next Financial Limited holds as trustee for clients.

The Westpac facility is a five year term funding agreement provided on a limited recourse basis and secured by the securities (listed equities, cash and derivatives) held in custody.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

These funding facilities carry specific undertakings that Next Financial Limited must comply with including:

- Maintaining net equity values (collateral against drawn facility balances);
- Minimum financial solvency ratios; and
- Maintaining prescribed collateral, gearing and derivative margin exposure limits.

Ongoing compliance with these 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 in relation to the corporate loan facilities are set out below:

	2014 \$'000	2013 \$'000
<b>Current</b>		
Cash and cash equivalents	13,868	1,707
Receivables	41,083	41,863
Financial assets at fair value through profit or loss	5,746	9,132
Other	14,000	16,647
<b>Total current assets pledged as security</b>	<b>74,697</b>	<b>69,349</b>
<b>Non-current</b>		
Other financial assets	13,892	13,885
Plant and equipment	1,211	1,552
<b>Total non-current assets pledged as security</b>	<b>15,103</b>	<b>15,437</b>
<b>Total assets pledged as security</b>	<b>89,800</b>	<b>84,786</b>

### (b) Financing arrangements

Access was available at balance date to the following lines of credit:

	2014 \$'000	2013 \$'000
<b>Credit standby arrangements</b>		
Bank overdrafts and intra-day settlement facilities	10,000	10,000
Client loan facilities	3,215	6,497
	<b>13,215</b>	<b>16,497</b>
<b>Used at balance date</b>		
Client loan facilities	3,215	6,497
	<b>3,215</b>	<b>6,497</b>
<b>Unused at balance date</b>		
Bank overdrafts and intra-day settlement facilities	10,000	10,000
	<b>10,000</b>	<b>10,000</b>
<b>Bank facility</b>		
Total facilities	13,215	16,497
Used at balance date	(3,215)	(6,497)
<b>Unused at balance date</b>	<b>10,000</b>	<b>10,000</b>

These facilities comprise fixed and floating rate secured facilities. Certain facilities are also subject to debt covenant arrangements which require the Group to comply with specific minimum financial requirements.

### (c) Interest rate risk exposure

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 2.

## 25 Non-current liabilities – Deferred tax liabilities

	2014 \$'000	2013 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Property, plant and equipment	444	306
Financial assets at fair value through profit or loss	427	636
Put option premiums relating to Next Financial Limited	106	257
Swaptions	35	107
Other	9	37
<b>Total deferred tax liabilities</b>	<b>1,021</b>	<b>1,343</b>
Deferred tax liabilities expected to be settled within 12 months	345	528
Deferred tax liabilities expected to be settled after 12 months	676	815
	<b>1,021</b>	<b>1,343</b>

	Property, plant and equipment \$'000	Put option premiums \$'000	Financial assets at fair value through profit/loss \$'000	Other \$'000	Total \$'000
Movements					
<b>At 1 July 2012</b>	432	2,516	1,328	672	4,948
Adjustments relating to prior periods	–	–	–	(5)	(5)
Charged/(credited)					
– to profit or loss – deferred	(126)	(2,259)	(692)	(523)	(3,600)
<b>At 30 June 2013</b>	<b>306</b>	<b>257</b>	<b>636</b>	<b>144</b>	<b>1,343</b>
<b>At 1 July 2013</b>	306	257	636	144	1,343
Adjustments relating to prior periods	–	–	–	(2)	(2)
Charged/(credited)					
– to profit or loss – deferred	138	(151)	(209)	(98)	(320)
<b>At 30 June 2014</b>	<b>444</b>	<b>106</b>	<b>427</b>	<b>44</b>	<b>1,021</b>

## 26 Non-current liabilities – Provisions

	2014 \$'000	2013 \$'000
Employee benefits	285	355
Make good provisions (a) (b)	1,090	771
	<b>1,375</b>	<b>1,126</b>

### (a) Make good provisions

Make good provisions are comprised of liabilities for make good of leased premises. The gross value of the estimated liability is discounted to its present value at balance date and any discounting adjustment is recognised as interest income on initial recognition.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (b) Movements in provisions

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

	Make good \$'000	Employee benefits \$'000
<b>2014</b>		
<b>Current</b>		
Carrying amount at start of year - 1 July 2013	771	355
Additional provisions recognised	319	-
Amounts utilised during the year	-	(70)
<b>Carrying amount at end of year - 30 June 2014</b>	<b>1,090</b>	<b>285</b>

### 27 Non-current liabilities – Other non-current liabilities

	2014 \$'000	2013 \$'000
Straight-line lease liability	467	583
Deferred lease incentive	2,194	111
	<b>2,661</b>	<b>694</b>

### 28 Contributed equity

#### (a) Share capital

	2014 Shares	2013 Shares	2014 \$'000	2013 \$'000
Ordinary shares				
Fully paid contributed equity - Company	103,548,150	103,548,150	57,666	57,305
Treasury stock held by employee share trusts	(534,398)	(1,012,240)	(132)	(254)
<b>Total contributed equity</b>	<b>103,013,752</b>	<b>102,535,910</b>	<b>57,534</b>	<b>57,051</b>

#### (b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$'000
1 July 2012	Opening balance	103,853,034		56,943
	Add: Treasury stock held at beginning of year	1,037,616		816
	Transfer from share-based payments reserve	-	n/a	467
	Less: Buy back of forfeited share plan shares	(1,342,500)		(921)
	Less: Treasury stock held by employee share trust at year end	(1,012,240)		(254)
30 June 2013	Balance	102,535,910		57,051
	Add: Treasury stock held at beginning of year	1,012,240		254
	Transfer from share-based payments reserve	-	n/a	361
	Less: Treasury stock held at year end	(534,398)		(132)
30 June 2014	Balance	103,013,752		57,534

### (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 Wilson HTM Investment Group Ltd that were held by employee share trusts for the purpose of issuing shares under the Wilson HTM Investment Group Equity Participation Plan and Wilson HTM Investment Group Employee Option Share Plan, and shares forfeited under employee shareholder loan arrangements. The shares held by the Wilson HTM Investment Group Equity Participation Plan were bought back by the Company during December 2012.

### (e) Employee share plans

Information relating to the employee share plans, including details of shares issued under the plans, is set out in note 44.

### (f) Options

Information relating to the Wilson HTM Investment Group Employee Option Share 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 44.

### (g) Capital risk management

The Group's objectives when managing capital are 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 to reduce debt.

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 material instances of non-compliance with externally imposed capital requirements in the current period.

## 29 Reserves and accumulated losses

### (a) Reserves

	2014 \$'000	2013 \$'000
Share-based payments reserve	1,231	1,149
Movements:	2014 \$'000	2013 \$'000
<b>Share-based payments reserve</b>		
Balance at 1 July	1,149	741
Share-based payments expense	627	649
Transfer to contributed equity (options exercised)	(361)	(467)
Issue of shares held by employee share plans to employees	(184)	226
<b>Balance at 30 June</b>	<b>1,231</b>	<b>1,149</b>

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (b) Accumulated losses

Movements in accumulated losses were as follows:

	2014 \$'000	2013 \$'000
Balance at 1 July	(11,456)	(9,819)
Net gain/(loss) for the year	4,792	(1,637)
Dividends paid to non-controlling interests	(260)	-
<b>Balance at 30 June</b>	<b>(6,924)</b>	<b>(11,456)</b>

### (c) Nature and purpose of reserves

#### Share-based payments reserve

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; and
- the issue of shares held by the Wilson HTM Investment Group Equity Participation Plan, WHIG Long-term Incentive Share Plan and the WHIG Employee Share Acquisition Plan to employees.

## 30 Non-controlling interest

	2014 \$'000	2013 \$'000
Non-controlling interests in net assets of subsidiaries	2,604	1,264

## 31 Dividends

### (a) Ordinary shares

	2014 \$'000	2013 \$'000
Total dividends provided for or paid	-	-

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

	2014 \$'000	2013 \$'000
Since year end the directors have declared the payment of a final dividend of 2.75 cents per fully paid ordinary share (2013 – nil cents), fully franked based on tax paid at 30%. The aggregate amount of the dividend expected to be paid on 18 September 2014, but not recognised as a liability at year end, is:	2,848	-

### (c) Franked dividends

The franked portions of final dividends recommended after 30 June 2014 will be franked out of existing franking credits.

	2014 \$'000	2013 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2013 – 30%)	19,790	16,543

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.

## 32 Key Management Personnel disclosures

### (a) Key Management Personnel compensation

	2014 \$	2013 \$
Short-term employee benefits	1,967,616	2,125,256
Post-employment benefits	103,827	112,562
Long-term benefits	5,807	–
Termination benefits	122,714	493,079
Share-based payments	37,663	123,103
	<b>2,237,627</b>	<b>2,854,000</b>

Certain Pinnacle Investment Management Limited (Pinnacle) key management personnel are party to the long term employee incentive arrangement described in note 1 (w)(vii). At 30 June 2014, the balance of loans issued to Pinnacle key management personnel is \$416,072 (2013 – \$441,072) relating to 27,356 (2013 – 27,356) issued.

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

### (b) Equity instrument disclosures relating to Key Management Personnel

#### (i) Option and rights holdings

The numbers of options and rights over ordinary shares in the Company held during the financial year by the directors of Wilson HTM Investment Group Ltd and other Key Management Personnel of the Group, including their personally related parties, are set out below.

	2014 Number	2013 Number
Balance at start of year	2,419,975	374,975
Granted as compensation	–	2,225,000
Exercised	(142,462)	(180,000)
Expired and other changes*	(2,057,513)	–
<b>Balance at end of year</b>	<b>220,000</b>	<b>2,419,975</b>

\*includes changes due to staff commencing or ceasing to be KMP during the year.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (ii) Shareholdings

The numbers of shares in the Company held during the financial year by the director's of Wilson HTM Investment Group Ltd and other Key Management Personnel of the Group, including their related parties, are set out below:

	2014 Number	2013 Number
Wilson HTM Investment Group Ltd		
Balance at start of year	21,189,913	20,901,283
Granted as compensation	-	-
Exercised	142,462	100,000
Expired and other changes*	2,704,468	188,630
<b>Balance at end of year</b>	<b>24,036,843</b>	<b>21,189,913</b>

\*includes changes due to staff commencing or ceasing to be KMP during the year.

	2014 Number	2013 Number
Pinnacle Investment Management Limited		
Balance at start of year	31,680	31,680
Granted as compensation	-	-
Exercised	-	-
Expired and other changes*	-	-
<b>Balance at end of year</b>	<b>31,680</b>	<b>31,680</b>

\*includes changes due to staff commencing or ceasing to be KMP during the year.

### (c) 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 the start of the year \$	Interest paid and payable for the year \$	Loan repayments received \$	Balance at the end of the year \$	Interest not charged \$	Number in Group at the end of the year
<b>2014</b>	<b>1,352,863</b>	<b>6,862</b>	<b>(240,725)</b>	<b>1,119,000</b>	<b>57,180</b>	<b>1</b>
2013	1,337,450	15,413	-	1,352,863	58,636	2

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

### (d) Other transactions with Key Management Personnel

Some of the directors of Wilson HTM Investment Group Ltd and other Key Management Personnel of the Group (including their related parties) transact broking and investment advisory business with Group entities from time to time on terms no more favourable than those available to all employees within the Group.

### 33 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:

	2014 \$	2013 \$
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	244,343	300,125
Other assurance services		
Audit of regulatory returns	48,905	65,230
Audit of compliance plan – Responsible entity*	38,686	63,865
Other assurance procedures	14,200	20,800
<b>Total remuneration for audit and other assurance services</b>	<b>346,134</b>	<b>450,020</b>
<b>(ii) Taxation services</b>		
Tax compliance services	89,522	97,815
<b>Total remuneration for taxation services</b>	<b>89,522</b>	<b>97,815</b>
<b>(iii) Other services</b>		
Other advisory services	29,700	139,076
<b>Total remuneration of PricewaterhouseCoopers Australia</b>	<b>465,356</b>	<b>686,911</b>
<b>Total remuneration of auditors</b>	<b>465,356</b>	<b>686,911</b>

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

It is the Group's policy to employ PricewaterhouseCoopers Australia on assignments additional to their statutory audit duties where PricewaterhouseCoopers Australia's expertise and experience with the Group are important. These assignments are principally tax advice, due diligence and other specialist services.

### 34 Contingencies

#### (a) Contingent liabilities

The Group had contingent liabilities at 30 June 2014 in respect of:

##### (i) Guarantees

The Group has provided guarantees in respect of the following items:

- (a) leases of related entities (via bank guarantees) amounting to \$3,145,000 (2013 - \$6,120,000).
- (b) Australian Securities and Investments Commission deposit of \$40,000 (2013 - \$40,000)
- (c) Australian Financial Services Licence Net Tangible Asset obligations (via bank guarantee) in respect of:
  - (i) Pinnacle Funds Services Limited - \$5,000,000 (2013 - \$5,000,000)
  - (ii) Pinnacle RE Services Limited - \$50,000 (2013 - \$50,000)

The unused bank guarantee facility available at reporting date was \$1,765,000 (2013: \$790,000).

These guarantees may give rise to liabilities in the Company if the related entities do not meet their obligations under the terms of the leases or other liabilities subject to the guarantees.

During the year ASIC consented to an eligible undertaking for \$1,500,000 provided by the Company to a related entity, Solaris Investment Management Limited, being cancelled effective from 14 January 2014.

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

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (ii) Next Financial

The litigation involving Next Financial Limited has been concluded. The parties are finalising documentation which will include a notice of discontinuance.

### (iii) Wilson HTM

During the year ended 30 June 2014, Wilson HTM Ltd was joined to legal proceedings in relation to investment advisory services provided by a former employee. Following the filing of Wilson HTM Ltd's defence, the plaintiffs have agreed to discontinue the proceedings against it with no order as to costs. The court documentation is being finalised.

## 35 Commitments

### (a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2014 \$'000	2013 \$'000
<b>Property, plant and equipment</b>		
Payable:		
Within one year	–	32
	<b>–</b>	<b>32</b>

### (b) Lease commitments: Group as lessee

	2014 \$'000	2013 \$'000
<b>Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:</b>		
Within one year	2,620	2,790
Later than one year but not later than five years	5,147	7,862
Later than five years	273	1,198
	<b>8,040</b>	<b>11,850</b>
Non-cancellable operating leases	8,040	11,850
	<b>8,040</b>	<b>11,850</b>

### (c) Other expenditure commitments

	2014 \$'000	2013 \$'000
<b>Commitments contracted for at reporting date but not recognised as liabilities, payable:</b>		
Within one year	5,408	6,180
Later than one year and not later than five years	1,055	6,937
	<b>6,463</b>	<b>13,117</b>

### (d) Other commitments

A controlled entity - Pinnacle Investment Management Limited ("Pinnacle") has previously entered into agreements whereby Pinnacle 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 36(e).

In addition, Pinnacle has committed to provide loan funding to a 20% owned boutique fund manager subject to the satisfaction of certain conditions, of up to a maximum of \$1.1 million per annum over a three year period to 31 January 2015.

## 36 Related party transactions

### (a) Parent Entity

The Parent Entity within the Group is Wilson HTM Investment Group Ltd (refer to note 45).

### (b) Subsidiaries and jointly controlled entities

Interests in subsidiaries are set out in note 38.

Interests in jointly controlled entities are set out in note 39.

Details of the disposal of a controlled entity are set out in note 37.

### (c) Key Management Personnel

Disclosure relating to Key Management Personnel is set out in note 32.

Disclosure relating to share-based payments is set out in note 44.

### (d) Transactions with other related parties

The following transactions occurred with related parties:

	2014 \$	2013 \$
<b>Purchases of goods / services from and payments to Deutsche Bank AG</b>		
Commission fee	170	1,463
<b>Other transactions</b>		
Distributor commissions received from Deutsche Bank AG	75	305
Corporate finance fees received from Deutsche Bank AG	919,026	908,093
Interest revenue received from Deutsche Bank AG	788	4,754
Management fees, performance fees and brokerage received from investments in managed funds managed by subsidiaries	1,207,013	4,216,297
	<b>2,126,902</b>	<b>5,129,449</b>

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

#### Deutsche Bank AG

Deutsche Bank AG is a substantial shareholder of the Company through Deutsche Australia Limited which holds 19.80% of the Company's shares (2013 - 19.80%).

In accordance with its obligations under the shareholder agreement Deutsche Bank AG provides its Australian equities research product to Wilson HTM Investment Group Ltd for use as the basis for the preparation of publications or briefing notes for distribution solely to the Company's Private Wealth Management clients under the Wilson HTM brand.

As part of the management of the structured product book held by Next Financial Limited, Group entities transacted in OTC option contracts where the counterparty to the contract was Deutsche Bank AG. All transactions took place on normal commercial terms and conditions. At 30 June 2014 there were no outstanding OTC option contracts with Deutsche Bank AG.

Steven Skala is a non-executive director of the Company and is a director of Deutsche Australia Limited and a Vice Chairman of Deutsche Bank AG Australia and New Zealand. Chum Darvall is a non-executive director of the Company and was a Vice Chairman of Deutsche Bank AG Australia and New Zealand until 1 July 2014.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Evaellen Pty Ltd (Andrew Coppin)

On 2 July 2013 a repayment of \$116,974 was made on the loan to Evaellen Pty Ltd, an entity associated with Andrew Coppin. A further repayment was made on 26 June 2014 of \$123,751 to repay the loan. Interest accrued during the year was \$6,862 (30 June 2013 - \$15,413). The balance of the loan at 30 June 2014 is \$nil (30 June 2013 - \$233,863).

### Steven Wilson AM

A director of the Group, Steven Wilson AM entered into a consulting arrangement with the Group effective 1 December 2011. The agreement, which ceased on 30 June 2013, provided for consulting services to be provided under normal commercial terms. The agreement was made on an arm's length basis. For the year ended 30 June 2014 no consultancy fees were paid to Mr Wilson under this agreement in addition to his fees as a director (2013 - \$195,000).

In February 2014, Mr Wilson entered into an agreement with Wilson HTM Ltd, a subsidiary of the Company, to provide investment management services. This agreement is on the same terms and conditions as other Wilson HTM Ltd advisors. For the year ended 30 June 2014 \$36,370 was paid to Mr Wilson under this agreement (2013 - \$nil).

### Chum Darvall AM

A director of the Group, Chum Darvall AM was appointed in February 2014 as a member of the Palisade Investment Partners Advisory Board, which is associated with a jointly controlled entity. During the year Mr Darvall received fees of \$25,000 from the entity (2013 - \$nil).

### Managed funds managed by subsidiaries

Subsidiary companies receive responsible entity, management and performance fees in relation to the management of the Wilson HTM Priority Growth Fund and Wilson HTM Priority Core Fund. The Group also holds an investment in the Wilson HTM Priority Core Fund and these are included in other financial assets at fair value through profit or loss. The gains and losses related to these investments are included in fair value gains and losses on financial assets held at fair value through profit or loss.

### WHTM Capital Management Limited\* – Change in Ownership

On 1 July 2012 the Group completed an internal re-organisation whereby the ownership of WHTM Capital Management Limited was transferred from a wholly owned subsidiary of the parent (Wilson HTM Funds Management Pty Ltd) to another controlled entity (Pinnacle Investment Management Limited). The cash consideration for the transfer of \$335,000 represented the book value of the net assets of WHTM Capital Management Limited as at this date and as such no profit or loss was recognised on the sale.

\* During the period WHTM Capital Management Limited changed its name to Pinnacle Funds Services Limited.

### (e) Loans to/from related parties

	2014 \$	2013 \$
<b>Loans with jointly controlled entities</b>		
Balance at 1 July	2,792,066	2,673,625
Net loans advanced	480,000	587,797
Net loan repayments	(100,000)	(510,875)
Long term employee incentive arrangements	(25,000)	-
Fair value adjustment	266,618	17,276
Impairment	(93,468)	24,243
<b>Balance at 30 June</b>	<b>3,320,216</b>	<b>2,792,066</b>

## (f) Investments in managed funds managed by subsidiaries

	2014 \$	2013 \$
Balance at 1 July	–	5,809,119
Additions – deconsolidation of the Priority Core Fund	5,225,417	–
Additions	60,677	87,827
Revaluation	(40,452)	219,091
Disposals	–	(6,116,037)
<b>Balance at 30 June</b>	<b>5,245,642</b>	<b>–</b>

No provisions for impairment have been raised in relation to any outstanding balances and no expense has been recognised in respect of bad or doubtful debts due from related parties.

## (g) Guarantees

The Group has provided guarantees to subsidiaries as described in note 34.

## 37 Business combinations

## (a) Disposal of controlled entity

## (i) Description

Upon the adoption of AASB10 for the first time from 1 July 2013, the Group's investment in the Wilson HTM Priority Core Fund (the Fund) was consolidated into the Group's financial statements (refer Note 1(a) for further information).

During the period the Group partially redeemed its unit-holding in the Fund, so that the Group's ownership interest fell from 39.43% at 30 June 2013 to 21.84% at 31 December 2013. Due to the dilution in the Group's voting rights and reduction in exposure to variable returns from the Fund, the Group deemed that it no longer controlled the Fund, and it was deconsolidated effective 31 December 2013.

Financial information relating to the deconsolidated entity is provided below.

## (ii) Financial performance of controlled entity prior to deconsolidation

The financial performance presented is for the period ended 31 December 2013 and full-year ended 30 June 2013.

	31 Dec 2013 \$'000	30 June 2013 \$'000
Fair value gains/(losses) on other financial assets at fair value through profit or loss	3,467	4,641
Revenue from continuing operations	475	636
Management fees	(182)	(276)
Other expenses from ordinary activities	(74)	(301)
<b>Profit</b>	<b>3,686</b>	<b>4,700</b>
<b>Non-controlling interest in profit</b>	<b>(2,250)</b>	<b>(2,386)</b>
<b>Profit attributable to owners of Wilson HTM Investment Group Ltd</b>	<b>1,436</b>	<b>2,314</b>

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (iii) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities as at the date of deconsolidation (31 December 2013) were:

	31 Dec 2013 \$'000
Cash and cash equivalents	921
Trade and other receivables	236
Financial assets	23,236
<b>Total assets</b>	<b>24,393</b>
Trade and other payables	(609)
Unitholder liabilities	(23,784)
<b>Total liabilities</b>	<b>(24,393)</b>
<b>Net assets</b>	<b>-</b>

### (iv) Details of the deconsolidation

As the deconsolidation was due to it being deemed that the Group no longer had control of the Fund, no disposal consideration is applicable.

## 38 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 1(b).

Name of entity	Country of incorporation	Class of security	Equity holding	
			2014 %	2013 %
Wilson HTM Ltd	Australia	Ordinary share	100	100
Wilson HTM Corporate Finance Ltd	Australia	Ordinary share	100	100
Wilson HTM Services Pty Ltd	Australia	Ordinary share	100	100
Wilson HTM Option Plan Managers Pty Ltd	Australia	Ordinary share	100	100
Wilson HTM Funds Management Pty Ltd	Australia	Ordinary share	100	100
Wilson HTM Investment Management Pty Ltd	Australia	Ordinary share	100	100
Next Financial Limited	Australia	Ordinary share	100	100
Mosaic Risk Management Pty Ltd*	Australia	Ordinary share	-	100
Next Financial Nominees Pty Ltd	Australia	Ordinary share	100	100
Next Financial Nominees No.2 Pty Ltd	Australia	Ordinary share	100	100
Investment Solutions Client Services Pty Ltd	Australia	Ordinary share	100	100
Pinnacle Funds Services Limited	Australia	Ordinary share	79	79
Pinnacle Investment Management Limited	Australia	Ordinary share	79	79
Pinnacle Services Administration Pty Ltd	Australia	Ordinary share	79	79
Pinnacle RE Services Limited	Australia	Ordinary share	79	79
Pinnacle Group Management Inc**	US	Ordinary share	-	79

\*Mosaic Risk Management Pty was deregistered during the 2014 year.

\*\*Pinnacle Group Management Inc was sold at no cash consideration to an entity under joint control during the 2014 year.

Additionally, the Wilson HTM Priority Core Fund was consolidated in the results and balances of the Group until 31 December 2013 (refer to note 37 for further information). This unit holding relates to the seed funds under management invested by the Group in the fund as part of the start-up support provided to the manager responsible for this fund.

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-entity eliminations:

	Pinnacle Investment Management Limited		Wilson HTM Priority Core Fund	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Summarised statement of financial position</b>				
Current assets	6,161	4,266	-	21,863
Non-current assets	22,964	21,918	-	-
<b>Total assets</b>	<b>29,125</b>	<b>26,184</b>	<b>-</b>	<b>21,863</b>
Current liabilities	1,901	2,520	-	21,863
Non-current liabilities	14,145	15,795	-	-
<b>Total liabilities</b>	<b>16,046</b>	<b>18,315</b>	<b>-</b>	<b>21,863</b>
<b>Net assets</b>	<b>13,079</b>	<b>7,869</b>	<b>-</b>	<b>-</b>
Accumulated non-controlling interest	2,604	1,264	-	-
<b>Summarised statement of comprehensive income</b>				
Revenue	4,250	4,377	475	636
Share of net profit of jointly controlled entities accounted for using the equity method	8,444	6,160	-	-
			3,467	4,641
Expenses	(6,224)	(6,244)	(256)	(577)
Profit after income tax	6,470	4,293	3,686	4,700
<b>Total comprehensive profit</b>	<b>6,470</b>	<b>4,293</b>	<b>3,686</b>	<b>4,700</b>
Total comprehensive profit allocated to non-controlling interest	1,340	889	2,250	2,386
Dividends paid to non-controlling interest	260	-	-	-
<b>Summarised statement of cash flows</b>				
Net cash flow from operating activities	6,756	2,041	(1,175)	(2,060)
Net cash flow from investing activities	(11)	(843)	-	-
Net cash flow from financing activities	(3,776)	(77)	(291)	2,946
<b>Net increase / (decrease) in cash and cash-equivalents</b>	<b>2,969</b>	<b>1,121</b>	<b>(1,466)</b>	<b>886</b>

#### Unconsolidated structured entities

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

The Group has significant influence over the funds that a subsidiary, Wilson HTM Investment Management Pty Ltd manages due to its power to participate in the financial and operating policy decisions of the investee through its investment management agreement.

Wilson HTM Priority Core Fund and Wilson HTM Priority Growth Fund are considered to be structured entities in accordance with AASB 12. The Group has made seed investments into these funds in order to provide start up support while external investment is received. The Group also receives management and performance fees for its role as investment manager of the funds (refer note 5). The Group has redeemed its investment in the Wilson HTM Priority Growth Fund but continues to hold an investment in the Wilson HTM Priority Core Fund. The funds invest in Australian listed equities.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The nature and extent of the Group's investment in funds is summarised below:

30 June 2014	Wilson HTM Priority Growth Fund \$'000	Wilson HTM Priority Core Fund \$'000
<b>Current Assets</b>		
Financial Assets	-	5,213
Receivables	-	40
<b>Total Assets</b>	-	5,253
<b>Maximum exposure to loss</b>	-	5,253
<b>Net Asset Value of Funds</b>	52,844	26,770
<b>Fund's investment portfolio</b>	50,383	25,373

Unless specified otherwise, the Group's maximum exposure to loss is the total of its on-balance sheet positions as at 30 June 2014. There are no additional off balance sheet arrangements which would expose the Group to potential loss.

### 39 Investments accounted for using the equity method

#### (a) Carrying amounts

A subsidiary of the Group, Pinnacle Investment Management Limited, holds investments in jointly controlled entities that undertake funds management activities. Information relating to these entities under joint control is set out below.

Name of company	Principal activity	Effective ownership interest		2014 \$'000	2013 \$'000
		2014 %	2013 %		
Unlisted					
Plato Investment Management Limited	Funds Management	39.6	39.6	–	–
Palisade Investment Partners Limited	Funds Management	28.3	29.5	889	762
Hyperion Holdings Limited*	Funds Management	39.7	39.7	3,715	3,193
Foray Enterprises Pty Ltd	Funds Management	31.7	31.7	11,491	11,215
Solaris Investment Management Limited*	Funds Management	31.7	31.7	3,267	3,679
Sigma Funds Management Pty Limited	Funds Management	19.8	19.8	–	–
				19,362	18,849

Each of the above entities under joint control is incorporated in Australia.

\*The Group received dividends of \$1,577,883 and \$1,400,000 from Hyperion Holdings Limited and Solaris Investment Management Limited on 1 August 2014 and 13 August 2014 respectively.

## (b) Summarised financial information for joint ventures

	Hyperion Holdings Limited		Foray Enterprises Limited	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Summarised statement of financial position</b>				
Total current assets	10,710	8,917	7,899	6,669
Total non-current assets	1,005	678	516	380
Total current liabilities	4,615	3,543	3,359	3,088
Total non-current liabilities	3	2	85	73
Net assets	7,097	6,050	4,971	3,888
Group's share in %	39.7%	39.7%	31.7%	31.7%
<b>Reconciliation to carrying amounts</b>				
Opening net assets 1 July	6,050	2,399	3,888	2,905
Total comprehensive income	11,910	9,282	3,083	2,323
Dividends paid	(10,863)	(5,631)	(2,000)	(1,340)
Closing net assets	7,097	6,050	4,971	3,888
Group's share of net assets	3,549	3,025	1,988	1,555
Excess consideration over share of net assets	166	168	9,503	9,660
<b>Carrying amount</b>	<b>3,715</b>	<b>3,193</b>	<b>11,491</b>	<b>11,215</b>
<b>Summarised statement of comprehensive income</b>				
Revenue	23,480	19,212	10,971	9,265
Profit for the year	11,910	9,282	3,083	2,323
Other comprehensive income	-	-	-	-
Total comprehensive income	11,910	9,282	3,083	2,323
Dividends received from associates and joint venture entities	(5,432)	(2,815)	(800)	(536)

**Individually immaterial jointly controlled entities**

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

	2014 \$	2013 \$
Aggregate carrying amount of individually immaterial joint ventures	4,156	4,441
Aggregate amounts of the Group's share of:		
Profit for the year	1,414	752
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>1,414</b>	<b>752</b>

## (c) Movements in carrying amounts

	2014 \$'000	2013 \$'000
Carrying amount at the beginning of the financial year	18,849	16,686
Investments in entities under joint control	-	547
Long term employee incentive arrangements	-	(30)
Share of profit after income tax	8,444	6,160
Write-off of investment in entity under joint control	-	(556)
Dividends received	(7,931)	(3,958)
<b>Carrying amount at the end of the financial year</b>	<b>19,362</b>	<b>18,849</b>

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (d) Share of profits from entities under joint control

	2014 \$'000	2013 \$'000
Profit before income tax	12,218	8,862
Income tax expense	(3,774)	(2,702)
<b>Profit after income tax</b>	<b>8,444</b>	<b>6,160</b>

### (e) Summary of entities under joint control

	2014 \$'000	2013 \$'000
Current assets	13,057	12,331
Non-current assets	1,256	653
<b>Total assets</b>	<b>14,313</b>	<b>12,984</b>
Current liabilities	5,719	3,813
Non-current liabilities	85	65
<b>Total liabilities</b>	<b>5,804</b>	<b>3,878</b>
<b>Net assets</b>	<b>8,509</b>	<b>9,106</b>

### (f) Share of entities revenue, expenses and results

	2014 \$'000	2013 \$'000
Revenues	23,176	20,658
Expenses	(10,958)	(11,796)
<b>Profit before income tax</b>	<b>12,218</b>	<b>8,862</b>

## 40 Acquisition of business assets

In the current financial year no acquisitions were made. In the prior year the Group entered into an agreement with Investorfirst Limited for the transfer of certain client advisors and employees, client agreements and the sale of certain other business assets by Investorfirst Limited to the Group for nominal consideration. The transaction completed in March 2013.

In addition, the Group agreed to:

- Pay a monthly transition payment of \$9,750 (excl GST) per month to Investorfirst Limited for a period of 6 months beginning March 2013;
- Assume all accrued employee entitlements of those Investorfirst Limited employees that transferred to the Group from March 2013; and
- Waive certain entitlements to rebates otherwise payable by Investorfirst Limited to the Group in respect of Next Financial Limited.

## 41 Events occurring after the reporting period

On 12 August 2014, the Company announced that it was engaged in an ongoing dialogue with Shaw Stockbroking Limited as part of its continuing strategic review of its Securities business. Preliminary due diligence is being undertaken under appropriate confidentiality arrangements. The Board will submit any agreement or transactions to shareholders for their approval prior to implementation.

Apart from the above, no matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

## 42 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:

	2014 \$'000	2013 \$'000
Cash and cash equivalents	20,604	7,867
<b>Balances per statement of cash flows</b>	<b>20,604</b>	<b>7,867</b>

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

	2014 \$'000	2013 \$'000
Profit for the year	8,382	1,638
Depreciation and amortisation	1,153	2,033
Impairment expense / (reversal)	(173)	532
Equity settled share-based payments	626	519
Unrealised (gains)/losses on financial assets at fair value through profit or loss	(663)	(1,918)
Other fair value adjustments	(267)	(17)
Change in current and deferred tax balances	(28)	(3,224)
Change in operating assets and liabilities, net of effects from acquisition and disposal of businesses:		
Trade and other receivables	7,498	22,264
Investments	(222)	(2,177)
Financial assets	(3,388)	9,454
Trade and other payables	(3,686)	(20,506)
Provisions	59	(776)
Financial liabilities	(528)	(13,202)
<b>Net cash flow from operating activities</b>	<b>8,763</b>	<b>(5,380)</b>

## 43 Earnings per share

### (a) Basic earnings per share

	2014 Cents	2013 Cents
From continuing operations attributable to the ordinary equity holders of the Company	4.7	(1.6)

### (b) Diluted earnings per share

	2014 Cents	2013 Cents
From continuing operations attributable to the ordinary equity holders of the Company	4.5	(1.6)

### (c) Reconciliations of earnings used in calculating earnings per share

	2014 \$'000	2013 \$'000
<b>Basic earnings per share</b>		
Profit/(loss) attributable to the ordinary owners of the Company used in calculating basic earnings per share:		
From continuing operations	4,792	(1,636)
<b>Diluted earnings per share</b>		
Profit/(loss) from continuing operations attributable to the ordinary equity owners of the Company:		
Used in calculating basic and diluted earnings per share	4,792	(1,636)

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (d) Weighted average number of shares used as the denominator

	2014 Number	2013 Number
<b>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</b>	103,013,752	103,098,657
Adjustments for calculation of diluted earnings per share:		
Options	3,473,965	-
<b>Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share</b>	<b>106,487,717</b>	<b>103,098,657</b>

### (e) Information concerning the classification of securities

Options 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 have not been included in the determination of basic earnings per share.

## 44 Share-based payments

### (a) Wilson HTM Investment Group Employee Option Share Plan

The establishment of the Wilson HTM Investment Group Ltd 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.

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
<b>2014</b>								
1 Apr 2009	30 Mar 2014	\$1.00	295,487	-	-	(295,487)	-	-
11 Sept 2009	11 Sept 2014	-	456,000	-	(360,000)	-	96,000	96,000
12 Oct 2010	30 Sept 2013	-	603,085	-	(584,090)	(18,995)	-	-
12 Oct 2010	30 Sept 2013	-	94,975	-	(94,975)	-	-	-
1 Feb 2011	30 Sept 2013	-	28,492	-	(28,492)	-	-	-
1 Feb 2011	30 Sept 2013	-	66,482	-	(66,482)	-	-	-
25 May 2012	31 Aug 2013	-	3,281,000	-	-	(3,281,000)	-	-
24 Dec 2012	31 Aug 2013	-	300,000	-	-	(300,000)	-	-
18 Feb 2013 (A)	30 Jun 2015	\$0.27	5,540,000	-	-	(640,000)	4,900,000	-
18 Feb 2013 (B)	30 Jun 2015	\$0.32	3,200,000	-	-	(925,000)	2,275,000	-
24 Feb 2014	30 Jun 2015	\$0.75	-	500,000	-	-	500,000	-
			<b>13,865,521</b>	<b>500,000</b>	<b>(1,134,039)</b>	<b>(5,460,482)</b>	<b>7,771,000</b>	<b>96,000</b>
Weighted average exercise price			\$0.20	\$0.75	\$0.00	\$0.14	\$0.31	-

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
<b>2013</b>								
1 Apr 2009	30 Mar 2014	\$1.00	295,487	-	-	-	295,487	-
11 Sept 2009	11 Sept 2014	-	696,000	-	(196,000)	(44,000)	456,000	456,000
4 Nov 2009	11 Sept 2014	-	80,000	-	(80,000)	-	-	-
12 Oct 2010	30 Sept 2013	-	783,535	-	-	(180,450)	603,085	-
12 Oct 2010	30 Sept 2013	-	94,975	-	-	-	94,975	-
1 Feb 2011	30 Sept 2013	-	66,482	-	-	-	66,482	-
1 Feb 2011	30 Sept 2013	-	28,492	-	-	-	28,492	-
25 May 2012	31 Aug 2013	-	4,437,000	-	-	(1,156,000)	3,281,000	-
24 Dec 2012	31 Aug 2013	-	-	300,000	-	-	300,000	-
18 Feb 2013 (A)	30 Jun 2015	\$0.27	-	5,810,000	-	(270,000)	5,540,000	-
18 Feb 2013 (B)	30 Jun 2015	\$0.32	-	3,200,000	-	-	3,200,000	-
			<b>6,481,971</b>	<b>9,310,000</b>	<b>(276,000)</b>	<b>(1,650,450)</b>	<b>13,865,521</b>	<b>456,000</b>
Weighted average exercise price				\$0.05	\$0.28	\$0.04	\$0.23	-

Options forfeited were as a result of plan members departing the Group and upon the expiry of options. The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2014 was \$0.45 (2013 - \$0.25).

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2014 was \$0.45 (2013 - \$0.25).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.6 years (2013 - 1.3 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 1(a)(ii). Shares held by the trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements (see note 28(a)).

The options include some grants whereby there has been an issuance of a limited recourse loan by the Group to the participant to allow them to purchase shares. At the end of the vesting period the loan is repaid and the shares vest. Under AASB 2 "Share Based Payments" this arrangement is treated as a right to purchase ordinary share capital at a future date. The last of these loans was settled in April 2014.

Fair value at grant date is independently determined using option pricing models taking into account the exercise price, the term of the 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 option. Expected price volatility is determined based on historical volatility of the underlying share. The assessed fair value at grant date of options granted during the current and prior year and the model inputs are set out below.

#### Fair value of interests granted – 25 May 2012 Performance Rights

During May 2012, Performance Rights were issued to selected employees under the EOSP. The Performance Rights were granted for no consideration. Vesting of Performance Rights was subject to continuing service and the WIG share price being no less than \$0.50 per share based on the 20 day VWAP prior to 30 August 2013. Each vested Performance Right entitled the holder to acquire a share in the Company at no cost. The share price condition under this grant was not met and therefore the Performance Rights under the grant did not vest.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The fair value of Performance Rights were determined using a Monte Carlo simulation pricing model taking into account the exercise price, the term of the 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 instrument.

- Fair value at grant date: \$0.05 per option
- Exercise price: \$0.00
- Grant date: 25 May 2012
- Vesting date: 31 August 2013
- Share price at grant date: \$0.24
- Expected price volatility of the Company's shares: 50.00%
- Expected dividend yield: 6.90%
- Risk-free interest rate: 2.42%

### **Fair value of interests granted - 24 December 2012**

Following shareholder approval at the 2012 Annual General Meeting, the former Managing Director, Andrew Coppin, was issued with Performance Rights under the plan. The Performance Rights were granted for no consideration. Vesting of Performance Rights were subject to continuing service and the WIG share price being no less than \$0.50 per share based on the 20 day VWAP prior to 30 August 2013. The Managing Director retained these Performance Rights following his resignation from the Group on 2 July 2013. The share price condition under this grant was not met and therefore the Performance Rights under the grant did not vest.

The fair value of Performance Rights were determined using a Monte Carlo simulation pricing model taking into account the exercise price, the term of the 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 instrument.

- Fair value at grant date: \$0.05 per option
- Exercise price: \$0.00
- Grant date: 24 December 2012
- Vesting date: 31 August 2013
- Share price at grant date: \$0.24
- Expected price volatility of the Company's shares: 50.00%
- Expected dividend yield: 6.90%
- Risk-free interest rate: 2.42%

### **Fair value of interests granted – 18 February 2013 (A)**

Options were granted for no consideration and vested based on fulfilment of specified service conditions. Vested options are exercisable for a period of 18 weeks after vesting. The fair value of options were determined using a Monte Carlo simulation pricing model taking into account the exercise price, the term of the 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 instrument.

- Fair value at grant date: \$0.19 per option
- Exercise price: \$0.26866
- Grant date: 19 February 2013
- Vesting date: 27 February 2015
- Share price at grant date: \$0.37
- Expected price volatility of the Company's shares: 65%
- Expected dividend yield: 0%
- Risk-free interest rate: 2.82%

#### **Fair value of interests granted – 18 February 2013 (B)**

Options were granted for no consideration and vested based on fulfilment of specified service conditions. Vested options are exercisable for a period of 18 weeks after vesting. The fair value of options were determined using a Monte Carlo simulation pricing model taking into account the exercise price, the term of the 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 instrument.

- Fair value at grant date: \$0.17 per option
- Exercise price: \$0.31866
- Grant date: 19 February 2013
- Vesting date: 27 February 2015
- Share price at grant date: \$0.37
- Expected price volatility of the Company's shares: 65%
- Expected dividend yield: 0%
- Risk-free interest rate: 2.82%

#### **Fair value of interests granted - 25 February 2014**

Options were granted for no consideration and vested based on fulfilment of specified service conditions. Vested options are exercisable for a period of 18 weeks after vesting. The fair value of options were determined using a Monte Carlo simulation pricing model taking into account the exercise price, the term of the 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 instrument.

- Fair value at grant date: \$0.12 per option
- Exercise price: \$0.75
- Grant date: 25 February 2014
- Vesting date: 27 February 2015
- Share price at grant date: \$0.58
- Expected price volatility of the Company's shares: 61%
- Expected dividend yield: 0%
- Risk-free interest rate: 2.66%

#### **(b) WHIG Long-term Incentive Share Plan**

The establishment of the Wilson HTM Investment Group Long-term Incentive Share Plan was approved by the Board during the 2007 financial year. Participation in the plan was by invitation only and originally comprised a Private Wealth Management Adviser Offer, a Loyalty Offer and Other Offers. The Private Wealth Management Offer and the Loyalty Offer are closed to new participants.

During the year ended 30 June 2014, no new shares (2013 - nil) were issued to any participating employees (2013 - nil) under the plan. The plan trust has acquired all shares necessary to fulfil its obligations under the plan. At balance date a total of 5,319 (2013 - 68,826) shares are allocated under the plan to 1 (2013 - 1) participating employee.

#### **Other offers**

Other offers may be made under the plan from time to time at the discretion of the Company, however it is not anticipated that there will be further issues under this plan. The fair value of each grant is expensed equally over the period from grant date to vesting date. The fair value at grant date is independently determined using a binomial approximation option model taking into account the exercise price, the term of the interest, 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 instrument.

#### **(c) WHIG Employee Share Acquisition Plan**

The establishment of the WHIG Employee Share Acquisition Plan was approved by the Board during the 2007 financial year. Since the 2010 financial year no share issues have been made under the plan. Following the transfer of shares relating to the remaining 79 participants during the 2013 financial year, no shares remain on issue under this plan.

## 09 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (d) Wilson HTM Equity Participation Plan

The establishment of the Wilson HTM Investment Group Ltd Equity Participation Plan (the Plan) was approved by the Board during the 2006 financial year. No shares remain on issue under this plan and it was finalised on 2 July 2013.

### (e) Expenses arising from share-based payment transactions

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

	2014 \$'000	2013 \$'000
Wilson HTM Investment Group Employee Option Share Plan	622	594
WHIG Long-term Incentive Share Plan	5	55
	<b>627</b>	<b>649</b>

## 45 Parent Entity financial information

### (a) Summary financial information

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

	2014 \$'000	2013 \$'000
<b>Statement of financial position</b>		
Current assets	70,775	41,776
Non-current assets	42,909	58,738
<b>Total assets</b>	<b>113,684</b>	<b>100,514</b>
Current assets	57,550	46,355
Non-current assets	2	-
<b>Total liabilities</b>	<b>57,552</b>	<b>46,355</b>
<b>Net assets</b>	<b>56,132</b>	<b>54,159</b>
<b>Shareholders' equity</b>		
Contributed equity	57,595	57,306
Reserves	1,161	896
Accumulated losses	(2,624)	(4,043)
	<b>56,132</b>	<b>54,159</b>
<b>Profit for the year</b>	<b>1,419</b>	<b>181</b>
<b>Total comprehensive income</b>	<b>1,419</b>	<b>181</b>

### (b) Guarantees entered into by the Parent Entity

Details of guarantees entered into by the Group are provided at note 34.

### (c) Contingent liabilities of the Parent Entity

Details of contingent liabilities of the Parent Entity are provided at note 34.

No material losses are anticipated in respect of these contingent liabilities.

### (d) Contractual commitments for the acquisition of property, plant and equipment

As at 30 June 2014, the Parent Entity had no contractual commitments for the acquisition of property, plant and equipment (2013 – nil).

## 10 DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 63 to 130 are in accordance with the *Corporations Act 2001*, 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 2014 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that Wilson HTM Investment Group Ltd will be able to pay its debts as and when they become due and payable.

Note 1(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 Group Financial Controller required by section 295A of the *Corporations Act 2001*.

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



Mr S M Skala AO  
Chairman  
Sydney  
27 August 2014



## Independent auditor's report to the members of Wilson HTM Investment Group Ltd

### *Report on the financial report*

We have audited the accompanying financial report of Wilson HTM Investment Group Ltd ("the Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Wilson HTM Investment Group Ltd and the Wilson Group ("the Consolidated Entity"). The Consolidated Entity comprises the Company and the entities it controlled at year end and or from time to time during the financial year.

### *Directors' responsibility 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, the *Corporations Act 2001* and for such internal control as the directors determine as necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

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

**PricewaterhouseCoopers, ABN 52 780 433 757**  
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## 11 INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS



### *Auditor's opinion*

In our opinion:

- (a) the financial report of Wilson HTM Investment Group Ltd is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 32 to 45 of the directors' report for the year ended 30 June 2014. 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.

### *Auditor's opinion*

In our opinion, the Remuneration Report of Wilson HTM Investment Group Ltd for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Michael O'Donnell  
Partner

Brisbane  
27 August 2014

## 12 SHAREHOLDER INFORMATION

The shareholder information set out below is correct as at 22 August 2014.

### Shares on Issue

#### Distribution of securities

Range	No. of Shareholders	No. of Shares	%
1 - 1,000	256	201,698	0.19
1,001 - 5,000	379	1,100,288	1.06
5,001 - 10,000	138	1,105,246	1.07
10,001 - 100,000	242	8,578,483	8.28
100,001 - 9,999,999,999	98	92,562,435	89.39
<b>Rounding</b>			0.01
<b>Total</b>	<b>1,113</b>	<b>103,548,150</b>	<b>100.00</b>

Unmarketable Parcels	Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at \$ 0.68 per unit	736	64	14559

#### Twenty largest shareholders

Rank	Name	Units	% of Units
1.	Deutsche Australia Limited	20,502,303	19.80
2.	Warragai Investments Pty Ltd	15,700,000	15.16
3.	Mr Alexander William Macdonald Grant	3,870,090	3.74
4.	RBC Investor Services Australia Nominees Pty Ltd <Picredit>	3,858,614	3.73
5.	Earlston Nominees Pty Ltd <The Wilson Family S/Fund A/C>	3,120,000	3.01
6.	Mr David Francis Cleary	3,005,925	2.90
7.	Mr David Noel Groth	2,989,424	2.89
8.	Mr Joseph James Pagliaro + Mrs Michelle Mary Pagliaro <The Jomipag Growth A/C>	1,998,163	1.93
9.	Mr Garry Patrick Lowrey	1,915,518	1.85
10.	UBS Nominees Pty Ltd	1,735,000	1.68

*Continued over*

## 12 SHAREHOLDER INFORMATION

Rank	Name	Units	% of Units
11.	Cibaw Pty Ltd <The Bligh Family A/C>	1,511,337	1.46
12.	Mr Robert James Wilson	1,500,000	1.45
13.	Mr Barry Athol Bicknell	1,403,295	1.36
14.	Mrs Mandy Elizabeth Noye + Mr Nicholas Jack Noye <Alderley Investment A/C>	1,329,810	1.28
15.	Lodge Road Pty Ltd <Lodge Road Super Fund A/C>	1,081,080	1.04
16.	Mr John Owen Harris + Mrs Merle Anne Harris <Norvale Super A/C>	1,025,000	0.99
17.	Ossum Holdings Pty Ltd <Tanton Super Fund A/C>	1,015,390	0.98
18.	Mrs Catherine Alexis Grant	958,648	0.93
19.	Mr Gregory John Burton	929,054	0.90
20.	Usinoz Pty Ltd <Ihlenfeldt Family A/C>	900,000	0.87

### 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 2001* are:

Substantial Shareholder	No. of shares	% of total
Deutsche Australia Limited	20,502,303	19.80
Steven Monteith Wilson AM	18,913,000	18.26

### Voting Rights

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

## Options and Performance Rights on Issue

### Distribution of securities:

There are 7,743,000 options on issue as at 25 August 2014.

The options are held by AET Structured Finance Services Pty Ltd as trustee for the Wilson HTM Investment Group Ltd Employee Option Share Plan. The options are not listed.

### Voting Rights

There are no voting rights attaching to the options.

# NOTES

## Wilson HTM Investment Group Ltd

Incorporated in Queensland on 23 April 2002

### ABN

22 100 325 184

### Directors

Steven Skala AO, Chairman and non-executive director  
Alexander Grant, Managing Director  
Chum Darvall AM, non-executive director  
Erica Lane, non-executive director  
Alan Watson, non-executive director  
Steven Wilson AM, non-executive director

### General Counsel

Eleanor Padman

### Company Secretary

Don Mackenzie

### Share Registry

#### Computershare Investor Services Pty Limited

117 Victoria Street  
West End QLD 4101  
Telephone 1300 552 270

### ASX Code

WIG

Wilson HTM Investment Group Ltd  
Shares are listed on the Australian Securities Exchange

### Bankers

Commonwealth Bank of Australia  
Westpac Banking Corporation

### Auditor

PricewaterhouseCoopers

### Website Address

[www.wilsonhtm.com.au](http://www.wilsonhtm.com.au)

## Queensland (Registered and Head Office)

### Brisbane

Level 38, Riparian Plaza  
71 Eagle Street  
Brisbane QLD 4000  
Telephone 07 3212 1333

### Gold Coast

Suite S224, Level 2 Oracle South  
17 Elizabeth Avenue  
Broadbeach QLD 4218  
Telephone 07 5509 5500

### Dalby

34 Condamine Street  
Dalby QLD 4405  
Telephone 07 4660 8000

### Hervey Bay

Cnr Bay Drive & Central Avenue  
Pialba QLD 4655  
Telephone 07 4197 1600

## New South Wales

### Sydney

Level 14, 99 Elizabeth street  
Sydney NSW 2000  
Telephone 02 8247 6600

## Victoria

### Melbourne

Level 16, 357 Collins Street  
Melbourne VIC 3001  
Telephone 03 9640 3888

\* The 5 Star Morningstar rating is based on 3 year risk-adjusted returns for the Australian large growth funds category. Investment trust returns are to 30 June 2014. The Morningstar rating is an assessment of a fund's past performance based on both return and risk which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. © 2010 Morningstar, Inc. All rights reserved. Neither Morningstar nor its affiliates nor their content providers guarantee the above data or content to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice has been prepared by Morningstar Australasia Pty Ltd ABN 95 090 665 544, AFSL 240892 a subsidiary of Morningstar, Inc. and the information provided is without reference to your objectives, financial situation or needs. Refer to the Financial Services Guide for more information at [www.morningstar.com.au/fsg.pdf](http://www.morningstar.com.au/fsg.pdf), and read the Fund's Product Disclosure Statement before making a decision.

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The Wilson HTM Priority Growth Fund ARSN 117 083 762 ('Growth Fund') and the Wilson HTM Priority Core Fund ARSN 144 032 431 ('Core Fund') returns to 30 June 2014 (net of fees). The Growth Fund inception date is 4/7/2005 and the Core Fund inception date is 22/6/2010. Past performance is not a reliable indicator of future performance. Returns are net of management fees (1.25% p.a. for the Growth Fund and 1.5% p.a. for the Core Fund) and net of any performance fees (20% for the Growth Fund and 15% for the Core Fund) and assume distributions are reinvested. Returns do not include tax or entry fees of 0-2% or ongoing adviser service fees of 0-1% p.a. as these fees are not charged unless an investor agrees to pay them to an adviser. The Growth Fund's risk/return profile is High Growth and the Core Fund's is Growth. The S&P/ASX Small Ordinaries Accumulation Index and the All Ordinaries Accumulation Index assume 100% reinvestment of dividends. Interests in the Growth Fund and Core Fund are issued by Pinnacle Fund Services Limited ABN 29 082 494 362 AFSL 238371. The information provided is without reference to your objectives, financial situation or needs. Refer to the Wilson HTM Priority Fund's Product Disclosure Statement available on Wilson HTM's website before making a decision.

[www.wilsonhtm.com.au](http://www.wilsonhtm.com.au)

