Pinnacle
INVESTMENT MANAGEMENT

ANNUAL REPORT
2016

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Financial Calendar

Special dividend record date	24 August 2016
Special dividend payment date	9 September 2016
Final dividend record date	15 September 2016
Final dividend payment date	3 October 2016
Annual General Meeting	14 November 2016
Interim Results announcement	24 February 2017
Full Year Results announcement	25 August 2017

The Company reserves the right to change these dates.

Annual General Meeting

The 2016 Annual General Meeting will be held at 11am on 14 November 2016 at the Company's Sydney office at Level 35, 60 Margaret Street, Sydney.

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

0 > Glossary

2015 Annual Report	means the Group's annual report for the 2015 financial year.
2016 Annual Report	means this document.
2015 financial year	means the period 1 July 2014 to 30 June 2015.
2016 financial year	means the period 1 July 2015 to 30 June 2016.
Antipodes	means Antipodes Partners Limited.
ASX Principles	means the Corporate Governance Principles and Recommendations, 3rd Edition, published by the ASX Corporate Governance Council.
Auditor	means PricewaterhouseCoopers.
Board	means the board of directors of Pinnacle Investment Management Group Limited.
Board Committees	means the Audit, Compliance and Risk Management Committee and the Remuneration and Nominations Committee.
Chairman	means Mr Alan Watson, the Chairman of the Board.
Company	means Pinnacle Investment Management Group Limited.
Company Secretary	means Mrs Eleanor Padman.
Deutsche Australia	means Deutsche Australia Limited, which held a 18.8% shareholding in the Company at the start of the 2016 financial year. As at the date of this report, Deutsche Australia no longer has any shareholding in the Company.
EOSP	means the Pinnacle Investment Management Group Employee Option Share Plan.
Foundation	means the charitable foundation founded by the Company in 1986 for long term sustainable giving, formerly known as the Wilson Foundation.
FUM	means funds under management.
Group	means Pinnacle Investment Management Group Limited (known as Wilson Group Limited until 25 August 2016) and the entities that it controlled during the 2016 financial year.
Group Disclosure Officers	means during the 2016 financial year each of the Managing Director, the chief financial officer, 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 page 29 of the 2016 Annual Report.
LTI	means long term incentives offered to individuals who are staff of the Group.
Managing Director	means, for the period 1 July 2015 to 16 August 2016, Mr Alexander Grant and from 17 August 2016, Mr Ian Macoun. Mr Macoun was appointed as an executive director on 25 August 2016.
Next Financial	means Next Financial Limited.
NLAT	means net loss after tax.
NPAT	means net profit after tax.
NTA	means net tangible assets.
Palisade	means Palisade Investment Partners Ltd.
Pinnacle	means Pinnacle Investment Management Limited.
Pinnacle Acquisition	means the transaction approved by shareholders on 16 August 2016, pursuant to which the Company

	acquired the 24.99% equity stake in Pinnacle it did not already own.
Pinnacle Group	means Pinnacle Investment Management Limited and the 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, Antipodes Partners Limited and Spheria Asset Management Pty Ltd.
Pinnacle LTI scheme	Means the long term incentive scheme described at pages 32 of the 2016 Annual Report.
Plan Rules	means the rules governing the Company's EOSP.
Plato	means Plato Investment Management Ltd.
Principal Investments	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 Group Priority Growth fund and Wilson Group Priority Core fund, being two proprietary funds managed by Priority Investment Management Pty Ltd during the 2016 financial year. On 1 July 2016, Spheria Asset Management Pty Ltd was appointed as the new investment manager.
Resolution Capital	means Resolution Capital Limited.
Securities business	means the corporate finance, equity capital markets, institutional sales, research and private wealth management businesses previously owned by the Company and branded Wilson HTM.
Sellers	means each of Macoun Superannuation Fund Pty Ltd as trustee for the Macoun Superannuation Fund, Macoun Generation Z Pty Ltd as trustee for the Macoun Generation Z Family Trust, Usinoz Pty Ltd as trustee for the Ihlenfeldt Family Trust, AJF Squared Pty Ltd as trustee for the AJF Squared Family Trust, Andrew Chambers and Fleur Chambers as trustee for the Andrew C Chambers Family Trust, Adrian Whittingham as trustee for the Whittingham Family Trust, Mark Cormack and Melanie Cormack as trustee for the Cormack Family Trust and Dellreid Pty Limited as trustee for the Dell Family Trust.
Sellers' Executives	means Ian Macoun in respect of Macoun Superannuation Fund Pty Ltd and Macoun Generation Z Pty Ltd; Alex Ihlenfeldt in respect of Usinoz Pty Ltd; Andrew Findlay in respect of AJF Squared Pty Ltd; Andrew Chambers in respect of the Andrew C Chambers Family Trust; Adrian Whittingham in respect of the Whittingham Family Trust; Mark Cormack in respect of the Cormack Family Trust; and Matthew Dell in respect of Dellreid Pty Limited.
Solaris	means Solaris Investment Management Limited.
Spheria	means Spheria Asset Management Pty Ltd.
STI	means short term incentive.
VWAP	means volume weighted average price.

01 > Chairman's Letter

Dear Shareholder

The period under review has seen the continuation of the repositioning of the Group as a growing funds management business. This commenced in 2015 with the sale of the Securities business and progressed this year with the acquisition of the remaining 24.99% equity stake in Pinnacle that was not previously owned.

The resulting reorganisation of our shareholder register has aligned our key management team with our existing and new investors through common equity ownership. In addition, the Pinnacle Acquisition gives shareholders access to 100% of Pinnacle's cash flows, and allows for increased efficiencies. The Board firmly believes that the Company is now appropriately positioned for future growth. On 25 August 2016, the Company changed its name to Pinnacle Investment Management Group Limited. From today, its ASX ticker has changed to PNI.

During the year, Pinnacle enjoyed strong financial performance. Funds under management increased to $19.8 billion as at 30 June 2016, up from $16.1 billion as at 30 June 2015 and $18.9 billion as at 31 December 2015. Profit in Pinnacle grew 43% to $10.6 million net profit after tax. Pinnacle's share of net profit after tax from its equity interest in the Pinnacle Boutiques was $15.9 million, an increase of 34% from 2015.

The Group's 2016 financial year result included:

> Group NPAT of $4.5 million, delivering earnings of 4.1 cents per share

> Group NPAT from continuing operations of $5.8 million, up 49% from $3.9 million (before DTA de-recognition) in prior year

> Earnings per share from continuing operations of 5.2 cents, up 44% from 3.6 cents (before DTA de-recognition)

> Pinnacle FUM of $19.8 billion, up 23% from $16.1 billion

> Pinnacle's share of NPAT of $15.9 million from Pinnacle Boutiques, up 34% from $11.9 million

> Pinnacle NPAT of $10.6 million, up 43% from $7.4 million

> NTA of $49.6 million or $0.45 per share, up 12.5% from $0.40

> Cash and Principal Investments of $24.5 million as at 30 June 2016.

Further detail of the financial and operating performance of each segment is set out in the Operating and Financial Review beginning on page 7.

In the 2017 financial year, the Board will be focused on supporting further growth in the Company and its affiliated boutique investment management firms, whilst being careful to continue our strong support of the existing affiliated boutiques and to preserve the 'Pinnacle model'. This is expected to involve both organic growth of, and some additional initiatives in, the seven existing affiliated firms. Initiatives in this regard are already under way, such as the recent launch of the Antipodes LIC, and more are being considered. Other growth initiatives may include strategically adding additional affiliated firms at a measured pace, as well as exploring a number of initiatives in additional markets complementary to the existing primary Pinnacle distribution channels.

From 1 September 2016, a reconfigured Board will be in place comprised of seven directors, including two new non-executive directors in Ms Deborah Beale and Mr Gerard Bradley, and three executive directors, namely Mr Ian Macoun as the Company's new Managing Director, Mr Adrian Whittingham and Mr Andrew Chambers.

At the Company's EGM on 16 August 2016, the Board thanked the retiring Managing Director Mr Alexander Grant, and prior Chairman Mr Steven Skala AO, for their significant contributions over the recent past in enabling the transformation of the Company. Sandy's retirement marks the end of an incredibly distinguished twenty four year career with the Company, culminating in the past three years as Managing Director. In today's world such loyalty and dedication are rare and Sandy can leave us knowing that shareholders, clients and staff have all been beneficiaries of his time at the Company. Steven joined the Board in 2002 and became Chairman in 2011. He has guided the Board with great dexterity and persistence through some turbulent times, and he leaves with our recognition of, and thanks for, the very important role he played in the strategic repositioning of the Company.

The shareholder register reorganisation referred to above also brought to conclusion Deutsche Bank's time as a shareholder. From the start of their shareholding, Deutsche Bank has been a steadfast strategic partner of the Group, and we thank them for their support throughout the transformation of the Group to its current position.

Our people, within both the boutiques and our Company, are the foundation of the Group and are responsible for driving and delivering value for shareholders. The Board thanks all of the respective executive management teams and their staff for their hard work and commitment in maintaining and growing the Group's profitability.

Finally, we thank you the shareholders for your support. We recognise that there remains much to do and approach the 2017 financial year determined to grow the business within our new corporate structure. We look forward to welcoming you to the Group's Annual General Meeting, which will be held in Sydney at 11am on Monday 14 November 2016.

Yours sincerely

Alan Watson

30 August 2016

02 > Overview of Pinnacle Investment Management Group Limited

In May 2016, the Company entered into a share sale agreement to acquire the remaining 24.99% equity stake in Pinnacle. This transaction completed on 25 August 2016 when the Company was renamed Pinnacle Investment Management Group Limited (ASX : PNI).

The Company's transition away from transactional based broking to a model centred around the investment management philosophy of client outperformance began with the establishment of Hyperion Asset Management in 1996. Hyperion subsequently became the backbone of the creation of Pinnacle in 2006 and its 'house of boutiques'. Today, the Company's operations include seven boutique fund managers with differing investment styles and offerings, addressing different asset classes, and providing fund managers with:

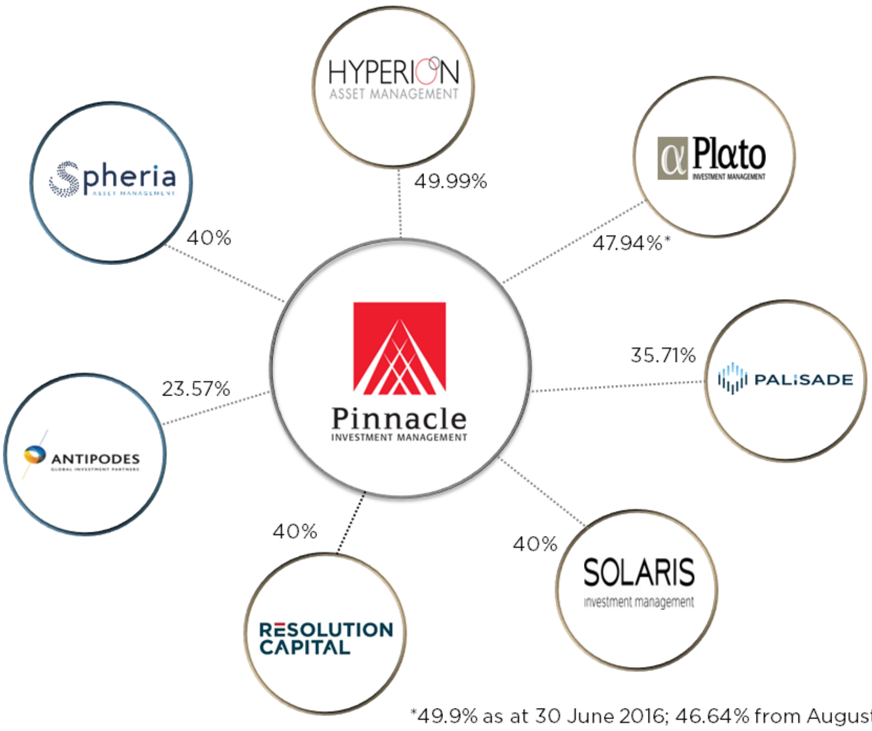
> equity in the boutique manager

> seed capital and working capital

> distribution services, business support and responsible entity services to allow fund managers to focus on delivering fund outperformance

> independence, including separate management reporting structures and boards of directors, whilst still offering the economies of scale and financial support inherent in being part of a larger investment group

The diagram below shows the composition of the Group's principal operating entities today:



*49.9% as at 30 June 2016; 46.64% from August 2017

03 > Operating & Financial Review

Financial Performance

> Group NPAT of $4.5 million, delivering earnings of 4.1 cents per share
> Group NPAT from continuing operations of $5.8 million, up 49% from $3.9 million (before DTA de-recognition) in prior year
> Earnings per share from continuing operations of 5.2 cents, up 44% from 3.6 cents (before DTA de-recognition)
> Pinnacle NPAT of $10.6 million, up 43% from $7.4 million
> Pinnacle's share of NPAT from Pinnacle Boutiques of $15.9 million, up 34% from $11.9 million
> Pinnacle FUM of $19.8 billion, up 23% from $16.1 billion
> Special fully franked dividend of 5.0 cents per share payable on 9 September 2016
> Final fully franked dividend of 1.9 cents per share payable on 3 October 2016
> NTA of $49.6 million or $0.45 per share, up 12.5% from $0.40 in prior year
> Cash and Principal Investments of $24.5 million as at 30 June 2016.

Composition of Group Results ($m)	1H2016	2H2016	FY2016	FY2015
Pinnacle*	**4.7**	**5.9**	**10.6**	**7.4**
Principal Investments	0.5	0.2	0.7	0.1
Priority Funds	(0.2)	0.7	0.5	(0.3)
Next Financial	(0.4)	(0.2)	(0.6)	(0.7)
Wilson Group	**(0.1)**	**0.7**	**0.6**	**(0.9)**
Group Overhead (unallocated)	(1.3)	(1.4)	(2.7)	(2.2)
Profit before tax (PBT) from continuing operations	**3.3**	**5.2**	**8.5**	**4.3**
Minority Interests	(1.2)	(1.4)	(2.6)	(1.6)
PBT from continuing operations attributable to shareholders	**2.1**	**3.8**	**5.9**	**2.7**
Tax (expense)/benefit - continuing operations pre DTA derecognition	(0.1)	0.0	(0.1)	1.2
NPAT from continuing operations attributable to shareholders pre DTA derecognition	**2.0**	**3.8**	**5.8**	**3.9**
Derecogniton of deferred tax assets**	0.0	0.0	0.0	(9.4)
NPAT from continuing operations attributable to shareholders	**2.0**	**3.8**	**5.8**	**(5.5)**
Discontinued operations - Securities business	(0.3)	(0.9)	(1.2)	(3.5)
Total profit / (loss) attributable to shareholders	**1.8**	**2.7**	**4.5**	**(9.0)**
* Includes share of Pinnacle Boutiques profit after tax	8.0	7.9	15.9	11.9
Earnings per share:				
From continuing operations before DTA derecognition**	1.8	3.4	5.2	3.6
From continuing operations	1.8	3.4	5.2	(5.2)
Total attributable to shareholders	1.6	2.5	4.1	(8.5)

** In the prior year NPAT from continuing operations was reduced by $9.4 million relating to the de-recognition of deferred tax assets

Nature of operations

During the 2016 financial year, the Group had two business segments – Pinnacle and Wilson Group.

Pinnacle develops and supports boutique fund managers. During the 2016 financial year Pinnacle was owned 75.01% by the Company, with the balance held by senior executives. Pinnacle has shareholdings of between 23.5% and 49.9% in each of the Pinnacle Boutiques which together have $19.8 billion in FUM as at 30 June 2016. Pinnacle Boutiques generated aggregate revenues of $ million, up 29%. Of this, $17.8 million was performance fees. Pinnacle generated NPAT of $10.6 million, up 43% on the 2015 financial year. Pinnacle's share of NPAT from Pinnacle Boutiques was $15.9 million, up 34% on the prior year. The Pinnacle Group employed a total of 118 staff as at 30 June 2016.

The financial results for the Group consolidate Pinnacle and applies equity accounting to the Pinnacle Boutiques. This approach is unchanged from the 2015 financial year. The revenues of Pinnacle relate to the provision of support services and distribution. The Pinnacle Boutiques' key revenue streams are management and performance fees based on the value and performance of FUM. Note 31 shows the equity accounted contribution from Pinnacle Boutiques with further commentary in relation to Pinnacle on pages 120 to 121.

Following the sale of the Securities business, which completed on 1 July 2015, the Group retained ownership of Priority Funds business, Next Financial and Principal Investments. During the 2016 financial year, the Group held Principal Investments primarily through its investment in the Wilson Group Priority Funds. Gains and losses on the fair value of Principal Investments are recognised through the profit and loss statement. At 30 June 2016 the Group's investment in the Priority Funds was $7.3 million. The Group redeemed $2.5 million of this balance during July 2016.

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 final instalment product matured during June 2015 and the operations of Next Financial have been wound down during the 2016 financial year. Next Financial's Australian financial services license was cancelled on 8 July 2016.

As at 30 June 2016, Wilson Group employed seven people.

Principal Activities

The principal activities of the Group during the 2016 financial year are set out below.

Pinnacle

- developing and operating funds management businesses
- providing distribution services, business support and responsible entity services to Pinnacle Boutiques and external parties

Wilson Group

- specialty funds management through Priority Funds
- selected investments as Principal, and
- servicing structured products for clients.

Business strategies and prospects for future financial years

Following the Pinnacle Acquisition, the Group's strategy is to continue to pursue excellence in its funds management businesses and to support the growth of Pinnacle and the Pinnacle Boutiques.

The Pinnacle Acquisition will create efficiencies consistent with the Group's new simpler organisational structure. The Group will also ensure that it manages any legacy issues arising from its former ownership of the Securities business and that Next Financial is brought to a conclusion.

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.

As part of its growth, Pinnacle will consider assisting experienced and talented investment professionals to establish new boutiques 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.

Economic Conditions and Material Business Risks

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

Equity Market Conditions

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

The ASX 200 fell by 4% over the course of the 2016 financial year; despite this Pinnacle was able to grow its FUM and revenues and remains well positioned to capitalise on improved market conditions in the future.

Regulatory Risk

With the disposal of the Securities business, the regulatory framework in which the Group operates has changed materially. The Group will continue to be vigilant in regards to regulatory requirements which are continually evolving and which remain very important.

Review of Group Results

Group net profit after tax from continuing operations attributable to shareholders for the 2016 financial year is $5.8 million. Total profit attributable to shareholders is $4.5 million, after recognizing costs of $1.2 million relating to the discontinued Securities business.

> Pinnacle delivered a $10.6 million net profit for the 2016 financial year, a 43% improvement. This was underpinned by a 34% increase to $15.9 million in Pinnacle's share of net profits from the Pinnacle Boutiques. FUM increased by 23% to $19.8 billion in the 2016 financial year.

> The Group's liquidity has improved with cash and Principal Investments of $24.5 million at 30 June 2016, up from $19.8 million (excluding discontinued operations) at 30 June 2015. The Group continues to have no corporate debt.

> Group net tangible assets have increased by 11% to $49.6 million with earnings per share of 5.2 cents up 44% from 3.6 cents from continuing operations (before DTA de-recognition) in the 2015 financial year.

> The Wilson Group segment produced a profit of $0.6 million. This was a $1.5 million improvement from the loss of $0.9 million in the prior financial year, and largely relates to the improved performance of the Priority Funds and Principal Investments during the year.

> The Board has declared:

    o a fully franked special dividend of 5 cents per share payable on 9 September 2016 for shareholders recorded on the register at 24 August 2016

    o a fully franked final dividend of 1.9 cents per share payable on 3 October 2016.

Statement of Comprehensive Income

The following commentary provides an analysis of revenues and expenses for the 2016 financial year for continuing operations in comparison to the prior comparative period.

During the 2016 financial year, the Group's revenues and expenses were derived from Wilson Group and Pinnacle but excluded the revenues and expenses of the Pinnacle Boutiques, the effect of which is reflected through Pinnacle's share of the equity accounted net profits. Further information in relation to Pinnacle Boutiques and their effect on the Group can be found at page 13.

Revenue from Continuing Operations

Revenue from continuing operations increased $0.8 million to $8.4 million, from $7.7 million in the prior period. Further information regarding revenues are provided below and at Note 5 of the financial statements.

Service Charges to Entities under Joint Control

Service charges to entities under joint control increased by $1.3 million to $5.7 million. This is reflective of the growth of the Pinnacle Boutiques including additional Pinnacle Boutiques being added in recent years.

Performance Fees

Performance fees for Pinnacle Boutiques are included in the equity accounted net profits attributable to Pinnacle Boutiques and are not separately included in the Group's financial statements.

During the 2016 financial year, performance fees of $1.1 million were earned by the Wilson Group Priority Funds. This was a substantial increase on the prior year and is reflective of the strong performance of the funds during the year. Further information is provided in note 5 of the financial statements.

Fund Management Fees

Fund Management Fees were $0.9 million during the year relating to the management of the Priority Funds.

Next Financial revenues

The continued wind down of the Next Financial structured products business resulted in revenues reducing to $15,000, a reduction of $0.3 million from the prior year. It is not expected that there will be any revenue in future financial years.

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

This reflects the mark-to-market gains or losses on the Group's Principal Investments. Gains on financial assets at fair value through profit and loss during the year were $0.3 million, an increase of $0.6 million on the $0.3 million loss in the prior financial year. This largely reflects the strong performance of the Wilson Group Priority Funds during the year, investments in which make up the majority of the Principal Investments portfolio.

Expenses from Continuing Operations

Employee benefits expense increased by $1.1 million to $7.9 million. The increase mainly relates to an increase in employee costs in the Pinnacle business during the year, reflecting the continued growth of Pinnacle.

Incentive expense is $0.7 million higher and includes non-cash share based payments expenses relating to employee share options issued during the year. It also includes incentives for Wilson Group staff in recognition of their work in respect of the Pinnacle Acquisition during the year.

Legal and professional fees are up $0.3 million during the year, due largely to one-off costs arising from additional audit expenses and other advisory services provided to the Group during the year.

A net reversal of *Impairment expense* of $0.2 million has been recognised in relation to loans to Pinnacle Boutiques. An impairment expense of $0.3 million was recognised in the prior year.

Property expenses reduced by 30% or $0.3 million compared to prior year due to the reduction in lease space compared to the prior year.

Structured product expense and finance cost expense relate to the costs associated with Next Financial's instalment products, which have reduced to $nil in the 2016 financial year as the product book reached maturity at 30 June 2015.

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 34% or $4.0 million on the prior comparative period. Pinnacle Boutique FUM, which underpins the share of

Pinnacle Boutique profits, increased by 23 % to $92.8 billion during the 2016 financial year. Further information is provided on page 14 and in notes 31 to the financial statements.

Non-Controlling Interest. This relates to the interests of minority shareholders of Pinnacle.

Discontinued Operations

Discontinued operations contributed a loss of $0.3 million to total comprehensive income. This represents a $0.9 million increase in the fair value of contingent consideration for the sale of the Securities business recognised in other comprehensive income, less $1.2 million of expenditure in relation to legacy items relating to its sale which are included in profit and loss. Further information is provided at note 8 of the financial statements.

Consolidated Statement of Financial Position

The following commentary provides an analysis of assets and liabilities for the 2016 financial year for continuing operations.

Cash. Cash and cash equivalents remained stable, reducing $0.1 million to $13.5 million at year-end compared to the prior year. Cash outflows from operating activities were $0.2 million, which included net outflows of $4.3 million relating to purchases and sales of financial assets during the year, including Principal Investments. Further information is provided at notes 9 and 33.

Trade and other receivables. The value of trade and other receivables increased by $2.5 million during the period, this includes $1.2 million in consideration receivable in relation to the sale of the Securities business.

Financial assets at fair value through profit or loss were $10.9 million (an increase of $4.7 million on the prior period) of which $7.4 million relates to the Group's investment in the Wilson Group Priority Core Fund (now Spheria Australian MidCap Fund) and Wilson Group Priority Growth Fund (now Spheria Australian Smaller Companies Fund) at 30 June 2016.

Other current assets reduced by $1.2 million to $2.4 million at year end. This balance includes loans to entities under joint control and capitalised transaction costs in relation to the Pinnacle transaction. Further information is provided at note 13 of the financial statements.

Investments accounted for using the equity method reflects Pinnacle's investment in the Pinnacle Boutiques. Investments increased by $5.1 million during the period to $24.5 million. The increased value of equity accounted profits of $15.9 million from Pinnacle Boutiques compared to $11.9 million contributed to higher value. Further information is provided at note 31 of the financial statements.

Trade and other payables increased by $1.1 million to $6.2 million, relating largely to increases in accrued expenses and incentive payments. Further information is provided at note 17 of the financial statements.

Provisions. The value of current and non-current provisions reduced by $1.1 million, relating to utilisation of the provision for transaction related costs for the disposal of the

Securities business during the year.   Further information is provided at notes 18 and 21 of the financial statements.

Other current liabilities. Relates to amounts payable to the Securities business which are to be settled net against consideration receivable for its disposal included in Trade and other receivables.

Assets and liabilities of disposal group classified as held for sale related to the Securities business and reduced to $nil upon the disposal of the business on 1 July 2015.

Segment Result

Pinnacle

This segment comprises the Group's 75.01% equity share in Pinnacle which includes its investment in the Pinnacle Boutiques. Pinnacle contributed $10.6 million net profit after tax to the Group result for the 2016 financial year compared with $7.4 million in the 2015 financial year. This was underpinned by Pinnacle's share of the Pinnacle Boutiques' profit after tax increasing by 34% from $11.9 million in the prior comparative period to $15.9 million.

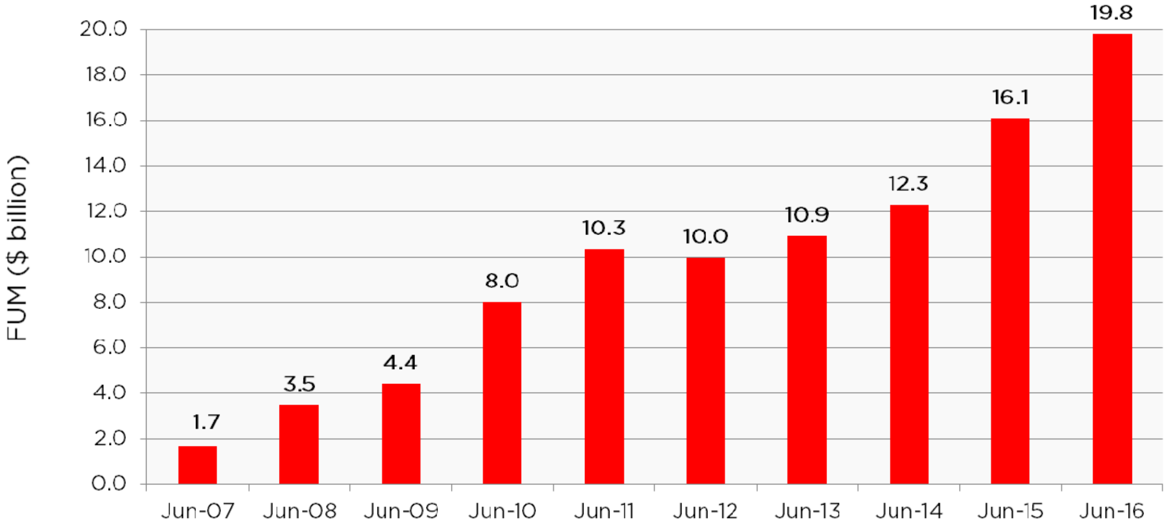
The table below outlines the performance of the Pinnacle Group for the 2016 and 2015 financial years.

	FY2016	FY2015
Pinnacle Boutiques (100% aggregate basis)		
FUM **($billion)**	19.8	16.1
Revenue **($million)**	92.8	72.0
Net profit before tax	**51.5**	**38.9**
Tax expense	(14.9)	(11.4)
Net profit after tax	**36.7**	**27.5**
Pinnacle		
Revenue	6.0	5.9
Expenses	(11.3)	(10.3)
Share of Pinnacle Boutiques net profit after tax statutory result	15.9	11.9
Pinnacle Group statutory result #	10.6	7.4

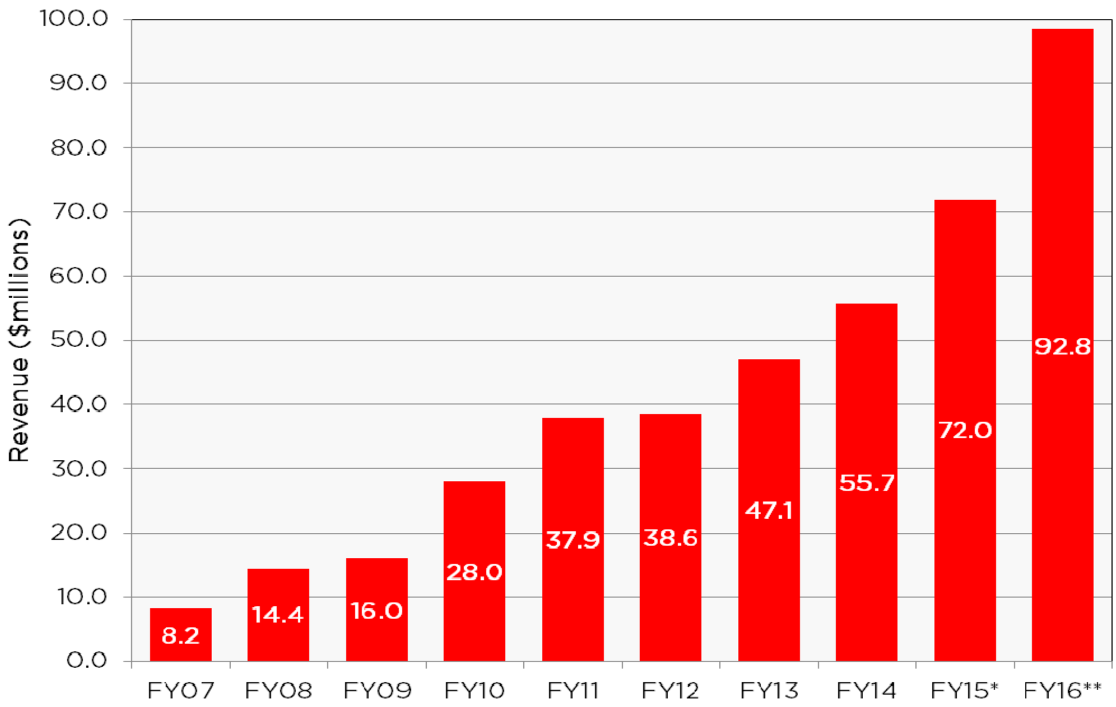
100% of Pinnacle (the Group had a 75.01% interest as at 30 June 2016).

Further analysis on Pinnacle is provided at pages 18 to 21 and in note 31 of the financial statements.

Pinnacle Boutiques – FUM Growth[1]



Pinnacle Boutiques – Revenue Growth[2]



*includes performance fees of $11.1m - 15.5%
** includes performance fees of $17.8m - 19.2%

[1] Pinnacle FUM includes 100% of FUM managed by the Pinnacle Boutiques. At 30 June 2016, the Company had a 75.01% interest in Pinnacle, which in turn has an interest in the Pinnacle Boutiques ranging from 23.5% to 49.9%.
[2] 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'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. Following is an overview of each of the Pinnacle Boutiques during the 2016 financial year:

Solaris Investment Management

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

Solaris had $4.6 billion in funds under management as at 30 June 2016 with incremental funds coming from new and existing clients and investment performance.

Solaris' clients benefited from solid investment out-performance in the year, the Core strategy outperforming the S&P/ASX200 by 1.86%. Solaris' core strategy has outperformed the S&P/ASX 200 Index by 2.07% per annum since inception on 9 January 2008 (to 30 June 2016).

The 2016 financial year was one in which Solaris sought successfully to sustain investment performance for its clients and provide continued team stability. In the forthcoming year, Solaris seeks to continue to provide its clients with consistent investment performance.

Hyperion Asset Management

Hyperion is a specialist manager of Australian and global equities following a concentrated quality growth style.

The 2016 financial year was a very rewarding one for Hyperion's clients. The fund generated out-performance for clients for the full year. Hyperion's long term track record of investment performance in both its large cap and small cap and global portfolios is first quartile amongst its competitors since inception.

The Hyperion Australian Growth Companies Fund ended the year with an absolute performance of 15.60% after fees (14.72% above the S&P ASX 300 Accumulation Index) and the Hyperion Small Growth Companies Fund ended the year with an absolute performance of 16.87%% after fees (2.46% above the S&P ASX Small Ordinaries Accumulation Index).

The Hyperion Global Growth Companies Fund produced a 10.6% gross return for the year (an outperformance of 9.5% over its benchmark the MSCI World Accumulation Index in AUD).

Hyperion hard closed its Small Growth Companies fund during the year to preserve its ability to produce future investment performance for clients.

Resolution Capital

Resolution Capital is a dedicated global listed property securities manager.

Funds under management grew to $4.6 billion during the year, representing a year on year growth of 17.9%.

Resolution Capital's long term out-performance track record remains pleasing. 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, research houses and institutional investors.

Plato Investment Management

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.

Over the past three years all of the Plato's beta one strategies outperformed their benchmarks and Plato now has a strong track record across its product mix. This year saw the launch of Plato's global equity income strategy which has been well received by the market.

Plato continues to have very significant interaction with consultants and prospective investors, including financial advisers. This interaction has proven positive, with the funds under management continuing to increase to over $3 billion with strong inflows from retail investors.

Palisade Investment Partners

Palisade is a specialist manager of unlisted infrastructure assets with pooled funds and separately managed portfolios for wholesale investors.

Palisade is a specialist manager of unlisted infrastructure assets with pooled funds and separately managed portfolios for wholesale investors.

In the 2016 financial year Palisade made investments in targeted sectors on behalf of direct investment management clients and funds it manages. The investment team has expanded to cater for growth in investments under management.

As at 30 June 2016 funds under management and investor commitments totalled approximately $2.3 billion (2015: $2.0 billion). During the year the various funds and individual portfolios managed by Palisade available for investment delivered overall rates of return of between 11.9% and 17.8%.

Palisade continues to enjoy increased support of asset consultants, continues to raise further capital for investment and has a strong pipeline of investment opportunities.

Antipodes Partners

Antipodes Partners is a pragmatic value manager of global and Asian equities founded in 2015 by Jacob Mitchell, former Deputy Chief Investment Officer of Platinum Asset Management, together with a number of ex-Platinum colleagues and like-minded value investors. Antipodes aspires to grow client wealth ahead of the broad market over the investment cycle without subjecting capital to undue levels of risk. The investment approach seeks to take advantage of the market's tendency for irrational extrapolation around changes in the operating environment, to identify great businesses that are not valued as such and build high conviction portfolios with a capital preservation focus.

Spheria Asset Management

Spheria Asset Management is a fundamental-based investment manager specialising in small and microcap companies

Spheria commenced operations in April 2016 and has a bottom-up focus to achieve strong investment returns for clients with an emphasis on risk management. Assessing risk is fundamental to Spheria's investment philosophy. Explicit risk controls include a preference for companies with low or no balance sheet gearing. When the company does have debt, Spheria ensures that free cash flow can support the said level of gearing and is appropriate for the nature of the business

At 31 July 2016 Spheria managed $164 million of client funds.

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.

Pinnacle will continue to assist experienced and talented investment professionals to commence a new boutique in investment strategies where it knows demand to be strong and special talent to be needed.

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

Wilson Group

During the 2016 financial year, the Wilson Group segment comprised the Priority Funds, Next Financial and Principal Investments. The segment reported a net profit before tax of $0.6 million for the 2016 financial year. The result was comprised of Principal Investment gains of $0.7 million (2015 - $0.1 million), a profit from the Priority Funds business of $0.5 million (2015 - $0.3 million loss) and a loss in Next Financial of $0.6 million (2015 - $0.7 million).

Principal Investments comprises the Group's Investments in equity securities and unit trusts. As at 30 June 2016 the Principal Investments' portfolio included $7.4 million invested in the Wilson Group Priority Core Fund and Wilson Group Priority Growth Fund (now Spheria Australia MidCap Fund and Spheria Australian Smaller Companies Fund).

Principal Investments contributed $0.7 million to the segment result which included $0.5 million in fair value gains, and $0.2 million in distributions received during the year.

The Priority Funds business performed strongly during the year and contributed $0.5 million to the segment result compared to a loss of $0.3 million in the prior year.

On 1 July 2016, the investment management of the funds was transferred to Spheria Asset Management, a 40% owned Pinnacle boutique. A subsidiary of Pinnacle remains the responsible entity of the funds. Further information relating to the funds is provided in Note 30.

The process to wind down the operations of Next Financial continued during the year, with associated expenses of $0.6 million reducing the Wilson Group segment result. Ongoing expenditure in relation to the wind-down of the business is expected to be minimal.

04 > Community Investment

The Company continued its commitment to supporting the community through the charitable Foundation established by its antecedents in 1987. Since then the Foundation has donated more than $3 million to over 60 Australian charities, with a focus on supporting capacity building projects which develop long term sustainability.

Partnerships are often with organisations which are entrepreneurial and which are seeking to tackle complex social issues through innovative problem solving agendas. The majority of donations offer annual support of between $10,000 and $20,000 for specific projects, approved via a formal application and assessment process.

In addition the Foundation seeks longer term partnerships with charitable organisations aligned to the interests of key shareholders, with the aim of investing in their growth over a number of years. Currently the Foundation is partnering with HeartKids Australia (**HKA**) through donations of $100,000 per annum to fund feasibility studies and the pilot development of an Australian and New Zealand Congenital Heart Disease (**CHD**) Registry.

Longterm partnership with HeartKids Australia: CHD Registry

Development and implementation of a Registry is essential to monitor the number of child and adult patients with CHD, which could potentially total around 65,000 Australians. The key objective is to provide access to information which can help to more effectively understand the true range of outcomes and the burden of the entire CHD spectrum across lifetimes. Core aims are to improve CHD treatment and survival, and the quality of life and services available to those with CHD. Data will be used to evaluate the results and inform the planning of effective services, to ensure they are consistent with international best practice.

Annual project based partnerships

During the 2016 financial year, the projects below have also been supported through donations of up to $20,000 per charity.

Child Wise: Animation

Through prevention and early intervention approaches, Child Wise works to protect children from sexual abuse. This donation has enabled the development of an animated children's educational tool which focuses on protective behaviours and personal safety, with material presented in a way which children can process, interpret and feel comfortable with. The animation teaches children to recognise the difference between safe and unsafe touch, secrets versus surprises, and how to seek help from trusted adults. Equipping children with this information reduces their risk to abuse, and also makes them more likely to speak up if something does happen - ensuring early intervention. It is being shown to primary school children in Child Wise's 'Protective Behaviours Personal Safety Program' and is also available online.

OzHarvest Gold Coast: Food collection and NEST project

Funds have assisted in the collection and delivery of 60,000 meals across the Gold Coast and the facilitation of the NEST (**Nutrition, Education and Sustenance**) Program for 30 charity participants. This course equips participants with valuable skills and knowledge about nutritious eating choices, low cost meal planning, budgeting, shopping, healthy cooking and reducing waste.

The broader focus is on capacity building; OzHarvest rescues up to 4,000 kilograms of food per week on the Gold Coast from more than 95 donors. This is distributed to 45 small charities, with regular deliveries enabling them to reduce food spending and redirect cash into education, rehabilitation and frontline client services.

PROJECT FUTURES: The Salvation Army Trafficking and Slavery Safe House

The Foundation is funding specialist treatment offered within the "Health and Well-being Program", which is part of the crisis and long term assistance provided 24 hours a day, seven days a week at the Safe House. This venue supports victims of human trafficking and works with up to 40 individuals at any one time. It aims to move people through a continuum of support stemming from the crisis of slavery to: 1) safety; 2) stability; 3) reduced vulnerability; 4) independent living; and 5) empowerment as thriving members of the community.

As well as delivering increased physical and mental health services for individuals, the Safe House has a focus on building stronger advocacy and greater awareness to drive change and reduce the incidence of trafficking.

The Reach Foundation: Development and delivery of Thrive Program in NSW

Supported by the Foundation in 2014, the Reach Birdcage Program has been redeveloped as an intensive workshop supporting young women to build skills, explore and critically question expectations around gender and the influences and risks posed by social media. As well as building the capacity of the Reach NSW Crew to deliver the program, funding in 2015 and 2016 has enabled Reach to offer the equivalent boys' program – Locker Room – in NSW, and to provide a third workshop within the Thrive series to bring young men and women together.

Combined workshops explore issues of gender identity from both a male and female perspective, while openly discussing the impact and potential harm caused by gender stereotypes and expectations. They aim to identify how these affect individual behaviours and interpersonal relationships.

Sydney Children's Hospital Foundation: Specialist equipment for the Respiratory Department at Sydney Children's Hospital, Randwick

Money donated has been used to purchase two pieces of equipment to provide specialist, mobile options to improve lung function diagnosis and outcomes for children who are challenging to assess. The first piece only requires children to perform normal breathing to produce accurate, reliable measurements and is non-invasive and less distressing for children aged 3 to 6 years.

The second piece is a portable spirometer used with a PC or tablet, which can be taken to young patients anywhere in the hospital to deliver an interactive, incentive-based test. This is essential for children who may be in serious respiratory distress, who have low immunity due to treatment and/or are connected to various life-saving pieces of equipment in Intensive Care.

The Shepherd Centre: TSC Connects

The Foundation's support has facilitated the development of a mobile compatible, interactive platform between parents and therapists so that children's milestones can be recorded to help analyse their speech and social behaviour. Hearing impaired children often have poor social skills because of their inability to predict the behaviour of others and understand that everyone has their own unique thoughts, feelings and beliefs. This can result in perceiving the world as an uncertain and unpredictable place, with children feeling isolated and ostracised – even though they have learnt to listen and speak well.

Advanced speech and language, combined with adequate social skills, are crucial for successful integration. This innovative program will ensure that therapists can effectively focus their efforts at an individual level, to help children in the most positive way possible.

05 > Directors' Profiles

Mr Alan Watson
Bsc, GAICD

Non-executive Chairman

Experience and expertise

Mr Alan Watson joined the board on 15 July 2013, after he had completed a 30 year investment banking career, during which he has been Managing Director of several Australian, American and UK based investment banks. During this career he has worked in the Securities markets of the UK, Australia, Canada, China and Japan. Immediately prior to his retirement Mr Watson was with Macquarie Group, where he had been recruited to establish its European Securities business.

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

- Director of Australis Oil & Gas (appointed 24 May 2016)
- Director of Aurora Oil and Gas (appointed November 2010, resigned June 2014)
- Director Elixir Petroleum (appointed October 2011, resigned May 2014)

Other Directorships:

- Director of Airboss of America Corporation (TSX : BOS)
- Director of Frensham Foundation

Special responsibilities:

- Chairman of the Board
- Chairman of Remuneration and Nominations Committee

Interests in shares and options

- None

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

Non-executive Director

Experience and expertise

Mr Steve Wilson has over 35 years of professional investment experience, including 4 years with Cazenove & Co. in London before joining Wilson & Co in 1984. Since then he has spent 25 years as either Chairman, Managing Director or Joint Managing Director of the Company.

Under his leadership, Hyperion was established in 1996, Priority Funds in 2005 and Pinnacle in 2006. In October 2011, Mr Wilson resigned from the position of Managing Director whilst remaining on the board as a Non-executive Director.

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

ASX Listed Company Directorships held in last 3 years (current & recent):
- None

Other Directorships:
- Chairman of Racing Queensland
- Chairman of Priority Investment Management Pty Ltd
- Chairman of Russo Business School
- Chairman of Next Financial Limited
- Chairman of Barambah Wines
- Director of Racing Australia
- Director of Pinnacle Investment Management Limited
- Director of The Centre for Independent Studies
- Director of Australian Oil-Shale Holdings Ltd
- Trustee of University of Queensland Rugby Union Foundation

Special responsibilities:
- Member of the Audit Compliance and Risk Management Committee
- Chairman of Priority Funds Investment Committee

Interests in shares and options
- 20,003,000 ordinary shares in the Company

Mr Ian Macoun
CFA, B Com, MFM, Dip FinSer (FP), FCPA, FAICD

Managing Director (from 17 August 2016)

Experience and expertise

Mr Ian Macoun was appointed as Managing Director of the Company on 17 August 2016 and an executive director on 25 August 2016, having been the managing director and chairman of Pinnacle since 2006. Mr Macoun's career to date has included more than 20 years as the CEO and chief investment officer of investment management firms, including the establishment of Australia's first "multi-boutique" funds management firm (Perennial Investment Partners – founding Managing Director, from 1998), building a major new investment corporation (Queensland Investment Corporation; inaugural Chief Executive – from 1988), and the management of a major Australian bank's investment operation (Westpac Investment Management; Managing Director from 1993).

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

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

- None

Other directorships

- Pinnacle Investment Management Limited (Chairman and Managing Director)
- Hyperion Holdings Limited
- Hyperion Asset Management Limited
- Palisade Investment Partners Limited
- Solaris Investment Management Limited
- Resolution Capital Limited
- Foray Enterprises Pty Limited
- Plato Investment Management Limited (Chairman)
- Pinnacle RE Services Limited
- Pinnacle Services Administration Pty Ltd
- Pinnacle Funds Services Limited

Interests in shares and options

- 27,969,744 ordinary shares in the Company
- 750,000 options

Mr Steven Skala AO
BA, LLB (Hons)(UQ) BCL (Oxon)

Non-executive director (until 26 August 2016)

Experience and expertise

Mr Steven Skala AO joined the board in 2002, and was appointed Chairman on 2 March 2011. Since 2004, he has been Vice Chairman of Deutsche Bank AG Australia and New Zealand. Mr Skala resigned as a non-executive director of the Company on 26 August 2016.

Until his appointment as Chairman of the Company, Mr Skala was one of two nominated representatives of Deutsche Bank. When he was appointed Chairman, he was released from his appointment as a representative of Deutsche Bank in the Group's affairs.

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.

ASX Listed Company Directorships held in last 3 years (current & recent):
None

Other Directorships:

> Vice Chairman of Deutsche Bank AG Australia and New Zealand
> Chairman of Blue Chilli Technology Pty Ltd
> Chairman Heide Museum of Modern Art
> Director of Hexima Limited
> Director of Deutsche Australia Limited
> Director of Australian Broadcasting Corporation
> Director of The Centre for Independent Studies
> Director of The Sir John Monash Foundation
> Director of Priority Funds Management Pty Ltd (until 26 August 2016)
> Director of Next Financial Limited (until 26 August 2016)
> Vice President of The Eliza and Walter Hall Institute of Medical Research
> Panel Member of Adara Advisors Pty Limited
> Member of International Council, the Museum of Modern Art (New York)
> Member of the Global Foundation

Special responsibilities:
> None

Interests in shares and options
> 683,753 ordinary shares in the Company

Mr Alexander Grant
B Econ UQ, Grad Dip SIA

Managing Director (until 16 August 2016)

Experience and expertise
Mr Sandy Grant was appointed Managing Director on 11 April 2014, having been Acting Chief Executive Officer since July 2013. During the 2016 financial year, Mr Grant was also a director of Pinnacle. Mr Grant resigned from both positions on 16 August 2016.

Mr Grant was the Fund Manager of the Wilson Group Priority Growth Fund from 2005, and co-manager of the Wilson Group Priority Core Fund since its inception in mid 2010. He has 30 years' experience in the finance industry with a number of institutions.

Mr Grant joined Wilson HTM Ltd in 1992. He was Head of Institutional Stockbroking and a Director of Wilson HTM Ltd from 2004 to 2007. Mr Grant has been a company shareholder since 1995.

ASX Listed Company Directorships held in last 3 years (current & recent)
- None

Other Directorships:
- Director of Pinnacle Investment Management Limited (until 16 August 2016)
- Director of Next Financial Limited (until 30 June 2016)
- Director of Priority Funds Management Pty Ltd (until 30 June 2016)
- Director of Ariano Pty Ltd (until 30 June 2016)
- Director of WIG Option Plan Managers Pty Ltd (until 30 June 2016)
- Director of Investment Solutions Client Services Pty Ltd (until 30 June 2016)
- Director of Next Financial Nominees Pty Ltd (until 30 June 2016)
- Director of Next Financial Nominees No. 2 Pty Ltd (until 30 June 2016)
- Director of Brisbane Boys' College Foundation Limited

Special responsibilities:
- Member of the Audit Compliance and Risk Management Committee

Interests in shares and options
- 6,228,738 ordinary shares in the Company

06 > Directors' Report and Remuneration Report

Your directors present their report on the Group, consisting of the Company and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors

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

Mr A Watson
Mr S M Skala AO (resigned on 26 August 2016)
Mr S M Wilson AM
Mr A Grant (resigned on 16 August 2016)
Mr I Macoun (appointed on 25 August 2016)

Mr C Darvall AM served as a director until his resignation on 31 August 2015.

Information on the qualifications, experience and responsibilities of the directors is included in the directors' profiles on pages 21 to 25 of the 2016 Annual Report.

Earnings per share

	2016 Cents	2015 Cents
From continuing operations before de-recognition of DTA*		
Basis earnings per share	5.2	3.6
Diluted earnings per share	5.2	3.6
From continuing operations		
Basis earnings per share	5.2	(5.2)
Diluted earnings per share	5.2	(5.2)
Total attributable to shareholders		
Basic earnings per share	4.1	(8.5)
Diluted earnings per share	4.1	(8.5)

* In the prior year NPAT from continuing operations was reduced by $9.4 million relating to the de-recognition of deferred tax assets.

Dividends

In the 2016 financial year, the following dividends were paid:

> A fully franked special dividend of 2.25 cents on 18 September 2015.
> A fully franked interim dividend of 1.4 cents on 31 March 2016.

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

> a fully franked special dividend of 5 cents per share to be paid on 9 September 2016.
> a fully franked final dividend of 1.9 cents per share to be paid on 3 October 2016.

Operating and Financial Review

The Operating and Financial Review can be found at pages 7 to 17 of the 2016 Annual Report.

Significant changes in the state of affairs

On the 1 July 2015 the Group completed the sale of the Securities business (refer note 8 of the financial statements at page 99 for further information).

Apart from this, there were no significant changes in the state of affairs of the Group during the reporting period.

Matters subsequent to the end of the financial year

Since the conclusion of the 2016 financial year, there has been a significant change in the state of affairs of the Group as a consequence of the acquisition of the 24.99% equity stake in Pinnacle that the Company did not previously own, following approval by shareholders at an extraordinary general meeting on 16 August 2016. The notice of meeting sent to shareholders for the extraordinary general meeting included an explanatory memorandum which set out further detail in relation to the transaction and an independent expert's report which concluded that the transaction was fair and reasonable to non-associated shareholders.

Other than as outlined above and in note 32 of the financial statements at page 122, 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

During the 2016 financial year, the role of Company Secretary was performed by Mrs Eleanor Padman.

Chairman of Audit Compliance and Risk Management Committee

From 1 September 2015 Mr Don Mackenzie held the role of Chairman of the Audit Compliance and Risk Management Committee. Mr Mackenzie joined the Audit Compliance and Risk Management Committee in February 2015 as an external independent specialist with particular expertise in audit and accounting. Mr Mackenzie commenced his professional career with a Chartered Accounting firm and in 1976 commenced employment in a senior accounting role with a Queensland based rural ASX listed company. In 1993 he commenced practice as a Chartered Accountant providing corporate services predominantly to public companies and from 2008 he has acted in a personal capacity in that role. During this period Mr Mackenzie has also acted as a non-director independent member of audit committees for ASX listed companies including Structural Systems Limited (2002 to 2014), Silver Chef Limited (2005 to 2012) and Aveo Healthcare Limited (formerly Forest Place Group Limited) from 2004 to 2010. From 2010 Mr Mackenzie was appointed to the board of Forest Place Group Limited and also became the chairman of its audit committee until he resigned in March 2014.

Meetings of Board and Board Committees

The number of meetings of the Company's Board and of each Board committee held during the year ended 30 June 2016 and the number of meetings attended by each director were as follows:

	Meetings of Board and Board Committees					
	Board		Audit, Compliance and Risk Committee		Remuneration and Nominations Committee*	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
S Skala AO	12	14	-	-	1	-
C Darvall AM**	3	3	1	1	1	1
S Wilson AM	14	15	4	4	2	-
A Watson	15	15	4	-	2	2
A Grant	15	15	4	4	2	-
D Mackenzie	-	-	4	4	-	-

*Responsibilities undertaken by full Board from 12 October 2016.
**Mr Darvall resigned with effect from 31 August 2015

Remuneration Report

The Group's 2016 remuneration report sets out remuneration information for the Group's non-executive directors and Key Management Personnel.

The remuneration report contains the following sections:

1. Key Management Personnel

2. Role of Remuneration and Nominations Committee

3. Executive remuneration policy and framework

4. Links between performance and outcomes

5. Details of Executive Key Management Personnel remuneration

6. Executive service agreements

7. Non-executive director remuneration

8. Share based payment compensation

9. Equity instrument disclosures relating to Key Management Personnel

10. Loans to Key Management Personnel

11. Other transactions with Key Management Personnel

12. Equity Capital

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

1. 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 2016. The Key Management Personnel for this period are listed in the tables below:

Executive Key Management Personnel

Name	*Position*
Alexander Grant	Managing Director (until his resignation on 16 August 2016)
Ian Macoun	Managing Director (from 17 August 2016) and executive director (from 25 August 2016). Chairman and Managing Director of Pinnacle
Alex Ihlenfeldt	Chief Operating Officer and director of Pinnacle

Non-executive Key Management Personnel

Current

Name	*Position*
Alan Watson	Chairman
Steve Wilson AM	Director
Steven Skala AO	Director

Former

Name	*Position*
Chum Darvall AM	Director (until 31 August 2015)

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 2016 comprised:

> each non-executive director of the Company

> executive director Alexander Grant

> Ian Macoun as Chairman and managing director of Pinnacle

> Alex Ihlenfeldt as Chief Operating Officer of Pinnacle

2. Role of Remuneration and Nominations Committee

The Remuneration and Nominations Committee is a committee of the Board. The Committee performs its role consistent with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality, high performing Board and executive team. Its responsibilities were performed by the Board during the 2016 financial year and included the following:

> reviewing and making recommendations in relation to the Group's remuneration policies and practices to ensure that the Group fairly and responsibly rewards executives having regard to the performance of the Group and the interests of stakeholders

> reviewing, approving and recommending to the Board for adoption executive remuneration and incentive policies and practices and making specific recommendations to the Board on remuneration of executive directors and senior executives

> setting the terms and conditions of the employment of the Managing Director, advising the Board on the Managing Director's remuneration package and reviewing the performance of the Managing Director at least annually

> reviewing the remuneration of non-executive directors for serving on the Board or any committee (both individually and in total) and recommending to the Board the remuneration and retirement policies for non-executive directors having regard to market trends and shareholder interests

> setting the entitlements and expenses policy for the Chairman, non-executive directors and the Managing Director

> ensuring the Group's remuneration policies and practices comply with the ASX Listing Rules, ASX Principles and the *Corporations Act 2001*

> assisting the Chairman to facilitate the review of Board performance annually

> the appointment of new directors, both executive and non-executive

> developing selection criteria for and identifying and assessing candidates for appointment to the Board

> establishing procedures for recommendation to the Chairman for the proper oversight of the Board and management

As has been the case in prior years, during the 2016 financial year, the Remuneration and Nominations Committee did not provide recommendations on the remuneration for any Pinnacle employees. The responsibility for the remuneration of Mr Macoun rested with the board of Pinnacle, which during the 2016 financial year included two directors of the Company. Mr Macoun was responsible for recommending remuneration arrangements for Pinnacle employees to the board of Pinnacle.

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.pinnacleinvestment.com/shareholders-investor-centre/

3. Executive remuneration policy and framework for the Company

The Board is committed to achieving sustainable long-term growth and returns for investors. During the 2016 financial year, it has adopted a remuneration framework consisting of base salary and short term incentives and a remuneration policy which aimed to motivate and retain highly skilled executives and align their interests with shareholders.

Base salary

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

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

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

Short term incentives (STI)

STI 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. During the 2016 financial year the Managing Director made recommendations to the Remuneration and Nominations Committee in relation to cash bonuses to be paid to individuals within Priority Funds and the Company's head office. The discretionary cash bonus took into consideration key performance indicators and individual performance (both financial and non-financial) over the period.

Long term incentives (LTI)

LTI have been provided to certain employees under the Company's employee option share plan (**EOSP**). The EOSP is designed to encourage alignment of the interests of staff with increased value to shareholders in the long term. Participants are granted options, which only vest subject to specific conditions being met at the end of the vesting period.

Participation in the EOSP is at the Board's discretion. Options granted under the EOSP carry no dividend or voting rights. The rules of the EOSP contain restrictions on removing the 'at-risk' aspect of the instruments granted to executives, including to Key Management Personnel.

During the 2016 financial year, Mr Alexander Grant exercised 600,000 options granted as part of his remuneration package and approved by shareholders in November 2014. Further details appear at page 33.

Pinnacle LTI scheme

The Board announced a new LTI arrangement for senior executives of Pinnacle to the market on 25 February 2015 (**Pinnacle LTI scheme**). On 26 June 2015, shareholders approved the participation of Key Management Personnel in the Pinnacle LTI scheme.

Under the terms of the Pinnacle LTI scheme, executives received a combination of Pinnacle equity and options in the Company, the key terms of which are set out below.

Equity component

The Company sold 4.29% of its equity in Pinnacle to senior executives, subject to claw back arrangements. As part of the Pinnacle Acquisition, this equity has been 'swapped' for equity in the Company.

Options component

The Company issued 4.25 million options in the Company to senior executives under the EOSP at a strike price of 98.6 cents per share.

The options vest in two equal tranches on 1 January 2018 and 1 January 2020 with a six month vesting period. Any options that remain unexercised at the end of the vesting period will lapse. The options are subject to claw back arrangements and bad leaver provisions.

As part of the Pinnacle Acquisition, which was approved by shareholders on 16 August 2016, the Sellers' Executives agreed to execute certain documents, the effect of which was to roll over and preserve the long term retentive elements of the Pinnacle LTI scheme.

4. Links between performance and outcomes

During the 2016 financial year and in light of the imminent completion of the Pinnacle Acquisition, the Managing Director conducted formal performance reviews of staff in the Company and Priority Funds and made recommendations to the Remuneration and Nominations Committee in respect of their STIs. In making those recommendations, regard was had to the individual's overall performance in progressing the Pinnacle Acquisition to completion and the significant extra workloads assumed as part of that process.

The table below shows key financial performance indicators applicable to the Group's performance over the last five financial years.

	2016	2015	2014	2013	2012
Net profit/(loss) after tax attributable to shareholders ($m)	4.5	(9.00)	4.8	(1.6)	(7.6)
Closing share price ($)	1.45	1.20	0.61	0.19	0.20
Dividend per share (cents)	3.30	1.60	2.75	Nil	Nil
Diluted earnings per share (cents)	4.1	(8.5)	4.5	(1.6)	(7.3)
Net profit/(loss) after tax attributable to shareholders ($m) before derecognition of DTA*	4.5	0.4	4.8	(1.6)	(7.6)
Diluted earnings per share (cents) before derecognition of DTA	4.1	0.4	4.5	(1.6)	(7.3)

* In the 2015 year NPAT from continuing operations was reduced by $9.4 million relating to the de-recognition of deferred tax assets.

5. Details of Executive Key Management Personnel remuneration

The relative weightings of the three remuneration components for Key Management Personnel are set out in the table below for the year to 30 June 2016.

	% of total remuneration		
	Fixed	Performance-based remuneration	
	Remuneration	STI	LTI
Alexander Grant	88%	0%	12%
Ian Macoun	50%	49%	1%
Alex Ihlenfeldt	50%	48%	2%

Alexander Grant

In accordance with the terms of his appointment as Managing Director, Mr Grant's base salary was set at $400,000 per annum (inclusive of superannuation) with effect from 1 December 2013. In addition, Mr Grant will receive a termination benefit of $85,000 following the conclusion of his employment with the Group.

On 26 November 2014, and following shareholder approval, Mr Grant was 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

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

In addition and in accordance with the terms of the Pinnacle LTI scheme described on page 32, on 1 July 2015, following the approval of shareholders on 26 June 2015, the Company granted 750,000 options over its ordinary shares to Mr Macoun.

Alex Ihlenfeldt

In the 2016 financial year, Mr Ihlenfeldt earned a base salary of $300,000 per annum (inclusive of superannuation) and an STI of $300,000 (inclusive of superannuation). STI is a performance incentive of up to 100% of base salary awarded on the basis of meeting business and strategic objectives.

In accordance with the terms of the Pinnacle LTI scheme described on page 32, following the approval of shareholders on 26 June 2015, on 1 July 2015 the Company granted 425,000 options over its ordinary shares to Mr Ihlenfeldt.

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

		Short-term employee benefits			Post employment benefits		Long-term benefits	Share based payments				
		Cash salary & fees	Cash bonus (STI)	Non-monetary benefits	Superannuation	Retirement Benefits	Long service leave	Options & Rights (LTI)	Termination benefits	Total	Portion of remuneration at risk - STI	Portion of remuneration at risk - LTI
Name		$	$	$	$	$	$	$	$	$	%	%
Managing Director:												
Alexander Grant	2016	365,000	-	-	35,000	-	(22,088)	65,709	85,000	528,621	-	12%
	2015	366,420	170,000	-	35,000	-	40,214	169,599	-	781,233	22%	22%
Chairman and Managing Director of Pinnacle												
Ian Macoun	2016	565,000	600,000	-	35,000	-	21,592	8,443	-	1,230,035	49%	1%
	2015	490,000	525,000	-	35,000	-	16,123	1,407	-	1,067,530	49%	-
Other Key Management Personnel												
Alex Ihlenfeldt	2016	273,973	296,027	-	30,000	-	4,916	15,509	-	620,425	48%	2%
	2015	242,009	299,658	-	30,000	-	2,829	11,529	-	586,025	52%	2%
Brad Gale#	2016	-	-	-	-	-	-	-	-	-	-	-
	2015	322,572	75,000	-	17,500	-	5,151	20,517	-	440,740	17%	5%
Totals	**2016**	**1,203,973**	**896,027**	**-**	**100,000**	**-**	**4,420**	**89,661**	**85,000**	**2,379,081**	**-**	**-**
	2015	**1,421,001**	**1,069,658**	**-**	**117,500**	**-**	**64,317**	**203,052**	**-**	**2,875,528**	**-**	**-**

KMP from 24 November 2014 to 30 June 2015

6. Executive service agreements

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

Alexander Grant

Alexander Grant resigned as Managing Director on 16 August 2016. During the 2016 financial year, Mr Grant's service agreement reverted to a permanent employment contract subject to a notice period of six months. The Company had the right to make payment in lieu of notice. If Mr Grant's engagement was terminated for cause or because he resigned other than to give effect to his retirement, he would have forfeited any entitlement to an STI or to exercise any options granted as an LTI. If Mr Grant's engagement ended for any other reason, Mr Grant was entitled to exercise any options granted as an LTI and was entitled to receive a payment (other than in the event of a change of control of the Company) that would not exceed 12 months base salary after the payment of statutory entitlements and which was inclusive of any payment in lieu of notice.

Ian Macoun

During the 2016 financial year, the chairman and managing director of Pinnacle, Ian Macoun, was engaged under an ongoing service agreement with Pinnacle that provided 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 was payable upon termination by the Company, unless termination was due to misconduct. As part of the Pinnacle Acquisition, Mr Macoun has entered into a new service agreement, the terms of which are substantially similar to his previous contract save that his notice period is now 3 months. On 16 August 2016, shareholders voted to approve the payment of termination benefits to Mr Macoun in an amount of $900,000, consistent with his previous terms of employment.

In 2006, the Group advanced Mr Macoun 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 was unsecured, limited in recourse to the shares in Pinnacle and interest free. As part of the Pinnacle Acquisition, and following the approval of shareholders on 16 August 2016, the Company paid Mr Macoun the bonus which was in turn applied to repay the loan, giving rise to an expense of $222,000, the balance having been expensed in prior years.

In May 2015, Pinnacle advanced to interests associated with Mr Macoun a loan of $547,293 to acquire shares in Pinnacle. The loan was unsecured, limited recourse and interest free. As part of the Pinnacle Acquisition, this loan has been repaid and an identical loan reissued by the Company.

Alex Ihlenfeldt

Alex Ihlenfeldt, the Chief Operating Officer and a director of Pinnacle, is engaged under an employment agreement dated 1 February 2011 and subsequently amended on 30 January 2012 and 7 May 2015. The contract provides for termination by either party on one month's notice except where termination is due to misconduct. In January 2012, Pinnacle advanced to Mr Ihlenfeldt's nominated shareholding entity, an unsecured, limited recourse and interest free loan of $416,072 to acquire shares in Pinnacle. The loan is immediately repayable if Mr Ihlenfeldt ceases employment with Pinnacle or sells some or all his shares. In May 2015, Pinnacle advanced to interests associated with Mr Ihlenfeldt a loan of $309,522 to acquire shares in Pinnacle. The loan is interest free and limited recourse with various repayment terms on cessation of employment if before 31 December 2018 or following a sale of equity. As part of the Pinnacle Acquisition, this loan has been repaid and an identical loan reissued by the Company.

7. Non-executive director remuneration

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

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

Non-executive directors' fees are determined within an aggregate non-executive directors' fee pool limit, with any increase in the fee pool requiring approval by shareholders. The current aggregate fee pool currently stands at $600,000 per annum and was approved by shareholders at the Company's annual general meeting on 24 October 2006. No changes were proposed or made to the aggregate fee pool during the 2016 financial year.

In October 2015, the Board resolved to adjust fees payable to non-executive directors in relation to Company, Committee and subsidiaries, effective from 26 October 2015. On 12 October 2015, the Board resolved to suspend the payment of fees for the Chair of the Remuneration and Nomination Committee in recognition of the Committee's more limited duties following the sale of the Securities business. Fees for the Chair of the

Remuneration and Nominations Committee will be reinstated in the 2017 financial year following completion of the Pinnacle Acquisition, when the Remuneration and Nominations Committee will assume responsibility for oversight of Pinnacle's remuneration policy and practices.

The fees paid to non-executive directors' from 12 October 2015 for Board and Committee positions are set out in the table below:

	Base Fees
Chairman	$100,000
Non-executive Director	$70,000
Audit Compliance and Risk Management Committee	
- Chair	$10,000
- Member	$0
Remuneration and Nominations Committee	
- Chair*	$10,000
- Member	$0
Subsidiary Boards	$0

* Note that the Board resolved on 12 October 2015 to suspend payment of this fee until further resolution.

Non-executive directors are not eligible to receive STI but may be eligible to participate in the EOSP. During the 2016 financial year, no non-executive directors participated in the EOSP.

Further details concerning the EOSP are set out on page 31.

Total remuneration for the non-executive directors in relation to the Company, Committee positions and subsidiaries for the 2016 financial year were $300,015 and are presented in accordance with applicable accounting standards and shown in the table below:

		Short-term employee benefits			Post employment benefits		Long-term benefits	Share based payments					
		Cash salary & fees	Cash bonus (STI)	Non-monetary benefits	Superannuation	Retirement Benefits	Long service leave	Options & Rights (LTI)	Termination benefits	Total	Total excluding non fee remuneration	Portion of remuneration at risk - STI	Portion of remuneration at risk - LTI
Name		$	$	$	$	$	$	$	$	$	$	%	%
Non-executive directors													
Alan Watson (i)	2016	77,771	-	-	14,513	-	-	-	-	92,284	92,284	-	0%
	2015	144,863	-	-	6,637	-	-	-	-	151,500	151,500	-	0%
Steven Skala (ii)	2016	99,239	-	-	7,844	-	-	-	-	107,084	107,084	-	0%
	2015	148,288	-	-	11,712	-	-	-	-	160,000	160,000	-	0%
Steven Wilson (iii)	2016	84,148	-	-	-	-	-	-	-	84,148	84,148	-	0%
	2015	143,083	-	-	-	-	-	-	-	143,083	115,000	-	0%
Chum Darvall (ii)	2016	16,500	-	-	-	-	-	-	-	16,500	16,500	-	0%
	2015	99,000	-	-	-	-	-	-	-	99,000	99,000	-	0%
Erica Lane (v)	2016	-	-	-	-	-	-	-	-	-	-	-	0%
	2015	25,685	-	-	2,440	-	-	-	-	28,125	28,125	-	0%
Totals	**2016**	**277,657**	**-**	**-**	**22,358**	**-**	**-**	**-**	**-**	**300,015**	**300,015**		
	2015	**560,919**	**-**	**-**	**20,789**	**-**	**-**	**-**	**-**	**581,708**	**553,625**		

(i) 2016: Mr Watson was a director from 1 July 2015 to 23 October 2015, at which time he was appointed Chairman. 2015: Mr Watson received director's fees of $76,500 in his capacity as director and committee chair. Mr Watson also received the amount of $75,000 for extra services and special exertion.

(ii) 2016: Mr Skala was Chairman until 23 October 2015, and a director for the balance of the year. Mr Skala received director's fees of $90,417 plus a sum of $16,667 by way of administrative support. 2015: Mr 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.

(iii) 2016: Mr Wilson received $68,666 as director's fees, $7,333 in relation to his directorship of Pinnacle, and $8,148 in relation to his role as chair of the Priority Funds Investment Committee. 2015: Mr 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 $28,083 in commission payments.

(iv) 2016: Mr Darvall was a director of Wilson Group Limited until his resignation on 31 August 2015. Mr Darvall was a director of Pinnacle until his resignation on 30 June 2016 and received $85,000 in this capacity in addition to the fees above. 2015: Mr Darvall received director's fees of $76,500 in his capacity as a director and committee chair and $22,500 in payment of director's fees in relation to his directorship of Pinnacle.

(v) 2015: Ms Lane resigned from the board effective 26 November 2015.

Retirement allowances for non-executive directors

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

New non-executive director appointments

On appointment to the Board, new non-executive directors are provided with a letter of appointment setting out the Company's expectations, their responsibilities, rights and the terms and conditions of their engagement. All new non-executive directors participate in 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 44 of the 2016 Annual Report.

8. Share based payment compensation

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 2016 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
26 November 2014	Options	30 Jun 16	124 Days	$0.60	$0.20	0	600,000	0	0	100%
1 July 2015	Options	30 Jun 18	124 Days	$0.99	$0.30	2,125,000	0	0	2,125,000	0%
1 July 2015	Options	30 Jun 20	125 Days	$0.99	$0.32	2,125,000	0	0	2,125,000	0%

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
Key Management Personnel of the Group								
Alexander Grant								
Options	26-Nov-14	600,000	$124,320	27-Feb-16	600,000	$213,000	-	-
Sub-Total		600,000	$124,320		600,000	$213,000	-	-
Ian Macoun								
Options	1-Jul-15	375,000	$110,663	1-Jan-18	-	-	-	-
Options	1-Jul-15	375,000	$120,525	1-Jan-20	-	-	-	-
Sub-Total		750,000	$231,188		-	-	-	-
Alex Ihlenfeldt								
Options	1-Jul-15	213,000	$62,856	1-Jan-18	-	-	-	-
Options	1-Jul-15	212,000	$68,137	1-Jan-20	-	-	-	-
Sub-Total		425,000	$130,993		-	-	-	-

(i) Fair values at grant date are calculated using a black-scholes option pricing model that takes into acount the exercise price, the terms of the right or option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right or option. Model inputs for the grants made are set out in note 43 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 the intrinsic value of the option or right at vesting date.

9. Equity instrument disclosures relating to Key Management Personnel

Options and rights holdings

The number of options and rights over ordinary shares in the Company held during the 2016 financial year by the directors of the Company and other Key Management Personnel of the Group, including personally related parties, are set out below.

	2016	2015	2014
Balance at start of year	600,000	220,000	2,419,975
Granted as compensation	1,175,000	1,200,000	0
Exercised	(600,000)	(1,550,000)	(142,462)
Expired and other changes*	0	730,000	(2,057,513)
Balance at end of year	**1,175,000**	**600,000**	**220,000**

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

Shareholdings

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

2016 – Ordinary Shares
Wilson Group Limited

Name	Balance at start of year	Granted during reporting year as compensation	Received during the year on the exercise of options and rights	Other changes during the year*	Balance at the end of the year
Non-executive directors					
Steven Skala	853,753	0	0	-170,000	683,753
Steve Wilson	20,133,000	0	0	-130,000	20,003,000
Alan Watson	0	0	0	0	0
Former non-exective director					
Chum Darvall	300,000	0	0	-300,000	0
Executive directors					
Alexander Grant	5,628,738	0	600,000	0	6,228,738
Key Management Personnel					
Ian Macoun	100,000	0	0	0	100,000
Alex Ihlenfeldt	1,458,498	0	0	0	1,458,498
Former Key Management Personnel					
Brad Gale	500,000	0	0	-500,000	0
* includes changes resulting from commencing or ceasing to be KMP					

2016 – Ordinary Shares
Pinnacle

Name	Balance at start of year	Granted during reporting year as compensation	Received during the year on the exercise of options and rights	Other changes during the year	Balance at the end of the year
Executive directors					
Ian Macoun	33,471	0	0	0	33,471
Alex Ihlenfeldt	3,369	0	0	0	3,369

10. Loans to Key Management Personnel

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

(i) Aggregates for Key Management Personnel

	Balance at start of year $	Interest paid and payable for the year $	Interest not charged $	Balance at end of year $	Number in Group at end of year
2016	2,391,917	-	135,144	2,391,917	2

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

	Balance at start of year $	Interest paid and payable for the year $	Interest not charged $	Balance at end of year $	Highest indebtedness during the year $
Ian Macoun	1,666,293	-	94,146	1,666,293	1,666,293
Alex Ihlenfeldt	725,624	-	40,998	725,624	725,624

The loans referenced in the above table are advanced by Pinnacle and are for the purpose of acquiring shares in Pinnacle. As part of the Pinnacle Acquisition, these loans were repaid with the proceeds of loans reissued by the Company on 25 August 2016.

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

11. Other transactions with Key Management Personnel

Steven Skala AO

Mr Skala was a non-executive director of the Company until 26 August 2016, Vice Chairman of Deutsche Bank AG Australian and New Zealand and is a director of Deutsche Australia. During the 2016 financial year, Deutsche Bank AG was a substantial shareholder of the Company through Deutsche Australia, which held an 18.55% interest in the Company's shares (2015 – 18.55%) until 18 May 2016 and a 9.22% interest from 18 May 2016 to 30 June 2016. On 25 August 2016, Deutsche Australia ceased to be a shareholder.

Chum Darvall AM

Chum Darvall was a non-executive director of the Company until 31 August 2015 and was a vice chairman of Deutsche Bank AG Australia and New Zealand until 1 July 2014. Mr Darvall is a member of Palisade's advisory board for which he is paid $60,000 per annum plus GST. Mr Darvall is also the chairman of Metrics Credit, which has a distribution agreement with and pays fees to Pinnacle on normal commercial terms.

12. Equity Capital

Shares issued on exercise of remuneration options

600,000 ordinary shares in the Company were allocated to Alexander Grant as a result of the exercise of options during the financial year ended 30 June 2016.

Shares under option/rights

Unissued ordinary shares of the Company under option at 30 June 2016 are as follows:

Date options granted	Expiry date	Exercise price of options	Number under option
1 July 2015	30 June 2018	$0.99	2,125,000
1 July 2015	30 June 2010	$0.99	2,125,000
TOTAL			4,250,000

Under the terms of the transaction documents in respect of the Pinnacle Acquisition, in the event that the Company conducts a placement prior to 30 June 2020 in respect of the options set out above, the Sellers are entitled to subscribe in the placement for up to 1,416,667 ordinary shares at the subscription price of the options. The Sellers will be entitled to subscribe in the placement in proportions that are pro-rata to their unvested options.

Shares issued on the exercise of options

There were 600,000 ordinary shares in the Company issued on the exercise of options granted under the EOSP during the year ended 30 June 2016 for a total consideration of $357,000. Since the end of the 2016 financial year, and as part of the Pinnacle Acquisition, on 25 August 2016, 37,043,917 ordinary shares were issued under the EOSP to the Sellers as consideration for the sale of their equity in Pinnacle.

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.

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 and Next Financial are indemnified by the insurance arrangements described.

Non-audit services

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

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

The Board has considered the position and, in accordance with the advice received from the Audit Compliance and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 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

- 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 2016 financial year the following fees were paid or are payable for services provided by the Auditor, its related practices and non-related audit firms:

	2016 $	2015 $
(i) Audit and other assurance services		
Audit and review of financial statements	364,115	280,540
Other assurance services:		
Audit of regulatory returns	26,000	52,860
Audit of compliance plan - Responsible entity *	26,395	54,952
Other assurance services	59,765	43,146
Total remuneration for audit and other assurance services	476,275	431,498
(ii) Taxation services		
Tax services	128,588	130,531
Total remuneration for taxation services	128,588	130,531
(iii) Other services		
Other services	-	-
Total remuneration of PricewaterhouseCoopers Australia	604,863	562,029
Total remuneration of auditors	604,863	562,029

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

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 43 of the 2016 Annual Report.

Rounding of amounts

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

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

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

A Watson
Chairman
Pinnacle Investment Management Group Limited
Sydney
30 August 2016

Auditor's Independence Declaration

As lead auditor for the audit of Pinnacle Investment Management Group Limited (formerly known as Wilson Group Limited) for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

2. no contraventions of any applicable code of professional conduct in relation to the audit.

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

Craig Thomason
Partner
PricewaterhouseCoopers

Sydney
30 August 2016

08 > Corporate Governance

Introduction

This Corporate Governance statement, which has been approved by the Board, describes the Company's corporate governance practices and framework which were in place during the 2016 financial year.

In the 2017 financial year, as a result of the Pinnacle Acquisition, the appointment of two new independent directors to the Board and the changes to the Group's corporate structure, the Board will review and update a number of the Company's governance policies and practices.

Summary

The Group's compliance with the ASX Principles during the 2016 financial year is summarised in the table below:

	ASX Principle	Comply / Non Comply
Principle 1:	Lay solid foundations for management and oversight	
Recommendation 1.1	A listed entity should disclose: (a) the respective roles and responsibilities of the board, the chair and management; and (b) those matters expressly reserved to the board and those delegated to management.	Comply
Recommendation 1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	Comply
Recommendation 1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Comply
Recommendation 1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board	Comply
Recommendation 1.5	A listed entity should: (a) have a diversity policy which includes	Non-comply See paragraph 1.5 for further

	requirements for the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012	detail
Recommendation 1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Comply
Recommendation 1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Comply

Principle 2	Structure the Board to add value	
Recommendation 2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; (b) or, if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.	Non-comply See paragraph 2.4 on future Board and Committee composition
Recommendation 2.2	A listed entity should have and disclose a statement as to the mix of skills and diversity that the board is looking to achieve in its membership.	Comply
Recommendation 2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.1 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and	Comply

	(c) the length of service of each director	
Recommendation 2.4	A majority of the board of a listed entity should be independent directors	Non-Comply See paragraph 2.4 on future Board and Committee composition
Recommendation 2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Following the appointment of Mr Alan Watson on 23 October 2015, the Company has complied
Recommendation 2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Comply
Principle 3	Promote ethical and responsible decision-making	
Recommendation 3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	Comply
Principle 4	Safeguard integrity in financial reporting	
Recommendation 4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at	Non-comply See paragraph 2.4 on future Board and Committee composition

	those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	
Recommendation 4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Comply
Recommendation 4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Comply
Principle 5	Make timely and balanced disclosure	
Recommendation 5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Comply
Principle 6	Respect the rights of shareholders	
Recommendation 6.1	A listed entity should provide information about itself and its governance to investors via its website.	Comply
Recommendation 6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Comply
Recommendation 6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Comply

Recommendation 6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Comply
Principle 7	Recognise and manage risk	
Recommendation 7.1	The board of a listed entity should: (a) have a committee or committees which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	Non-comply See paragraph 2.4 on future Board and Committee composition
Recommendation 7.2	The board or a committee of the board should: (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and (b) disclose in relation to each reporting period, whether such a review has taken place.	Comply

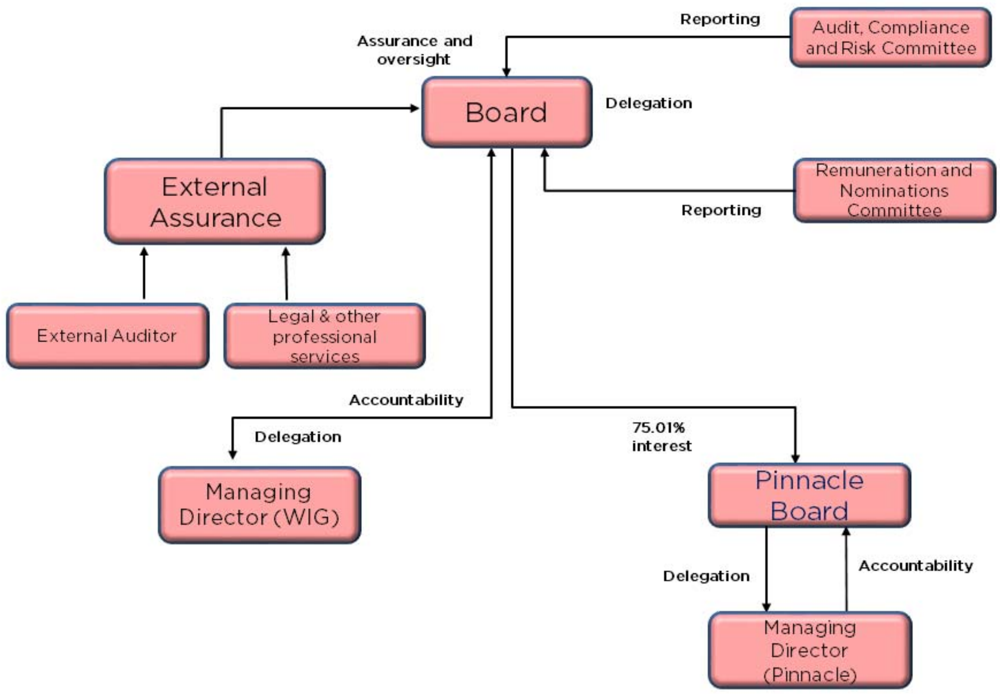
Recommendation 7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Non-comply See paragraph 7.3 below for further detail
Recommendation 7.4	A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks.	Comply
Principle 8	Remunerate fairly and responsibly	
Recommendation 8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Non-comply See paragraph 2.4 on future Board and Committee composition
Recommendation 8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and	Comply

	other senior executives.	
Recommendation 8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Comply

1. Foundations for Management and Oversight

The relationship between the Board, the Managing Director of the Company and senior executive management is critical to the Group's long term success.

The Group's governance framework during the 2016 financial year can be represented diagrammatically as follows:



1.1 Responsibilities of the Board

The responsibilities of the Board include:

> approving corporate strategy and performance objectives

> approving the Group's budget and financial statements and monitoring financial performance against forecasts

> determining dividend policy and the amount and timing of any dividends

> capital management, including the issuing or cancellation of new securities

> oversight of the Group's overall significant risks, including its risk management, internal compliance, control and accountability systems

> approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures

> oversight of the overall corporate governance of the Group

> oversight of the Board's committees

> maintaining an ongoing dialogue with the Group's Auditors and, where appropriate, principal regulators, to provide reasonable assurance of compliance with all regulatory requirements

> considering the social, ethical and environmental impact of the Group's activities and monitoring sustainability practices

> selecting, appointing and terminating the external Auditor (including associated recommendations to shareholders for approval)

> reviewing and approving Non-executive directors' Board and committee fees, subject to the Board fee pool approved by shareholders

> selecting, appointing and determining terms of appointment of the Managing Director

> determining the corporate goals and objectives relevant to the remuneration of the Managing Director and evaluating the performance of the Managing Director in light of these objectives

> reviewing succession plans for the Managing Director and senior executives

> considering and approving the Group's remuneration policy.

The Chairman is responsible for leading the Board and ensuring that it functions efficiently and effectively, representing the Group to the public generally, ensuring directors receive accurate and timely information, monitoring the performance of the Managing Director and of the Board, determining together with the Managing Director, what matters should be the concern of the Board and which should be left to executive management and, in conjunction with the Managing Director, growing the sustainable per share value of the Company. The Board charter requires that the roles of the Chairman and the Managing Director be undertaken by separate people.

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

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 the Pinnacle 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.

1.2 Election and selection 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. When a director stands for election or re-election, the Board provides shareholders with information in relation to a director's biographical details, qualifications, skills and experience, as well as details of any other directorships or material interests they hold. The Board provides its recommendation in relation to any proposed re-election of a director in the notice of meeting that is sent to shareholders.

Prospective candidates for 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.

1.3 Service agreements

All directors and senior executives have a written agreement with the Company setting out the terms of their appointment.

1.4 Company Secretary

The Company Secretary is appointed by the Board and is also the General Counsel. The Company Secretary attends Board and Board Committee meetings and is responsible for providing the Board with advice on legal and corporate governance issues. The Company Secretary is responsible for the operation of the secretariat function, including implementing the Company's governance framework and, in conjunction with the Managing Director, giving practical effect to the Board's decisions. The Company Secretary is accountable to the Board through the Chairman, on all matters to do with the proper functioning of the Board.

1.5 Diversity

As the Company had only 10 employees within head office at the start of the 2016 financial year, the Board did not consider it appropriate to have a standalone diversity policy or to measure progress against that policy. Instead, the Company has implemented an employee handbook which includes policy on flexible work place arrangements, purchased leave, paid parental leave, access to learning and development and a workplace code of conduct. These policies are designed to foster and support equal opportunity in the workplace.

In the 2016 financial year, the Company was not required to lodge a mandatory report under the *Workplace Gender Equality Act 2012*.

The table below shows the average number of and remuneration for male and female employees across the Group as at 30 June 2016 (excluding Pinnacle) and comparatives for the prior year:

	Board*		Senior Executive**		Remaining Organisation	
FY2016	Number	Average	Number	Average Remuneration***	Number	Average Remuneration***
Male	3		2	$310,000	2	$166,875
Female	0		1	$236,900	2	$74,981
FY2015						
Male	4	$138,395	9	$332,399	112	$196,145
Female	0	N/A	1	$236,900	46	$101,197

*excludes the Managing Director

** Senior Executive defined as a member of the executive committee and one level below the Board

*** includes base salary and superannuation

The percentage of female employees in the Group (excluding Pinnacle) in various roles as at 30 June 2016 was:

> Board – 0% (0 of 4)

> Senior executive – 33.3% (1 of 3)

> Female employees across the organisation – 50% (2 of 4)

1.6 Review of Board and director performance

During the 2016 financial year, the Board commenced a process to conduct an assessment of its performance, the performance of individual non-executive directors, the Chairman and Mr Alexander Grant. The process was concluded after the end of the 2016 financial year.

1.7 Review of senior executive performance

Performance reviews of senior executives of the Company are conducted annually by the Managing Director. In the 2016 financial year, these reviews were conducted in June 2016. In Pinnacle, senior executives' performance is monitored and reviewed through a combination of written and verbal appraisals held throughout the year.

2. Structure of the Board

2.1 Remuneration and Nominations Committee

On 24 October 2016, in light of the small number of staff in the Company's head office and the reduced number of directors, the Board determined not to delegate authority to a separate Remuneration and Nominations Committee. Instead, the Board assumed the role of the Remuneration and Nominations Committee with all directors as members. The Company Secretary also acted as Secretary to the committee. During the 2016 financial year, the Board acted as the Remuneration and Nomination Committee on 3 occasions with a quorum present on each occasion.

Further commentary in relation to the future composition of this Committee is provided at paragraph 2.4 above.

The role of the Remuneration and Nominations Committee includes:

> ensuring that there are 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 and the interests of stakeholders

> ensuring compliance with the ASX listing Rules, ASX Principles and the Corporations Act 2001

> assisting the Chairman to facilitate the review of Board performance annually

> the appointment of new directors, both executive and non-executive

> developing selection criteria for and identifying and assessing candidates for appointment to the Board, having regard to the Company's diversity policy

> establishing procedures for recommendation to the Chairman for the proper oversight of the Board and management.

An external consultant or advisor 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 Nomination Committee does not have responsibility for, or oversight of, remuneration arrangements for Pinnacle and the Pinnacle Boutiques which are the responsibility of the Pinnacle board.

Further details of the remuneration arrangements in place for non-executive directors and Key Management Personnel are set out in the remuneration report commencing on page 28. The Charter for the Remuneration and Nominations Committee appears on the Company's website at http://www.pinnacleinvestment.com/shareholders-investor-centre/

2.2 Board skills matrix

The experience, qualifications and skills of the Board includes expertise in the following areas relevant to the Group:

> Financial services including Funds Management

> Mergers and Acquisitions

> Business Analysis

> Remuneration models

> Risk and compliance

> Legal

> Accounting

> Marketing and distribution

> Media

> Investor relations

2.3 Independence and Length of Service

The composition of the Board and the biographies of its directors, including their experience, expertise, qualifications, term of office and independence status, are set out on pages 21 to 25 of the 2016 Annual Report.

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. At 30 June 2016, Steven Wilson and Alexander Grant both have a substantial holding in the issued shares of the Company.

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 and the principles set out in Box 2.3 of the ASX Principles. As at the date of this report:

> Alan Watson is the independent non-executive Chairman

> Steven Skala is Vice Chairman of Deutsche Bank AG Australia and New Zealand and was a director of Deutsche Australia for the majority of the 2016 financial year. Mr Skala was not considered to be independent due to that affiliation.

> Chum Darvall, who resigned as a director on 31 August 2015, ceased to be the nominated director of Deutsche Australia on 1 July 2014. Given his past relationship and Deutsche Australia's substantial shareholding, the Board determined that it did not consider Mr Darvall to be an independent non-executive director.

> Steve Wilson is not considered independent as he has a substantial shareholding in the Company's securities and has an ongoing relationship with the Group and its clients.

2.4 Balance of Independent and Non-Independent Directors

The composition of the Board is guided by the Company's constitution and the relevant provisions of the Board charter, which require the Board to be between three and 10 directors 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.

As at the date of this report, the Board comprised four directors, three of whom are non-executive directors, of which one is considered independent. From 1 September

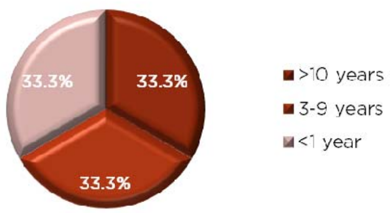
2016 and as part of the Pinnacle Acquisition, the composition of the Board will change and will be comprised of:

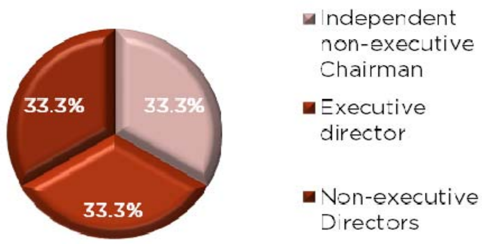
> four non-executive directors:
  - Alan Watson – independent Chairman
  - Deborah Beale – non-executive independent director
  - Gerard Bradley – non-executive independent director
  - Steve Wilson – non-executive director

> three executive directors:
  - Ian Macoun – Managing Director
  - Andrew Chambers – senior executive
  - Adrian Whittingham – senior executive

From 1 September 2016, each of the Audit, Compliance and Risk Management Committee and the Remuneration and Nominations Committee will have at least three non-executive, independent directors one of whom will also act as Chair.

The charts below show the current lengths of tenure of directors and the balance between independent non-executive directors, non-executive directors and executive directors as at the date of this report:





2.5 Separate roles of Chairman and Managing Director

During the 2016 financial year, the roles of Chairman and Managing Director of the Company were held by separate directors.

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.

2.6 Induction of new directors

Orientation programs are in place for all newly appointed directors.

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.

3. Ethical and Responsible Decision Making

The Company has 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 is reviewed regularly. 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

> do not act in conflict with the best interests of the Group

> do not compete with the Group

> do not, in performing their duties, accept any financial or other benefit except from the Group

> do not conduct themselves in a manner, whether during or after work hours, causes damage or potential damage to the Group's property or reputation

> do not use internet, email or voicemail at their workplace for excessive personal use or to view or distribute offensive or illegal material

> do not 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.pinnacleinvestment.com/shareholders-investor-centre/

4. Integrity in Financial Reporting

4.1 Audit, Compliance and Risk Committee

Since 1 September 2015, following the resignation of Chum Darvall, the Audit, Compliance and Risk Committee has been chaired by Don Mackenzie. During the 2016 financial year, its members were initially Chum Darvall, Steve Wilson and Don Mackenzie and then following Mr Darvall's resignation, Don Mackenzie, Steve Wilson and Alexander Grant. The Company Secretary also acts as Secretary of the Committee.

Further commentary in relation to the future composition of this Committee is provided at paragraph 2.4 above. Mr Mackenzie in an external independent specialist with particular expertise in audit and accounting. Mr Mackenzie has acted as a director/non-director independent member of audit committees for several ASX listed companies including Structural Systems Limited, Silver Chef Limited and Aveo Healthcare Limited (formerly Forest Place Group Limited).

Mr Wilson has commerce and law degrees and worked as a tax accountant for Ernst & Young and as Head of Research of the Securities business, has accounting and investment analysis skills. Mr Wilson has served on many audit, compliance and risk committees including Telstra Corporation, Queensland Tourism Corporation and Southbank Corporation.

Mr Grant has a commerce degree and has extensive investment analysis skills having held the role of head of Priority Funds and prior to that head of Institutional stockbroking with the Securities business. Mr Grant has served on other audit, compliance and risk committees.

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

> approving and monitoring the establishment of an appropriate internal compliance and risk framework

> overseeing business continuity planning

> 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

> 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 and half yearly review are 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 the significant accounting and financial reporting issues and judgements, including complex or unusual transactions made in connection with the preparation of the Company's financial statements, interim reports, preliminary announcements and related formal statements

> reviewing the disclosures in the financial statements

> reviewing recent regulatory and professional pronouncements and understanding their impact on the financial statements, as advised by the Chief Financial Officer

> making recommendations to the Board in relation to the adoption and approval of the Company's financial statements and other financial information distributed externally

> reviewing external audit reports to ensure that, where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management

> reviewing and monitoring compliance with the Group's Code of Conduct. ensure an appropriate Committee structure is in place so as to facilitate a proper review function by the Board

The responsibilities of the Audit Compliance and Risk Committee apply only to the

Group and its controlled entities. The Audit Compliance and Risk 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 entitles include the Pinnacle Boutiques, the boards of which are responsible for audit, compliance and risk oversight.

During the 2016 financial year, the Audit Compliance and Risk Management Committee met four times with all members attending.

Further details of the Audit Compliance and Risk Management Committee's role are set out in the Audit Compliance and Risk Management Committee charter which is available on the Company's website at http://www.pinnacleinvestment.com/shareholders-investor-centre/

4.2 Senior Management Assurance

For the year ended 30 June 2016, in accordance with Principle 4.2 of the ASX Principles and s295A Corporations Act 2001, the Board has received written certification from the chief executive officer (Mr Ian Macoun) and the chief financial officer (Mr Alex Ihlenfeldt) that:

> the financial statements have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position of the Company; and

> that the opinion has been founded on a sound system of risk management and internal control which is operating effectively in all material respects in relation to financial reporting risks.

4.3 Participation of External Auditors

The performance of the external auditor is reviewed annually. PricewaterhouseCoopers (appointed in 2002) is the Group's auditor. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every five years. The last rotation occurred in the 2014 financial year.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in the directors' report at page 42 and in the financial statements. The external auditors provide a declaration of their independence to the Audit Compliance and Risk Management Committee.

The external auditor attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

5. Continuous Disclosure

The Company is committed to giving all shareholders timely and equal access to information concerning the Company. The Company's Continuous Disclosure Policy is available on the Company's website at http://www.pinnacleinvestment.com/shareholders-investor-centre/

The Company's continuous disclosure obligations are reviewed as a standing item on the agenda for each meeting of the Board. 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
- key strategic decisions.

All information disclosed to the ASX is made available via the Company's website. 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.

6. Respecting the Rights of Shareholders

6.1 Publication of Information

The Group strives to ensure that 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.

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 via the Company's website.

6.2 Investor Relations Program

The Group's investor relations are the responsibility of the Managing Director, in conjunction with the Chairman as appropriate.

6.3 Participation of shareholders at meetings

The Board promotes effective communication with shareholders and encourages their participation at general meetings, and in particular the annual general meeting. The Board 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.

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.

> 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 external 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.

6.4 Electronic communications

The Company has a continuing commitment to electronic communication with shareholders and stakeholders generally including via its website. Shareholders may elect to receive information from the Company's share registry electronically. Electronic on-line voting is made available for shareholders both for annual general meetings and extraordinary general meetings.

7. Recognising and Managing Risk

7.1 Risk Management Committee

The Audit, Compliance and Risk Committee is responsible for overseeing and managing risk. Information about the composition and role of this committee has been provided at paragraph 4.1 above.

7.2 Annual review of Risk Management Framework

During the 2016 financial year, and following the sale of the Securities business, the risk framework for the Company and its wholly owned subsidiaries was reviewed and updated. The effectiveness of the risk framework, the risks facing the Company and the risk action plans in place to mitigate those risks is a standing agenda item for the Audit, Compliance and Risk Committee.

Risk management for the Funds Management business is the responsibility of the Pinnacle managing director and the Pinnacle board.

7.3 Internal Audit

During the 2016 financial year, the Group did not have an internal audit function. Instead:

> the Company's internal compliance function was responsible for monitoring internal process and ensuring regulatory compliance

> external audit services were engaged in respect of financial reporting

In addition to the regular risk monitoring and reporting to the Audit Compliance and Risk Committee, the Board receives regular updates from management on the key risk areas of the Group. The Board also receives periodic written assurances from the Managing Director and the Chief Financial Officer 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.

7.4 Economic, Environmental and Social Sustainability Risks

The Company's exposure to economic sustainability risks is the most material risk that it faces. It is also the risk of which the Board is most mindful with constant monitoring of the economic environment in which the Company operates being an ongoing part of daily operational and strategic thinking.

The Company's operations do not expose it to any material environmental risks, nor does it operate in any industry where it has the potential to damage ecosystems. However, the Company may have an indirect exposure to environmental risks if the Priority Funds or Pinnacle Boutiques have a material investment exposure to some industries. The responsibility for monitoring such exposures belongs to their respective investment committees or boards.

The Company's exposure to social sustainability risks are managed through its internal policies and practices in relation to workplace conduct, whistle blower procedures, use of technology and social media, dispute resolution and management of client confidential data.

8. Fair and Responsible Remuneration

8.1 Remuneration Committee

The Remuneration and Nominations Committee is responsible for overseeing remuneration for the Company and its wholly owned subsidiaries. Relevant information is provided at paragraph 2.1 above.

During the 2016 financial year, the Board did not currently oversee remuneration arrangements for Pinnacle, which is the responsibility of its board and its managing director.

8.2 Remuneration Policies and Practices

Remuneration arrangements, policies and practices for non-executive directors, executive directors and senior executives are disclosed in the Group's remuneration report starting at page 28.

There are no schemes in place for retirement benefits for non-executive directors, other than superannuation.

The Group's LTI and STI schemes, including the Pinnacle LTI scheme, do not currently provide for the reduction, cancellation or clawback of performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

8.3 'At Risk' Remuneration

The Company prohibits staff members (including Key Management Personnel) who are participants in equity based remuneration and LTI schemes from taking derivative positions or otherwise limiting their economic risk in respect of their participation in the scheme. Further information on LTI is set out in the remuneration report at page 31.

Pinnacle Investment Management Group Limited (formerly Wilson Group Limited)

ABN 22 100 325 184

Financial Report - 30 June 2016

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

Pinnacle Investment Management Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Pinnacle Investment Management Group Limited
Level 19, 307 Queen St
Brisbane QLD 4000

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

These financial statements were authorised for issue by the Directors on 30 August 2016. The Directors have the power to amend and reissue the financial statements.

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

	Notes	2016 $'000	2015 $'000
Revenue from continuing operations	5	8,384	7,647
Fair value gains/(losses) on financial assets at fair value through profit or loss		344	(265)
Employee benefits expense		(7,901)	(6,810)
Incentives expense		(3,851)	(3,181)
Consultants fees		(815)	(627)
Legal and professional services expense		(889)	(637)
Property expense		(721)	(1,028)
Technology and communications expense		(559)	(482)
Travel and entertainment expense		(468)	(379)
Insurance expense		(393)	(404)
Market information expense		(217)	(376)
Impairment (reversal)/expense	6	207	(310)
Depreciation and amortisation expense		(38)	(89)
Finance cost expense	6	(97)	(384)
Other expenses from operating activities		(333)	(363)
Share of net profit of jointly controlled entities accounted for using the equity method	31(d)	15,920	11,932
Profit before income tax		8,573	4,244
Income tax expense	7	(133)	(8,138)
Profit/(loss) from continuing operations		8,440	(3,894)
Loss from discontinued operations	8(b)	(1,248)	(3,464)
Profit/(loss) for the year		7,192	(7,358)
Profit/(loss) for the year is attributable to:			
Owners of Pinnacle Investment Management Group Limited		4,537	(8,960)
Non-controlling interests		2,655	1,602
		7,192	(7,358)
		Cents	Cents
Earnings per share:			
From continuing operations attributable to owners of Pinnacle Investment Management Group Limited			
Basic earnings per share	34	5.2	(5.2)
Diluted earnings per share	34	5.2	(5.2)
Total profit/(loss) attributable to owners of Pinnacle Investment Management Group Limited			
Basic earnings per share	34	4.1	(8.5)
Diluted earnings per share	34	4.1	(8.5)

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

	Notes	2016 $'000	2015 $'000
Profit/(loss) for the year		7,192	(7,358)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Changes to the fair value of available-for-sale financial assets	8(c)	943	-
Total comprehensive income/(loss) for the year		8,135	(7,358)
Total comprehensive income for the year is attributable to:			
Owners of Pinnacle Investment Management Group Limited		5,480	(8,960)
Non-controlling interests		2,655	1,602
		8,135	(7,358)
Total comprehensive income for the year attributable to owners of Pinnacle Investment Management Group Limited arises from:			
Continuing operations		5,785	(5,496)
Discontinued operations	8(b)	(305)	(3,464)
		5,480	(8,960)

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

	Notes	2016 $'000	2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	13,544	13,570
Trade and other receivables	10	5,670	3,160
Financial assets at fair value through profit or loss	11	10,918	6,195
Derivative financial assets	12	-	89
Other current assets	13	2,661	3,637
Assets classified as held for sale	8	-	17,094
Total current assets		32,793	43,745
Non-current assets			
Investments accounted for using the equity method	31	24,528	19,408
Property, plant and equipment	14	135	53
Intangible assets		14	-
Available-for-sale financial assets	8(c)	943	-
Other non-current assets	16	-	753
Total non-current assets		25,620	20,214
Total assets		58,413	63,959
LIABILITIES			
Current liabilities			
Trade and other payables	17	6,206	5,093
Provisions	18	979	1,939
Other current liabilities	19	1,572	-
Liabilities of disposal group classified as held for sale	8	-	12,225
Total current liabilities		8,757	19,257
Non-current liabilities			
Provisions	21	73	232
Total non-current liabilities		73	232
Total liabilities		8,830	19,489
Net assets		49,583	44,470
EQUITY			
Contributed equity	22	61,946	61,466
Reserves	23(a)	1,167	(307)
Accumulated losses	23(b)	(19,982)	(20,486)
Capital and reserves attributable to owners of Pinnacle Investment Management Group Limited		43,131	40,673
Non-controlling interests		6,452	3,797
Total equity		49,583	44,470

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

	Notes	Attributable to owners of Pinnacle Investment Management Group Limited: Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2014		57,534	1,231	(6,924)	51,841	2,604	54,445
Total comprehensive income for the year		-	-	(8,960)	(8,960)	1,602	(7,358)
Transactions with owners in their capacity as owners:							
Share-based payments	23	-	(158)	-	(158)	-	(158)
Transactions with non-controlling interests		-	-	-	-	(409)	(409)
Dividends paid to shareholders	23	-	-	(4,602)	(4,602)	-	(4,602)
Movement in treasury stock held by employee share trust	22	132	-	-	132	-	132
Transfer from reserves	23	1,380	(1,380)	-	-	-	-
Issue of shares on exercise of options		2,420	-	-	2,420	-	2,420
		3,932	(1,538)	(4,602)	(2,208)	(409)	(2,617)
Balance at 30 June 2015		61,466	(307)	(20,486)	40,673	3,797	44,470
Balance at 1 July 2015		61,466	(307)	(20,486)	40,673	3,797	44,470
Total comprehensive income for the year		-	943	4,537	5,480	2,655	8,135
Transactions with owners in their capacity as owners:							
Share-based payments	23	-	531	-	531	-	531
Dividends paid to shareholders	23	-	-	(4,033)	(4,033)	-	(4,033)
Issue of shares on exercise of options		480	-	-	480	-	480
		480	531	(4,033)	(3,022)	-	(3,022)
Balance at 30 June 2016		61,946	1,167	(19,982)	43,131	6,452	49,583

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

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		7,325	65,575
Payments to suppliers and employees		(16,902)	(71,248)
Receipts of premiums on put options over listed securities		-	339
Payments of premiums on put options over listed securities		-	(339)
Dividends and distributions received		13,691	12,503
Interest received		198	605
Finance and borrowings costs paid		(197)	(425)
Loan facility advances - clients		-	3,959
Loan facility repayment - clients		-	(3,215)
Proceeds from sale of financial assets at fair value through profit or loss		1,117	5,592
Payments to purchase financial assets at fair value through profit or loss		(5,407)	(6,399)
Net cash (outflow)/inflow from operating activities	33	(175)	6,947
Cash flows from investing activities			
Repayment of loans by other entities		-	17
Payments for property, plant and equipment		(124)	(106)
Payments for intangible assets		(9)	(6)
Proceeds from sale of investments in subsidiaries		4,000	246
Cash transfer on deconsolidation of subsidiary		-	(33)
Payments for investments accounted for using the equity method		(3,150)	-
Loan repayments from related parties		3,474	1,321
Loan advances to related parties		(366)	(2,278)
Net cash inflow/(outflow) from investing activities		3,825	(839)
Cash flows from financing activities			
Dividends paid to non-controlling interests		-	(409)
Dividends paid to shareholders		(4,033)	(4,602)
Proceeds from issue of shares and other equity securities		357	2,430
Net cash (outflow) from financing activities		(3,676)	(2,581)
Net (decrease)/increase in cash and cash equivalents		(26)	3,527
Cash and cash equivalents at the beginning of the financial year		13,570	20,604
Less cash transferred to assets of disposal group held for sale	8(d)	-	(10,561)
Cash and cash equivalents at end of year	9	13,544	13,570

The consolidated statement of cash flows includes cash flows from continuing and discontinued operations.

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

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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 Pinnacle Investment Management Group Limited and its subsidiaries ("the Group") - refer to note 30.

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(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 2015.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets (including derivative instruments) at fair value through profit or loss and assets and liabilities of the disposal group measured at the lower of cost and fair value less costs to sell.

(v) Critical accounting estimates and judgements

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

(vi) Adjustment of prior period balances

Prior period balances have been adjusted where changes in the business have resulted in additional or altered disclosures in the current period.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pinnacle Investment Management Group Limited ("Company" or "Parent Entity") as at 30 June 2016 and the results of all subsidiaries for the year then ended. Pinnacle Investment Management Group Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

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

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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 trust

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 22 and note 35(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, and is not deemed to control under relevant accounting standards. These entities have been assessed to meet the classification of joint venture under AASB 11 *Joint arrangements*, due to the requirement for unanimous decision making in relation to a number of strategic matters contained in the shareholders agreements. Further, the Group does not have direct rights to the assets, and obligations for the liabilities of the entities. Investments in entities under joint control are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in entities under joint control includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 31).

The Group’s share of the post-acquisition profits or losses and other comprehensive income of entities under joint control is recognised in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received or receivable from entities under joint control are recognised as a reduction in the carrying amount of the investment in the consolidated statement of financial position.

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

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

The carrying amounts of investments in entities under joint control is tested for impairment in accordance with the policy described in note 1(i).

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(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 Pinnacle Investment Management Group Limited.

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

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

(c) Segment reporting

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

(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.

1 Summary of significant accounting policies (continued)

Revenue is recognised for the major business activities as follows:

(i) Brokerage and management fees

Brokerage 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 met the relevant performance benchmarks.

(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 to note 1(l)).

(vi) Service charges to entities under joint control

Service charges to entities under joint control are recognised when the relevant services are performed.

(f) Income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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

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

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

(i) Tax consolidation legislation

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 1(z)(ii).

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 28). Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(h) Business combinations

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

1 Summary of significant accounting policies (continued)

(h) Business combinations (continued)

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

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

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

(i) Impairment of assets

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 of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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 generally due 30 days from the date of recognition. 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 re-organisation 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.

1 Summary of significant accounting policies (continued)

(k) Trade receivables (continued)

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) 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 and receivables are included in trade and other receivables (note 10) and other assets (note 13 and 16).

(iii) Available-for-sale financial assets

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

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. At initial recognition financial assets 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 the consolidated statement of comprehensive income. 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 subsequently carried at amortised cost using the effective interest method.

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

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

1 Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

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. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

- Assets carried at amortised cost
If there is objective 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) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss recognised in the consolidated statement of comprehensive income.

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

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

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

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

(m) 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.

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

1 Summary of significant accounting policies (continued)

(n) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

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

(o) Intangible assets

(i) IT development and software

Costs incurred in developing products or systems and acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. 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 from the point at which the asset is ready to use.

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

(p) Trade and other payables

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

(q) Provisions

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

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

1 Summary of significant accounting policies (continued)

(q) Provisions (continued)

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.

(r) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

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

(iii) Retirement benefit obligations

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

(iv) Share-based payments

Share-based compensation benefits are provided to certain employees via the Pinnacle Investment Management Group Employee Option Share Plan and where applicable, WHIG long term incentive share plan and Pinnacle long term employee incentive agreements. Information relating to these schemes is set out in note 35.

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

1 Summary of significant accounting policies (continued)

(r) Employee benefits (continued)

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

The plan is administered by AET Structured Finance Services Pty Ltd, see note 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 determined using option pricing models that take into account the exercise price, the vesting period, the vesting and performance criteria, the impact of dilution, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate for the vesting period.

(v) Profit-sharing and bonus plans

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

(vi) Termination benefits

Termination benefits 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 at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(vii) Long-term employee incentive agreements

The Group has a long term employee incentive scheme which enables certain employees of Pinnacle, under full recourse and limited recourse loan arrangements, to acquire shares in Pinnacle. The scheme is designed to align the interests of the employees with those of Pinnacle shareholders.

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

1 Summary of significant accounting policies (continued)

(r) Employee benefits (continued)

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

(s) Contributed equity

Ordinary shares are classified as equity (note 22).

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

(t) Dividends

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

(u) Earnings per share

(i) Basic earnings per share

Basic earnings after tax per share is calculated by dividing:
• the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by;
• 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.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:
• the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
• the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) Goods and Services Tax (GST)

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

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

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

1 Summary of significant accounting policies (continued)

(w) Disposal group held for sale and discontinued operations

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

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

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

(x) Rounding of amounts

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

(y) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published which are not mandatory for 30 June 2016 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* (effective from 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The standard is not applicable until 1 January 2018 but is available for early adoption.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The new hedging rules will also have no impact as the Group does not undertake hedge accounting. The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses. The Group has not yet assessed how its impairment provisions would be affected by the new rules.

(ii) AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principal that revenue is recognised when control of a good or services transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 January 2018), i.e. without re-stating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

1 Summary of significant accounting policies (continued)

(y) New accounting standards and interpretations not yet adopted (continued)

The Group is currently assessing the impact of the new rules and has identified that recognition of performance fee income could be affected. At this stage, the Group is not able estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

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

(z) Parent Entity financial information

The financial information for the Parent Entity, Pinnacle Investment Management Group Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

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

(ii) Tax consolidation legislation

Pinnacle Investment Management Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Pinnacle Investment Management Group Limited, 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 standalone taxpayer in its own right.

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

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

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

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) Share based payments

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

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, and cash flow management. The management of risk throughout the Group is achieved through the procedures, policies, people competencies and risk monitoring functions that form part of the overall Group risk management framework. This is achieved through regular updates in the form of targeted risk management analysis and reporting functions that provide an assessment of the Group's risk exposure levels and performance to benchmarks / tolerance limits.

The Group holds the following financial instruments (excluding financial assets of the disposal group classified as held for sale):

	2016 $'000	2015 $'000
Financial assets		
Cash and cash equivalents	13,544	13,570
Trade and other receivables	5,407	2,259
Financial assets at fair value through profit or loss	10,918	6,195
Derivative financial assets	-	89
Available for sale financial assets	943	-
Loans to entities under joint control (current)	1,766	3,637
Loans to shareholders and entities under joint control (non-current)	-	753
	32,578	**26,503**
Financial liabilities		
Trade and other payables	6,206	5,093
Other current liabilities	1,572	-
	7,778	**5,093**

(a) Market risk

(i) Foreign exchange risk

The Group is not materially exposed to foreign exchange risk.

(ii) Price risk

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

The Group manages the price impact of market risk 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 unlisted unit trusts.

2 Financial risk management (continued)

Sensitivity

The table below summarises the impact of increases/decreases in equity securities prices on the Group's after tax profit for the year and on equity. The analysis is based on the assumption that equity securities prices had increased/decreased by 15% (2015 - 15%) with all other variables held constant and all the Group's equity investments included in financial assets at fair value through profit and loss moved in correlation with the index.

	Impact on after-tax profit		Impact on equity	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Group	1,637	650	1,637	650

(iii) Interest rate risk

The Group's main interest rate risk arises from holding cash and cash equivalents. During 2016 and 2015, the Group's cash and cash equivalents were denominated in Australian dollars. The Group reviews its interest rate exposure as part of the Group's cash flow management and takes into consideration the yields, duration and alternative financing options as part of the renewal of existing positions.

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

	30 June 2016		30 June 2015	
	Weighted average interest rate	**Balance**	Weighted average interest rate	Balance
	%	**$'000**	%	$'000
Cash and cash equivalents	1.96%	13,544	2.32%	13,570
Net exposure to cash flow interest rate risk		**13,544**		**13,570**

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

Sensitivity

At 30 June 2016, 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 $95,000 lower/higher (2015 - change of 100 basis points: $95,000 lower/higher).

(b) Credit risk

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

Credit risk is managed on a Group basis. Credit risk relates to the risk of a client or counterparty defaulting on their financial obligations resulting in a loss to the Group. These obligations primarily relate to distribution and management fees. The Group does not carry 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.

2 Financial risk management (continued)

(b) Credit risk (continued)

The Group held the following credit risks:

	2016 $'000	2015 $'000
Cash and cash equivalents	13,544	13,570
Trade and other receivables	5,407	2,259
Financial assets at fair value through profit or loss	10,918	6,195
Derivative financial assets	-	89
Available-for-sale financial assets	943	-
Loans to entities under joint control (current)	1,766	3,637
Loans to shareholders and entities under joint control (non-current)	-	753
	32,578	26,503

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

Neither past due nor impaired trade receivables and loans are those that are within their relevant contractual payment terms and 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 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 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.

	2016 $'000	2015 $'000
Trade and other receivables		
Neither past due nor impaired	5,394	1,463
Past due but not impaired	13	796
Past due and impaired	-	-
	5,407	2,259
Loans		
Neither past due nor impaired	1,766	4,390
Total trade and loan receivables	7,173	6,649

2 Financial risk management (continued)

Impaired trade and loan receivables

As at 30 June 2016 receivables of the Group with a nominal value of $nil (2015 - $nil) were impaired.

Past Due but not impaired

As of 30 June 2016, trade receivables of $13,000 (2015 - $796,000) were past due but not impaired. These relate to customers for whom there is no recent history of default.

The ageing of these receivables is as follows:

	2016 $'000	2015 $'000
1 to 3 months	13	528
3 to 6 months	-	160
Over 6 months	-	108
	13	796

Credit quality

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

	2016 $'000	2015 $'000
Cash at bank and short-term bank deposits		
AA-	13,544	13,557
A+	-	13
	13,544	13,570
Derivative financial assets		
Exchange traded options and unrated assets	-	89
	-	89
Australian listed securities		
AA-	135	-
BBB	150	-
	285	-

2 Financial risk management (continued)

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring actual and forecast cash flows. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding through available cash and readily liquefiable investments in the Group's Principal Investments portfolio. At 30 June 2016 the Group has $24.5 million in available cash and Principal Investments.

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

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:

	2016 $'000	2015 $'000
Overdraft and intra-day settlement facilities		
Expiring within one year	-	10,000
	-	10,000

Further information on financing arrangements is detailed in note 22.

Maturities of financial liabilities

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

Contractual maturities of financial liabilities	1 - 30 days	30 days to 1 year	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
At 30 June 2016	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	3,399	2,807	-	-	6,206	6,206
Other current liabilities	-	1,572	-	-	1,572	1,572
Total financial liabilities	3,399	4,379	-	-	7,778	7,778
At 30 June 2015						
Trade and other payables	3,624	1,469	-	-	5,093	5,093
Total financial liabilities	3,624	1,469	-	-	5,093	5,093

2 Financial risk management (continued)

(d) Fair value measurements (continued)

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

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

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

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

30 June 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Australian listed securities	285	-	-	285
Other unlisted equity securities	-	-	231	231
Unlisted unit trusts	10,402	-	-	10,402
Contingent consideration from disposal of discontinued operation	-	-	943	943
Total assets	10,687	-	1,174	11,861

No liabilities were held at fair value at 30 June 2016.

30 June 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Exchange traded options	89	-	-	89
Other unlisted equity securities	-	-	358	358
Unlisted unit trusts	5,837	-	-	5,837
Total assets	5,926	-	358	6,284

No liabilities were held at fair value at 30 June 2015.

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

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

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

2 Financial risk management (continued)

The carrying amounts of cash and cash equivalents, trade receivables and payables, 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.

Fair value measurements using significant unobservable inputs (level 3)

Level 3 items include unlisted equity securities held by the Group, and contingent consideration from disposal of discontinued operations. The following table presents the changes in level 3 instruments for the years ended 30 June 2016 and 30 June 2015:

	Contingent consideration $'000	Unlisted equity securities $'000
Opening balance 1 July 2014	-	459
Unrealised losses recognised in fair value gains/(losses) on financial assets at fair value through profit or loss	-	(101)
Closing balance 30 June 2015	-	358
Unrealised losses recognised in fair value gains/(losses) on financial assets at fair value through profit or loss	-	(127)
Fair value adjustments recognised in other comprehensive income	943	-
Closing balance 30 June 2016	943	231

(i) Transfer between levels 1 and 3
There were no transfers between levels 1 and 3 during the year.

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

Contingent consideration valued under Level 3 relates to the disposal of discontinued operations (refer note 8(c)). The fair value of contingent consideration from disposal of the Securities business is determined based on forecasts of profits, taxable income and deferred tax asset utilisation using the latest financial information available for the business at balance date.

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 Group and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future in the preparation of the financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

(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. Where required, the recoverable amounts of assets 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 can recognise deferred tax assets relating to carried forward tax losses and deductible timing differences to the extent that it is considered probable that there will be future taxable profits relating to the same taxation authority against which the carried forward tax losses and deductible timing differences will be utilised. The Group has forecast future taxable profits by applying assumptions to budgeted results to extrapolate forecast taxable profits for future financial years.

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

(i) Fair value of financial assets

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. Refer to note 2(d) for further details.

(ii) Entities subject to joint control

Entities subject to joint control are not considered controlled entities for the purposes of AASB 10 on the basis that all key strategic and operational decisions require a unanimous vote by the Board of directors.

(iii) Assets classified as held for sale

Assets classified as held for sale during the period were measured at the lower of their carrying value or fair value less costs to sell, at the time of reclassification, as required by AASB 5. The determination of fair values is based on evidence available to management at the time of reclassification and requires the use of estimates and judgements regarding the ultimate sale consideration for the disposal group, including the fair value of contingent consideration. Subsequent re-assessment of the fair value of the disposal group is brought to account as profit or loss of the discontinued operation, as appropriate, at the time of re-assessment

(iv) 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.

3 Critical accounting estimates and judgements (continued)

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

(v) Share-based payments

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

(vi) Contingencies

The Group has made certain judgements and estimates relating to the contingent liabilities outlined in note 27. These assumptions are based on all existing information available at the signing date of the Financial Report.

4 Segment information

(a) Description of segments

The Group has two reporting segments, Wilson Group 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; and
- providing distribution services, business support and responsible entity services to the Pinnacle Boutiques and external parties.

Wilson Group

- specialty funds management through Priority Funds;
- selected investments as Principal; and
- servicing structured products for clients.

The Wilson Group segment previously included the results of the Securities business, which is now classified as a discontinued operation - refer to note 8 for further details.

4 Segment information (continued)

(b) Operating segments

2016	Wilson Group $'000	Pinnacle $'000	Consolidated $'000
Segment Revenue			
Revenue from continuing operations	2,398	5,747	8,144
Interest income on structured products	15	-	15
Other interest revenue	122	67	189
Total segment revenue	2,535	5,814	8,349
Unallocated revenue			35
Consolidated revenue			8,384
Segment result excluding non-controlling interests	628	7,968	8,596
Segment result attributable to non-controlling interests	-	2,655	2,655
Segment result	628	10,623	11,251
Net unallocated expenses			(2,677)
Profit before income tax from continuing operations			8,573
Income tax expense			(133)
Profit from continuing operations			8,440
Loss from discontinued operations			(1,248)
Profit for the year			7,192
Other information regarding operating segments			
Share of profits of entities accounted for using the equity method	-	15,920	15,920
Depreciation and amortisation expense	12	26	38
Interest and finance charges - corporate	-	117	117
Unallocated - interest and finance charges - corporate			(20)
Total finance cost expense			97
Fair value (losses)/gains on financial assets at fair value through profit or loss	454	(110)	344

4 Segment information (continued)

(b) Operating segments (continued)

2015	Wilson Group $'000	Pinnacle $'000	Consolidated $'000
Segment Revenue			
Revenue from continuing operations	1,446	5,649	7,095
Interest income on structured products	305	-	305
Other interest revenue	4	-	4
Total segment revenue	1,755	5,649	7,404
Unallocated revenue			243
Consolidated revenue			7,647
Segment result excluding non-controlling interests	(1,049)	5,825	4,776
Segment result attributable to non-controlling interests	-	1,602	1,602
Segment result	(1,049)	7,427	6,378
Net unallocated expenses			(2,134)
Profit before income tax from continuing operations			4,244
Income tax expense			(8,138)
Loss from continuing operations			(3,894)
Loss from discontinued operations			(3,464)
Loss for the year			(7,358)
Other information regarding operating segments			
Share of profits of entities accounted for using the equity method	-	11,932	11,932
Depreciation and amortisation expense	30	59	89
Interest and finance charges - corporate	(68)	538	470
Unallocated - interest and finance charges - corporate			(325)
Total interest and finance charges - corporate			145
Amortisation using effective interest rate	115	-	115
Interest and finance charges - client	124	-	124
Total finance cost expense			384
Fair value (losses)/gains on financial assets at fair value through profit or loss	(682)	417	(265)

Segment revenue

Sales between segments are carried out at arm's 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 Group is domiciled in Australia and revenue is predominantly sourced from customers within Australia.

Net profit 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 continuing operations

	2016 $'000	2015 $'000
Services revenue		
Brokerage	-	7
Fund management fees	914	1,297
Performance fee income	1,105	26
Service charges to entities under joint control	5,704	4,423
Interest income on structured products (Next Financial)	15	305
Amortisation of loan establishment fees (Next Financial)	-	25
	7,738	6,083
Other revenue		
Directors fees	44	44
Interest received or due	189	392
Dividends and distributions	195	788
Gain on deconsolidation of subsidiary	-	56
Other revenue	218	284
	646	1,564
	8,384	7,647

6 Expenses

Profit before income tax includes the following specific expenses:	2016 $'000	2015 $'000
Finance cost expense (i)		
Interest and finance charges - corporate	97	145
Interest and finance charges - client	-	124
Amortisation using effective interest rate	-	115
Total finance cost expense	97	384
Rental expense relating to operating leases		
Minimum lease payments	549	685
Total rental expense relating to operating leases	549	685
Impairment		
Impairment expense - loans to related parties and investments accounted for using the equity method	941	1,024
Reversal of impairment expense - loans to related parties and investments accounted for using the equity method	(1,148)	(714)
Total impairment (reversal) / expense	(207)	310

(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 21).

7 Income tax

(a) Income tax expense/(benefit)

	2016 $'000	2015 $'000
Income tax expenses is attributable to:		
Continuing operations	133	8,138
Discontinued operations	76	663
Total income tax expense/(benefit)	**209**	**8,801**
Current tax	(2,414)	(1,352)
Deferred tax	2,410	10,142
Adjustments for tax in respect of prior periods	213	11
	209	8,801
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
Decrease in deferred tax assets	2,228	10,358
Decrease in deferred tax liabilities	182	(216)
	2,410	10,142

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

	2016 $'000	2015 $'000
Profit from continuing operations before income tax	8,573	4,244
Loss from discontinued operations before income tax	(1,172)	(2,801)
Profit before income tax	**7,401**	**1,443**
Tax at the Australian tax rate of 30% (2015 - 30%)	**2,220**	**433**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of profits of entities under joint control	(4,776)	(3,580)
Impairment	282	93
Non-deductible expenditure	187	498
Sundry items	(171)	61
Loss on held for sale classification	-	749
	(2,258)	(1,746)
Adjustments for tax in respect of prior periods	213	11
Deferred tax assets not recognised*	2,254	10,536
	2,467	10,547
Total income tax expense/(benefit)**	**209**	**8,801**

* Relates to deferred tax assets in relation to Pinnacle and Wilson Group income tax consolidated groups 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.

** Includes $76,000 (2015- $663,000) of income tax expense recognised in loss from discontinued operations (refer to note 8).

7 Income tax (continued)

(c) Tax losses not recognised

	2016 $'000	2015 $'000
Unused tax losses of Pinnacle for which no deferred tax asset has been recognised	22,724	17,756
Unused tax losses of Wilson Group for which no deferred tax asset has been recognised	31,828	27,032
Total	54,552	44,788
Potential tax benefit at 30%	16,366	13,436

(d) Tax consolidation legislation

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

8 Discontinued Operations

(a) Description

On 15 May 2015 the Company entered into transaction documents with Craigs Investment Partners, Deutsche Australia and staff representatives of the Securities business for the purchase of 100% of the issued shares of entities comprising the Securities business. On 26 June 2015 shareholders approved the sale, with completion of the transaction occurring on 1 July 2015.

Under the terms of the sale agreement the Company:

- transferred its shareholdings in the subsidiaries comprising its Securities business to the purchasers;
- received cash consideration of $4,000,000, and provided vendor finance with a fair value of $868,000;
- may receive a future profit share for the first two years post completion of 50% of the profit before tax of the Securities business exceeding $3,000,000, but capped at $1,000,000 each year;
- may receive additional value for deferred tax assets if the amount utilised by the Securities business exceeds $350,000 during the first three years post completion;
- has contingent liabilities relating to its historical ownership of the business which will run off over time;
- committed to pay certain staff related costs, run-off insurances and other items.

Following completion of the transaction, the Company and the purchasers further agreed to provide various services to each other to ensure a smooth transition of the ownership of business.

Further detail of the transaction was provided in the notice of meeting provided for the extraordinary general meeting dated 20 May 2015.

8 Discontinued Operations (continued)

(b) Financial performance and cash flows

The profit/(loss) for the current and prior corresponding period related to the discontinued operations were as follows:

	2016 $'000	2015 $'000
Revenue	-	51,982
Expenses	(1,134)	(50,405)
Results from operating activities	**(1,134)**	**1,577**
Loss on disposal of discontinued operation (see (c) below)	(38)	-
Re-measurement of Disposal Group to fair value less costs of disposal	-	(2,497)
Transaction related costs	-	(1,881)
Loss before tax from discontinued operations	**(1,172)**	**(2,801)**
Income tax expense	(76)	(663)
Loss from discontinued operation attributable to owners of Pinnacle Investment Management Group Limited	**(1,248)**	**(3,464)**
Changes in fair value of contingent consideration	943	-
Total comprehensive loss attributable to discontinued operation	**(305)**	**(3,464)**

The cash-flows for the current and prior corresponding period related to the discontinued operations were as follows:

	2016 $'000	2015 $'000
Net cash (outflow) from operating activities	(161)	(1,076)
Net cash inflow from investing activities	4,000	-
Net cash inflow from financing activities	-	6,360
Net cash flow for the year	**3,839**	**5,284**

(c) Details of the disposal

The carrying amounts of assets and liabilities as at the date of disposal (1 July 2015) were:

	$'000
Current Assets	
Cash	10,246
Trade and other receivables	2,987
Other current assets	1,634
	14,867
Non-Current Assets	
Deferred tax Assets	2,715
Total Assets	**17,582**
Current Liabilities	
Trade and other payables	(5,299)
Provisions	(3,563)
Other current liabilities	(104)
	(8,966)
Non-Current Liabilities	
Provisions	(605)
Other non-current liabilities	(1,868)
Total Liabilities	**11,439**
Net assets	**6,143**

8 Discontinued Operations (continued)

(c) Details of the disposal

	$'000
Consideration received / receivable in cash and cash equivalents	5,237
Contingent consideration	943
Other consideration	868
Disposal consideration	**7,048**
Carrying value of net assets disposed of	(6,143)
Gain on disposal before changes in fair value of contingent consideration	**905**
Changes in fair value of contingent consideration recognised in other comprehensive income	(943)
Loss on disposal	**(38)**

The agreement for the disposal included items of contingent consideration relating to a profit-share over the first two years post disposal, and utilisation of deferred tax assets in the first 3 years following disposal. At 30 June 2016 the fair value of these items has been assessed at $943,000. This carrying value has been included in available-for-sale financial assets in the statement of financial position.

(d) Assets and liabilities of disposal group classified as held-for-sale

	2015 $'000
Assets	
Cash and cash equivalents	10,561
Trade and other receivables	3,659
Deferred tax assets	2,716
Other non-current assets	158
Assets of disposal group held-for-sale	**17,094**
Liabilities	
Trade and other payables	6,093
Provisions	4,160
Other non-current liabilities	1,972
Liabilities of disposal group held-for-sale	**12,225**

9 Current assets - Cash and cash equivalents

	2016 $'000	2015 $'000
Available cash at bank and on hand	13,238	13,339
Fixed-term deposits	305	217
Other committed cash at bank and on hand	1	14
	13,544	13,570

(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) Fixed term and at-call deposits

Fixed-term and at-call deposits bear floating interest rates between 1.70% and 3.25% (2015: 2.0% and 3.15%). At-call deposits have an average maturity of 30 days. Fixed-term deposits have a maturity ranging from 90 days to 1 year.

10 Current assets - Trade and other receivables

	2016 $'000	2015 $'000
Trade receivables	3,235	1,416
Related party receivable	-	29
Income receivable	476	814
Other receivables	1,696	-
Prepayments	263	901
	5,670	3,160

(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. Refer to note 2 for more information on the financial risk management policy of the Group.

(b) Fair value and credit risk

Information about the Group's exposure to credit risk and about the methods and assumptions used in determining fair value is provided in note 2(b) and 2(d).

11 Current assets - Financial assets at fair value through profit or loss

	2016 $'000	2015 $'000
Australian listed securities	285	-
Other unlisted equity securities	231	358
Unlisted unit trusts	10,402	5,837
	10,918	6,195

(a) Risk exposure and fair value measurements

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

12 Derivative financial assets and liabilities

	2016 $'000	2015 $'000
Current assets		
Exchange traded put options (a)	-	89
Total current derivative financial instrument assets	**-**	**89**

(a) Instruments used by the group

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 and price risk and 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 fair value of each class of derivative financial assets mentioned above.

13 Current assets - Other current assets

	2016 $'000	2015 $'000
Loans from Pinnacle to entities under joint control	1,766	3,637
Capitalised transaction costs	895	-
	2,661	3,637

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

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.

14 Non-current assets - Property, plant and equipment

	Plant and equipment $'000	Fixtures and fittings $'000	Leasehold improvements $'000	Total $'000
At 30 June 2014				
Cost	4,595	762	7,980	13,337
Accumulated depreciation and impairment	(4,547)	(762)	(6,791)	(12,100)
Net book amount	48	-	1,189	1,237
Year ended 30 June 2015				
Opening net book amount	48	-	1,189	1,237
Additions	57	9	222	288
Disposals	(18)	(1)	-	(19)
Depreciation charge	(12)	-	(19)	(31)
Depreciation charge - discontinued operations	(13)	-	(690)	(703)
Transfer to assets of disposal group held for sale	(17)	-	(702)	(719)
Closing net book amount	45	8	-	53
At 30 June 2015				
Cost	85	19	-	104
Accumulated depreciation	(40)	(11)	-	(51)
Net book amount	45	8	-	53
Year ended 30 June 2016				
Opening net book amount	45	8	-	53
Additions	97	11	10	118
Disposals	(26)	-	-	(26)
Depreciation on disposal	26	-	-	26
Depreciation charge	(32)	(1)	(3)	(36)
Closing net book amount	110	18	7	135
At 30 June 2016				
Cost	156	30	10	196
Accumulated depreciation	(46)	(12)	(3)	(61)
Net book amount	110	18	7	135

Property, plant and equipment is held by subsidiary entities – Ariano Pty Ltd, Pinnacle Services Administration Pty Ltd and Next Financial Limited

15 Net deferred tax assets

	2016 $'000	2015 $'000
Deferred tax assets (a)	425	242
Deferred tax liabilities (b)	(425)	(242)
Net deferred tax assets	-	-

(a) Deferred tax assets

	2016 $'000	2015 $'000
The deferred tax asset balance comprises temporary differences attributable to:		
Unrealised loss on fair value assets	260	222
Other	165	20
Total deferred tax assets	**425**	**242**
Set-off of deferred tax liabilities pursuant to set-off provisions	(425)	(242)
Net deferred tax assets	-	-
Deferred tax assets expected to be recovered within 12 months	-	2
Deferred tax assets expected to be recovered after 12 months	425	240
	425	**242**

* 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.

As at 30 June 2015 the deferred tax assets of continuing operations were derecognised on the basis that they could no longer be recognised under this criteria.

Movements in deferred tax assets	Tax losses $'000	Capital Allowances $'000	Unrealised loss on FV assets $'000	Other $'000	Total $'000
At 1 July 2014	8,622	1,087	230	3,345	13,284
Adjustments relating to prior periods	(9)	-	-	2	(7)
(Charged)/credited					
- to profit or loss - current	598	-	-	-	598
- to profit or loss - deferred	(9,211)	108	(8)	(1,247)	(10,358)
Transfer to assets of disposal group held for sale	-	(1,195)	-	(2,080)	(3,275)
At 30 June 2015	**-**	**-**	**222**	**20**	**242**
At 1 July 2015	-	-	222	20	242
Adjustments relating to prior periods					
(Charged)/credited					
- to profit or loss - current	2,410	-	-	-	2,410
- to profit or loss - deferred	(2,410)	-	38	145	(2,227)
At 30 June 2016	**-**	**-**	**260**	**165**	**425**

15 Net deferred tax assets (continued)

(b) Deferred tax liabilities

	2016 $'000	2015 $'000
The deferred tax liabilities balance comprises temporary differences attributable to:		
Financial assets at fair value through profit or loss	425	240
Receivables	-	2
Total deferred tax liabilities	425	242
Deferred tax liabilities expected to be settled within 12 months	-	2
Deferred tax liabilities expected to be settled after 12 months	425	240
	425	242

Movements in deferred tax liabilities	Property, plant and equipment $'000	Put option premiums $'000	Financial assets at fair value through profit/loss $'000	Other $'000	Total $'000
At 1 July 2014	444	106	427	44	1,021
Adjustments relating to prior periods	-	-	(3)	-	(3)
Charged/(credited)					
- to profit or loss - deferred	104	(106)	(184)	(30)	(216)
Transfer to assets of disposal group held for sale	(548)	-	-	(12)	(560)
At 30 June 2015	-	-	240	2	242
At 1 July 2015	-	-	240	2	242
Charged/(credited)					
- to profit or loss - deferred	-	-	185	(2)	183
At 30 June 2016	-	-	425	-	425

16 Non-current assets - Other non-current assets

	2016 $'000	2015 $'000
Loans to employee shareholders	-	488
Loans from Pinnacle to entities under joint control	-	265
	-	753

Loans to employee shareholders at balance date are used by employees for the purpose of purchasing shares in entities under joint control, are repayable on sale of shares or termination of employment and are primarily repaid via dividends received from those entities.

17 Current liabilities - Trade and other payables

	2016 $'000	2015 $'000
Trade payables	319	493
Accrued expenses	2,168	1,418
Accrued bonuses	3,229	2,262
Other payables	490	920
	6,206	5,093

18 Current liabilities - Provisions

	2016 $'000	2015 $'000
Employee benefits - annual leave and long service leave	979	816
Transaction - related costs *	-	1,123
	979	1,939

* Transaction related costs relate to the disposal of the Securities business (refer note 8).

(a) Movements in provisions

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

	Transaction related Costs $'000	Employee Benefits $'000
2016		
Current		
Carrying amount at the start of the year	1,123	816
Additional provisions recognised	-	163
Amounts utilised during the year	(1,123)	-
Carrying amount at end of year	-	979

19 Current liabilities - Other current liabilities

	2016 $'000	2015 $'000
Payables to disposal group	1,572	-
	1,572	-

20 Current liabilities - Financing arrangements

(a) Secured liabilities and assets pledged as security

Bank Guarantee Facility

The Group has a bank guarantee facility which is secured by a general security deed over the assets of a subsidiary of the Group, Ariano Pty Ltd, and guarantees provided by the Company and other Group entities (excluding entities within the Pinnacle Investment Management Limited and Next Financial Limited groups) – refer note 27. These facilities expire on the 30 June 2017:

	2016 $'000	2015 $'000
Intraday settlement facility (amount used at balance date - $nil)	-	7,500
Bank overdraft (amount used at balance date - $nil)	-	2,500
Bank guarantee (amount used at balance date - $5,050,000)	5,500	10,000
	5,500	20,000

On 1 July 2015 the facility was amended as a result of the sale of the Wilson HTM Securities business (refer note 8). The intraday settlement facility and overdraft facility were removed and the bank guarantee facility reduced to $5,050,000.

On 27 June 2016 the bank guarantee facility was amended to increase the amount of the facility from $5,050,000 to $5,500,000. The amended facility is supported by a negative pledge that states that (subject to certain exceptions) the Group will not provide any security over its assets and that the Group's consolidated tangible net assets must not be less than 60% of its total tangible assets. Ongoing compliance with covenants is reviewed on a regular basis and compliance was maintained during the period.

Banking funding facilities for loans to clients of Next Financial Limited

Next Financial Limited previously utilised funding lines provided by Westpac for loans to clients through its geared investment product. These loans were secured by equitable charges over securities and cash which Next Financial Limited held as trustee for clients.

The facility was 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. The facility carried specific undertakings in relation to maintaining net equity values, minimum financial solvency ratios and maintain prescribed collateral, gearing and derivative margin exposure limits.

At 30 June 2015 all funding lines with Westpac had been repaid. The facility was not utilised during the year ended 30 June 2016 and has now been closed.

20 Current liabilities - Financing arrangements (continued)

Assets pledged as security

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

	2016 $'000	2015 $'000
Current		
Cash and cash equivalents	78	16,618
Receivables	420	32,193
Financial assets at fair value through profit or loss	-	5,127
Other current assets	1,119	14,000
Total current assets pledged as security	**1,617**	**67,938**
Non-current		
Other financial assets	-	13,579
Other non-current assets	176	-
Plant and equipment	70	719
Total non-current assets pledged as security	**246**	**14,298**
Total assets pledged as security	**1,863**	**82,236**

The balances for the prior year include assets of the Wilson HTM Securities business prior to its disposal on 1 July 2015.

(b) Interest rate risk exposure

Information about the Group's exposure to interest rate changes are provided in note 2.

21 Non-current liabilities - Provisions

	2016 $'000	2015 $'000
Employee benefits - long service leave	73	232
	73	232

(a) Movements in provisions

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

2016	Employee Benefits $'000
Carrying amount at start of year	232
Amounts utilised during the year	(159)
Carrying amount at end of year	73

22 Contributed equity

(a) Share capital

	2016 Shares	2015 Shares	2016 $'000	2015 $'000
Ordinary shares:				
Fully paid contributed equity - Company	111,131,752	110,531,752	61,946	61,466
Total contributed equity	111,131,752	110,531,752	61,946	61,466

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$'000
1 July 2014	Opening balance	103,013,752		57,534
	Add: Treasury stock held at the beginning of the year	534,398		132
	Exercise of employee options – Sept 2009 grant	68,000	$0.00	-
	Exercise of employee options – Feb 2013 grant	4,075,000	$0.27	1,095
	Exercise of employee options – Feb 2013 grant	2,275,000	$0.32	725
	Exercise of employee options – Feb 2014 grant	500,000	$0.75	375
	Exercise of employee options – Nov 2014 grant	600,000	$0.60	357
	Treasury stock utilised upon exercise of employee options	(534,398)		(132)
	Transfer from share-based payments reserve	-		1,380
30 June 2015	Balance	110,531,752		61,466
	Exercise of employee options – Nov 2014 grant	600,000	$0.60	357
	Transfer from share-based payments reserve	-		123
30 June 2016	Balance	111,131,752		61,946

(c) Ordinary shares

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

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

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

(d) Treasury stock

Treasury stock are shares in Pinnacle Investment Management Group Limited that were held by the employee share trust for the purpose of issuing shares under the Pinnacle Investment Management Group Employee Option Share Plan, and shares forfeited under employee shareholder loan arrangements. There was no treasury stock held at 30 June 2016.

22 Contributed equity (continued)

(e) Employee share plans

Information relating to the Pinnacle Investment Management 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 35.

(f) Capital risk management

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

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

The Group monitors capital on the basis of both Group liquidity and capital and liquidity ratios required under various licences held by subsidiaries.

There have been no material instances of non-compliance with externally imposed capital requirements in the current period.

23 Reserves and accumulated losses

(a) Reserves

	2016 $'000	2015 $'000
Share-based payments reserve	224	(307)
Available-for-sale financial assets reserve	943	-
	1,167	(307)

Movements:

	2016 $'000	2015 $'000
Share-based payments reserve		
Balance at 1 July	(307)	1,231
Share-based payments expense	531	712
Tax effect of share based payment arrangement	-	(747)
Transfer to contributed equity (options exercised)	-	(1,380)
Issue of shares held by employee share plans to employees	-	(123)
Balance at 30 June	224	(307)
Available-for-sale financial assets reserve		
Balance at 1 July	-	-
Changes in fair value of available-for-sale financial assets (refer note 8)	943	-
Balance at 30 June	943	-

The share-based payments reserve is used to recognise:
- the grant date fair value of options issued to employees but not exercised;
- the grant date fair value of shares issued to employees;
- the issue of shares held by employee share plans to employees; and
- the grant date fair value of the Pinnacle Long-term Employee Incentive Plan.

The available-for-sale financial assets reserve is used to recognise changes in the fair value of available-for-sale financial assets.

23 Reserves and accumulated losses (continued)

(b) Accumulated losses

Movements in accumulated losses were as follows:

	2016 $'000	2015 $'000
Balance at 1 July	**(20,486)**	**(6,924)**
Profit/(loss) and total comprehensive income for the year attributable to owners of Pinnacle Investment Management Group Limited	4,537	(8,960)
Dividends paid to shareholders	(4,033)	(4,602)
Balance at 30 June	**(19,982)**	**(20,486)**

24 Dividends

(a) Ordinary shares

	2016 $'000	2015 $'000
Special dividend of 2.25 cents per fully paid share paid on 18 September 2015 Fully franked based on tax paid @ 30.0%	2,487	-
Final ordinary dividend for the year ended 30 June 2014 of 2.75 cents per fully paid share paid on 18 September 2014 Fully franked based on tax paid @ 30.0%	-	2,848
Interim dividend for the year ended 30 June 2016 of 1.40 cents (2015 – 1.60 cents) per fully paid share paid on 31 March 2016 (2015 - 17 April 2015) Fully franked based on tax paid @ 30.0%	1,546	1,754
Total dividends paid	**4,033**	**4,602**

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

	2016 $'000	2015 $'000
Since year end the directors have declared the payment of a special dividend of 5.0 cents per fully paid ordinary share (2015 – special dividend of 2.25 cents) fully franked based on tax paid at 30%. The aggregate amount of the dividend expected to be paid on 9 September 2016, but not recognised as a liability at year end, is:	5,557	2,487
Since year end the directors have declared the payment of a final dividend of 1.9 cents per fully paid ordinary share (2015 - $nil) fully franked based on tax paid at 30%. The aggregate amount of the dividend expected to be paid on 3 October 2016, but not recognised as a liability at year end, is:	2,815	-
Total dividends not recognised at the end of the reporting period	**8,372**	**2,487**

(c) Franked dividends

The franked portions of final dividends recommended after 30 June 2016 will be franked out of existing franking credits.

	2016 $'000	2015 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2015 - 30%)	26,578	22,717

24 Dividends (continued)

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.

25 Key Management Personnel

(a) Key Management Personnel compensation

	2016 $	2015 $
Short-term employee benefits	2,377,657	3,051,578
Post-employment benefits	122,358	138,289
Long-term benefits	4,420	64,317
Termination benefits	85,000	-
Share-based payments	89,661	203,052
	2,679,096	3,457,236

Certain Pinnacle Key Management Personnel are party to the long term employee incentive arrangement described in note 1 (r)(vii). At 30 June 2016, the balance of loans issued to Pinnacle Key Management Personnel was $1,272,917 (2015 - $1,272,917) relating to 5,160 (2015 - 5,160 shares) shares issued in Pinnacle.

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 Pinnacle Investment Management Group Limited and other Key Management Personnel of the Group, including their personally related parties, are set out below.

	2016 Number	2015 Number
Balance at start of year	600,000	220,000
Granted as compensation	1,175,000	1,200,000
Exercised	(600,000)	(1,550,000)
Expired and other changes*	-	730,000
Balance at end of year	1,175,000	600,000

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

25 Key Management Personnel (continued)

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

(ii) Shareholdings

The numbers of shares in the Company held during the financial year by the directors of Pinnacle Investment Management Group Limited and other Key Management Personnel of the Group, including their related parties, are set out below.

	2016 Number	2015 Number
Pinnacle Investment Management Group Limited		
Balance at start of year	28,973,989	24,036,843
Purchased	600,000	1,550,000
Sold and other changes*	(1,000,000)	3,387,146
Balance at end of year	**28,573,989**	**28,973,989**

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

	2016 Number	2015 Number
Pinnacle Investment Management Limited		
Balance at start of year	36,840	31,680
Granted as compensation	-	-
Purchased	-	-
Other changes*	-	5,160
Balance at end of year	**36,840**	**36,840**

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

(c) Loans to Key Management Personnel

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

(i) Aggregates for Key Management Personnel

	Balance at the start of the year $	Interest paid and payable for the year $	Loans advanced during the year $	Loan repayments received $	Other Changes* $	Balance at the end of the year $	Interest not charged $	Number in Group at the end of the year
2016	**2,391,917**	**-**	**-**	**-**	**-**	**2,391,917**	**135,144**	**2**
2015	1,119,000	-	856,845	-	416,072	2,391,917	97,113	2

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

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

26 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:

	2016 $	2015 $
(i) Audit and other assurance services		
Audit and review of financial statements	364,115	280,540
Other assurance services:		
Audit of regulatory returns	26,000	52,860
Audit of compliance plan - Responsible entity *	26,395	54,952
Other assurance services	59,765	43,146
Total remuneration for audit and other assurance services	476,275	431,498
(ii) Taxation services		
Tax services	128,588	130,531
Total remuneration for taxation services	128,588	130,531
(iii) Other services		
Other services	-	-
Total remuneration of PricewaterhouseCoopers Australia	604,863	562,029
Total remuneration of auditors	604,863	562,029

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

27 Contingencies

(a) Contingent assets and liabilities

The Group had contingent liabilities at 30 June 2016 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 $nil (2015 - $2,679,000).

(b) Australian Securities and Investments Commission deposit of $nil (2015 - $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 (2015 - $5,000,000)
  - (ii) Pinnacle RE Services Limited - $50,000 (2015 - $50,000)

The bank guarantee facility was amended on 1 July 2015 as a result of the sale of the Wilson HTM Securities business and the facility limit was reduced to $5,050,000 (refer note 20). The facility was subsequently amended on 27 June 2016 to $5,500,000. The unused bank guarantee facility available at balance date was $450,000 (30 June 2015 - $2,231,000).

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

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

(ii) Disposal of Securities Business

The group has contingent liabilities and assets in respect to its historical ownership of the Wilson HTM Securities business prior to its disposal on 1 July 2015 (refer note 8).

28 Commitments

(a) Capital commitments

There were no capital expenditure commitments at balance sheet date.

(b) Lease commitments: Group as lessee

	2016 $'000	2015 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	598	1,717
Later than one year but not later than five years	2,070	3,618
	2,668	**5,335**
Non-cancellable operating leases	2,668	5,335

(c) Other expenditure commitments

	2016 $'000	2015 $'000
Commitments contracted for at reporting date but not recognised as liabilities are payable as follows:		
Within one year	123	1,381
Later than one year and not later than five years	145	354
	268	1,735

(d) Other commitments

A controlled entity - Pinnacle has previously entered into agreements whereby it has agreed to advance sufficient funds to entities under joint control to cover their operating expenses until such time as the entity becomes profitable on a monthly basis and is generating positive cash flows. Further information in relation to these balances is provided in note 31.

29 Related party transactions

(a) Parent Entity

The Parent Entity of the Group is Pinnacle Investment Management Group Limited (refer note 36).

(b) Subsidiaries and jointly controlled entities

Interests in subsidiaries are set out in note 30.

Interests in jointly controlled entities are set out in note 31.

Details of the disposal of a controlled entity are set out in note 8 and 30.

Details of service charges to jointly controlled entities are provided in note 5.

Details of dividend payments from entities under joint control are provided in note 31.

29 Related party transactions(continued)

(c) Key Management Personnel

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

Disclosure relating to share-based payments is set out in note 35.

(d) Transactions with other related parties

The following transactions occurred with related parties:

	2016 $	2015 $
Transactions with Deutsche Bank AG		
Corporate finance fees received from Deutsche Bank AG	-	1,214,450
Interest revenue received from Deutsche Bank AG	-	363
	-	1,214,813
Other transactions		
Management fees, performance fees and brokerage received from investments in unlisted unit trusts managed by subsidiaries	2,018,969	1,361,731

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

* At 30 June 2016 management fees of $84,685 (30 June 2015 - $72,091) and performance fees of $1,104,778 (30 June 2015 - $25,759) were included in trade and other receivables.

Deutsche Australia

Deutsche Australia was a substantial shareholder of the Company and held 9.22% of the Company's shares at balance date (2015 - 18.55%).

Steven Skala was a non-executive director of the Company until his resignation on 26 August 2016 and is a director of Deutsche Australia Limited and Vice Chairman Australia and New Zealand of Deutsche Bank AG.

Deutsche Bank AG participated in the purchase of the Wilson HTM Securities business from the Company on 1 July 2015 (refer note 8). Prior to the sale of the Securities business, in accordance with its obligations under the shareholder agreement with the Company, Deutsche Bank AG provided 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 Securities business' Private Wealth Management clients under the Wilson HTM brand.

Steven Wilson AM

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. Wilson HTM Ltd was sold on 1 July 2015 and is no longer a subsidiary of the Company. For the period ended 30 June 2015 $28,236 was paid to Mr Wilson under this agreement.

Chum Darvall AM

A director of the Company until 31 August 2015, 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. For the period during which he was a director of the Company Mr Darvall received fees of $10,000 from the entity (2015 - $60,000).

29 Related party transactions(continued)

Issue of options – Pinnacle KMP

On 1 July 2015, the Company issued 4,250,000 options in the Company to senior executives of its subsidiary Pinnacle Investment Management Limited. This included the issue of 750,000 options to Ian Macoun, and 425,000 options to Alex Ihlenfeldt, who are both Key Management Personnel of the consolidated entity.

The options were issued under the Pinnacle Investment Management Group Employee Option Share Plan at an exercise price of 98.6 cents per share. They were granted for no consideration and vest based on fulfilment of specified service conditions. The options vest in two equal tranches (375,000 options per tranche for Mr Macoun, 212,500 options per tranche for Mr Ihlenfeldt) on 1 Jan 2018 and 1 Jan 2020 respectively, with a six month exercise period post vesting. The options are subject to claw-back arrangements and bad leaver provisions. Any options that remain unexercised at the end of the exercise period will lapse.

Funds managed by subsidiaries

Subsidiary companies received responsible entity, management and performance fees in relation to the management of the Spheria Australian Smaller Companies Fund (formerly Wilson Group Priority Growth Fund) and Spheria Australian MidCap Fund (formerly Wilson Group Priority Core Fund). The Group also holds an investment in the Spheria Australian Smaller Companies Fund and Spheria Australian MidCap Fund and these are included in 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.

(e) Loans to/from related parties

	2016 $	2015 $
Loans with entities under joint control		
Balance at 1 July	4,148,478	3,320,216
Loans advanced	300,000	2,278,268
Loans repaid	(3,000,000)	(1,150,000)
Impairment	317,524	(300,006)
Balance at 30 June	1,766,002	4,148,478

(f) Investments in funds managed by subsidiaries

	2016 $	2015 $
Balance at 1 July	4,769,470	5,245,642
Additions	2,000,000	-
Revaluation	651,501	(476,172)
Balance at 30 June	7,420,971	4,769,470

(g) Guarantees

The Group has provided guarantees to subsidiaries as described in note 27.

30 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). The country of incorporation of all subsidiaries is also their principal place of business.

Name of entity	Country of incorporation	Class of security	Equity holding 2016 %	Equity holding 2015 %
WIG Option Plan Managers Pty Ltd	Australia	Ordinary share	100	100
Priority Funds Management Pty Ltd (a)	Australia	Ordinary share	100	100
Priority Investment Management Pty Ltd (a)	Australia	Ordinary share	100	100
Ariano Pty Ltd	Australia	Ordinary share	100	100
Next Financial Limited	Australia	Ordinary share	100	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 Investment Management Limited	Australia	Ordinary share	75	75
Pinnacle Funds Services Limited	Australia	Ordinary share	75	75
Pinnacle Services Administration Pty Ltd	Australia	Ordinary share	75	75
Pinnacle RE Services Limited	Australia	Ordinary share	75	75
Plato Global Shares Income Fund (Managed Risk)	Australia	Units	100	-
Discontinued Operations				
Wilson HTM NewCo 2015 Pty Ltd (b)	Australia	Ordinary share	-	100
Wilson HTM Corporate Finance Ltd (b)	Australia	Ordinary share	-	100
Wilson HTM Services Pty Ltd (b)	Australia	Ordinary share	-	100
Wilson HTM Ltd (b)	Australia	Ordinary share	-	100

(a) In July 2015 Wilson HTM Funds Management Pty Ltd was renamed Priority Funds Management Pty Ltd and Wilson HTM Investment Management Pty Ltd was renamed Priority Investment Management Pty Ltd.

(b) On 1 July 2015 the shares of Wilson HTM Corporate Finance Ltd, and Wilson HTM Services Pty Ltd were transferred as part of the sale of the Securities business (refer note 8). 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 2016 $000	Pinnacle Investment Management Limited 2015 $000
Summarised statement of financial position		
Current assets	17,563	12,932
Non-current assets	24,779	19,983
Total assets	**42,342**	**32,915**
Current liabilities	15,635	5,139
Non-current liabilities	74	12,230
Total liabilities	**15,709**	**17,369**
Net assets	**26,633**	**15,546**
Accumulated non-controlling interest	6,452	3,797
Summarised statement of comprehensive income		
Revenue	6,003	5,860
Share of net profit of jointly controlled entities accounted for using the equity method	15,920	11,932
Expenses	(11,300)	(10,263)
Total comprehensive income	**10,623**	**7,529**
Total comprehensive income allocated to non-controlling interest	2,655	1,602

30 Subsidiaries (continued)

	Pinnacle Investment Management Limited 2016 $000	Pinnacle Investment Management Limited 2015 $000
Dividends paid to non-controlling interest	-	409
Summarised statement of cash flows		
Net cash inflows from operating activities	6,779	7,669
Net cash outflows from investing activities	(83)	(1,464)
Net cash outflows from financing activities	(2,000)	(5,086)
Net increase in cash and cash equivalents	**4,696**	**1,119**

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 had influence over the funds that a subsidiary, Priority Investment Management Pty Ltd, managed due to its power to participate in the financial and operating policy decisions of the investee through its investment management agreement. Priority Investment Management Pty Ltd ceased to be the investment manager on 1 July 2015 and was replaced by Spheria Asset Management Pty Limited, an entity under joint control.

Spheria Australian Smaller Companies Fund and Spheria Australian MidCap 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 received management and performance fees for its role as investment manager of the funds (refer note 5 and 29(d)). The Group holds an investment in both funds. The funds invest in Australian listed equities.

The nature and extent of the Group's investment in funds is summarised below:

	Spheria Australian Smaller Companies Fund 2016 $'000	Spheria Australian Smaller Companies Fund 2015 $'000	Spheria Australian MidCap Fund 2016 $'000	Spheria Australian MidCap Fund 2015 $'000
Current Assets				
Financial assets at fair value through profit or loss	2,236	-	5,185	4,799
Receivables	703	-	606	24
Total Assets	**2,939**	**-**	**5,791**	**4,823**
Maximum exposure to loss	2,939	-	5,791	4,823
Net Asset Value of Funds	45,361	36,723	32,182	27,856
Fund's investment portfolio	40,776	34,878	29,323	26,325

Unless specified otherwise, the Group's maximum exposure to loss is the total of its on-balance sheet positions at 30 June 2016. There are no additional off balance sheet arrangements which would expose the Group to potential loss.

31 Investments accounted for using the equity method

(a) Carrying amounts

A subsidiary of the Group, Pinnacle holds investments in entities under joint control that undertake funds management activities. Information relating to these entities under joint control is set out below.

Name of company	Principal Activity	Ownership interest 2016		Carrying Value 2016	
		2016	2015	2016	2015
Unlisted		%	%	$'000	$'000
Plato Investment Management Limited	Funds Management	49.92	49.92	566	-
Palisade Investment Partners Limited	Funds Management	35.71	35.71	2,279	873
Hyperion Holdings Limited	Funds Management	49.99	49.99	4,239	4,270
Foray Enterprises Pty Limited	Funds Management	40.00	40.00	12,741	11,652
Solaris Investment Management Ltd	Funds Management	40.00	40.00	2,786	2,613
Sigma Funds Management Pty Ltd*	Funds Management	-	26.00	-	-
Spheria Asset Management Pty Ltd	Funds Management	40.00	-	632	-
Antipodes Partners Holdings Pty Ltd	Funds Management	23.57	22.50	1,285	-
				24,528	19,408

*Interest disposed of during April 2016.

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

(b) Summarised financial information for joint ventures

	Hyperion Holdings Limited		Foray Enterprises Pty Limited	
Summarised statement of financial position	**2016**	2015	**2016**	2015
	$000	$000	**$000**	$000
Total current assets	9,041	12,486	12,627	9,379
Total non-current assets	3,205	724	1,272	1,501
Total current liabilities	(3,808)	(4,661)	(4,956)	(4,388)
Total non-current liabilities	(187)	(233)	(44)	(724)
Net Assets	**8,251**	**8,316**	**8,899**	**5,768**
Group share in %	49.99%	49.99%	40.0%	40.0%
Reconciliation to carrying amounts:				
Opening net assets 1 July	8,316	7,207	5,768	4,971
Total comprehensive income	20,454	15,553	5,367	5,297
Dividends paid	(20,519)	(14,444)	(2,236)	(4,500)
Closing net assets	**8,251**	**8,316**	**8,899**	**5,768**
Group's share of net assets	4,125	4,158	3,560	2,307
Excess consideration over share of net assets	114	112	9,181	9,345
Carrying amount	**4,239**	**4,270**	**12,741**	**11,652**
Summarised statement of comprehensive income				
Revenue	37,293	29,639	18,018	15,742
Profit for the year	20,454	15,554	5,369	5,296
Other comprehensive income	-	-	-	-
Total comprehensive income	**20,454**	**15,554**	**5,369**	**5,296**
Dividends received from joint venture entities	(10,259)	(7,222)	(900)	(1,800)

31 Investments accounted for using the equity method (continued)

Individually immaterial jointly controlled entities

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

	2016 $'000	2015 $'000
Aggregate carrying amount of individually immaterial joint ventures	7,548	3,485
Aggregate amounts of the Group's share of:		
Profit for the year	3,702	2,194
Other comprehensive income	-	-
Total comprehensive income	**3,702**	**2,194**

(c) Movements in carrying amounts

	2016 $'000	2015 $'000
Carrying amount at the beginning of the financial year	19,408	19,362
Purchase of shares in entities under joint control	2,140	10
Long term employee incentive arrangements	-	(171)
Share of profit after income tax	15,920	11,932
Write off of investment in entities under joint control	-	(10)
Recovery of impairment	556	-
Dividends received/receivable	(13,496)	(11,715)
Carrying amount at the end of the financial year	**24,528**	**19,408**

(d) Share of entities revenue, expenses and results

	2016 $'000	2015 $'000
Revenues	38,070	29,164
Expenses	(15,184)	(12,090)
Profit before income tax	22,886	17,074
Income tax expense	(6,966)	(5,142)
Profit after income tax	**15,920**	**11,932**

(e) Summary of entities under joint control

	2016 $'000	2015 $'000
Current assets	18,398	14,871
Non-current assets	3,255	1,546
Total assets	**21,653**	**16,417**
Current liabilities	9,057	7,010
Non-current liabilities	576	467
Total liabilities	**9,633**	**7,477**
Net assets	**12,020**	**8,940**

32 Events occurring after the reporting period

Purchase of non-controlling interests of Pinnacle

On 25 August 2016 the Company completed the purchase of the 24.99% non-controlling interest in its subsidiary Pinnacle that it did not already own from the Sellers of Pinnacle (Pinnacle Vendors), following approval by shareholders at an extraordinary general meeting on 16 August 2016, and the fulfilment of all conditions precedent.

Issue of Shares

Under the terms of the share sale agreement the Company issued 37,043,917 shares in the Company as consideration to the Sellers in exchange for their shareholdings in Pinnacle.

Shareholder Loans

Separately, on 25 August 2016, the Sellers acquired 10,251,152 shares in the Company from Deutsche Australia. A portion of these shares was acquired by the Sellers with five-year loans from the Company to the Seller's executives totalling $3,000,000.

The key terms of the loans are as follows:

(a) The loans have a five year term, are limited recourse (subject to the limitations of any indemnification of the relevant trustees of the Sellers) and are interest bearing;

(b) They are secured by way of a share mortgage (see further detail below);

(c) Repayment will occur at the earlier of the end of the five year term, the date on which any shares are sold or within six months of the cessation of the employment of the Seller's Executive;

(d) Events of default include cessation of employment of the Seller's Executive, insolvency or any representation or warranty or statement of the borrower being incorrect or misleading.

As security for the loans, the Company has obtained a first ranking mortgage over that number of the Company's shares which is equal to two times the principal loan amount in value utilising a share price of 90 cents per share. In the occasion of any event of default under the loans, the Company can exercise its rights to enforce its security including by the appointment of a receiver.

Additionally, current loans amounting to $4,311,649 issued by Pinnacle to the Seller's Executives were re-issued by the Company. The current loans date from 2009, 2011, 2012 and 2015 and were used to assist the Seller's Executives to acquire equity in Pinnacle. The loans are interest free and (with the exception of the 2015 loans) repayable on termination of employment or when the underlying equity is sold, whichever event occurs earlier. The re-issued loans are secured by share mortgages with limited recourse to the shares.

Pinnacle Investment Management Group Employee Option Share Plan

Shareholder approval was given on 16 August 2016 to amend the terms of the Pinnacle Investment Management Group Employee Option Share Plan to facilitate the issuing of shares and provision of loans referred to above.

Employee Options

In the event that the Company conducts a placement prior to 30 June 2020 in respect of options that are issued but unvested as at 26 August 2016, the Sellers are entitled to subscribe to the placement for up to a maximum of 1,416,667 shares at the subscription price of the options.

Warranties

The Company has provided a number of warranties under the share sale agreement with the Sellers' Executives including warranties relating to information provided, solvency, title, capacity, authorisations, financial position, information, contingent liabilities, insurance and compliance with laws. Those warranties and the Company's liability are qualified in time and amount by a number of matters.

Change of Name

Wilson Group Limited changed its name to Pinnacle Investment Management Group Limited on 25 August 2016.

32 Events occurring after the reporting period (continued)

Special Dividend

On 16 August 2016 the Company announced the payment of a special dividend of $0.05 per ordinary share, with a record date of 24 August 2016 and payment date of 9 September 2016.

Director appointment and resignations

On 16 August 2016 Mr Ian Macoun was appointed Managing Director of the Company. Mr Macoun was appointed to the board of Directors on 25 August 2016.

On 16 August 2016 Mr Alexander Grant resigned as Managing Director of the Company.

On 26 August 2016 Mr Steven Skala AO resigned as a Director of the Company.

Other than 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.

33 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:

	2016 $'000	2015 $'000
Cash and cash equivalents	13,544	13,570
Balances per statement of cash flows	**13,544**	**13,570**

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

	2016 $'000	2015 $'000
Profit/(loss) for the year	7,192	(7,358)
Depreciation and amortisation	195	1,268
Impairment	360	310
Loss on remeasurement of subsidiaries	-	2,497
Gain on deconsolidation of subsidiary	-	(56)
Equity settled share-based payments	531	712
Net gains on sale of financial assets at fair value through profit or loss	(483)	(312)
Unrealised losses/(gains) on financial assets at fair value through profit or loss	140	455
Change in current and deferred tax balances	-	8,801
Change in operating assets and liabilities, net of effects from acquisition and disposal of businesses:		
Trade and other receivables	(1,446)	2,542
Investments	(2,795)	(217)
Financial assets	(4,291)	(312)
Trade and other payables	418	(919)
Provisions	4	(125)
Financial liabilities	-	(339)
Net cash (outflow)/inflow from operating activities	**(175)**	**6,947**

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

34 Earnings per share

(a) Basic earnings per share

	2016 Cents	2015 Cents
Attributable to the ordinary equity shareholders of the Company		
From continuing operations	**5.2**	(5.2)
From discontinued operations	(1.1)	(3.3)
From total operations	**4.1**	**(8.5)**

(b) Diluted earnings per share

	2016 Cents	2015 Cents
Attributable to the ordinary equity shareholders of the Company		
From continuing operations	**5.2**	(5.2)
From discontinued operations	(1.1)	(3.3)
From total operations	**4.1**	**(8.5)**

(c) Reconciliations of earnings used in calculating earnings per share

	2016 $'000	2015 $'000
Basic and diluted earnings per share		
Profit/(loss) attributable to the ordinary owners of the Company used in calculating basic and diluted earnings per share:		
From continuing operations	5,785	(5,496)
From discontinued operation	(1,248)	(3,464)
Profit/(loss) used in calculating basic and diluted earnings per share	**4,537**	**(8,960)**

(d) Weighted average number of shares used as the denominator

	2016 Number	2015 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	110,580,932	105,748,422
Adjustments for calculation of diluted earnings per share:		
Weighted average options	1,129,086	-
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**111,710,018**	**105,748,422**

(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.

35 Share-based payments

(a) Pinnacle Investment Management Group Employee Option Share Plan

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

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

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
2016								
26 Nov 2014 (B)	30 Jun 2016	$0.595	600,000	-	600,000	-	-	-
1 July 2015 (A)	30 June 2018	$0.986	-	2,125,000	-	-	2,125,000	-
1 July 2015 (B)	30 June 2020	$0.986	-	2,125,000	-	-	2,125,000	-
			600,000	4,250,000	600,000	-	4,250,000	-
Weighted average exercise price			$0.60	$0.99	$0.60	-	$0.99	-

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
2015								
11 Sept 2009	11 Sep 2014	-	96,000	-	(68,000)	(28,000)	-	-
18 Feb 2013	30 Jun 2015	$0.27	4,900,000	-	(4,075,000)	(825,000)	-	-
18 Feb 2013	30 Jun 2015	$0.32	2,275,000	-	(2,275,000)	-	-	-
24 Feb 2014	30 Jun 2015	$0.75	500,000	-	(500,000)	-	-	-
26 Nov 2014	30 Jun 2015	$0.595	-	600,000	(600,000)	-	-	-
26 Nov 2014 (B)	30 Jun 2016	$0.595	-	600,000	-	-	600,000	-
			7,771,000	1,200,000	(7,518,000)	(853,000)	600,000	-
Weighted average exercise price			$0.31	$0.60	$0.34	$0.26	$0.60	-

Options forfeited were as a result of the resignation of plan members from 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 2016 was $1.47 (2015 - $1.05).

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.6 years (2015 - 1.0 years).

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

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

The plan is consolidated into the Group's financial statements in accordance with note 1 (b)(ii). Shares held by the trust and not yet issued to employees at the reporting period are shown as treasury shares in the financial statements (see note 22(d)).

35 Share-based payments (continued)

Fair value of interests granted - 26 November 2014 (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 Black-Scholes pricing model taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the instrument.

- Fair value at grant date: $0.21 per option
- Exercise price: $0.595
- Grant date: 26 November 2014
- Vesting date: 27 February 2016
- Share price at grant date: $0.70
- Expected price volatility of the Company's shares: 52%
- Expected dividend yield: 3.90%
- Risk-free interest rate: 2.77%

Fair value of interests granted – 1 July 2015 (A)

Options were granted for no consideration and vest based on fulfilment of specified service conditions. Vested options are exercisable for a period of 6 months after vesting. The fair value of options were determined using a Black-Scholes pricing model taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the instrument.

- Fair value at grant date: $0.30 per option
- Exercise price: $0.986
- Grant date: 1 July 2015
- Vesting date: 1 January 2018
- Share price at grant date: $1.20
- Expected price volatility of the Company's shares: 31%
- Expected dividend yield: 3.63%
- Risk-free interest rate: 2.03%

Fair value of interests granted – 1 July 2015 (B)

Options were granted for no consideration and vest based on fulfilment of specified service conditions. Vested options are exercisable for a period of 6 months after vesting. The fair value of options were determined using a Black-Scholes pricing model taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the instrument.

- Fair value at grant date: $0.32 per option
- Exercise price: $0.986
- Grant date: 1 July 2015
- Vesting date: 1 January 2020
- Share price at grant date: $1.20
- Expected price volatility of the Company's shares: 31%
- Expected dividend yield: 3.63%
- Risk-free interest rate: 2.31%

35 Share-based payments (continued)

(b) Pinnacle Long-term Employee Incentive Plan

Information regarding the Pinnacle Long-term Employee Incentive Plan is provided in notes 1(r)(vii) and 25(a).

(c) Expenses arising from share-based payment transactions

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

	2016 $	2015 $
Pinnacle Investment Management Group Employee Option Share Plan	468,316	688,881
Pinnacle Long-term Employee Incentive Plan	62,699	23,580
	531,015	712,461

36 Parent Entity financial information

(a) Summary financial information

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

	2016 $'000	2015 $'000
Statement of financial position		
Current assets	36,559	38,659
Non-current assets	13,777	18,942
Total assets	**50,336**	**57,601**
Current liabilities	25,768	43,219
Non-current liabilities	1	3
Total liabilities	**25,769**	**43,222**
Net assets	**24,567**	**14,379**
Shareholders' equity		
Contributed equity	61,946	61,526
Reserves	1,417	409
Accumulated losses	(38,796)	(47,556)
Total equity	24,567	14,379
Profit/(loss) for the year	12,794	(40,330)
Total comprehensive income/(loss)	13,737	(40,330)

(b) Guarantees entered into by the Parent Entity

Details of guarantees entered into by the Group are provided at note 27.

(c) Contingent liabilities of the Parent Entity

Details of contingent liabilities of the Parent Entity are provided at note 27.

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 2016, the Parent Entity had no contractual commitments for the acquisition of property, plant and equipment (2015 - nil).

10 > Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 65 to 127 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 2016 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that Pinnacle Investment Management Group Limited will be able to pay its debts as and when they become due and payable.

Note 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 Chief Financial Officer required by section 295A of the *Corporations Act* 2001.

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

A Watson
Chairman
Sydney
30 August 2016

Independent auditor's report to the members of Pinnacle Investment Management Group Limited (formerly known as Wilson Group Limited)

Report on the financial report

We have audited the accompanying financial report of Pinnacle Investment Management Group Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2016, 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 Pinnacle Investment Management Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end 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 and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a)(i), 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 consolidated 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
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

pwc

Auditor's opinion

In our opinion:

(a) the financial report of Pinnacle Investment Management Group Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a)(i).

Report on the Remuneration Report

We have audited the remuneration report included in pages 28 to 40 of the directors' report for the year ended 30 June 2016. 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 Pinnacle Investment Management Group Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Craig Thomason
Partner

Sydney
30 August 2016

12 > Shareholder Information

The shareholder information set out below is correct as at 29 or 30 August 2016, as indicated.

Shares on Issue

Distribution of securities – (as at 29 August 2016)

Range	No. of shareholders	No. of shares	%
1 - 1,000	246	178,377	0.1%
1,001 - 5,000	310	905,046	0.6%
5,001 - 10,000	119	952,855	0.6%
10,001 - 100,000	283	10,559,494	7.1%
100,001 - 9,999,999,999	111	135,579,897	91.5%
Rounding			0
Total	1,069	148,175,669	100%

Unmarketable Parcels (as at 29 August 2016)

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 1.80 per unit	278	55	4052

Twenty largest shareholders (as at 30 August 2016)

Rank	Name	Units	% of Units
1	MACOUN GENERATION Z PTY LTD <MACOUN GENERATION Z FAM A/C>	20,243,592	13.66%
2	WARRAGAI INVESTMENTS PTY LTD	10,420,000	7.03%
3	BAINPRO NOMINEES PTY LIMITED	10,251,152	6.92%
4	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	9,221,466	6.22%
5	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <PICREDIT>	6,041,777	4.08%
6	MACOUN SUPERANNUATION PTY LTD <MACOUN SUPERANNUATION FUND>	5,690,004	3.84%
7	KINAULD PTY LTD	4,750,000	3.21%
8	MR ALEXANDER WILLIAM MACDONALD	4,670,090	3.15%
9	AJF SQUARED PTY LTD <AJF SQUARED FAMILY A/C>	4,647,214	3.14%
10	ANDREW CHAMBERS + FLEUR CHAMBERS <ANDREW C CHAMBERS FAMILY A/C>	4,647,214	3.14%
11	MR ADRIAN WHITTINGHAM <WHITTINGHAM FAM A/C>	4,647,214	3.14%
12	RBC INVESTOR SERVICES AUSTRALIA PTY LIMITED <VFA A/C>	3,637,615	2.45%
13	EARLSTON NOMINEES PTY LTD <THE WILSON FAMILY S/FUND A/C>	3,120,000	2.11%
14	MR DAVID FRANCIS CLEARY	3,005,925	2.03%
15	MACOUN FAMILY SUPER PTY LTD <MACOUN FAMILY SUPERANNUATION FUND>	1,968,148	1.33%
16	MR DAVID NOEL GROTH	2,989,424	2.02%
17	USINOZ PTY LTD <IHLENFELDT FAMILY A/C>	4,021,610	2.71%
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,943,018	1.31%
19	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,633,242	1.10%
20	MR ROBERT JAMES WILSON	1,500,000	1.01%

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 shares on issue
IAN MACOUN	27,969,744	18.88%
STEVEN MONTEITH WILSON AM	20,003,000	13.50%
PACIFIC CURRENT GROUP LIMITED AND AURORA INVESTMENT MANAGEMENT PTY LTD	10,821,468	7.30%

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 4,250,000 options on issue as at 30 August 2016.

The options are held by AET Structured Finance Services Pty Ltd as trustee for the Pinnacle Investment Management Group Employee Option Share Plan. The options are not listed.

Voting Rights

There are no voting rights attaching to the options.

13 > Corporate Directory

Pinnacle Investment Management Group Limited
Incorporated in Queensland on 23 April 2002

ABN
22 100 325 184

Directors
Alan Watson, Chairman
Alexander Grant, Managing Director (until 16 August 2016)
Ian Macoun, Managing Director (from 17 August 2016; executive director from 25 August 2016)
Steven Skala AO (until 26 August 2016)
Chum Darvall AM (until 31 August 2015)
Steven Wilson AM

General Counsel and Company Secretary
Eleanor Padman

Independent Member of Audit Committee
Don Mackenzie

Chief Financial Officer and Chief Operating Officer
Alex Ihlenfeldt

Share Registry
Computershare Investor Services Pty Limited
117 Victoria Street
West End QLD 4101
Telephone 1300 552 270

ASX Code
PNI (previously WIG)
Shares are listed on the Australian Securities Exchange

Bankers
Commonwealth Bank of Australia
Westpac Banking Corporation

Auditor
PricewaterhouseCoopers

Website Address
www.pinnacleinvestment.com.au

Queensland

Brisbane
Registered Office
Level 19, 307 Queen Street
Brisbane QLD 4000
Telephone 1300 651 577

New South Wales

Sydney
Level 35, 60 Margaret Street
Sydney NSW 2000
Telephone 1300 651 577

Pinnacle
INVESTMENT MANAGEMENT

pinnacleinvestment.com.au