Pinnacle
INVESTMENT MANAGEMENT

2018 ANNUAL REPORT

Contents

Financial calendar

Final dividend record date	21 September 2018
Final dividend payment date	5 October 2018
Annual General Meeting	18 October 2018
Interim Results announcement	22 February 2019
Full Year Results announcement	27 August 2019

The Company reserves the right to change these dates.

Annual General Meeting

The 2018 Annual General Meeting will be held at 9am on 18 October 2018 at PricewaterhouseCoopers' Brisbane office at Level 23, 480 Queen St, Brisbane City QLD 4000.

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

Corporate Governance

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

00 〉Glossary

Term	Meaning
2017 Annual Report	the Group's annual report for the 2017 financial year.
2017 financial year	the period 1 July 2016 to 30 June 2017.
2018 Annual Report	this document.
2018 financial year	the period 1 July 2017 to 30 June 2018.
Affiliates or Pinnacle Affiliates	Pinnacle's eleven affiliated investment managers, being Antipodes, Firetrail, Hyperion, Metrics, Omega, Palisade, Plato, Resolution Capital, Solaris, Spheria and Two Trees.
Antipodes	Antipodes Partners Limited.
ASX Principles	the Corporate Governance Principles and Recommendations, 3nd Edition, published by the ASX Corporate Governance Council.
Auditor	PricewaterhouseCoopers.
Board	the Board of Directors.
Board Committees	the Audit, Compliance and Risk Management Committee and the Remuneration and Nominations Committee.
Chairman	Alan Watson, the Chairman of the Board.
Company	Pinnacle Investment Management Group Limited.
Company Secretary	Calvin Kwok, who held the position during the 2018 financial year.
Corporations Act	*Corporations Act 2001 (Cth).*
Deutsche Australia	Deutsche Australia Limited, which held an 18.8% shareholding in the Company at the start of the 2016 financial year. As at the date of this report, Deutsche Australia no longer has any shareholding in the Company.
Directors	Directors of Pinnacle Investment Management Group Limited.
EOSP	Pinnacle Investment Management Group Employee Option Share Plan.
Firetrail	Firetrail Investments Pty Limited
Foundation	the Pinnacle Charitable Foundation.
FUM	funds under management.
Group or Pinnacle Group	Pinnacle and the entities that it controlled during the 2018 financial year.
Hyperion	Hyperion Asset Management Limited.
Key Management Personnel	the individuals identified as such on page 23 of the 2018 Annual Report.
LTI	long term incentives offered to individuals who are staff of the Group.
Managing Director	Ian Macoun.
Metrics or MCP	Metrics Credit Partners Pty Limited.
New Loans	is a reference to the loans more fully described at page 37.
NLAT	net loss after tax.

Term	Meaning
NPAT	net profit after tax.
NTA	net tangible assets.
Omega	Omega Global Investors Pty Limited.
Palisade	Palisade Investment Partners Limited.
PIML	Pinnacle Investment Management Limited, the principal operating subsidiary of the Group.
PIML Acquisition	the transaction approved by shareholders on 16 August 2016, pursuant to which the Company acquired the 24.99% equity stake in PIML it did not already own.
PIML LTI scheme	the long term incentive scheme described on page 25 of the 2018 Annual Report.
Pinnacle or PNI	Pinnacle Investment Management Group Limited.
Plato	Plato Investment Management Limited.
Principal Investments	investments made by the Group in listed and unlisted equities and unit trusts on its own behalf and for its own benefit.
Resolution Capital	Resolution Capital Limited.
Securities business	the corporate finance, equity capital markets, institutional sales, research and private wealth management businesses previously owned by the Company and now known as Wilsons Advisory.
Sellers	each of Macoun Superannuation Fund Pty Ltd as trustee for the Macoun Superannuation Fund, Macoun Generation Z Pty Ltd as trustee for the Macoun Generation Z Family Trust, Usinoz Pty Ltd as trustee for the Ihlenfeldt Family Trust, AJF Squared Pty Ltd as trustee for the AJF Squared Family Trust, Andrew Chambers and Fleur Chambers as trustee for the Andrew C Chambers Family Trust, Adrian Whittingham as trustee for the Whittingham Family Trust, Mark Cormack and Melanie Cormack as trustee for the Cormack Family Trust and Dellreid Pty Limited as trustee for the Dell Family Trust.
Solaris	Solaris Investment Management Limited.
Spheria	Spheria Asset Management Pty Limited.
STI	short term incentive.
Two Trees	Two Trees Investment Management Pty Limited.

01 〉 Chairman's letter

Dear Fellow Shareholders

The 2018 financial year marked a significant step-up in Pinnacle's breadth and depth of activities as the business continued its growth. This was based upon a combination of strong growth in Funds Under Management and financial results from existing Affiliates, a careful expansion of Pinnacle's own distribution activities and, more recently, the introduction of new Affiliates.

These activities delivered NPAT from continuing operations of $23.1 million, representing basic earnings per share of 14.3 cents, up 76.5% from the 2017 financial year. Similarly, total fully franked dividends declared for the year rose 66% to 11.6 cents per share. In addition, Pinnacle retained a robust and flexible balance sheet, with no debt, and cash and principal investments of $31.4 million at the end of the year.

Aggregate Affiliate revenues, driven by ongoing sound investment performance and continued strong fund inflows, grew 31% to $168.4 million. Performance fees represented 10.2% of Affiliates' revenues this year, and once again all of the Affiliates' strategies and products that have a track record of at least 5 years outperformed their benchmarks over the 5 years to 30 June 2018.

Details of funds flows are included within the report but, in summary, net funds inflows totalled $7.9 billion, including $2.2 billion of retail net inflows, and overall aggregate Group Funds Under Management increased 43% to $38.0 billion at the end of the year. (Retail net inflows include $132m raised for the Spheria LIC but do not include $726m raised for the Metrics Credit LIT, as Pinnacle did not own equity in Metrics Credit at the time of the raisings).

Whilst the Managing Director will comment on individual Affiliates in detail in his report, it is worth noting that recently established Affiliates, Antipodes and Spheria, have both grown rapidly since inception, with Antipodes having grown to FUM of $7.6 billion (up 97% this year) and Spheria having achieved FUM of $700 million, a rise of 232% in the year. Not to be outdone, longer established Affiliates Solaris and Resolution Capital also showed very strong FUM growth of 62% to $8.3bn and 35% to $8.0bn respectively. We also note strong investment performance from Hyperion's global equities strategy, and Palisade's infrastructure investments; whilst Plato also performed well, particularly in market conditions not favourable to their style, and also grew their FUM substantially. Towards the end of the year a new Affiliate, Firetrail Investments, was commenced, and was very well received by the market, and our systematic global macro manager, Two Trees, received a significant cornerstone commitment for its offshore Funds.

It has been a very busy start to the 2019 financial year, with the addition of two new Affiliates. In late July, we announced the acquisition of a 35% interest in Metrics Credit Partners, and 40% of Omega Global Investors. Whilst we have known MCP for five years as their distribution agent, it is exciting to now be in equity partnership with them as they continue to build their business of offering corporate borrowers tailored direct lending solutions, thus allowing investors access to Australia's growing inter-bank corporate lending market. Omega provides smart beta, factor investing and client solution capabilities across multiple asset types, and managed FUM of $4.2bn at end of FY18. These acquisitions were funded from an institutional placement of new equity raising $60m at $5.50 per share, which was a 1.3% discount to the prevailing 5-day VWAP, combined with an SPP for retail investors.

The combination of these new initiatives, together with the continuing strong growth of our existing Affiliates, means we enter the 2019 financial year with substantial impetus. Whilst it is evident that we would not be immune to a severe deterioration in market conditions, we recognise that our defence against such an event is to work with our Affiliates to create the best conditions within them where exceptional investment professionals can provide their clients with outstanding investment performance. Also helpful in this regard is the fact that approximately 27% of all Affiliate FUM has the potential to earn performance fees, with none of those performance fees dependent on the performance of the market (they are all based on performance relative to benchmarks). In addition, we will strive to continue to achieve strong net fund inflows in both the retail and the institutional markets in Australia, as well as continuing to further develop our early distribution efforts in offshore markets. We have recently opened a small office in London (jointly with Antipodes) to accelerate this process. As we have consistently stated, we will continue to invest in activities which we believe will bring substantial benefits over the medium term, whilst recognising that such investment may restrain our profits to some degree in the short term. In addition, we will continue to adhere to our 'high hurdle' criteria in evaluating Horizon 3 opportunities.

We have previously stated, and continue to hold fundamental, that the most important part of our business is our people, within both the Affiliates and our Company. These people have elected to work within our business model and culture, which we believe will continue to deliver long term benefits both for shareholders and for investors in our funds. The Board thanks all of the respective teams for their commitment to the business and the success that they have achieved to date and remains determined to sustain the environment that will allow the continuation of that success.

It was announced last year that an orderly process of Board succession would be undertaken this year. Consequently, we are delighted to welcome Ms Lorraine Berends to the Board as of 1 September 2018. Ms Berends' biographical details are set out on page 16. Alongside this, Steve Wilson will be retiring from the Board at the conclusion of this year's AGM. Steve has been associated with Pinnacle and its predecessor Wilson Group for over 30 years, having joined Wilson & Co in 1984. Since that time, he has had various roles including Managing Director, executive Chairman and non-executive Director. Under his leadership Hyperion Asset Management and Pinnacle Investment Management were established in 1996 and 2006 respectively, and Wilson Group was listed on the ASX in 2007. Since the Pinnacle "roll-up" transaction in 2016, Steve has been a non-executive Director of Pinnacle. As he now steps aside from the Pinnacle Board, I don't think there can be a higher compliment paid to Steve than the public acknowledgement that his vision for the transformation of the company from primarily a stockbroking firm into a high quality, 'pure-play' funds management business has become a reality and resulted in great success. On behalf of all shareholders, thank you Steve.

Finally, I would like to thank you, our shareholders, for the continued support and encouragement that you have shown to us throughout the year, including in the recently completed equity capital raisings.

We look forward to welcoming you to the Company's Annual General Meeting, which will be held in Brisbane on 18 October 2018.

Yours sincerely

Alan Watson
28 August 2018

Nature of operations and principal activities

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

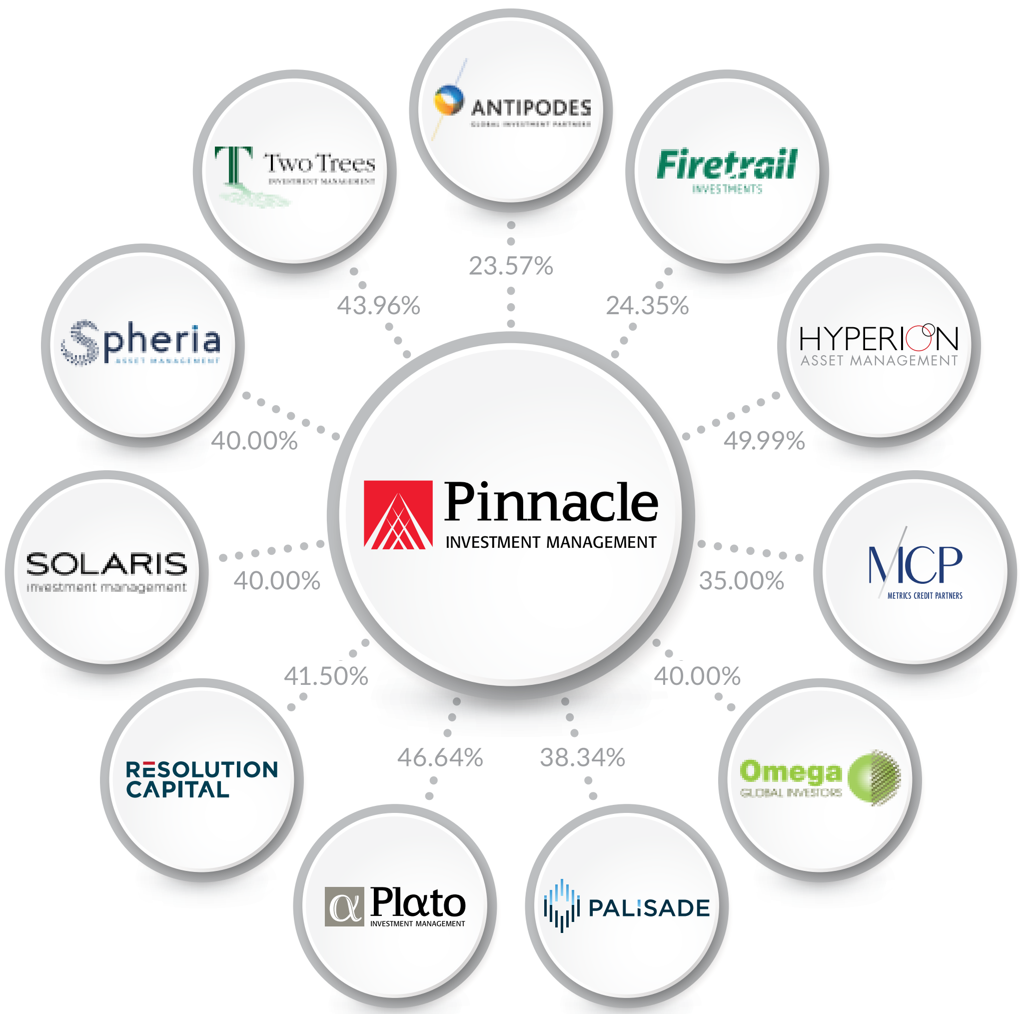
Established in its current form in 2006, Pinnacle currently consists of eleven investment affiliates. At 30 June 2018, Pinnacle's Affiliates collectively managed approximately A$38.0 billion in assets across a diverse range of asset classes. Pinnacle provides its Affiliates with:

- equity, seed capital and working capital;
- superior distribution services, business support and responsible entity services to allow 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 principal activities of the Group during the 2018 financial year were:

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

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



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

Key financial highlights

$168.4 million Affiliate revenues	NPAT of $23.1 million	$38.0 billion in FUM	14.3c earnings per share	7.0c fully franked dividend

During the 2018 financial year, the Group held shareholdings (through its principal operating subsidiary, PIML) of between 23.5% and 49.9% in each of the Pinnacle Affiliates (other than Metrics and Omega) which together have $38.0 billion in FUM as at 30 June 2018.

In the 2018 financial year:

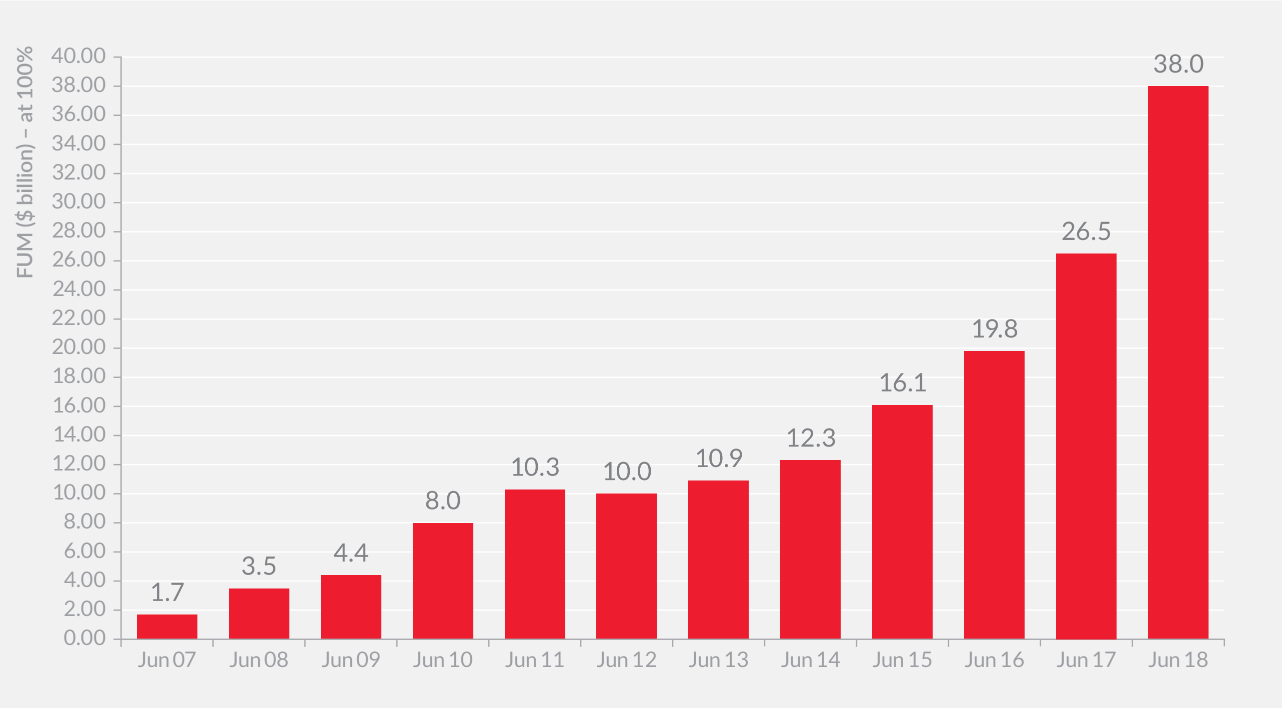
- Pinnacle Affiliates generated aggregate revenues of $168.4 million, up 31.3 %. Of this, $17.2 million was performance fees
- Pinnacle generated NPAT from continuing operations attributable to shareholders of $23.1 million, up 92.5% from $12.0 million in the prior year
- Pinnacle's share of NPAT from Pinnacle Affiliates was $24.9 million, up 41.4 % on the prior year.

The table below outlines the performance of the Pinnacle Group for the 2018 and 2017 financial years.

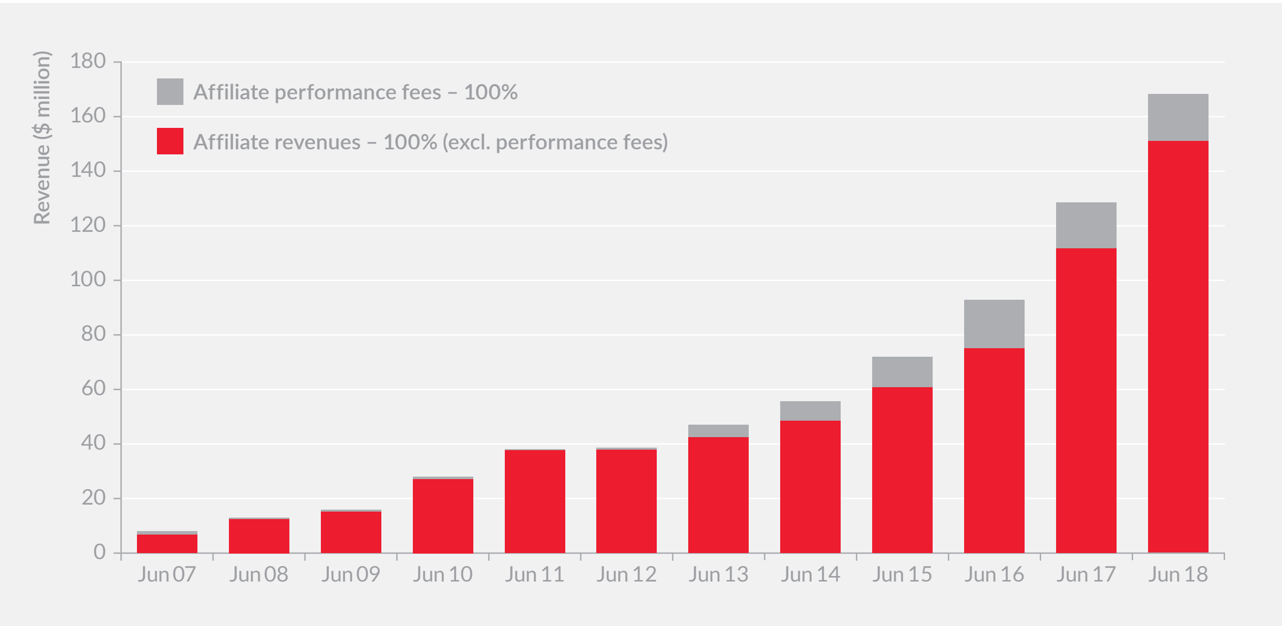
	FY2018	FY2017
Pinnacle Affiliates (100% aggregate basis)		
FUM **($billion)**	38.0	26.5
Revenue **($million)**	168.4	128.3
Net profit before tax	**88.9**	**62.7**
Tax expense	(27.3)	(19.1)
Net profit after tax	**61.6**	**43.6**

	FY2018	FY2017
Pinnacle		
Revenue	16.5	10.9
Expenses	(18.3)	(16.4)
Share of Pinnacle Affiliates net profit after tax	**24.9**	**17.6**
Net profit before tax (NPBT) from continuing operations	**23.1**	**12.1**
Minority interests	-	(0.1)
NPBT from continuing operations attributable to shareholders	**23.1**	**12.0**
Taxation	-	-
NPAT from continuing operations attributable to shareholders	**23.1**	**12.0**
Discontinued operations	0.3	1.1
Total profit attributable to shareholders	**23.4**	**13.1**
Earnings per share:		
From continuing operations	**14.3**	**8.1**
Total attributable to shareholders	**14.5**	**8.9**

Pinnacle Affiliates – FUM Growth[1]



Pinnacle Affiliates – Revenue Growth[2]



[1] Pinnacle FUM includes 100% of FUM managed by Pinnacle Affiliates.
[2] Revenue shown is 100% of all Pinnacle Affiliates' revenue. This is shown to indicate trend and excludes revenue derived by Pinnacle itself.

Pinnacle Affiliates

Pinnacle's focus during the year was on continuing to support each of the Pinnacle Affiliates and assisting them to grow their business and profitability. The quality of the Pinnacle Affiliates 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 Affiliates during the 2018 financial year:

ANTIPODES

Antipodes Partners

Antipodes Partners is a global equities manager offering a pragmatic value approach across long-only and long-short strategies.

Antipodes aspires to grow client wealth over the long-term by generating absolute returns in excess of the benchmark, at below market levels of risk. Its investment approach seeks to take advantage of the market's tendency for irrational extrapolation, to identify investments that offer a high margin of safety and build portfolios with a capital preservation focus.

Antipodes experienced strong inflows in the 2018 financial year from investors attracted to the team's pedigree, differentiated approach and strong risk-adjusted returns since inception. During the year Antipodes established Dublin-domiciled UCITS vehicles to enable investors outside Australia to access its investment strategies. As at 30 June 2018 Antipodes had $7.6 billion in funds under management.

Firetrail INVESTMENTS

Firetrail Investments

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

Firetrail are specialists in high conviction equities investing and manage two key investment strategies:

- The Firetrail Australian High Conviction Fund – A concentrated portfolio of our best Australian equities ideas.
- The Firetrail Absolute Return Fund – A market-neutral, fundamental equities strategy that is uncorrelated to Australian equities, global equities and bond markets.

Both funds have been running since 14 March 2018 and are delivering performance in excess of their respective Benchmarks since inception to 30 June 2018.

HYPERION ASSET MANAGEMENT

Hyperion Asset Management

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

Hyperion ended the financial year with $6.5 billion in funds under management.

The returns of the global portfolio have been very strong, returning 120.9% total return after fees for the four years to 30 June.

The Hyperion Australian Growth Companies Fund ended the year with a performance of 15.1% after fees for the 12 months and the Hyperion Small Growth Companies Fund ended the year with a performance of 16.3% after fees. The Hyperion Global Growth Companies Fund produced a 35.9% net return for the current year.

Metrics Credit Partners

MCP is a Sydney-based alternative asset manager specialising in private debt, fixed income and capital markets. Assets under management of $3.0 billion as at 30 June 2018, of which FUM was $2.5 billion.

MCP has four partners with over 100 years of combined credit experience and 18 employees. MCP has lent $4.6 billion across 172 transactions since June 2013. All MCP strategies have exceeded their investment objectives since inception. Pinnacle has worked extensively with the management team since 2013, prior to acquiring an equity interest in July 2018.

Omega Global Investors

Omega offers smart beta, factor investing and client solutions (including ESG) capability, multi-asset investment and implementation capabilities and a track record across government and corporate bonds, cash, FX and Australian & global equities delivered by a team of 11 including 8 investment professionals.

Pinnacle acquired an equity interest in Omega in July 2018. As at 30 June 2018 Omega had FUM of $4.2 billion.

Palisade Investment Partners

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

As at 30 June 2018, funds under management and investor commitments totalled approximately $2.7 billion, across its three pooled funds and separately managed accounts. During the year Palisade continued to identify and invest in assets throughout the infrastructure sector that are forecast to generate strong risk-adjusted returns. Palisade's flagship fund, Palisade's Diversified Infrastructure Fund, generated a gross return of 14.5% for the year, including 7.5% yield.

Palisade continues to enjoy the support of asset consultants, is raising further capital for investment and has a strong pipeline of investment opportunities, particularly in the renewable energy sector.

Plato Investment Management

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

During the year all of Plato's beta one strategies outperformed or matched their benchmarks. Plato's lower risk strategy did, however, struggle during the year, but is still up strongly since inception.

Plato continues to have very significant interaction with consultants and prospective investors, including financial advisers. During the year Plato successfully launched a listed investment company – Plato Income Maximiser Limited – raising $326m making it the third largest LIC IPO in Australia. This, together with other inflows, lifted FUM to $4.9 billion at the end of the financial year.

Resolution Capital

Resolution Capital is a dedicated global listed property securities investment manager. Resolution Capital has delivered outstanding medium to long term investment performance.

The business continues to enhance the investment team as well as its client service capabilities. With the support of major asset consultants and research houses, during the year it further progressed its client diversification ambitions with an increased level of funds sourced from international markets as well as additional domestic backing.

Funds under management increased to $8 billion, an increase of 35% over the financial year.

Solaris Investment Management

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

Solaris had $8.3 billion in funds under management as at 30 June 2018 with incremental funds coming from new and existing clients and investment performance.

Solaris' clients benefited from strong investment out-performance in the year with the Core strategy outperforming the S&P/ASX200 by 4.7%. Solaris' core strategy has outperformed the S&P/ASX 200 Index by 2.3% per annum since inception on 9 January 2008 (to 30 June 2018). The information ratio for the strategy is notably strong over 1 year, 3 year, 5 year, and since inception.

Launched in the 2017 financial year, the Solaris Australian Equity Long Short Fund has had particularly strong investment performance since inception of 15.2%.

In the forthcoming year, Solaris seeks to continue to provide its clients in all strategies with consistent investment performance.

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 level of gearing and is appropriate for the nature of the business.

At 30 June 2018 Spheria had $702 million in funds under management.

Two Trees Investment Management

Two Trees Investment Management is a specialist systematic global macro investment firm based in Sydney, Australia. Two Trees combines a deep understanding of financial economics, quantitative techniques, and cutting edge risk management to construct liquid, diversified, absolute return multi-asset portfolios that exhibit low correlations to traditional asset classes.

The firm was launched in 2017 and currently manages $71m in the Two Trees Global Macro strategy.

02 〉 Overview, Operating and Financial Report

Business strategies and prospects for future financial years

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

Additionally, we are seeking to diversify into asset classes with substantial growth potential, such as global equities (developed & emerging markets); private capital (debt & equity); and absolute return (single & multi-asset).

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.

Broadly, the global economy performed strongly during the 2018 financial year, which drove strong gains across equity markets. There remain numerous global and domestic risks, particularly with the prospect of rising interest rates and an uncertain global political climate. Whilst it is evident that we would not be immune to a severe deterioration in market conditions, we recognise that our defence against such an event is to work with our Affiliates to create the best conditions within them where exceptional investment professionals can provide their clients with outstanding investment performance. Also helpful in this regard is the fact that approximately 27% of all Affiliate FUM has the potential to earn performance fees, with none of those performance fees dependent on the performance of the market (they are all based on performance relative to benchmarks).

The majority of the Pinnacle Affiliates delivered positive returns against their respective benchmarks for the year, in challenging conditions. Importantly, long-term performance remains excellent across all Affiliates.

Regulatory risk

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

Review of Group Results

Group net profit after tax from continuing operations attributable to shareholders for the 2018 financial year is $23.1 million. Total profit attributable to shareholders is $23.4 million, after accounting for a gain from discontinued operations of $0.3 million.

- The Group delivered a $23.1 million net profit from continuing operations attributable to shareholders for the 2018 financial year, a 92.5% improvement. This was underpinned by a 41.4% increase to $24.9 million in Pinnacle's share of net profits from the Pinnacle Affiliates. FUM increased by 43% to $38.0 billion in the 2018 financial year.
- Group net tangible assets have increased by 29.6% to $98.1 million with earnings per share of 14.3 cents up 76.5% from 8.1 cents from continuing operations.
- The Board has declared a fully franked final dividend of 7.0 cents per share payable on 5 October 2018.

Statement of Comprehensive Income

The following commentary provides an analysis of revenues and expenses for the 2018 financial year for continuing operations in comparison to the prior comparative period.

During the 2018 financial year, the Group's revenues and expenses were derived from Pinnacle and its controlled entities, which excludes the revenues and expenses of the Pinnacle Affiliates, the effect of which is reflected through Pinnacle's share of the equity accounted net profits.

Revenue from Continuing Operations

Revenue from continuing operations increased $5.5 million to $16.5 million, from $11.0 million in the prior period. Further information regarding revenues are provided below and at note 1 of the financial statements.

Performance Fees

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

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

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

During the year to 30 June 2018, the Group lost a net $0.7 million on its Principal Investments, on a 'marked to market' basis.

Expenses from Continuing Operations

Employee benefits expense increased $0.8 million to $8.2 million mainly through increased headcount. This increase reflects Pinnacle's continuing investment in both distribution and infrastructure in support of the existing Affiliates, and in pursuit of new channels for future growth.

Legal and professional fees are down $0.9 million during the year. There were a number of one-off costs incurred during FY17 relating to the set-up of new Affiliates and the Group's strengthening of its offshore distribution capabilities.

Share of net profit of jointly controlled entities accounted for using the equity method relates to the Group's share of the profits of the Pinnacle Affiliates which are equity accounted. Net profits after tax from Pinnacle Affiliates are up 41.4% or $7.3 million on the prior comparative period. Pinnacle Affiliates' FUM, which underpins the share of Pinnacle Affiliates' profits, increased by 43.4% to $38.0 billion during the 2018 financial year. Underlying base management fees within the Pinnacle Affiliates also increased 35.5% on the prior comparative period. Further information is provided in note 21 to the financial statements.

Discontinued Operations

Discontinued operations contributed $nil to total comprehensive income, and a $0.3 million increase to NPAT. This represents $0.3 million in relation to recycling of the balance received from the Securities business for use of the deferred tax asset transferred on separation. This balance was recognised within other comprehensive income in the prior comparative period, and was reclassified to form part of NPAT on receipt of the funds during the current financial year. Further information is provided at note 23 of the financial statements.

Consolidated Statement of Financial Position

The following commentary provides an analysis of assets and liabilities for the 2018 financial year for continuing operations.

Cash. Cash and cash equivalents reduced by $1.6 million to $9.3 million at year-end compared to $10.9 million at the end of the prior year. Cash inflows from operating activities were $20.9 million, which included net inflows of $8.3 million relating to purchases and sales of financial assets during the year, including Principal Investments. Further information is provided at notes 6 and 24.

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

Financial assets at fair value through profit or loss were $22.1 million, a decrease of $9.3 million on the prior period. During the year, Pinnacle has deployed almost $10 million in support of the recycling of equity in Palisade ($3.8 million additional equity purchased; $5.9 million outstanding in loans to Palisade executives and the share trust at 30 June 2018), as well as $2 million capital injected into Firetrail. Until required, additional capital is being invested as seed and foundation FUM in strategies managed by our Affiliates. Of the $22.1 million, $21.1 million is held in strategies managed by the Pinnacle Affiliates. The Group has hedged approximately 30% of its total exposure to movements in the underlying indices.

Other current assets increased by $0.2 million to $1.1 million at year end. This balance includes loans to entities under joint control. Further information is provided at note 9 of the financial statements.

Investments accounted for using the equity method reflects the carrying value Pinnacle's investments in the Pinnacle Affiliates. This increased by $23 million during the period to $55.6 million. The change is attributable to the equity accounted profits of $24.9 million from Pinnacle Affiliates, less the dividends received from the Pinnacle Affiliates of $17.3 million, plus additional capital contributed to the Pinnacle Affiliates during the year of $14.7 million, less impairment of $0.6 million. Further information is provided at note 21 of the financial statements.

Trade and other payables increased by $0.9 million to $5.9 million, relating largely to increases in accrued incentive payments. Further information is provided at note 11 of the financial statements.

Provisions. The value of current and non-current provisions decreased slightly compared with the prior year. Further information is provided at note 13 of the financial statements.

03 〉 Community

Pinnacle has a strong belief in corporate Australia's responsibility to give back to the communities which sustain and inspire businesses both large and small.

In partnership with Affiliates, Pinnacle primarily supports the community through the Pinnacle Charitable Foundation, which operates as an independent public ancillary fund.

Pinnacle Charitable Foundation

The Foundation has a longstanding mission to facilitate positive social change and help build its vision of an engaged and vibrant Australia. To achieve this, the Foundation and its forerunners have for thirty years maintained a commitment to actively champion great Australian not for profit organisations.

In each case the Foundation's aim has been to facilitate the delivery of solutions which can be analysed and assessed, strengthened and scaled. As an early stage backer which frequently offers seed funding to encourage trials and to incubate new projects, the Foundation has often seen this initial investment become a stepping stone for organisations to secure further funding from private and public donors.

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

Affiliates are committed to rebating management fees, and collaborate with the Foundation to partner with organisations which reflect their adherence to broad ESG (environmental, social and governance) principles. During the 2018 financial year donations totalling $261,000 were made, with the majority of funds directed towards prevention and early intervention programs and services which aim to reduce the high incidence of mental ill health across Australia. Partnerships in support of this goal are in place with three inspiring organisations – R U OK?, batyr Australia and ReachOut Australia – which are addressing mental health issues at the outset and aiming to prevent them from escalating.

Throughout its history the Foundation is proud to have built meaningful relationships with more than 60 Australian charities. Donations exceeding $3.4 million, coupled with pro bono advice and assistance, have aimed to foster innovation and enable sustainable growth. Detailed activities of the Foundation and all its current charity partnerships can be found at http://www.pinnacleinvestment.com/foundation/

Workplace giving

During the year Pinnacle and several Affiliates introduced employee payroll giving, with donations made through salary sacrifice being matched by employers. From the program's inception in October through to the end of June, a total of $35,000 was donated to 40 different charities – including the Pinnacle Charitable Foundation.

Collaboration

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

04 〉 Directors' profiles

Alan Watson

(Non-executive independent Chairman and Chairman of Remuneration and Nominations Committee) BSc, GAICD

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

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

Mr Watson is also an Independent Director of Airboss of America, listed on the Toronto Stock Exchange; an independent non-executive Director of Australis Oil and Gas, listed on ASX; and Chairman of The Frensham Foundation.

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

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

Interests in shares and options

- 125,000 ordinary shares

Ian Macoun

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

Mr Macoun was appointed as Managing Director of the Company on 17 August 2016 and an executive Director on 25 August 2016, having been the Managing Director and 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.

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

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

- None

Interests in shares and options

- 27,123,997 ordinary shares in the Company
- 375,000 options

Deborah Beale

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

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

Ms Beale is currently the Chair of Hyperion Asset Management Ltd one of the Company's most successful affiliated fund managers.

Ms Beale is also the Chair of Federation Square Pty Ltd and a Director of Visit Victoria, Victorian Ports Corporation (Melbourne) and The Production Company.

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

- None

Interests in shares and options

- 102,500 ordinary shares in the Company

Lorraine Berends

(Non-executive independent Director – effective from 1 September 2018) B Sc, FIAA and FASFA

Ms Berends has worked in the financial services industry for over 35 years and possesses extensive experience in both investment management and superannuation. Before moving to a non-executive career in 2014 she worked for 15 years with US based investment manager Marvin & Palmer Associates. Ms Berends contributed extensively to industry associations throughout her executive career, serving on the Boards of the Investment Management Consultants Association (IMCA australia) for 13 years (7 as Chair) and the Association of Superannuation Funds Australia (ASFA) for 12 years (3 as Chair). Ms Berends has been awarded Life Membership of both IMCA australia and ASFA. Lorraine holds a BSc from Monash University, is a Fellow of the Actuaries Institute and a Fellow of ASFA.

Ms Berends is an independent non-executive director of Antipodes Global Investment Company Limited, Plato Income Maximiser Limited and Spheria Emerging Companies Limited (listed investment companies), Director of BT Funds Management Limited, BT Funds Management No. 2 Limited and Westpac Securities Administration Limited. She is a Director of MDC Foundation Limited (a not for profit company).

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

- Antipodes Global Investment Company Limited
- Plato Income Maximiser Limited
- Spheria Emerging Companies Limited

Interests in shares and options

- Nil

04 〉 Directors' profiles

Gerard Bradley

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

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

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

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

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

- The Star Entertainment Group Limited

Interests in shares and options

- 51,284 ordinary shares in the Company

Andrew Chambers

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

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

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

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

- None

Interests in shares and options

- 4,725,414 ordinary shares in the Company
- 375,000 options

Adrian Whittingham

(Executive Director) B Bus

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

Prior to Schroders, Mr Whittingham spent 8 years at Zurich in product, research and business development roles.

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

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

- None

Interests in shares and options

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

Steve Wilson AM

(Non-Executive Director and member of the Audit Compliance and Risk Management Committee and Remuneration and Nominations Committee) B Com, LLB, Hon PhD, FAICD, SF Fin, MSAA

Mr Wilson has some 40 years of investment market experience, including 4 years with Cazenove & Co. in London before joining Wilson & Co in 1984.

Under his leadership, Wilson Stockbroking was transformed, Hyperion was established in 1996 and Pinnacle in 2006.

Mr Wilson has substantial Board experience including as Chairman of Southbank Corporation, Racing Queensland and Hyperion Flagship and Directorships of Telstra and Tourism Queensland.

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

- None

Interests in shares and options

- 20,520,000 ordinary shares in the Company

05 〉 Directors' Report

Your Directors present their report on the Group, consisting of the Company and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors

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

- Mr A Watson
- Mr I Macoun
- Ms D Beale
- Mr G Bradley
- Mr A Chambers
- Mr A Whittingham
- Mr S M Wilson AM

Information on the qualifications, experience and responsibilities of the Directors is included in the Directors' profiles on pages 15 to 18 of the 2018 Annual Report.

Earnings per share

	2018 Cents	2017 Cents
From continuing operations		
Basic earnings per share	14.3	8.1
Diluted earnings per share	13.2	7.6
Total attributable to shareholders		
Basic earnings per share	14.5	8.9
Diluted earnings per share	13.4	8.2

Dividends

In the 2018 financial year, the following dividends were paid:

- a fully franked final dividend of 4.8 cents per share on 6 October 2017.
- a fully franked interim dividend of 4.6 cents per share on 23 March 2018.

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

- a fully franked final dividend of 7.0 cents per share, to be paid on 5 October 2018.

Operating and Financial Review

The Operating and Financial Review can be found at pages 5 to 13 of the 2018 Annual Report.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

Other than as outlined in note 29 of the financial statements at page 88, there has not arisen in the interval between the end of the financial year and the date of this Directors' report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to significantly affect:

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

Remuneration Report

The Group's 2018 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. Letter from the Chair of the Remuneration and Nominations Committee
2. Key Management Personnel
3. Role of Remuneration and Nominations Committee
4. Executive remuneration policy and framework for the Company
5. Links between performance and outcomes
6. Details of Executive Key Management Personnel remuneration
7. Executive service agreements
8. Non-Executive Director remuneration
9. Share based payment compensation
10. Equity instrument disclosures relating to Key Management Personnel
11. Loans to Key Management Personnel
12. Other transactions with former Key Management Personnel
13. Equity Capital

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

1 Letter from the Chair of the Remuneration and Nominations Committee

Dear Fellow Shareholders

In presenting shareholders with the 2018 Remuneration Report, we thought it would assist if we summarise the philosophy underpinning our remuneration structures and practices, and highlighted key recent developments.

Responsibility

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

Philosophy

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

Whilst this has been delivered to executives in a combination of base salary, short term incentive and long term incentive, it is worth noting that a consistent characteristic of Pinnacle LTI arrangements over the past decade has been the longevity of service required for executives to access the full benefits of these schemes. Our original LTI plan, established in 2009, required executives to stay with us for 6 years to earn the full equity awards. Similarly, its successor plan, currently in place and approved by shareholders in 2015, vested a proportion of its awards in January 2018, but requires our senior executives (with the exception of Mr Macoun, who must remain employed until 31 January 2020) to be employed by Pinnacle until the end of 2020 to get the full benefit of these arrangements. We have previously stated that as a consequence of the long term nature of these provisions, shareholders should expect there will be years when little or no new LTI will be awarded, (this was the case during the last three financial years and there may be years (such as the 2019 financial year) when a more substantial LTI will be required, amongst other things, to accommodate new significant hires, promote and retain existing high performing employees and reset provisions that are expiring. The Board has recently approved a new LTI scheme consistent with this philosophy, which is summarised in this letter and detailed at page 25 of the Remuneration Report.

Applying our philosophy to 2018 financial year results

The outcome for the 2018 financial year can be summarised as follows:

- there have been no increases in fixed remuneration for any KMP
- no new LTIs were issued to any KMP during the 2018 financial year. A new LTI scheme was approved by the Board early in the 2019 financial year and shareholders will be asked to approve the new LTI scheme and awards to Directors pursuant to that scheme at the forthcoming AGM
- STIs were paid to KMP in relation to the 2018 financial year. In considering these, the Board noted:
    - growth in basic earnings per share from continuing operations of 76.5% (2017: 56%)
    - growth in NPAT from continuing operations to $23.1m (2017: $12.2m)
    - 34% growth in funds under management to $38.0bn (2017 $26.5bn)
    - net funds under management inflows of $7.9bn (2017: $4.9bn)
    - retail net inflows of funds under management of $2.2bn (2017: $2.5bn)

Historical Remuneration Outcomes

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

- the PIML LTI Scheme
- various related party loans

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

PIML LTI Scheme – 2015 and 2018

Shareholders approved the participation of certain KMP in the LTI on 26 June 2015. Under this approval, executives received a combination of PIML equity and options in the Company. The options, 50% of which remain in place, were issued at a strike price which was at a premium to the prevailing share price. Further details are set out at pages 25 to 27. No new options have been issued as part of the PIML LTI Scheme since 2015; however 50% of these options vested to executives in January 2018, and the balance are due to vest in 2020.

Given this background, the Board has recently approved a new set of LTI arrangements for senior executives, and will recommend to shareholders to approve the new LTI scheme and awards to Executives Directors under this scheme at the upcoming AGM. The key characteristics of the new scheme are:

- Instrument: Non-recourse loan funded acquisition of new equity in Pinnacle
- Scheme size: Board approval to issue up to 5m shares, of which 4.3m to be issued to existing employees, of which 1.7m will be allocated to KMP, subject to shareholder approval in relation to awards to executive Directors. Initial awards will be made to 19 executives.
- Vesting conditions: combination of employment tenure and compound earnings per share growth, with relative proportions dependent on seniority in Pinnacle.

These new arrangements are detailed on page 25 of the Remuneration Report.

Related party loans

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

As part of the acquisition, the Company re-issued existing loans to PIML executives which had previously allowed executives’ prior purchases of PIML equity, and issued the New Loans to PIML senior executives totalling $3 million for the express purpose of acquiring additional equity from Deutsche Bank. The key terms of the aforementioned loans are set out on page 29.

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

Alan Watson
Chair of Remuneration and Nominations Committee

2 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 2018. The Key Management Personnel for this period are listed in the tables below:

Executive Key Management Personnel

Name	*Position*
Ian Macoun	Managing Director and Executive Director
Andrew Chambers	Executive Director
Adrian Whittingham	Executive Director
Alex Ihlenfeldt	Chief Operating Officer and Chief Financial Officer

Non-executive Key Management Personnel

Current	
Name	*Position*
Alan Watson	Chairman
Steve Wilson AM	Non-Executive Director
Deborah Beale	Non-Executive Director
Gerard Bradley	Non-Executive Director

In accordance with the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011 (Cth)), the Key Management Personnel of the Group for the year ended 30 June 2018 comprised:

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

3 Role of Remuneration and Nominations Committee

The Remuneration and Nominations Committee is a committee of the Board. The Committee performs its role consistent with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality, high performing Board and executive team. Its responsibilities during the 2018 financial year included the following:

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

During the 2018 financial year, the Remuneration and Nominations Committee received recommendations on the remuneration for employees from Mr Macoun, the Managing Director. These recommendations were reviewed and in turn recommended to the Board.

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

4 Executive remuneration policy and framework for the Company

The Board remains focused on achieving sustainable growth and returns for investors in the medium to long-term. During the 2018 financial year, it has adopted a remuneration framework consisting of base salary, short-term incentives and long-term incentives and a remuneration policy which is aimed to motivate and retain highly skilled executives and align their interests with shareholders.

Base salary

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

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

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

During the 2018 financial year, no Executive Key Management Personnel received any increase to their base salary.

Short-term incentives (STI)

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

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

Long-term incentives (LTI)

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

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

Omnibus incentive plan

The Board has recently approved an Omnibus Incentive Plan which constitutes a new set of LTI arrangements that provide for the ability to offer options, performance rights and loan funded shares to staff.

It is intended that senior executives will principally be offered loan funded ordinary shares in the Company, whereby the Company will provide limited recourse loans to senior executives to acquire shares at their current market value at the time of grant. The shares will only vest upon the satisfaction of the following service and performance conditions:

- the employee must remain employed with the Group for 5 years; and
- the Company's earnings per share grows by a compound annual growth rate of at least 15% per annum over the 5 year period.

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

Options component

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

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

Equity component

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

5 Links between performance and outcomes

During the 2018 financial year, the Managing Director conducted performance reviews of senior executives and made recommendations to the Remuneration and Nominations Committee in respect of their STIs. In making those recommendations, regard was had to the group, team and individual performance relative to expectations (both financial and non-financial) over the period.

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

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

- growth in earnings per share from continuing operations of 76.5% in the 2018 financial year
- growth in NPAT from continuing operations attributable to shareholders from $12.0m in the 2017 financial year to $23.1m in the 2018 financial year
- increase in FUM from $26.5bn as at 30 June 2017 to $38.0bn as at 30 June 2018
- net FUM inflows of $7.9bn during the 2018 financial year
- net retail FUM inflows of $2.2bn during the 2018 financial year
- 100% of Affiliate strategies and products that have a track record of at least 5 years outperformed their benchmarks over the 5 years to 30 June 2018
- a new Affiliate, Firetrail, being commenced during 2018

	2018	2017	2016	2015	2014
Net profit/(loss) after tax from continuing operations attributable to shareholders ($m)	23.1	12.0	5.8	(5.5)	3.6
Funds Under Management (FUM) ($bn)	38.0	26.5	19.8	16.0	12.2
Net FUM Inflows ($bn)	7.9	4.9	2.1	2.3	(0.6)
Net Retail FUM Inflows ($bn)	2.2	2.5	0.6	0.5	0.3
Closing share price ($)	5.37	2.90	1.45	1.20	0.61
Dividend per share (cents)	11.60	7.00	3.30	1.60	2.75
Basic earnings per share (cents) from continuing operations	14.3	8.1	5.2	(5.2)	3.5
Diluted earnings per share (cents) from continuing operations	13.2	7.6	5.2	(5.2)	3.4

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

6 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 2018.

	% of total remuneration		
	Fixed remuneration	Performance-based remuneration	
		STI	LTI
Ian Macoun	47%	46%	7%
Andrew Chambers	44%	45%	11%
Adrian Whittingham	44%	45%	11%
Alex Ihlenfeldt	45%	44%	11%

Ian Macoun

In the 2018 financial year, Mr Macoun's base salary remained unchanged at $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. Mr Macoun's salary and STI has remained unchanged since the 2016 financial year.

In addition and in accordance with the terms of the PIML LTI scheme described on page 25, on 1 July 2015 the Company granted 750,000 options over its ordinary shares to Mr Macoun. This grant of options was subject to shareholder approval given at an extraordinary general meeting on 26 June 2015.

Andrew Chambers

In the 2018 financial year, Mr Chambers' base salary remained unchanged at $400,000 per annum (inclusive of superannuation) and he earned an STI of $400,000 (inclusive of superannuation). STI is a performance incentive of up to 100% of base salary awarded on the basis of meeting business and strategic objectives.

In addition and in accordance with the terms of the PIML LTI scheme described on page 25, on 1 July 2015 the Company granted 750,000 options over its ordinary shares to Mr Chambers.

Adrian Whittingham

In the 2018 financial year, Mr Whittingham's base salary remained unchanged at $400,000 per annum (inclusive of superannuation) and he earned an STI of $400,000 (inclusive of superannuation). STI is a performance incentive of up to 100% of base salary awarded on the basis of meeting business and strategic objectives.

In addition and in accordance with the terms of the PIML LTI scheme described on page 25, on 1 July 2015 the Company granted 750,000 options over its ordinary shares to Mr Whittingham.

Alex Ihlenfeldt

In the 2018 financial year, Mr Ihlenfeldt's base salary remained unchanged at $300,000 per annum (inclusive of superannuation) and he earned 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 addition and in accordance with the terms of the PIML LTI scheme described on page 25, on 1 July 2015 the Company granted 425,000 options over its ordinary shares to Mr Ihlenfeldt. This grant of options was subject to shareholder approval given at an extraordinary general meeting on 26 June 2015.

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

Name		Short-term employee benefits			Post employment benefits		Long-term benefits	Share based payments				
		Cash salary & fees $	Cash bonus (STI) $	Non-monetary benefits $	Super-annuation $	Retirement Benefits $	Long service leave $	Options & Rights (LTI) $	Termination benefits $	Total $	Portion of remuneration at risk – STI %	Portion of remuneration at risk – LTI %
Managing Director:												
Ian Macoun	2018	575,000	600,000	-	25,000	-	9,910	97,744	-	1,307,654	46%	7%
	2017	565,000	600,000	-	35,000	-	9,131	97,745	-	1,306,876	46%	7%
Other Key Management Personnel												
Andrew Chambers*	2018	375,000	400,000	-	25,000	-	(14,663)	97,984	-	883,321	45%	11%
	2017	309,117	400,000	-	24,216	-	5,071	84,709	-	823,113	49%	10%
Adrian Whittingham*	2018	359,616	400,000	-	25,000	-	6,604	97,984	-	889,204	45%	11%
	2017	309,117	400,000	-	24,216	-	5,071	84,709	-	823,113	49%	10%
Alex Ihlenfeldt	2018	275,000	300,000	-	25,000	-	9,349	75,678	-	685,027	44%	11%
	2017	273,973	296,027	-	30,000	-	4,564	75,678	-	680,242	44%	11%
Alexander Grant#	2018	-	-	-	-	-	-	-	-	-	-	-
	2017	47,038	-	-	4,469	-	844	-	-	52,351	-	-
Totals	**2018**	**1,584,616**	**1,700,000**	**-**	**100,000**	**-**	**11,200**	**369,390**	**-**	**3,765,206**		
	2017	1,504,245	1,696,027	-	117,901	-	24,681	342,841	85,000	3,685,695		

* KMP from 1 September 2016
# KMP until 16 August 2016

7 Executive service agreements

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

Ian Macoun

During the 2017 financial year, and as part of the PIML Acquisition that was approved by shareholders on 16 August 2016, Ian Macoun was appointed Managing Director of the Company and entered into a new service agreement, the terms of which were substantially similar to his previous contract as Managing Director of PIML. Mr Macoun's contract provides for termination by either party upon giving three months' notice except where termination is due to misconduct. In addition, as part of the PIML Acquisition, shareholders voted to approve the payment of termination benefits to Mr Macoun in an amount of $900,000 or 12 months' salary (whichever is higher), should Mr Macoun's employment be terminated in certain circumstances and consistent with his previous terms of employment. The termination provisions were agreed between Mr Macoun and PIML as part of his employment agreement in 2006 when he was initially employed by the Group. Termination benefits are not payable in the event of misconduct. No termination benefits were paid during the 2018 financial year.

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

In August 2016, as part of the PIML Acquisition which was approved by shareholders on 16 August 2016, the Company advanced to Mr Macoun's nominated shareholding entity a loan of $500,000 for the express purpose of acquiring shares in the Company in the secondary market from Deutsche Australia. This loan is interest bearing and subject to a 5 year term, limited recourse and secured by way of a share mortgage. Repayment will occur at the earlier of the end of the 5 year term, the date on which any of the underlying shares are sold or within 6 months' of the cessation of Mr Macoun's employment. Events of default under the loan include cessation of employment.

Andrew Chambers

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

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

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

In August 2016, as part of the PIML Acquisition, the Company advanced to Mr Chambers' nominated shareholding entity a loan of $500,000 for the express purpose of acquiring shares in the Company in the secondary market from Deutsche Australia. This loan is interest bearing and subject to a 5 year term, limited recourse and secured by way of a share mortgage. Repayment will occur at the earlier of the end of the 5 year term, the date on which any of the underlying shares are sold or within 6 months' of the cessation of Mr Chambers' employment. Events of default under the loan include cessation of employment.

Adrian Whittingham

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

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

In August 2016, as part of the PIML Acquisition, the Company advanced to Mr Whittingham's nominated shareholding entity a loan of $500,000 for the express purpose of acquiring shares in the Company in the secondary market from Deutsche Australia. This loan is interest bearing and subject to a 5 year term, limited recourse and secured by way of a share mortgage. Repayment will occur at the earlier of the end of the 5 year term, the date on which any of the underlying shares are sold or within 6 months' of the cessation of Mr Whittingham's employment.

Events of default under the loan include cessation of employment.

Alex Ihlenfeldt

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

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

In August 2016, as part of the PIML Acquisition which was approved by shareholders on 16 August 2016, the Company advanced to Mr Ihlenfeldt's nominated shareholding entity a loan of $500,000 for the express purpose of acquiring shares in the Company in the secondary market from Deutsche Australia. This loan is interest bearing and subject to a 5 year term, limited recourse and secured by way of a share mortgage. Repayment will occur at the earlier of the end of the 5 year term, the date on which any of the underlying shares are sold or within 6 months' of the cessation of Mr Ihlenfeldt's employment. Events of default under the loan include cessation of employment.

8 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 2018 financial year.

For the 2019 financial year, it is intended that a proposal will be submitted to the AGM that allows non-executive Directors to sacrifice a proportion of their fees in favour of immediately vesting Performance Rights.

The fees paid to non-executive Directors from 16 December 2016 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

Non-executive Directors are not eligible to receive STI but may be eligible to participate in the EOSP. There are currently no outstanding grants to non-executive Directors under the EOSP and during the 2018 financial year, no non-executive Directors participated in the EOSP.

Further details concerning the EOSP are set out on page 25.

Total remuneration for the non-executive Directors in relation to the Company, Committee positions and subsidiaries for the 2018 financial year was $330,000 and is presented in accordance with applicable accounting standards and shown in the table below:

Name		Short-term employee benefits			Post employment benefits		Long-term benefits	Share based payments					
		Cash salary & fees	Cash bonus (STI)	Non-monetary benefits	Super-annuation	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
		$	$	$	$	$	$	$	$	$	$	%	%
Non-executive Directors													
Alan Watson	2018	100,457	-	-	9,543	-	-	-	-	110,000	110,000	-	-
	2017	97,158	-	-	8,676	-	-	-	-	105,834	105,834	-	-
Deborah Beale (i)	2018	63,927	-	-	6,073	-	-	-	-	70,000	70,000	-	-
	2017	53,272	-	-	5,061	-	-	-	-	58,333	58,333	-	-
Gerard Bradley (ii)	2018	80,000	-	-	-	-	-	-	-	80,000	80,000	-	-
	2017	60,883	-	-	5,784	-	-	-	-	66,667	66,667	-	-
Steven Wilson	2018	70,000	-	-	-	-	-	-	-	70,000	70,000	-	-
	2017	69,755	-	-	-	-	-	-	-	69,755	69,755	-	-
Steven Skala (iii)	2018	-	-	-	-	-	-	-	-	-	-	-	-
	2017	10,245	-	-	973	-	-	-	-	11,218	11,218	-	-
Totals	**2018**	**314,384**	**-**	**-**	**15,616**	**-**	**-**	**-**	**-**	**330,000**	**330,000**	**-**	**-**
	2017	297,097	-	-	14,710	-	-	-	-	311,807	311,807	-	-

(i) 2017: Ms Beale was appointed a Director on 1 September 2016.
(ii) 2017: Mr Bradley was appointed a Director on 1 September 2016.
(iii) 2017: Mr Skala was a Director until his resignation on 26 August 2016.

Retirement allowances for non-executive Directors

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

New non-executive Director appointments

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

9 Share based payment compensation

Options

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods as at 30 June 2018 are as follows:

Grant Date	Category	Expiry date	Exercise period	Exercise price	Value per right / option at grant date	Number of rights / options granted during the year	Number of rights / options exercised during the year	Number of rights / options forfeited during the year	Number of rights / options at end of financial year	% Vested
1 July 2015	Options	30 Jun 20	125 Days	$0.99	$0.32	2,125,000	0	0	2,125,000	0%
21 December 2017	Options	12 Jun 23	182 Days	$3.93		600,000	0	0	0	0%

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

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

(i) Fair values at grant date are calculated using a Black-Scholes option pricing model that takes into account the exercise price, the terms of the right or option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right or option. Model inputs for the grants made are set out in note 27 to the financial statements.

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

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

Loan Shares

The terms and conditions of each grant of equity and associated loan to Key Management Personnel is provided at pages 27 to 28. Details of the loan arrangements affecting remuneration in the previous, this or future reporting periods as at 30 June 2018 are as follows:

Name	Date of grant	Number of loan shares	Loan value at date of grant	Share based payments value (i)	Vesting date	Number of shares vested	Value ($) of shares vested (ii)	Number of shares forfeited/ lapsed/sold	Value ($) of shares forfeited/ lapsed/sold
Key Management Personnel of the Group									
Ian Macoun									
Loan Shares	25-Aug-16	288,210	273,799	$30,799	31-Dec-18	-	-	-	-
Loan Shares	25-Aug-16	287,888	273,494	$33,846	31-Jan-20	-	-	-	-
Loan Shares	25-Aug-16	1,111,112	500,000	$14,162	25-Aug-16	1,111,112	1,955,555	-	-
Sub-Total		1,687,210	1,047,293	$78,807		1,111,112	1,955,555	-	-
Andrew Chambers									
Loan Shares	25-Aug-16	133,509	126,834	$1,221	21-Mar-17	133,509	311,076	-	-
Loan Shares	25-Aug-16	288,210	273,799	$30,799	31-Dec-18	-	-	-	-
Loan Shares	25-Aug-16	287,888	273,494	$36,392	31-Dec-20	-	-	-	-
Loan Shares	25-Aug-16	1,111,112	500,000	$14,162	25-Aug-16	1,111,112	1,955,555	-	-
Sub-Total		1,820,719	1,174,127	$82,575		1,244,621	2,266,631	-	-
Adrian Whittingham									
Loan Shares	25-Aug-16	133,509	126,834	$1,221	21-Mar-17	133,509	311,076	-	-
Loan Shares	25-Aug-16	288,210	273,799	$30,799	31-Dec-18	-	-	-	-
Loan Shares	25-Aug-16	287,888	273,494	$36,392	31-Dec-20	-	-	-	-
Loan Shares	25-Aug-16	1,111,112	500,000	$14,162	25-Aug-16	1,111,112	1,955,555	-	-
Sub-Total		1,820,719	1,174,127	$82,575		1,244,621	2,266,631	-	-
Alex Ihlenfeldt									
Loan Shares	25-Aug-16	437,968	416,070	$74,503	30-Jan-18	-	-	-	-
Loan Shares	25-Aug-16	163,083	154,929	$17,428	31-Dec-18	-	-	-	-
Loan Shares	25-Aug-16	162,761	154,623	$20,575	31-Dec-20	-	-	-	-
Loan Shares	25-Aug-16	1,111,112	500,000	$14,162	25-Aug-16	1,111,112	1,955,555	-	-
Sub-Total		1,874,924	1,225,622	$126,667		1,111,112	1,955,555	-	-

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

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

10 Equity instrument disclosures relating to Key Management Personnel

Options and rights holdings

The number of options and rights over ordinary shares in the Company held during the 2018 financial year by the Directors of the Company and other Key Management Personnel of the Group, including personally related parties, are set out below.

	2018	2017
Balance at start of year	2,675,000	1,175,000
Granted as compensation	-	-
Exercised	(1,338,000)	-
Expired and other changes*	-	1,500,000
Balance at end of the year	**1,337,000**	**2,675,000**

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

Shareholdings

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

Name	Balance at start of year	Granted during reporting year as compensation	Received during the year on the exercise of options and rights	Other changes during the year*	Balance at the end of the year
Non-executive Directors					
Alan Watson	125,000	-	-	-	125,000
Steve Wilson	20,020,000	-	-	500,000	20,520,000
Deborah Beale	62,500	-	-	40,000	102,500
Gerard Bradley	50,000	-	-	1,284	51,284
Executive Directors					
Ian Macoun	25,983,596	-	-	1,090,401	27,123,997
Andrew Chambers	4,647,214	-	-	78,200	4,725,414
Adrian Whittingham	4,447,214	-	-	(121,800)	4,325,414
Key Management Personnel					
Alex Ihlenfeldt	4,689,696	-	-	40,517	4,730,213

* includes changes resulting from commencing or ceasing to be KMP

11 Loans to Key Management Personnel

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

(i) Aggregates for Key Management Personnel

	Balance at start of year $	Loan issued during year $	Other changes during the year (i) $	Repayments made $	Interest paid and payable for the year $	Interest not charged $	Balance at end of year $	Number in Group at end of year
2018	4,794,426	-	-	(193,090)	51,529	201,014	4,652,865	4

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

	Balance at start of year $	Loan issued during year $	Other changes during the year (i) $	Repayments made $	Interest paid and payable for the year $	Interest not charged $	Balance at end of year $	Highest indebtedness during the year $
Ian Macoun	1,034,331	-	-	(54,153)	12,882	41,298	993,060	1,037,549
Andrew Chambers	1,268,586	-	-	(54,153)	12,882	53,865	1,227,315	1,271,803
Adrian Whittingham	1,268,586	-	-	(54,153)	12,882	53,865	1,227,315	1,271,803
Alex Ihlenfeldt	1,222,922	-	-	(30,629)	12,882	51,986	1,205,175	1,226,138

The loans referenced in the above table comprise:

- loans originally advanced by PIML and were for the purpose of acquiring shares in PIML
- the New Loans.

As part of the PIML Acquisition, shareholders approved the repayment of the original loans with the proceeds of loans reissued by the Company on 25 August 2016, as well as the advance of the New Loans. See pages 29 to 30 for further detail on the terms of the loans.

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

12 Other transactions with former Key Management Personnel

Steven Skala AO

Mr Skala was a non-executive Director of the Company, is Vice Chairman of Deutsche Bank AG Australia and New Zealand and was 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 9.27% interest from 18 May 2016 to 30 June 2016. On 25 August 2016, Deutsche Australia ceased to be a shareholder. On 26 August 2016, Mr Skala resigned as a Director of the Company.

13 Equity Capital

Shares under option/rights

Unissued ordinary shares of the Company under option at 30 June 2018 are as follows:

Date options granted	Expiry date	Exercise price of options	Number under option
1 July 2015	30 June 2020	$0.99	2,125,000
21 December 2017	12 June 2023	$3.93	600,000
14 March 2018	14 March 2021	Nil	2,158,733
TOTAL			4,883,733

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

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

On 14 March 2018 Pinnacle Investment Management Limited entered into an agreement with Firetrail Investments Pty Ltd for 24.35% ownership interest. This was funded partly by cash and partly by 2,158,733 zero-price options issued by Pinnacle Investment Management Group Limited.

Shares issued under the EOSP

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

End of Remuneration Report

Meetings of Board and Board Committees

The number of meetings of the Company's Board and of each Board committee held during the year ended 30 June 2018 and the number of meetings attended by each Director were as follows:

Meetings of Board and Board Committees

	Board		Audit, Compliance and Risk Committee		Remuneration and Nominations Committee	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
A Watson	12	12	4	-	5	5
I Macoun	12	12	5	-	5	-
D Beale	12	12	5	5	5	5
G Bradley	12	12	5	5	5	5
A Chambers	11	12	-	-	-	-
A Whittingham	11	12	-	-	-	-
S Wilson AM	12	12	5	5	5	5

Committee Membership

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

Members acting on the committees of the Board are:

Audit, Compliance and Risk Committee	Remuneration and Nominations Committee
G Bradley (Chairman)	A Watson (Chairman)
D Beale	D Beale
S Wilson AM	G Bradley
	S Wilson AM

Company Secretary

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

Environmental regulation

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

Insurance of officers

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

The Company has agreed to indemnify each person who is, or has been a Director, officer or agent of the Company and/or of certain of its related bodies corporate against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Director, officer or agent, except where the liability arises out of conduct involving a lack of good faith. The Company is required to meet the full amount of any such liabilities, including costs and expenses for a period of seven years.

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

Non-audit services

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

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

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

- all non-audit services have been reviewed by the Audit Compliance and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the Auditor
- 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 2018 financial year the following fees were paid or are payable for services provided by the Auditor, its related practices and non-related audit firms:

	2018 $	2017 $
(i) Audit and other assurance services		
Audit and review of financial statements	206,056	212,491
Other assurance services:		
Audit of regulatory returns	20,688	20,085
Audit of compliance plan – Responsible entity *	68,466	52,178
Other assurance services	-	-
Total remuneration for audit and other assurance services	**295,210**	**284,754**
(ii) Taxation services		
Tax services	103,893	42,968
Total remuneration for taxation services	**103,893**	**42,968**
(iii) Other services		
Other services	-	-
Total remuneration of PricewaterhouseCoopers Australia	**399,103**	**327,722**
Total remuneration of auditors	**399,103**	**327,722**

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

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 42 of the 2018 Annual Report.

Rounding of amounts

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

Auditor

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

A Watson
Chairman
Pinnacle Investment Management Group Limited

Sydney
28 August 2018

06 〉 Auditor's independence declaration

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Pinnacle Investment Management Group Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Craig Thomason
Partner
PricewaterhouseCoopers

Sydney
28 August 2018

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07 〉 Financial Statements

Pinnacle Investment Management Group Limited
ABN 22 100 325 184
Financial Report – 30 June 2018

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

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

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

These financial statements were authorised for issue by the Directors on 28 August 2018. 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/

07 〉 Consolidated statement of profit or loss

For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Revenue from continuing operations	1	16,542	10,976
Fair value gains/(losses) on financial assets at fair value through profit or loss		(1,813)	(636)
Employee benefits expense		(8,190)	(7,413)
Incentives expense		(4,600)	(4,087)
Professional services expense		(648)	(1,555)
Property expense	2	(649)	(533)
Travel and entertainment expense		(706)	(441)
Technology and communications expense		(529)	(373)
Other expenses from operating activities	2	(1,168)	(1,361)
Share of net profit of jointly controlled entities accounted for using the equity method	21(d)	24,903	17,598
Profit before income tax		**23,142**	**12,175**
Income tax expense	3	-	-
Profit from continuing operations		**23,142**	**12,175**
Profit/(loss) from discontinued operations	23(b)	334	1,082
Profit for the year		**23,476**	**13,257**
Profit for the year is attributable to:			
Owners of Pinnacle Investment Management Group Limited		**23,476**	**13,098**
Non-controlling interests		-	159
		23,476	**13,257**

Earnings per share:		Cents	Cents
From continuing operations attributable to owners of Pinnacle Investment Management Group Limited			
Basic earnings per share	5	14.3	8.1
Diluted earnings per share	5	13.2	7.6
Total profit attributable to owners of Pinnacle Investment Management Group Limited			
Basic earnings per share	5	14.5	8.9
Diluted earnings per share	5	13.4	8.2

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

Pinnacle Investment Management Group Limited

07 〉 Consolidated statement of comprehensive income

For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Profit for the year		23,476	13,257
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Changes to the fair value of available-for-sale financial assets	23(c)	(334)	(495)
Total comprehensive income/(loss) for the year		**23,142**	**12,762**
Total comprehensive income for the year is attributable to:			
Owners of Pinnacle Investment Management Group Limited		**23,142**	**12,603**
Non-controlling interests		-	159
		23,142	**12,762**
Total comprehensive income for the year attributable to owners of Pinnacle Investment Management Group Limited arises from:			
Continuing operations		**23,142**	**11,521**
Discontinued operations	23(b)	-	1,082
		23,142	**12,603**

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

07 〉 Consolidated statement of financial position

For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	9,332	10,945
Trade and other receivables	7	10,563	5,079
Financial assets at fair value through profit or loss	8	22,156	31,571
Other current assets	9	2,011	933
Total current assets		**44,062**	**48,528**
Non-current assets			
Investments accounted for using the equity method	21	55,601	32,627
Property, plant and equipment		125	139
Intangible assets		7	10
Available-for-sale financial assets	23(c)	114	448
Other non current assets	11	4,990	-
Total non-current assets		**60,837**	**33,224**
Total assets		**104,899**	**81,752**
LIABILITIES			
Current liabilities			
Trade and other payables	12	5,892	5,021
Provisions	13	805	1,000
Total current liabilities		**6,697**	**6,021**
Non-current liabilities			
Provisions	13	105	71
Total non-current liabilities		**105**	**71**
Total liabilities		**6,802**	**6,092**
Net assets		**98,097**	**75,660**
EQUITY			
Contributed equity	14	154,762	148,834
Reserves	15(a)	(46,137)	(54,383)
Accumulated losses	15(b)	(10,528)	(18,791)
Total equity		**98,097**	**75,660**

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

07 〉 Consolidated statement of changes in equity

For the year ended 30 June 2018

	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 2016		**61,946**	**1,167**	**(19,982)**	**43,131**	**6,452**	**49,583**
Total comprehensive income for the year		**-**	**(495)**	**13,098**	**12,603**	**159**	**12,762**
Transactions with owners in their capacity as owners:							
Share-based payments	15(a)	-	575	-	575	-	575
Dividends paid to shareholders	16	-	-	(11,907)	(11,907)	-	(11,907)
Acquisition of non-controlling interests	15(c)	65,197	(59,603)	-	5,594	(6,611)	(1,017)
Share placement, net of issue costs	14	28,527	-	-	28,527	-	28,527
Employee loan arrangements	14, 15(a)	(6,836)	3,973	-	(2,863)	-	(2,863)
		86,888	(55,055)	(11,907)	19,926	(6,611)	13,315
Balance at 30 June 2017		**148,834**	**(54,383)**	**(18,791)**	**75,660**	**-**	**75,660**
Balance at 1 July 2017		**148,834**	**(54,383)**	**(18,791)**	**75,660**	**-**	**75,660**
Total comprehensive income for the year		**-**	**(334)**	**23,476**	**23,142**	**-**	**23,142**
Transactions with owners in their capacity as owners:							
Share-based payments	15(a)	627	(263)	-	364	-	364
Shares issued on exercise of options		2,096			2,096	-	2,096
Shares issued		698			698		698
Dividends paid to shareholders	16	1,519	-	(15,213)	(13,694)	-	(13,694)
Acquisition of non-controlling interests	15(c)	-	-	-	-	-	-
Options issued	21(a)	-	9,498	-	9,498	-	9,498
Share placement, net of issue costs	14	-	-	-	-	-	-
Employee loan arrangements	14, 15(a)	988	(655)	-	333	-	333
		5,928	8,580	(15,213)	(705)	-	(705)
Balance at 30 June 2018		**154,762**	**(46,137)**	**(10,528)**	**98,097**	**-**	**98,097**

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

07 〉 Consolidated statement of cash flows

For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		12,350	9,344
Payments to suppliers and employees		(17,584)	(17,539)
Dividends and distributions received		17,686	11,400
Interest received		222	126
Finance and borrowings costs paid		(103)	(94)
Proceeds from sale of financial assets at fair value through profit or loss		18,003	10,652
Payments to purchase financial assets at fair value through profit or loss		(9,704)	(31,307)
Net cash inflow/(outflow) from operating activities	24	20,870	(17,418)
Cash flows from investing activities			
Payments for property, plant and equipment		(43)	(55)
Payments for intangible assets		-	-
Proceeds from sale of investments in subsidiaries		-	975
Proceeds from sale of investments accounted for using the equity method		446	-
Payments for investments accounted for using the equity method		(6,515)	(615)
Loan advances to shareholders		-	(3,000)
Loan repayments from shareholders		333	145
Loan repayments from related parties		-	1,500
Loan advances to related parties		(5,804)	(751)
Net cash inflow/(outflow) from investing activities		**(11,583)**	**(1,801)**
Cash flows from financing activities			
Dividends paid to shareholders		(13,694)	(11,907)
Proceeds from issue of shares, net of issue costs		2,794	28,527
Net cash (outflow)/inflow from financing activities		**(10,900)**	**16,620**
Net (decrease) in cash and cash equivalents		**(1,613)**	**(2,599)**
Cash and cash equivalents at the beginning of the financial year		10,945	13,544
Cash and cash equivalents at end of year	6	**9,332**	**10,945**

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.

Pinnacle Investment Management Group Limited

07 〉 Notes to the consolidated financial statements

30 June 2018

Group Results

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

1 Revenue

	2018 $'000	2017 $'000
Services revenue		
Fund management fees	-	-
Performance fee income	-	-
Service charges to entities under joint control	15,083	8,915
Interest income on structured products	-	-
	15,083	**8,915**
Other revenue		
Directors fees	44	44
Interest received or due	221	136
Dividends and distributions	1,108	1,840
Other revenue	86	41
	1,459	**2,061**
	16,542	**10,976**

2 Expenses

Profit before income tax includes the following specific expenses:	2018 $'000	2017 $'000
Finance cost expense		
Interest and finance charges – corporate	108	94
Total finance cost expense	**108**	**94**
Rental expense relating to operating leases		
Minimum lease payments	413	425
Total rental expense relating to operating leases	**413**	**425**
Depreciation and amortisation expense		
Depreciation – property, plant and equipment	68	51
Amortisation – intangible assets	-	3
Total depreciation and amortisation expense	**68**	**54**

3 Income tax

(a) Income tax expense / (benefit)

	2018 $'000	2017 $'000
Income tax expenses is attributable to:		
Continuing operations	-	-
Discontinued operations	-	-
Total income tax expense/(benefit)	**-**	**-**
Current tax	27	(1,394)
Deferred tax	(27)	1,394
Adjustments for tax in respect of prior periods	-	-
	-	-
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
(Increase)/Decrease in deferred tax assets	(27)	1,394
Increase in deferred tax liabilities	-	-
	(27)	**1,394**

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

	2018 $'000	2017 $'000
Profit from continuing operations before income tax	23,142	12,175
Profit / Loss from discontinued operations before income tax	334	1,082
Profit before income tax	**23,476**	**13,257**
Tax at the Australian tax rate of 30% (2017: 30%)	**7,043**	**3,977**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of profits of entities under joint control	(7,471)	(5,279)
Impairment	-	-
Non-deductible expenditure	138	202
Sundry items	(100)	(272)
	(390)	**(1,372)**
Adjustments for tax in respect of prior periods	-	-
Deferred tax assets not recognised	390	1,372
	390	**1,372**
Total income tax expense/(benefit)	**-**	**-**

3 Income tax (continued)

(c) Tax losses not recognised

	2018 $'000	2017 $'000
Unused tax losses for which no deferred tax asset has been recognised	58,286	59,607
Potential tax benefit at 30%	**17,486**	**17,882**

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. The deferred tax assets of the consolidated entity are currently not recognised under this criteria.

(d) Tax consolidation legislation

Pinnacle Investment Management Group Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2003. Next Financial Limited and its subsidiaries joined the tax consolidated group on 1 April 2009. Pinnacle Investment Management Limited and its subsidiaries joined the tax consolidated Group on 25 August 2016. The accounting policy in relation to this legislation is set out in note 31(f) and further information is provided at Note 31(z).

4 Segment information

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

5 Earnings per share

(a) Basic earnings per share

	2018 Cents	2017 Cents
Attributable to the ordinary equity shareholders of the Company		
From continuing operations	**14.3**	**8.1**
From discontinued operations	0.2	0.8
From total operations	**14.5**	**8.9**

(b) Diluted earnings per share

	2018 Cents	2017 Cents
Attributable to the ordinary equity shareholders of the Company		
From continuing operations	**13.2**	**7.6**
From discontinued operations	0.2	0.5
From total operations	**13.4**	**8.1**

5 Earnings per share (continued)

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

	2018 Cents	2017 Cents
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	23,142	12,016
From discontinued operation	334	1,082
Profit/(loss) used in calculating basic and diluted earnings per share	**23,476**	**13,098**

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

	2018 Number	2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	161,700,282	147,598,707
Adjustments for calculation of diluted earnings per share:		
Weighted average Treasury stock (see note 14(d))	10,438,184	9,191,633
Weighted average options	3,114,346	2,226,861
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**175,252,812**	**159,017,201**

(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.

Operating assets and liabilities

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

6 Cash and cash equivalents

	2018 $'000	2017 $'000
Available cash at bank and on hand	8,965	10,634
Fixed-term deposits	367	310
Other committed cash at bank and on hand	-	1
	9,332	**10,945**

(a) Risk exposure

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

(b) Fixed term and at call deposits

Fixed-term and at-call deposits bear floating interest rates between 1.45% and 1.75% (2017: 1.45% and 2.43%). At-call deposits have an average maturity of 30 days. Fixed-term deposits have a maturity ranging from 90 days to 1 year.

7 Trade and other receivables

	2018 $'000	2017 $'000
Trade receivables	2,842	2,200
Income receivable	6,906	2,413
Other receivables	707	338
Prepayments	108	128
	10,563	**5,079**

(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 18 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 18(b) and 18(d).

8 Financial assets at fair value through profit or loss

	2018 $'000	2017 $'000
Australian listed securities	10,783	12,551
Other unlisted equity securities	364	364
Derivative financial assets	739	1,208
Unlisted unit trusts	10,270	17,448
	22,156	**31,571**

Risk exposure and fair value measurements

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

9 Other current assets

	2018 $'000	2017 $'000
Loans to entities under joint control	2,011	933
	2,011	**933**

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 30(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.

10 Net deferred tax assets

	2018 $'000	2017 $'000
Deferred tax assets (a)	154	15
Deferred tax liabilities (b)	(154)	(15)
Net deferred tax assets	-	-

(a) Deferred tax assets

	2018 $'000	2017 $'000
The deferred tax asset balance comprises temporary differences attributable to:		
Unrealised loss on fair value assets	154	15
Other	-	-
Total deferred tax assets	**154**	**15**
Set-off of deferred tax liabilities pursuant to set-off provisions	(154)	(15)
Net deferred tax assets	-	-

30 June 2018 (continued)

10 Net deferred tax assets (continued)

(a) Deferred tax assets (continued)

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. The deferred tax assets of the consolidated entity are currently not recognised under this criteria – refer note 3(c).

(b) Deferred tax liabilities

	2018 $'000	2017 $'000
The deferred tax liabilities balance comprises temporary differences attributable to:		
Financial assets at fair value through profit or loss	134	11
Receivables	20	4
Total deferred tax liabilities	154	15

11 Other non-current assets

	2018 $'000	2017 $'000
Loans to other related parties	4,990	-
	4,990	-

12 Trade and other payables

	2018 $'000	2017 $'000
Trade payables	477	1,097
Accrued expenses	1,042	1,569
Accrued bonuses	4,067	2,145
Other payables	306	210
	5,892	**5,021**

13 Provisions

	2018 $'000	2017 $'000
Current		
Employee benefits – annual leave and long service leave	805	1,000
	805	**1,000**
Non-Current		
Employee benefits – long service leave	105	71
	105	**71**

13 Provisions (continued)

(a) Movements in provisions

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

	Employee Benefits $'000
Current	
Balance at 1 July	1,000
Amounts utilised during the year	(195)
Balance at 30 June	**805**
Non-Current	
Balance at 1 July	71
Amounts provided for during the year	34
Balance at 30 June	**105**

Capital and financial risk management

This section provides information about the capital structure of the consolidated entity and dividends paid to shareholders during the year, discusses the Group's exposure to various financial risks and how these risks are managed, and outlines the Group's contingent assets and liabilities and its financial commitments.

14 Contributed equity

(a) Share capital

	2018 Shares	2017 Shares	2018 $'000	2017 $'000
Ordinary shares:				
Fully paid contributed equity – Company	153,905,571	149,818,238	154,762	148,834
Total contributed equity	**153,905,571**	**149,818,238**	**154,762**	**148,834**

14 Contributed equity (continued)

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$'000
1 July 2016	**Opening balance**	**111,131,752**		**61,946**
	Issue of ordinary shares as consideration for acquisition of non-controlling interests of Pinnacle Investment Management Limited (refer note 15(c))	37,043,917	$1.76	65,197
	Share placement, net of issue costs	12,500,000	$2.40	28,527
	Treasury stock at year-end	(10,857,431)		(6,836)
30 June 2017	**Closing Balance**	**149,818,238**		**148,834**
	Issue of ordinary shares on exercise of options	2,125,000	$0.99	2,095
	Share based payment			627
	Issue of ordinary shares	708,192	$0.99	699
	Dividend reinvestment	415,646	$3.65	1,519
	Treasury stock at year-end	838,495		988
30 June 2018	**Closing Balance**	**153,905,571**		**154,762**

(c) Ordinary shares

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

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

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

(d) Treasury stock

Treasury stock are shares in Pinnacle Investment Management Group Limited that are subject to share mortgage under employee loans used for the purposes of acquiring interests in the Company (refer note 15(c)). The value ascribed to treasury stock is the value of the loans secured by share mortgage at period end.

(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 27.

(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 licenses held by subsidiaries.

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

15 Reserves and accumulated losses

(a) Reserves

	2018 $'000	2017 $'000
Share-based payments reserve	3,854	4,772
Options reserve	9,498	-
Transactions with non-controlling interests reserve	(59,603)	(59,603)
Available-for-sale financial assets reserve	114	448
	(46,137)	**(54,383)**
Movements:		
Share-based payments reserve		
Balance at 1 July	**4,772**	**224**
Share-based payments expense	364	575
Shares issued on exercise of options	(627)	-
Employee loans subject to share-based payments arrangements (refer note 15(c))	(655)	3,973
Balance at 30 June	**3,854**	**4,772**
Options reserve		
Balance at 1 July	**-**	**-**
Options issued (refer note 21(a))	9,498	-
Balance at 30 June	**9,498**	**-**
Transactions with non-controlling interests reserve		
Balance at 1 July	**(59,603)**	**-**
Acquisition of non-controlling interests of Pinnacle Investment Management Limited (refer note 15(c))	-	(59,603)
Balance at 30 June	**(59,603)**	**(59,603)**
Available-for-sale financial assets reserve		
Balance at 1 July	**448**	**943**
Changes in fair value of available-for-sale financial assets (refer note 23)	(334)	(495)
Balance at 30 June	**114**	**448**

The share-based payments reserve is used to recognise:

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

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

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

15 Reserves and accumulated losses (continued)

(b) Accumulated losses

Movements in accumulated losses were as follows:

	2018 $'000	2017 $'000
Balance at 1 July	**(18,791)**	**(19,982)**
Profit/(loss) for the year attributable to owners of Pinnacle Investment Management Group Limited	23,476	13,098
Dividends paid to shareholders	(15,213)	(11,907)
Balance at 30 June	**(10,528)**	**(18,791)**

(c) Acquisition of non-controlling interest (prior period)

Following approval by shareholders of the Company at an extraordinary general meeting held on 16 August 2016, on 25 August 2016 the Company acquired the remaining 24.99% interest in its subsidiary Pinnacle Investment Management Limited that it did not already own from Executive shareholders ("Vendors").

As a consequence of the transaction the Company:

- issued 37,043,917 shares in the Company to the Vendors in exchange for their shareholdings in Pinnacle Investment Management Limited;
- provided loans to the Vendors to assist them to acquire shares in the Company from Deutsche Australia (refer note 25(d)(i));
- re-issued existing loans in respect of shares in Pinnacle Investment Management Limited that were being exchanged for the shares in the Company (refer note 25(d)(ii));
- took security in respect of the various loans described above by way of Share Mortgage;
- made a bonus payment to facilitate the repayment of a loan of $1,119,000 on behalf of Mr Ian Macoun in accordance with contractual arrangements entered into in 2006 (refer note 25(d)(iii));
- appointed Mr Ian Macoun as Managing Director, Mr Adrian Whittingham and Mr Andrew Chambers as executive Directors, and Mr Gerard Bradley and Ms Deborah Beale as non-executive Directors; and
- changed the name of the Company from Wilson Group Limited to Pinnacle Investment Management Group Limited.

The share price of the Company at the date of acquisition was $1.76, giving a fair value of the 37,043,917 shares issued of $65,197,000. The carrying value of the non-controlling interest to the Group at the date of acquisition was $6,611,000. The difference between the fair value of the consideration paid and the carrying value of the non-controlling interest of $58,586,000, plus applicable transaction costs of $1,017,000, has been recognised in equity in the Transactions with Non-Controlling Interests Reserve (refer note 15(a)).

Loans provided to the Vendors, and loans re-issued to the Vendors represent share based payments arrangements and are accounted for in share based payments reserve (refer note 15 (b) and note 27). Shares issued to the Vendors that are subject to share mortgage are regarded as treasury stock (refer note 14(a) and (d)).

16 Dividends

(a) Ordinary shares

	2018 $'000	2017 $'000
Interim dividend for the year ended 30 June 2018 of 4.6 cents per fully paid ordinary share paid on 23 March 2018 (2017 – 2.2 cents paid on 17 March 2017)		
Fully franked based on tax paid @ 30.0%	7,501	3,535
Final dividend for the year ended 30 June 2017 of 4.8 cents per fully paid ordinary share paid on 6 October 2017 (2017 – 1.9 cents paid on 3 October 2016)		
Fully franked based on tax paid @ 30.0%	7,712	2,815
Special dividend of 5.0 cents per fully paid ordinary share paid on 9 September 2016		
Fully franked based on tax paid @ 30.0%	-	5,557
Total dividends paid	**15,213**	**11,907**

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

Since year end the Directors have declared the payment of a final dividend of 7 cents per fully paid ordinary share fully franked based on tax paid at 30%. The aggregate amount of the dividend expected to be paid on 5 October 2018 but not recognised as a liability at year end, is $12,238,000 (2017 – 4.8 cent ordinary dividend totalling $7,712,000 not recognised as a liability at year-end).

(c) Franked dividends

The franked portions of final dividends recommended after 30 June 2018 will be franked out of existing franking credits.

	2018 $'000	2017 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2017: 30%)	26,869	26,361

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

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the end of each reporting date.

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

17 Current liabilities – Financing arrangements

(a) Secured liabilities and assets pledged as security

The Group has a bank facility subject to annual review which is secured by a general security deed over the assets of a subsidiary of the Group, Ariano Pty Ltd, and guarantees provided by the Company and other Group entities (excluding entities within the Pinnacle Investment Management Limited and Next Financial Limited groups). The facility's next anniversary date is 30 June 2019. Details of the facility are as follows:

	2018 $'000	2017 $'000
Bank guarantee (amount used at balance date - $5,050,000)	5,500	5,500
Corporate credit card (amount used at balance date – $63,000)	360	100
	5,860	**5,600**

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

Assets pledged as security

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

	2018 $'000	2017 $'000
Current		
Cash and cash equivalents	1	23
Receivables	486	493
Other current assets	-	-
Total current assets pledged as security	**487**	**516**
Non-current		
Other non-current assets	-	-
Plant and equipment	34	57
Total non-current assets pledged as security	**34**	**57**
Total assets pledged as security	**521**	**573**

(b) Interest rate risk exposure

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

18 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk 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:

	2018 $'000	2017 $'000
Financial assets		
Cash and cash equivalents	9,332	10,945
Trade and other receivables	10,455	4,951
Financial assets at fair value through profit or loss	22,152	31,571
Available for sale financial assets	114	448
Loans to joint associates (including affiliate executives) (non-current)	4,990	-
Loans to joint associates (including affiliate executives) (current)	2,011	933
	49,054	**48,848**
Financial liabilities		
Trade and other payables	5,892	5,021
Other current liabilities	-	-
	5,892	**5,021**

(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 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.

18 Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (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% (2017: +/- 15%) at 30 June 2018 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Group	+2,515/-2,515	+2,034/-2,034	+2,515/-2,515	+2,034/-2,034

(iii) Interest rate risk

The Group's main interest rate risk arises from holding cash and cash equivalents. During 2018 and 2017, 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 2018		30 June 2017	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash and cash equivalents	1.17%	9,332	1.15%	10,945
Exposure to cash flow interest rate risk		**9,332**		**10,945**

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 2018, 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 $65,000 lower/higher (2017: change of 100 basis points: $77,000 lower/higher).

18 Financial risk management (continued)

(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. As at the reporting date, the Group held the following credit risks:

	2018 $'000	2017 $'000
Cash and cash equivalents	9,332	10,945
Trade and other receivables	10,455	4,951
Financial assets at fair value through profit or loss	22,152	31,571
Available-for-sale financial assets	114	448
Loans to joint associates (including affiliate executives) (non-current)	4,990	-
Loans to joint associates (including affiliate executives) (current)	2,011	933
	49,054	**48,848**

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 31(k) for more information on the trade receivables policy of the Group.

	2018 $'000	2017 $'000
Trade and other receivables		
Neither past due nor impaired	10,455	4,951
Past due but not impaired	-	-
	10,455	4,951
Loans		
Neither past due nor impaired	7,001	933
Total trade and loan receivables	**7,001**	**5,884**

Impaired trade and loan receivables

As at 30 June 2018 receivables of the Group with a nominal value of $nil (2017: $nil) were impaired.

18 Financial risk management (continued)

(b) Credit risk (continued)

Credit quality

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

	2018 $'000	2017 $'000
Cash at bank and short-term bank deposits		
AA-	9,332	10,945
	9,332	**10,945**
Australian listed debt securities		
AA-	-	51
BBB	-	-
	-	**51**

(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 2018 the Group has $31.4 million in available cash and Principal Investments.

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

Maturities of financial liabilities

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

Contractual maturities of financial liabilities	1 to 30 days $'000	30 days to 90 days $'000	90 days to 1 year $'000	Total contractual cash flows $'000	Carrying amount $'000
At 30 June 2018					
Trade and other payables	1,824	4,068	-	5,892	5,892
Total financial liabilities	**1,824**	**4,068**	-	**5,892**	**5,892**
At 30 June 2017					
Trade and other payables	2,826	2,195	-	5,021	5,021
Total financial liabilities	**2,826**	**2,195**	-	**5,021**	**5,021**

18 Financial risk management (continued)

(d) Fair value measurements

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

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

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

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

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

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

30 June 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Australian listed equity securities	10,783	-	-	10,783
Other unlisted equity securities	-	-	364	364
Unlisted unit trusts	10,270	-	-	10,270
Derivative financial instruments – futures	739	-	-	739
Contingent consideration from disposal of discontinued operation	-	-	114	114
Total assets	**21,792**	**-**	**478**	**22,270**

No liabilities were held at fair value at 30 June 2018.

30 June 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Australian listed equity securities	12,500	-	-	12,500
Australian listed debt securities	51	-	-	51
Other unlisted equity securities	-	-	364	364
Unlisted unit trusts	17,448	-	-	17,448
Derivative financial instruments – futures	1,208	-	-	1,208
Contingent consideration from disposal of discontinued operation	-	-	448	448
Total assets	**31,207**	**-**	**812**	**32,019**

No liabilities were held at fair value at 30 June 2017.

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.

18 Financial risk management (continued)

(d) Fair value measurements (continued)

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.

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 2018 and 30 June 2017:

	Contingent consideration $'000	Unlisted equity securities $'000
Opening balance 1 July 2016	**943**	**231**
Unrealised gains recognised in fair value gains/(losses) on financial assets at fair value through profit or loss	-	133
Fair value adjustments recognised in other comprehensive income	(495)	-
Closing balance 30 June 2017	**448**	**364**
Unrealised gains recognised in fair value gains/(losses) on financial assets at fair value through profit or loss	-	-
Fair value adjustments recognised in other comprehensive income	(334)	-
Closing balance 30 June 2018	**114**	**364**

(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 23(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.

07 〉 Notes to the consolidated financial statements

30 June 2018 (continued)

19 Contingencies and Commitments

(a) Contingent assets and liabilities

(i) Guarantees

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

(i) Pinnacle Funds Services Limited – $5,000,000 (2017: $5,000,000)

(ii) Pinnacle RE Services Limited – $50,000 (2017: $50,000)

The unused bank guarantee facility available at balance date was $450,000 (30 June 2017: $450,000). The Group has also provided guarantees in relation to its corporate credit card facility (facility limit of $360,000 of which $63,000 was unused at balance date).

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

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

(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 23).

(iii) Acquisition of non-controlling interests of Pinnacle Investment Management Limited

The group has contingent liabilities in respect to warranties provided to the vendors of the non-controlling interests of Pinnacle Investment Management Limited, acquired on 25 August 2016 (refer note 15(c)).

(b) Commitments

(i) Capital commitments

There were no capital expenditure commitments at balance sheet date.

(ii) Lease commitments: Group as lessee

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2018 $'000	2017 $'000
Within one year	1,110	622
Later than one year but not later than five years	3,512	1,449
	4,622	**2,071**
Non-cancellable operating leases	4,622	2,071

(c) Other expenditure commitments

Commitments contracted for at reporting date but not recognised as liabilities are payable as follows:

	2018 $'000	2017 $'000
Within one year	29	117
Later than one year and not later than five years	-	29
	29	**146**

19 Contingencies and Commitments (continued)

(d) Other commitments

The Group has previously entered into agreements whereby it has agreed to advance sufficient funds to entities under joint control to cover their operating expenses until such time as the entity becomes profitable on a monthly basis and is generating positive cash flows. Further information in relation to these balances is provided in note 25.

Joint Venture commitments contracted for at reporting date but not recognised as liabilities are payable as follows:

	2018 $'000	2017 $'000
Within one year	3,000	-
Later than one year and not later than five years	-	-
	3,000	-

Group Structure

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

20 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries in accordance with the accounting policy described in note 31(b). The country of incorporation of all subsidiaries is also their principal place of business.

			Equity holding	
Name of entity	Country of incorporation	Class of security	2018 %	2017 %
Pinnacle Investment Management Limited	Australia	Ordinary share	100	100
Pinnacle Funds Services Limited	Australia	Ordinary share	100	100
Pinnacle Services Administration Pty Ltd	Australia	Ordinary share	100	100
Pinnacle RE Services Limited	Australia	Ordinary share	100	100
Priority Funds Management Pty Ltd	Australia	Ordinary share	100	100
Priority Investment Management Pty Ltd	Australia	Ordinary share	100	100
Ariano Pty Ltd	Australia	Ordinary share	100	100
Next Financial Holdings Pty Ltd	Australia	Ordinary share	100	100
PNI Option Plan Managers Pty Ltd	Australia	Ordinary share	100	100
Pinnacle Investment Management (UK) Ltd	United Kingdom	Ordinary share	100	-

21 Investments accounted for using the equity method

(a) Carrying amounts

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

		Effective ownership stake and economic rights		Carrying Value	
Name of company	Principal Activity	2018 %	2017 %	2018 $'000	2017 $'000
Unlisted					
Plato Investment Management Limited	Funds Management	46.64	47.94	1,728	1,680
Palisade Investment Partners Limited	Funds Management	38.34	35.15	8,328	3,606
Hyperion Holdings Limited	Funds Management	49.99	49.99	11,002	5,533
Foray Enterprises Pty Limited	Funds Management	41.50	42.00	13,395	14,362
Solaris Investment Management Ltd	Funds Management	40.00	40.00	3,946	3,763
Spheria Asset Management Pty Ltd	Funds Management	40.00	40.00	1,497	1,067
Antipodes Partners Holdings Pty Ltd	Funds Management	23.57	23.57	4,904	2,616
Two Trees Investment Management Pty Ltd	Funds Management	43.96	43.96	-	-
Firetrail Investments Limited	Funds Management	24.35	-	10,801	-
				55,601	**32,627**

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

On 14 March 2018 Pinnacle Investment Management Limited entered into an agreement with Firetrail Investments Pty Ltd (Firetrail) for 24.35% ownership interest. This was funded partly by cash and partly by zero-price options issued by Pinnacle Investment Management Group Limited (PNI).

The Group has a contractual commitment to provide further equity funding to Firetrail until such time as Firetrail becomes profitable (see note 19 (d)).

21 Investments accounted for using the equity method (continued)

(b) Summarised financial information for joint ventures

	Hyperion Holdings Limited		Foray Enterprises Pty Limited		Palisade Investment Partners Limited		Solaris Investment Management Limited	
	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000
Summarised statement of financial position								
Total current assets	17,207	11,761	13,771	13,514	19,239	15.273	12,513	9,961
Total non-current assets	7,671	2,661	3,376	3,379	4,450	1,912	548	648
Total current liabilities	(2,999)	(3,385)	(8,298)	(6,428)	(10,626)	(6,497)	(4,943)	(3,025)
Total non-current liabilities	(97)	(139)	(90)	(138)	(81)	(692)	(218)	(166)
Net Assets	**21,782**	**10,898**	**8,759**	**10,327**	**12,982**	**9,996**	**7,900**	**7,418**
Group share in %	49.99%	49.99%	41.5%	42.0%	38.3%	35.2%	40.0%	40.0%
Reconciliation to carrying amounts:								
Opening net assets 1 July	10,898	8,251	10,327	8,674	9,996	5,726	7,418	4,957
Issued shares	-	-	-	-	-	327	-	-
Reserves	-	-	22	-	40	37	-	-
Total comprehensive income	15,898	15,208	10,410	7,630	9,823	7,934	10,482	5,619
Dividends paid	(5,014)	(12,561)	(12,000)	(5,977)	(6,877)	(4,028)	(10,000)	(3,158)
Closing net assets	**21,782**	**10,898**	**8,759**	**10,327**	**12,982**	**9,996**	**7,900**	**7,417**
Group's share of net assets	10,889	5,448	3,635	4,337	4,978	3,513	3,160	2,967
Excess consideration over share of net assets	113	85	9,760	10,026	3,350	93	786	796
Carrying amount	**11,002**	**5,533**	**13,395**	**14,363**	**8,328**	**3,606**	**3,946**	**3,763**
Summarised statement of comprehensive income								
Revenue	30,245	30,577	28,973	23,279	25,331	21,548	21,851	15,410
Net profit for the year after tax	15,898	15,208	10,410	7,630	9,823	7,934	10,482	5,619
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	**15,898**	**15,208**	**10,410**	**7,630**	**9,823**	**7,934**	**10,482**	**5,619**
Dividends received from joint venture entities	(2,507)	(6,280)	(5,010)	(2,400)	(2,704)	(1,439)	(4,000)	(1,280)

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.

	2018 $'000	2017 $'000
Aggregate carrying amount of individually immaterial joint ventures	18,930	8,968
Aggregate amounts of the Group's share of:		
Profit for the year	4,688	4,944
Other comprehensive income	-	-
Total comprehensive income	**4,688**	**4,944**

21 Investments accounted for using the equity method (continued)

(c) Movements in carrying amounts

	2018 $'000	2017 $'000
Carrying amount at the beginning of the financial year	32,627	24,528
Purchase of shares in entities under joint control	14,661	1,900
Share of profit after income tax	24,903	17,598
Adjustment for loan impairment	644	-
Recovery of impairment	-	-
Dividends received/receivable	(17,234)	(11,399)
Carrying amount at the end of the financial year	**55,601**	**32,627**

(d) Share of entities revenue, expenses and results

	2018 $'000	2017 $'000
Revenues	64,624	51,073
Expenses	(28,940)	(25,653)
Profit before income tax	35,684	25,420
Income tax expense	(10,781)	(7,822)
Profit after income tax	**24,903**	**17,598**

(e) Summary of entities under joint control

	2018 $'000	2017 $'000
Current assets	39,075	27,540
Non-current assets	8,736	4,354
Total assets	**47,811**	**31,894**
Current liabilities	20,092	12,557
Non-current liabilities	231	176
Total liabilities	**20,323**	**12,733**
Net assets	**27,488**	**19,161**

22 Parent Entity financial information

(a) Summary financial information

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

	2018 $'000	2017 $'000
Statement of financial position		
Current assets	55,648	54,286
Non-current assets	23,851	14,353
Total assets	**79,499**	**68,639**
Current liabilities	27,394	27,174
Non-current liabilities	-	-
Total liabilities	**27,394**	**28,174**
Net assets	**52,105**	**40,465**
Shareholders' equity		
Contributed equity	154,762	148,834
Reserves	(56,688)	(64,570)
Accumulated losses	(45,969)	(43,799)
Total equity	**52,105**	**40,465**
Profit/(loss) for the year	**13,043**	**6,904**
Total comprehensive income/(loss)	**13,043**	**6,409**

(b) Guarantees entered into by the Parent Entity

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

23 Discontinued Operations

(a) Description

On 1 July 2015 the Company completed the sale of its Wilson HTM Securities business (now renamed Wilsons Advisory). Under the terms of the sale agreement the Company:

- 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.

**This was not achieved in either FY16 or FY17.*

23 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:

	2018 $'000	2017 $'000
Other income *	334	1,590
Expenses	-	(508)
Results from operating activities	**334**	**1,082**
Loss on disposal of discontinued operation (see (c) below)	-	-
Profit/(loss) before tax from discontinued operations	**334**	**1,082**
Income tax expense	-	-
Profit/(loss) from discontinued operation attributable to owners of Pinnacle Investment Management Group Limited	**334**	**1,082**
Changes in fair value of contingent consideration	(334)	(495)
Total comprehensive income/(loss) attributable to discontinued operation	**-**	**587**

** Other income includes contingent consideration received during the year of $334,000 (2017 – $1,284,000) – refer note 23(c).*

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

	2018 $'000	2017 $'000
Net cash inflow/(outflow) from operating activities	334	(140)
Net cash (outflow)/inflow from investing activities	-	975
Net cash inflow from financing activities	-	-
Net cash flow for the year	**334**	**835**

(c) Contingent Consideration

The agreement for the disposal includes 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 three years following disposal. At 30 June 2018 the fair value of these items has been assessed at $114,000 (30 June 2017 – $448,000). This carrying value has been included in available-for-sale financial assets in the statement of financial position.

Other information

This section contains information on other items that require disclosure under Australian Accounting Standards or other regulatory pronouncements, and includes details of the critical accounting estimates and judgements and significant accounting policies adopted by the Group.

24 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:

	2018 $'000	2017 $'000
Cash and cash equivalents	9,332	10,245
Balances per statement of cash flows	**9,332**	**10,245**

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

	2018 $'000	2017 $'000
Profit/(loss) for the year	**23,476**	**13,257**
Depreciation and amortisation	98	212
Impairment	-	-
Equity settled share-based payments	364	574
Net losses/(gains) on financial assets at fair value through profit or loss	(227)	372
Discontinued operations	-	(851)
Change in operating assets and liabilities, net of effects from acquisition and disposal of businesses:		
Trade and other receivables	(4,125)	(685)
Investments accounted for using the equity method	(7,700)	(7,557)
Financial assets	9,645	(21,025)
Trade and other payables	(500)	(1,734)
Provisions	(161)	19
Net cash (outflow)/inflow from operating activities	**20,870**	**(17,418)**

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

25 Related party transactions

(a) Parent Entity

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

(b) Subsidiaries and jointly controlled entities

Interests in subsidiaries are set out in note 20.

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

Details of the disposal of a controlled entity are set out in note 23.

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

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

(c) Key Management Personnel

Disclosure relating to Key Management Personnel is set out in note 26.

Disclosure relating to share-based payments is set out in note 27.

(d) Transactions with other related parties

The following transactions occurred with related parties:

(i) Movement in loans to key management personnel – New Loans provided 25 August 2016

Upon acquisition of the non-controlling interests of Pinnacle Investment Management Limited (refer note 15(c)), the Company provided senior executives of its subsidiary Pinnacle Investment Management Limited with loans totalling $3,000,002, the proceeds of which were used to partially fund the acquisition of shares from Deutsche Australia. This included loans of $500,000 each to Mr Ian Macoun, Mr Alex Ihlenfeldt, Mr Adrian Whittingham and Mr Andrew Chambers who are key management personnel of the Group.

The key terms of the loans are as follows:

(a) The loans have a five year term, are limited recourse and are interest bearing;

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

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

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

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

During the year interest of $51,530 accrued on each of these loans to key management personnel. The balance of each loan at 30 June 2018 including capitalised interest was $523,541.

25 Related party transactions (continued)

(d) Transactions with other related parties (continued)

(ii) Movement in loans to key management personnel – Existing loans re-issued 25 August 2016

Upon acquisition of the non-controlling interest of Pinnacle Investment Management Limited (refer note 15(c)), existing loans amounting to $4,303,485 issued by Pinnacle Investment Management Limited in prior years to its senior executives to assist executives to acquire equity were re-issued by the Company. This included existing loans to Mr Ian Macoun, Mr Alex Ihlenfeldt, Mr Adrian Whittingham and Mr Andrew Chambers who are key management personnel of the Group.

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

The value of re-issued loans for each of the key management personnel and repayments made during the year were as follows:

Key Management Personnel	Loan balance – 1 July 2017 $	Repayments made $	Loan balance – 30 June 2018 $
Ian Macoun	523,673	(54,153)	469,520
Alex Ihlenfeldt	712,262	(30,631)	681,631
Adrian Whittingham	757,927	(54,153)	703,774
Andrew Chambers	757,927	(54,153)	703,774

(iii) Loans to other Related Parties

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

On 27th October 2017, the Company also purchased additional shares in Palisade from an exiting shareholder. The payment for additional capital is recorded within investments accounted for using the equity method in the consolidated statement of financial position.

(e) Loans to/from related parties

	2018 $	2017 $
Loans to joint associates (including Affiliate executives)		
Balance at 1 July	932,266	1,766,002
Loans advanced	6,934,223	751,010
Interest accrued	146,568	-
Loans repaid	(368,000)	(1,500,000)
Impairment	(644,234)	(84,746)
Balance at 30 June	**7,000,823**	**932,266**

25 Related party transactions (continued)

(f) Investments in funds managed by subsidiaries

	2018 $	2017 $
Balance at 1 July	-	7,420,971
Additions	-	-
Revaluation	-	-
Other changes*	-	(7,420,971)
Balance at 30 June	-	-

** Includes changes resulting from subsidiaries ceasing to be the investment manager of managed funds – refer note 25(d)(iv)*

(g) Guarantees

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

26 Key Management Personnel

(a) Key Management Personnel compensation

	2018 $	2017 $
Short-term employee benefits	3,284,616	3,200,273
Post-employment benefits	100,000	117,901
Long-term benefits	11,200	24,680
Termination benefits	-	-
Share-based payments	369,390	342,841
	3,765,206	**3,685,695**

Certain Key Management Personnel are party to the long term employee incentive arrangement described in note 31(r)(vii). During the year, loans provided under the arrangement were re-issued as a result of the acquisition of the non-controlling interest in Pinnacle Investment Management Limited (PIML) from executives (refer note 15(c)). At 30 June 2018, the balance of loans issued to Key Management Personnel was $2,558,701 (2017: $2,751,790) relating to 2,985,272 shares issued in the Company (2017: 2,985,272 shares).

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

26 Key Management Personnel (continued)

(b) Loans to Key Management Personnel

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

(i) Aggregates for Key Management Personnel

	Balance at the start of the year $	Interest paid and payable for the year $	Loans advanced during the year $	Loan repayments received $	Other Changes* $	Balance at the end of the year $	Interest not charged $	Number in Group at the end of the year
2018	**4,794,426**	**51,529**	**-**	**(193,090)**	**-**	**4,652,865**	**201,014**	**4**
2017	2,391,917	42,632	2,000,000	(1,203,220)	1,563,096	4,794,426	166,670	4

includes changes due to 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.

27 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
2018								
1 July 2016 (A)	30 June 2018	$0.986	2,125,000	-	(2,125,000)	-	-	-
1 July 2016 (B)	30 June 2020	$0.986	2,125,000	-	-	-	2,125,000	-
			4,250,000	**-**	**(2,125,000)**	**-**	**2,125,000**	**-**
Weighted average exercise price			$0.99	-	$0.99	-	$0.99	-

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
2017								
1 July 2016 (A)	30 June 2018	$0.986	2,125,000	-	-	-	2,125,000	-
1 July 2016 (B)	30 June 2020	$0.986	2,125,000	-	-	-	2,125,000	-
			4,250,000	-	-	-	4,250,000	-
Weighted average exercise price			$0.99	-	-	-	$0.99	-

27 Share-based payments (continued)

(a) Pinnacle Investment Management Group Employee Option Share Plan (continued)

2,125,000 options were exercised during the current year (2017: nil). In the current year, the weighted average share price at the date of exercise of options exercised during the year was $4.35 (2017: $nil). The weighted average remaining contractual life of share options outstanding at the end of the year was 2.0 years (2017: 2.0 years).

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

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

The plan is consolidated into the Group's financial statements in accordance with note 31(b)(ii).

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

Options were granted for no consideration and vest based on fulfilment of specified service conditions. Vested options are exercisable for a period of 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 2016
- Vesting date: 1 January 2018
- Share price at grant date: $1.20
- Expected price volatility of the Company's shares: 31%
- Expected dividend yield: 3.63%
- Risk-free interest rate: 2.03%

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

Options were granted for no consideration and vest based on fulfilment of specified service conditions. Vested options are exercisable for a period of 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 2016
- Vesting date: 1 January 2020
- Share price at grant date: $1.20
- Expected price volatility of the Company's shares: 31%
- Expected dividend yield: 3.63%
- Risk-free interest rate: 2.31%

27 Share-based payments (continued)

(b) Pinnacle Long-term Employee Incentive Plan

Information regarding the Pinnacle Long-term Employee Incentive Plan is provided in notes 31(r)(vii) and 26(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:

	2018 $'000	2017 $'000
Pinnacle Investment Management Group Employee Option Share Plan	277	403
Pinnacle Long-term Employee Incentive Plan	87	172
	364	**575**

28 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:

	2018 $	2017 $
(i) Audit and other assurance services		
Audit and review of financial statements	206,056	212,491
Other assurance services:		
Audit of regulatory returns	20,688	20,085
Audit of compliance plan - Responsible entity *	68,466	52,178
Other assurance services	-	-
Total remuneration for audit and other assurance services	**295,210**	**284,754**
(ii) Taxation services		
Tax services	103,893	42,968
Total remuneration for taxation services	**103,893**	**42,968**
(iii) Other services		
Other services	-	-
Total remuneration of PricewaterhouseCoopers Australia	**399,103**	**327,722**
Total remuneration of auditors	**399,103**	**327,722**

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

29 Events occurring after the reporting period

On 2 August 2018 the Company completed the acquisition of a 35% interest in Metrics Credit Partners Pty Limited (MCP) for $46m through its wholly owned subsidiary Pinnacle Investment Management Limited (PIML). Following this investment MCP will have approximately $40m of excess cash to deploy in support of its medium-term growth initiatives. The existing 7.5% trailing revenue share agreement will also convert to a more robust and ongoing 7.5% trailing revenue share agreement.

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

The acquisitions were funded through an institutional placement completed on 25 July 2018 which raised $60 million at a price of $5.50 per share, representing a 1.3% discount to the 5 day VWAP.

The Company also announced a Share Purchase Plan (SPP) on 24 July 2018. Eligible shareholders were invited to subscribe for up to a maximum of $15,000 of additional new shares, free of brokerage and transaction costs. The SPP price was $5.50, being the same as the institutional placement. Subscriptions under the SPP exceeded the A$10 million cap set by the Company. Consequently, applications were proportionately scaled-back to the A$10 million overall limit.

30 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

(i) Estimated impairment of assets

The Group tests at least annually whether assets have suffered any impairment, in accordance with the accounting policy stated in note 31(i). 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 can recognise deferred tax assets relating to carried forward tax losses and deductible timing differences to the extent that it is considered probable that there will be future taxable profits relating to the same taxation authority against which the carried forward tax losses and deductible timing differences will be utilised. As at the reporting date the deferred tax assets of the consolidated entity have not been recognised on the basis that their recovery is not considered probable.

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

(i) Fair value of financial assets

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

(ii) Entities subject to joint control

Entities subject to joint control are not considered controlled entities for the purposes of AASB 10 on the basis that all key strategic and operational decisions require a unanimous vote by the Board of Directors (refer to note 31(b) for further details).

30 Critical accounting estimates and judgements (continued)

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

(iii) Share-based payments

The Group measures equity settled share-based payment transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by management using option pricing models that use estimates and assumptions. Management exercises judgement in preparing the valuations and these may affect the value of any share-based payments recorded in the financial statements (refer to notes 31(r)(iv) and 27 for further details).

(iv) Contingencies

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

31 Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, 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 2017.

(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, and financial assets (including derivative instruments) at fair value through profit or loss.

(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 30.

(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.

31 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pinnacle Investment Management Group Limited as at 30 June 2018 and the results of all subsidiaries for the year then ended. Pinnacle Investment Management Group Limited and its subsidiaries together are referred to in these financial statements as the "Group" or the "consolidated entity".

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

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 31(h)).

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

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

(ii) Employee share trust

The Group has formed a trust to administer the Group's employee share plans. Where the substance of the relationship is that control rests with the Group, the employee share trust is consolidated and any shares held by the trust are disclosed as treasury stock and deducted from contributed equity (refer to note 14 and note 27(a)).

(iii) Entities under joint control

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

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

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

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

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

The carrying amounts of investments in entities under joint control is tested for impairment in accordance with the policy described in note 31(i).

31 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 transactions with non-controlling interests reserve within equity attributable to owners of Pinnacle Investment Management Group Limited.

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

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is also the functional currency of all entities in the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

31 Summary of significant accounting policies (continued)

(e) Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

(i) Management fees

Management fee income is 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 and the performance fees are contractually payable.

(iii) 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.

(iv) 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 31(l)).

(v) 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.

31 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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

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

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

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

(i) Tax consolidation legislation

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities. Details about the tax funding agreement are disclosed in note 31(z)(ii).

(g) Leases

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

(h) Business combinations

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

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

(i) Impairment of 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, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less 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.

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.

31 Summary of significant accounting policies (continued)

(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, loans and receivables, and available-for-sale financial assets. 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 7) and other current assets (note 9).

(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.

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.

31 Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

› 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 recognised in profit or loss.

Impairment losses on equity instruments that were recognised 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 recognised 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.

(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 31(i)).

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

31 Summary of significant accounting policies (continued)

(o) Intangible assets

IT development and software

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

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

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months 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.

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.

31 Summary of significant accounting policies (continued)

(r) Employee benefits (continued)

(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 27.

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

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

The plan is administered by AET Structured Finance Services Pty Ltd, see note 31(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.

31 Summary of significant accounting policies (continued)

(r) Employee benefits (continued)

(vii) Long-term employee incentive agreements

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

The fair value of the limited recourse loan arrangements under the long term employee incentive 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. The inflows and outflows associated with these arrangements are accounted for on a net basis, as the arrangements are expected to be settled net.

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

(s) Contributed equity

Ordinary shares are classified as equity (note 14). Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Dividends

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

(u) Earnings per share

(i) Basic earnings per share

Basic earnings after tax per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by;
- 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.

31 Summary of significant accounting policies (continued)

(v) Goods and Services Tax (GST)

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

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

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

(w) Disposal group held for sale and discontinued operations

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

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 2018 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 for financial assets 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. 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 does not expect its impairment provisions to be significantly impacted by the new rules. Under the new requirements the four current categories of financial assets will be replaced with two measurement categories, namely fair value and amortised cost. The Company does not expect the new guidance to have significant impact on the classification, measurement or derecognition of the Company's financial assets. The Group may, however, be required to make additional disclosures in the financial statements. The Group does not intend to adopt the standard ahead of the mandatory date.

31 Summary of significant accounting policies (continued)

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

(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 (e.g. 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.

Management does not anticipate the new rules having a material impact on when its revenues are recognised, however, further disclosure may be required. The Group does not intend to adopt the standard before its effective date.

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

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

The standard will apply for the first time in the 2020 financial year and has the capacity to affect the accounting for the Group's property leases by bringing them on balance sheet, however the impact is not expected to be material (compared to the Group's overall balance sheet value). The Group does not intend to adopt the standard before its effective date.

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

(z) Parent Entity financial information

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

(i) Investments in subsidiaries

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

(ii) Tax consolidation legislation

Pinnacle Investment Management Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation – refer note 31(f)(i).

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

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

(iii) Share based payments

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

08 〉 Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 44 to 97 are in accordance with the Corporations Act, including:

  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 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.

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

A Watson
Chairman

Sydney
28 August 2018

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Independent auditor's report

To the members of Pinnacle Investment Management Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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09 〉 Independent Auditor's Report

30 June 2018 (continued)

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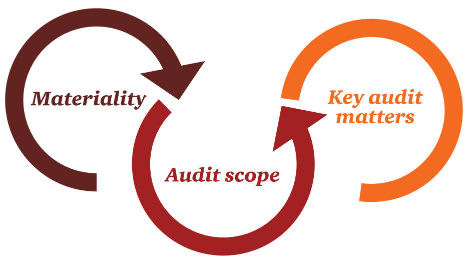
Our audit approach

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

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

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

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



Materiality

- For the purpose of our audit we used overall Group materiality of $1,157,050 which represents approximately 5% of the Group's profit before tax from continuing operations.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax from continuing operations because, in our view, it is the metric against which the performance of the Group is most commonly measured.
- We selected 5% based on our professional judgement noting that it is also within the range of commonly acceptable profit related thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We audited the most financially significant subsidiaries within the Group, being Pinnacle Investment Management Limited, Pinnacle Funds Services Limited and Pinnacle RE Services Limited. We performed targeted audit procedures over the remaining significant balances and we performed further audit procedures over the consolidation process.

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- We performed an audit of each of the nine Pinnacle Affiliates on a stand-alone basis.
- We audited the Group's equity accounting for the Pinnacle Affiliates, including the Group's share of net profit of jointly controlled entities accounted for using the equity method and the Group's investments accounted for using the equity method recognised in the Group financial statements.

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Performance fee revenue *(Refer to note 31(e) Summary of significant accounting policies)* Performance fee arrangements require the assessment of the performance of the relevant investments in comparison to a specific benchmark. These benchmarks are agreed between Affiliates and their clients, and set out in relevant Product Disclosure Statements. This was a key audit matter because the performance fee revenues recognised by certain Pinnacle Affiliates were material in nature and the variability of returns can be significant. This can have a significant impact on the Group's share of net profit of jointly controlled entities accounted for using the equity method.	Our testing involved assessing a sample of calculated performance fees by: • Verifying that the calculation methodologies utilised by management were in accordance with the contractual arrangements. • Agreeing the hurdle rates and accumulated deficiency clauses back to the relevant contract. • Validating key inputs (for e.g. net asset values and fund returns) to relevant external sources. • Taking into account inputs into the calculation, recalculating the performance fees. • Tracing the performance fee revenue to subsequent cash receipts.
Acquisition of interest in Firetrail Investments Pty Ltd *(Refer to note 21 Investments accounted for using the equity method)* During the year, Pinnacle Investment Management Limited (a wholly owned subsidiary of the Company) acquired an interest of 24.35% in Firetrail Investments Pty Ltd ('Firetrail'). This was a key audit matter because of the significance of the transaction, and level of judgement involved in accounting for the transaction, including: - Determination of the methodology used to record the investment in Firetrail within the financial	Our testing of the accounting treatment of the interest in Firetrail involved, amongst other things, the following: • Obtaining and reading the relevant purchase agreements to develop an understanding of the nature of the investment and the consideration provided. • Agreeing the consideration paid during the year ended 30 June 2018 back to the relevant bank statements and purchase agreements. • Validating key inputs (e.g. share price) relating to the valuation of the share options issued as part of the purchase consideration back to supporting documentation. • Reading the share option agreements to confirm that they contained no service conditions. • Assessing the adequacy of disclosures in the

09 〉 Independent Auditor's Report

30 June 2018 (continued)

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statements for the year ended 30 June 2018.

- Timing of the recognition of consideration provided for the interest acquired.
- The valuation of the interest acquired.
- Disclosure of the acquisition of the interest in the financial statements as at 30 June 2018.

financial report at 30 June 2018 in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, including the Overview, Operating and Financial Report, Community, Directors' Profiles, Directors' Report, Shareholder Information and Corporate Directory, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 20 to 39 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Pinnacle Investment Management Group Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Craig Thomason
Partner

Sydney
28 August 2018

10 〉 Shareholder Information

The shareholder information set out below is correct as at 24 August 2018.

Shares on issue

Distribution of securities

Range	No. of shareholders	No. of shares	% of issued shares
1 – 1,000	640	347,076	0.20
1,001 – 5,000	1,036	2,956,691	1.69
5,001 – 10,000	356	2,661,855	1.52
10,001 – 100,000	467	14,552,079	8.32
100,001 – 9,999,999,999	126	154,315,897	88.26
Rounding			0.01
Total	2,625	174,833,598	100.00

Unmarketable parcels

	Minimum parcel size	No. of shareholders	No. of shares
Minimum $500 parcel at $6.70 per unit	75	75	399

Twenty largest shareholders (as at 24 August 2018)

Rank	Name	No. of shares	% of issued shares
1	Macoun Generation Z Pty Ltd	20,785,759	11.89
2	J P Morgan Nominees Australia Limited	16,938,000	9.69
3	HSBC Custody Nominees (Australia) Limited	13,907,096	7.95
4	Warragai Investments Pty Ltd	8,250,000	4.72
5	National Nominees Limited	7,372,549	4.22
6	BNP Paribas Noms Pty Ltd	6,413,331	3.67
7	Macoun Superannuation Pty Ltd	5,784,968	3.31
8	Kinauld Pty Ltd	4,750,000	2.72
9	Andrew Chambers & Fleur Chambers	4,725,414	2.70
10	Mr Alexander William Macdonald Grant	4,670,090	2.67
11	Mr Adrian Whittingham	4,325,414	2.47
12	AJF Squared Pty Ltd	4,310,414	2.47
13	Usinoz Pty Ltd	4,062,127	2.32
14	Earlston Nominees Pty Ltd	3,120,000	1.78
15	Mr David Francis Cleary	2,905,925	1.66
16	Mr David Noel Groth	2,830,000	1.62
17	Citicorp Nominees Pty Limited	1,796,692	1.03
18	Mark Cormack and Melanie Cormack	1,585,435	0.91
19	Mr Robert James Wilson	1,551,000	0.89
20	Mr Barry Athol Bicknell	1,328,295	0.76
	Total	**121,412,509**	**69.44**
	Total remaining holders balance	**53,421,089**	**30.56**

10 〉 Shareholder Information

Substantial shareholdings

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

Substantial shareholder	No. of shares	% of shares
Ian Macoun and associates	27,123,997	15.51%
Steve Wilson and associates	20,520,000	11.74%

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

Range	No. of holders	No. of options	% of issued options
1 – 1,000	0	0	0
1,001 – 5,000	0	0	0
5,001 – 10,000	0	0	0
10,001 – 100,000	3	187,038	3.83
100,001 – 9,999,999,999	3	4,696,695	96.17
Rounding			0.00
Total	6	4,883,733	100.00

The options are not listed.

Voting rights

There are no voting rights attaching to the options.

Notes

Notes

11 〉 Corporate Directory

Pinnacle Investment Management Group Limited
Incorporated in Queensland on 23 April 2002

ABN
22 100 325 184

Directors
Alan Watson, Chairman
Ian Macoun, Managing Director
Deborah Beale
Lorraine Berends (effective from 1 September 2018)
Gerard Bradley
Andrew Chambers
Adrian Whittingham
Steven Wilson AM

General Counsel and Company Secretary
Calvin Kwok

Chief Financial Officer and Chief Operating Officer
Alex Ihlenfeldt

Share Registry
Computershare Investor Services Pty Limited
Level 1, 200 Mary Street
Brisbane QLD 4000
Telephone 1300 850 505

ASX Code
PNI
Shares are listed on the Australian Securities Exchange

Bankers
Commonwealth Bank of Australia

Auditor
PricewaterhouseCoopers

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

Victoria
Melbourne
Level 26, 140 William Street
Melbourne VIC 3000

Website address
www.pinnacleinvestment.com

Pinnacle
INVESTMENT MANAGEMENT

pinnacleinvestment.com