Annual Report

2023

Pinnacle

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Pinnacle Glossary

Term	Meaning
2022 Annual Report	the Group’s annual report for the 2022 financial year.
2022 Financial Year	the period 1 July 2021 to 30 June 2022.
2023 Annual Report	this document.
2023 Financial Year	the period 1 July 2022 to 30 June 2023.
Affiliates or Pinnacle Affiliates	Pinnacle affiliated investment managers, being Aikya, Antipodes, Coolabah, Firetrail, Five V, Hyperion, Langdon, Longwave, Metrics, Palisade, Plato, Resolution Capital, Riparian, Solaris and Spheria.
Aikya	Aikya Investment Management Limited.
Antipodes	Antipodes Partners Limited.
ASX Principles	the Corporate Governance Principles and Recommendations 4th Edition, published by the ASX Corporate Governance Council.
Auditor	PricewaterhouseCoopers Australia.
Board	the Board of Directors.
Board Committees	the Audit, Compliance and Risk Management Committee and the Remuneration and Nominations Committee.
Chair	Alan Watson, the Chair of the Board.
Company	Pinnacle Investment Management Group Limited.
Company Secretary	Calvin Kwok, who held the position during the 2023 financial year.
Coolabah or CCI	Coolabah Capital Investments Pty Ltd.
Corporations Act	Corporations Act 2001 (Cth).
EOSP	Pinnacle Employee Option Share Plan.
Firetrail	Firetrail Investments Pty Limited.
Five V	Five V Capital Pty Ltd.
Foundation	the Pinnacle Charitable Foundation.
FUM	Funds Under Management.
Group or Pinnacle Group	Pinnacle and the entities that it controls.
Hyperion	Hyperion Asset Management Limited.
Key Management Personnel	the individuals identified as such on page 32 of the 2023 Annual Report.
Langdon	Langdon Equity Partners Ltd.
LTI	long-term incentives offered to individuals who are employees of the Group.
Longwave	Longwave Capital Partners Pty Limited.
Managing Director	Ian Macoun, who was appointed as an executive director on 25 August 2016.
Metrics or MCP	Metrics Credit Partners Pty Limited.
New Loans	is a reference to the loans more fully described at page 49.
NPAT	net profit after tax.
NPBT	net profit before tax.

Term	Meaning
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.
Pinnacle or PNI	Pinnacle Investment Management Group Limited.
Pinnacle Omnibus Plan	the Pinnacle Omnibus Incentive Plan described on page 39 of the 2023 Annual Report.
Plato	Plato Investment Management Limited.
PL8	Plato Income Maximiser Limited (ASX: PL8)
Principal Investments	investments made by the Group in listed and unlisted equities and unit trusts on its own behalf.
Resolution Capital or ResCap	Resolution Capital Limited.
Riparian	Riparian Capital Partners Pty Limited.
Solaris	Solaris Investment Management Limited.
Spheria	Spheria Asset Management Pty Limited.
STI	short-term incentives offered to individuals who are employees of the Group.

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Chair's Letter

Dear Fellow Shareholders,

I am pleased to present Pinnacle's Annual Report for the financial year ended 30 June 2023.

Over the year, your Company has delivered Net Profit After Tax of $76.5 million, fully diluted earnings of 39.0c per share and full year dividends of 36c per share.

Throughout this 2023 financial year, the market continued to grapple with the economic consequences of the war in Ukraine, other geopolitical tensions and global spiralling inflation, with central banks responding by increasing interest rates at unprecedented speed. Amongst this heightened uncertainty, we experienced dislocation in some markets which are important to us. For example, high growth stocks were under pressure in the first half and rebounded strongly in the second, whilst other market sectors – for example, REITs – remained under pressure throughout. Against this backdrop, we saw caution across virtually the full spectrum of our client base with net inflows substantially lower than we have experienced in past years. These market and funds flow conditions served to significantly moderate our result relative to our original expectations.

As we have stated previously, we do not seek to predict market conditions, but we seek to deliberately and carefully diversify our platform, across client types, Affiliates and asset classes, which we believe enables the business to remain relatively resilient throughout periods of volatility such as we have recently experienced and provides the platform from which the Company can prosper again once conditions become more favourable. Throughout our history, Pinnacle and Affiliates have continued to invest significantly, adding additional capabilities and strategies that, over the medium-term, provide additional sources of growth for the Company, and this has been continued in the current financial year. This year, together with our Affiliate partners, around $28 million has been invested in Horizon 2. These additional costs serve to moderate our earnings in the short-term, yet such Horizon 2 investments have been a major driver of the Company's growth to date and remain an important component of our growth strategy.

Following a very modest contribution in the first half, we were pleased that performance fees were earned this financial year by eleven Affiliates, once again a record breadth. Still, the revenue contribution from performance fees was modest relative to longer term potential at $58.2 million in aggregate, up only slightly from $57.8 million in FY22 as, once again, none of our large performance fee FUM strategies, other than Coolabah and Palisade, contributed meaningfully. This is further evidence of the strength of our diversified platform and performance fee potential.

As a result of the circumstances described above, our key financial results have been lower than we would otherwise expect, with a very small increase in our profitability compared with FY22 and a small decline in our earnings per share. Our people continue to work exceptionally hard in what have been difficult conditions for generating new business, and I wish to acknowledge their good work and thank them for their commitment on behalf of all shareholders. As a result, we believe our Company is in excellent shape and retains strong, high quality capability in all areas to support the Affiliates.

Whilst we are pleased with the work ethic of our team, we recognize that ultimately the financial results of the Company must be a key consideration when determining remuneration. Remuneration outcomes for all staff have therefore been moderated significantly from what they would have been in a normal year.

Further operational detail is discussed in the Operating and Financial Report commencing on page 8. Details on our approach to remuneration are described from page 29 in the Remuneration Report, including the letter from the Chair of the Remuneration and Nominations Committee.

During the year, two long serving Directors, Adrian Whittingham and Gerard Bradley, retired. On behalf of all shareholders I reiterate our thanks and gratitude to both Adrian and Gerard for their valuable contributions during their years as Directors. The Board is currently undertaking a process which will increase the independent Non-Executive Director cohort.

It has been previously advised that the Board and Ian had agreed that Ian would remain as Managing Director until “at least December 2023”. The Board and Ian have regular discussions concerning his succession, and as part of these we recognise that in businesses such as Pinnacle, continuity and consistency of approach are very important to all stakeholders, but particularly to clients, Affiliates and employees. With that in mind, following the most recent discussion between the Board and Ian in relation to his succession, I can confirm that his retirement is not imminent, and that both the Board and Ian continue to approach the subject in a deliberately flexible manner. Over the past few years, Ian has been consistent that he would neither overstay his tenure, nor would he leave the Company in an inconvenient position or in a manner which might set back the ongoing success and growth of the business. This continues to be the case. The Board thanks Ian for his flexibility and looks forward to working with him over the period ahead, and will keep shareholders appraised of plans as they develop.

Finally, we wish to again express our thanks to you, our owners, for your continued support of our Company as shareholders, notwithstanding the ongoing challenging market conditions. We are grateful for your understanding and recognition of the virtues of our Company’s capabilities and strategies for growth over the medium- to long-term. We look forward to welcoming you to the Company’s Annual General Meeting in Sydney on 27 October, 2023.

Yours sincerely,

Alan Watson
2 August 2023

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Overview, Operating and Financial Report

Nature of operations and principal activities

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

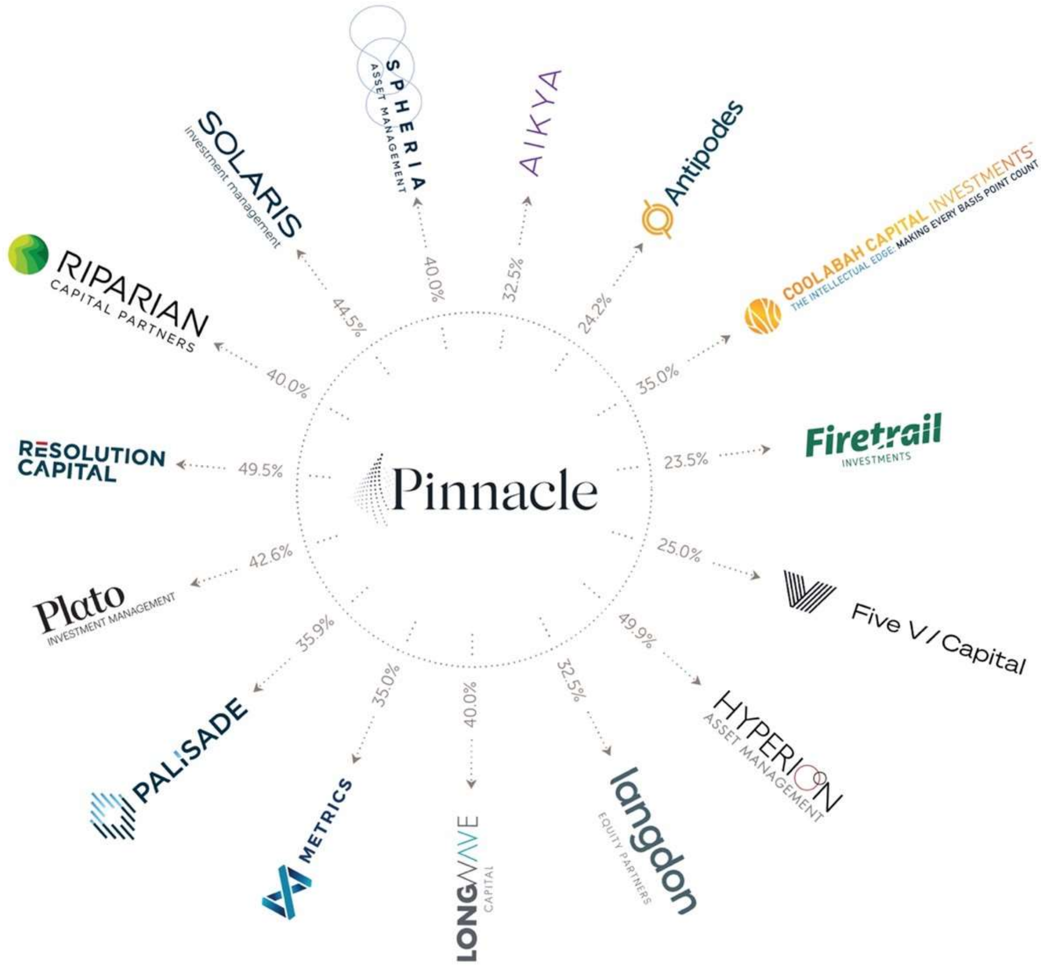
Founded in 2006, Pinnacle currently consists of 15 investment Affiliates. At 30 June 2023, the Pinnacle Affiliates collectively managed approximately $91.9 billion in assets across a diverse range of asset classes. Pinnacle offers the Affiliates:

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

The principal activities of the Group during the 2023 financial year continued to be:

- building, growing 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 interest in each as at 30 June 2023.



Key financial highlights

$511.6
million in Affiliate revenues

NPAT
of $76.5
million

$91.9
billion in
Affiliate FUM

39.0c
diluted earnings
per share

20.4c
fully franked
final dividend

During the 2023 financial year, the Group held shareholdings (through its principal operating subsidiary, PIML) of between 23.5% and 49.9% in each of the Pinnacle Affiliates, which together have $91.9 billion in FUM as at 30 June 2023.
In the 2023 financial year:

Pinnacle Affiliates generated aggregate revenues (at 100%) of $511.6 million, slightly up from $505.5 million in the previous year. Of this, $58.2 million was performance fees ($57.8m in the previous year).

Pinnacle generated total NPAT attributable to shareholders of $76.5 million, up 0.1% from $76.4 million in the prior year.

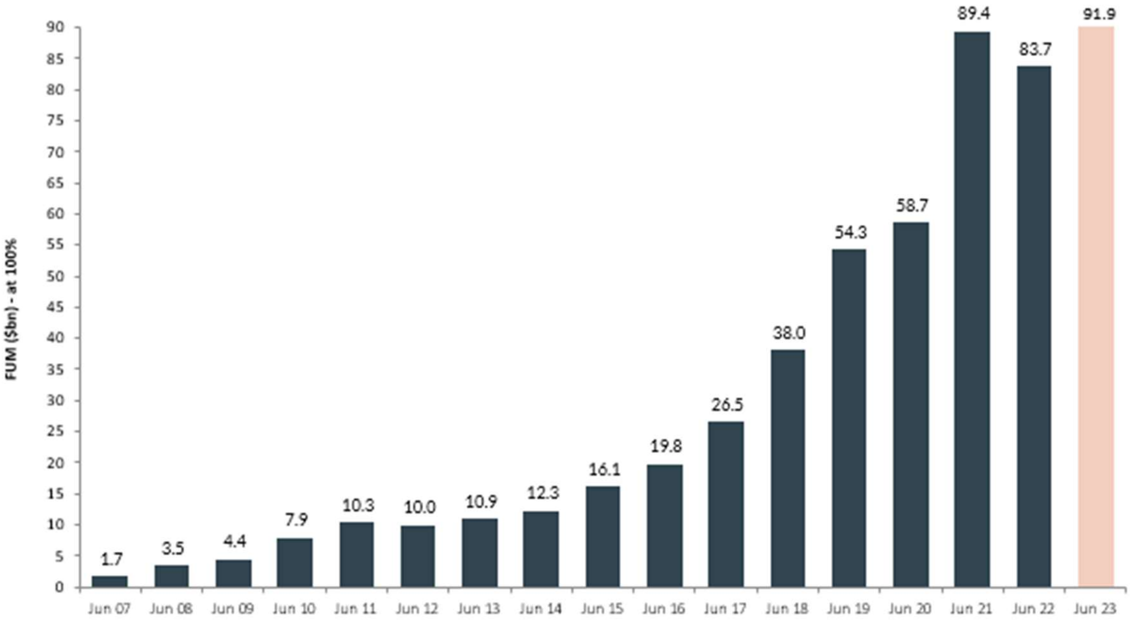
Pinnacle's share of NPAT from Pinnacle Affiliates was $67.4 million, down 11.0% on the prior year.

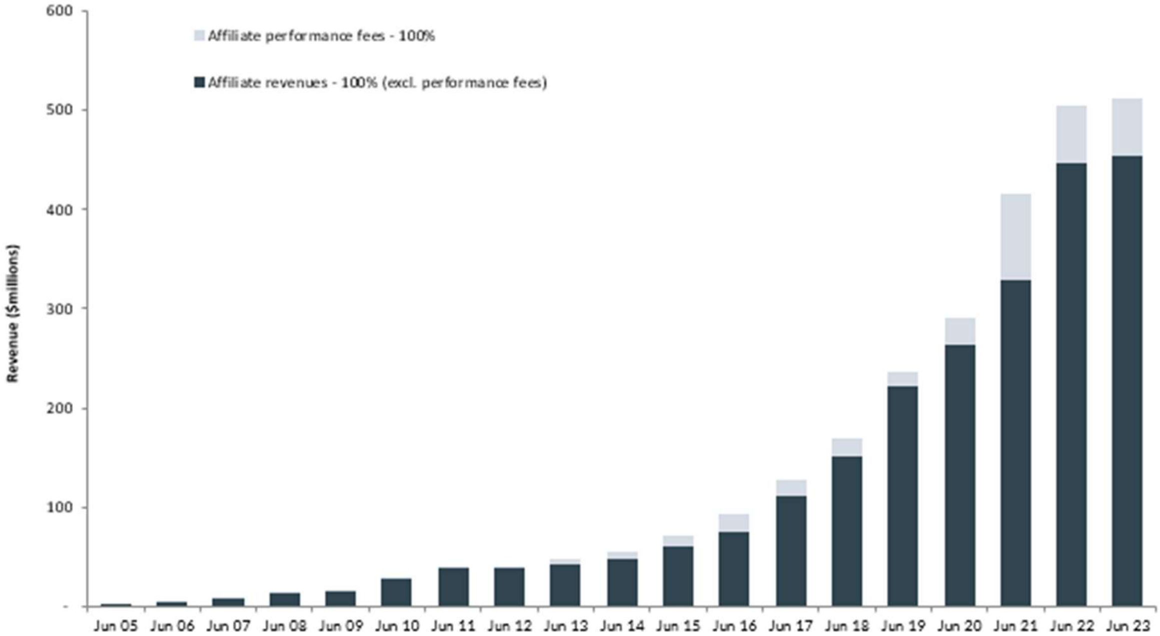
The table below outlines the performance of the Pinnacle Group for the 2023 and 2022 financial years:

	FY2023	FY2022
Pinnacle Affiliates (100% aggregate basis)		
FUM ($billion)*	91.9	83.7
Revenue ($million)	511.6	505.5
Net profit before tax	228.4	264.0
Tax expense	(61.1)	(70.9)
Net profit after tax	167.3	193.1

Pinnacle Group ($million)		
Revenue	45.5	46.0
Expenses	(36.4)	(43.5)
Write-down of investment	-	(1.8)
Share of Pinnacle Affiliates net profit after tax	67.4	75.7
NPBT from continuing operations attributable to shareholders	76.5	76.4
Taxation	-	-
NPAT from continuing operations attributable to shareholders	76.5	76.4
Discontinued operations	-	-
Total profit attributable to shareholders	76.5	76.4
Basic earnings per share (cents):		
From continuing operations	39.3	40.2
Total attributable to shareholders	39.3	40.2

*Non-statutory measure





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 and the Affiliates continued to focus on growth and diversification, with the cost to Pinnacle of these initiatives being in the order of $14m (Pinnacle share, after tax), together with careful exploration of attractive expansion opportunities.

Pinnacle Affiliates

Pinnacle remains strongly focused on supporting each of the Pinnacle Affiliates and assisting them to grow their businesses and profitability over the medium-term. Pinnacle continues to carefully invest in additional resourcing ahead of further growth, in both distribution and in infrastructure, with a continuing focus on growing the Group's international distribution and infrastructure capabilities. Pinnacle Affiliates have also invested significantly in growth initiatives, with Pinnacle's continuing support.

Pinnacle also continues to explore opportunities for growth, both organic and inorganic, within Australia and internationally.

The quality of the Pinnacle Affiliates was again affirmed and demonstrated during the year. Following is an overview of each of the Pinnacle Affiliates during the 2023 financial year:

AIKYA

Aikya

Aikya Investment Management was founded in London in 2020 and specialises in managing Emerging Markets equity portfolios. The team maintains a small and simple organisational structure in order to avoid the bureaucracy and distractions that often arise in larger, more complex investment management businesses.

Aikya's edge is their long-term approach, which primarily focuses on assessing the quality of the business owners and managers in Emerging Markets. Aikya looks to identify long-term stewards who have grown cash flows, navigated a few economic cycles and demonstrated fairness to all stakeholders. Their approach has proven over time that such people create shareholder value and drive long-term investment returns.

Sustainability is at the heart of Aikya's investment approach. The name Aikya means oneness in Sanskrit which reflects the team's core belief that true stewards align their businesses with the interests of all stakeholders. Companies that take short cuts when it comes to customers, employees, suppliers, the environment, or broader society are unlikely to be rewarding long-term investments.

During FY23, Aikya onboarded its first clients domiciled in the United States. Aikya's investment solutions are now available through vehicles domiciled in Australia, Ireland and the United States, serving a wide range of end markets.

Antipodes

Antipodes Partners

Antipodes was founded in 2015 and manages global and emerging markets equities. Its 40+ member team serves a global client base from offices in Sydney, London and Toronto.

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

During FY23, Antipodes continued to expand and diversify its client base and product suite, with pooled vehicles now available in Australia, New Zealand, Europe and the United States.

Coolabah

Coolabah Capital Investments Pty Ltd (CCI) is an independent long and long-short active credit manager founded in 2011. Pinnacle initially acquired an equity interest in Coolabah in 2019.

CCI is responsible for managing numerous institutional mandates, the Smarter Money Investments' product suite and the BetaShares Active Australian Hybrid ETF (ASX: HBRD).

CCI's edge is in alpha generation in liquid, high-grade credit in contrast to traditional fixed-income strategies that drive returns through adding more interest rate duration, credit default and/or illiquidity risk (beta). This alpha is a function of the world-class analytical insights rendered by CCI's human capital, which includes 38 executives with a long-term track-record of delivering prescient insights. In 2019, CCI's portfolio managers were selected as one of FE fundinfo's Top 11 "Alpha Managers" based on their risk-adjusted performance across all asset-classes.

During FY23, CCI's portfolios delivered class-leading performance, despite the extraordinary volatility in global bond and interest rate markets.

Firetrail Investments

Firetrail Investments is a boutique asset manager, founded in 2018, specialising in high conviction investing. Firetrail has a simple mission: to generate outstanding long-term performance for its clients.

Firetrail manages Australian equities, Global equities and Alternatives strategies. It has a diverse range of clients including superannuation funds, institutional investors, financial advisors, HNW individuals and retail investors.

The Firetrail investment team has a deep history managing high conviction portfolios with many senior team members working together for more than 15 years. Importantly, the firm is majority owned by its investment staff and the team invests alongside their clients in their high conviction strategies.

During FY23, Firetrail continued to increase the depth of its investment team and the availability of its investment products, with the Global Opportunities Fund listed on the ASX under the ticker S3GO on 11th November, 2022.

Five V Capital

Five V Capital, a Certified B Corporation, is a leading private equity and venture capital boutique founded in 2016. Pinnacle acquired an equity interest in Five V in November 2021.

Five V's strategies span private equity, growth equity and venture capital, so they can draw on a range of unique insights and experience from both well-established businesses primed for growth, and start-ups working on some of the newest ideas, models and industries destined for future success. The core principle of Five V is alignment: the team are among the largest investors in Five V's funds and share the entrepreneurial resilience and passion of founders to go the extra mile.

Five V partners with leading founders and businesses in Australia and New Zealand. Their recent Venture Capital Fund II sits alongside the Five V private equity Fund I, Fund II, Fund III, Fund IV and Venture Fund I portfolios, taking its current funds under management to over $1.4bn.

Five V believes that building long lasting, personal relationships with the people who drive their portfolio companies, their investors and those around them defines its success.

During FY23, Five V reached a successful first close in its VC Fund II and worked towards the launch of its Horizons Fund, with a significantly lower investment amount, ahead of an anticipated opening in early FY24.

Hyperion Asset Management

Hyperion Asset Management (Hyperion) was founded in 1996. The firm exists to sustainably grow clients' capital over the long term. When investing capital in listed companies, it has the mindset of a long-term business owner, not a short-term trader. The average holding period for the companies in Hyperion's portfolios is ten years, and long-term economic sustainability is core to its philosophy.

Hyperion's mindset is centred on achieving attractive long-term positive real (inflation-adjusted) portfolio returns.

Its investment philosophy and process aim to compound returns above the relevant passive benchmarks over long time horizons.

During FY23, Hyperion continued implementing its long-term, consistent investment process, despite the elevated volatility in global markets.

Langdon Equity Partners

Langdon is a global and Canadian smaller companies investment boutique founded in Toronto, Canada, in 2022. They are active and engaged owners of world class smaller companies.

Langdon approaches the public equity markets as a long-term owner of businesses. They are a patient, primary research-led investment firm, performing intensive due diligence on every investment idea pursued.

Langdon is focused on high quality, growing companies that are fundamentally undervalued, with their bottom-up process resulting a in a concentrated, high-conviction portfolio.

During FY23, Langdon launched their inaugural funds, in Canada and Australia, delivering above benchmark returns for their clients across all portfolios.

Longwave Capital Partners

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

The founding partners of Longwave have a long history of investing in markets and designing, building and managing highly successful investment strategies. From pioneering the Schroders Australia small cap and micro cap strategies to running global multi-asset portfolios, they have worked with a broad range of institutional, retail, charitable and sovereign wealth fund clients.

Longwave currently offers investors a unique, diversified small companies fund focusing on high quality companies likely to be tomorrow's winners.

During FY23, Longwave continued to deliver performance ahead of benchmark whilst working to further broaden their client base.

Metrics

Metrics is an independent, alternative asset manager, founded in 2011.

Metrics is the leading Australian non-bank corporate lender with a presence in Sydney, Melbourne and Auckland NZ. Metrics specialises in fixed income, private credit, equity and capital markets. Through its managed funds Metrics provides unrivalled access to the highly attractive Australian private debt market to investors ranging from individuals to global institutions.

Metrics launched its first wholesale fund in June 2013 and is the manager of a number of wholesale and retail investment trusts in addition to the Metrics Master Income Trust (ASX: MXT), which successfully listed on the ASX in October 2017. Metrics' second ASX-listed vehicle, Metrics Income Opportunities Trust (ASX: MOT), was successfully listed on the ASX in April 2019. Pinnacle acquired an equity interest in Metrics in August 2018, having been its distribution partner for a number of years.

During FY23, Metrics continued to expand its operations with a focus on growing its sustainable finance business, real estate equity funds and distribution of a range of products to offshore investors and the further investment in building its commercial and consumer finance product offerings.

Palisade

Palisade is a specialist, independent infrastructure manager, founded in 2007.

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

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

During FY23, Palisade secured its first assets in North America and continues to work towards building out its suite of investment solutions and ability to provide these into a wider range of end markets.

Plato Investment Management

Plato was founded in Sydney, Australia, in 2006 and is majority owned and operated by its investment staff.

Plato is a stable, research-led organisation focused on and aligned to client outcomes. Plato has a team of highly experienced investment professionals, portfolio managers and quantitative analysts. Plato provides a number of actively managed strategies, encompassing global and Australian equities, including strategies that are tailored to specific investor objectives of wealth accumulation, income generation and downside protection.

During FY23, Plato continued to build out its suite of complementary solutions, now offering Low Beta, Fixed Income, Enhanced Low Carbon and ESG-focused strategies, with the ability to tailor portfolios to specific investor needs, all of which draw from the team's deep quantitative research base.

RESOLUTION CAPITAL

Resolution Capital

ResCap is a highly rated specialist global listed real assets manager, investing in both listed real estate and infrastructure. The firm was founded in 2004 and the investment team has a 28 year track record. The firm is majority employee-owned by eight key staff and is headquartered in Sydney, Australia and maintains an office in New York. The firm and staff co-invest in the funds that ResCap manages.

ResCap is an active investment manager with the objective of delivering superior risk adjusted long-term returns, compared with recognised industry benchmarks. This is achieved through investment in concentrated portfolios of carefully selected listed real estate and infrastructure securities with an emphasis on avoiding fundamental flaws, which could reasonably result in permanent impairment of the underlying investments. This aligns ResCap's investment process and security selection with clients' objectives of long term real wealth creation and avoids the culture of index hugging.

The firm continues to grow and diversify its investment capabilities, The firm also continues to diversify its client base and has notably grown its funds sourced from international markets. The firm launched an active ETMF for its Global REIT strategy (Resolution Capital Global Property Securities Fund (Managed Fund)) on the ASX on 22 February 2022 under the ticker RCAP.

During FY23, the firm secured a cornerstone client for its Global Listed Infrastructure strategy and continued to grow its retail client base, in a challenging capital raising market.

RIPARIAN CAPITAL PARTNERS

Riparian Capital Partners

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

The team has proven its ability to identify key areas for operational and environmental efficiency, expansion and redevelopment of agri-sector assets while driving value through active management of water portfolios and exposures. With investments that span Australian water markets, irrigated horticulture, annual crops and agricultural infrastructure, the team is focused on sustainable agri-food systems that drive investor returns.

During FY23, Riparian continued to diversify and grow their client base, from both Australia and overseas.

Solaris Investment Management

Solaris is a style neutral, Australian equities fund manager, founded in 2008. The Solaris team consists of a diverse and experienced group of investment professionals.

Solaris uses fundamental analysis to choose stocks, to exploit market inefficiencies in forecasts and valuations. All investment decisions are supported by detailed analysis of the securities and key financial markets, with an eye on the global perspective.

Solaris analysts are empowered as portfolio managers, making them fully accountable for their investment ideas and decisions. Solaris's tried and tested investment process offers Core, High Alpha, Income and Long Short strategies with after-tax investment as a specialty.

During FY23, Solaris continued to increase the depth of its team and maintain strong ratings across all products.

Spheria

Spheria is a fundamental-based investment manager, founded in 2016, specialising in small and micro cap companies.

Spheria's mission is to achieve strong investment performance for its clients with an emphasis on risk management. The team has grown to nine highly skilled investment professionals, providing clients with deep expertise in small and microcap investing.

Spheria's investment philosophy is to purchase securities where the present value of future free cash flows can be reasonably ascertained and the security is trading at a discount to its intrinsic value. Assessing risk is fundamental to Spheria's investment philosophy. Explicit risk controls include a preference for companies with low or no balance sheet gearing.

During FY23, Spheria integrated domestic and global research into a single, unified team, with added depth.

Business strategies and prospects for future financial years

We continue to build Pinnacle by taking a measured, medium-term approach to growth, supporting each of the Pinnacle Affiliates and assisting them to grow their businesses and profitability, together with careful exploration of expansion opportunities.

We are carefully investing in additional resources, particularly in support of our retail and international distribution capabilities, to enable and drive this growth. We will also continue to invest in and seed new Affiliates and strategies where management teams have a strong track record and growth potential, even though this may moderate our profitability somewhat in the short-term.

Similarly, growth initiatives are also underway in a significant number of our Affiliates, which moderate their profitability in the short-term but provide a range of additional growth options over the medium-term.

Our platform is strong and sufficiently adaptable to consider both organic and inorganic growth, both in Australia and overseas. We will consider acquisitions only when we believe they are complementary to our existing core, will not place the Company at risk and offer the potential of a high medium-term return on the capital deployed. We retain conviction in the value potential provided by Horizon 2 and Horizon 3 growth initiatives, but will pursue these only when quality and price are sufficiently compelling.

Economic conditions and material business risks

The major business risks facing the Group are investment market conditions and regulatory risk.

Investment market conditions

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

During FY23, markets experienced significant volatility as central banks around the world implemented rapid, globally synchronised hikes in interest rates, responding to spiralling inflation following the supply chain dislocation and monetary stimulation resulting from the COVID-19 pandemic and the fallout from Russia's invasion of Ukraine. This initially truncated the valuations of high growth stocks, before reversing in the second half of the financial year as markets began to anticipate the end of the tightening cycle, particularly in the United States.

Certain sectors of the market were more directly impacted by the increase in lending rates; the REIT market declined by 8.8% in the first half and a further 3.9% over the second half, as markets sought to anticipate the impact of higher rates on property values. Conversely, returns in floating rate fixed income and credit were boosted by those higher underlying base rates.

Against this uncertainty, investors across the spectrum have remained defensively positioned. In the Australian retail investor market, the negative sentiment that characterised the second half of FY22 continued across FY23 as investors and their advisors continued to grapple with market volatility and the prospect of protractedly higher cash rates, with industry-wide flow trends into managed funds overwhelmingly negative. Whilst these trends have impacted our ability to generate new business, we have experienced modest retail net inflows across the financial year, of $0.6 billion, underscoring the benefits of our diversified model.

Institutionally, consolidation in the superannuation sector continues apace, which presents both a risk, of fewer allocators, and an opportunity, with larger allocations on offer. We have been impacted by both during this financial year. Overwhelmingly, major institutions remain defensively positioned and we are not yet seeing a significant shift back to risk assets. Having experienced negative domestic institutional flows of $2.5 billion in the first half of FY23, we were pleased to generate positive net inflows of $2.3 billion in the second half; we note that this does not appear to represent a change in the sentiment of buyers, but is as a result of the Affiliates seizing market share.

Outside of Australia, in a similarly challenging market for generating new business, we are growing the assets under management of the Affiliates and strategies, which is a result of the careful and deliberate expansion of our distribution capability in those markets. During the financial year, we successfully raised in excess of $1 billion of net new money. The opportunity for the Affiliates in those international markets remains sizeable and we will continue to expand our capabilities to support their growth.

We remind shareholders that our earnings and net inflows can moderate during times of market dislocation. As we have explained in the past, we have deliberately sought to build a robust, diverse business that is able to succeed across market cycles. The growth in size and breadth of the Affiliate base is delivering clear benefits to shareholders, with greater diversification across different asset classes and investment strategies and enhanced performance fee potential across a range of strategies and market conditions.

We recognize that global economic conditions remain uncertain due to, among other things, shifts in monetary policy and continuing geopolitical tensions, which could have a significant impact on wider market conditions and sentiment. We are, however, confident that our business is in excellent shape and there is cause for optimism for what lies ahead.

Regulatory risk

The Group operates within a highly regulated environment. The Group remains vigilant with regard to regulatory requirements which are continually evolving and, in response, Pinnacle will continue to develop its business model to accommodate the changing environment within which it operates. We continue to invest in our Risk and Compliance function, including in support of our expansion outside of Australia with the recruitment of a Head of Risk and Compliance (UK) in June 2023 providing additional market specific expertise.

Review of Group Results

Total net profit after tax (NPAT) attributable to shareholders for the 2023 financial year was $76.5 million. NPAT from continuing operations attributable to shareholders was also $76.5 million.

- The Group delivered a $76.5 million total NPAT attributable to shareholders for the 2023 financial year, a 0.1% increase compared with the 2022 financial year. Pinnacle's share of net profits from the Pinnacle Affiliates decreased by 11.0% to $67.4 million (of which $13.9 million was Pinnacle's share of performance fees earned by eleven Affiliates during the financial year, after tax, compared with $14.7 million from ten Affiliates in the 2022 financial year), largely due to the ongoing spend in Affiliates in support of future growth, as well as due to the impact of market dislocation and lower flows during FY23.
- FUM Increased by 9.8% to $91.9 billion in the 2023 financial year.
- Of the increase in FUM over the 2023 financial year, $6.7 billion was due to market movements/investment performance, whilst there were net inflows of $1.5 billion.
- Diluted earnings per share attributable to shareholders of 39.0 cents have decreased by 1.3% from 39.5 cents.
- The Board has declared a fully franked final dividend of 20.4 cents per share payable on 15 September 2023.

Consolidated Statement of Comprehensive Income

The following commentary provides an analysis of revenues and expenses for the 2023 financial year in comparison to the prior financial year.

During the 2023 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 equity accounted net profits.

Revenue from Continuing Operations

Revenue from continuing operations decreased $0.5 million to $45.5 million, from $46.0 million in the prior financial year. Shareholders will be aware that there is typically a 'skew' in revenues towards the second half of the financial year, when certain 'performance-based' distribution fee revenues crystallize. Due to ongoing dislocation and volatility in markets and the lower retail net inflows across the financial year, these performance-based fees were lower than might otherwise have been expected. Revenues were $22.8 million in the first half of the financial year and $22.7 million in the second half.

Further information regarding revenues is provided below and at note 1 of the financial statements.

Return 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 2023, the Group made a net $14.2 million return on its Principal Investments, on a mark-to-market basis. This gain consists of distribution and dividends received of $6.1 million, and net realized and unrealized gains of $8.1 million. As shareholders will be aware, we substantially hedge our direct equity market exposure on these investments. We have a $120 million facility from the CBA, with $20 million of that facility provided as seed capital to Palisade Real Assets to enable them to acquire the first asset in their energy transition portfolio, on which Pinnacle earns a preferred return of 8% (see note 26d(iii) for further information), with the balance of the facility invested predominantly in non-duration and floating rate credit strategies, managed by Affiliates. The sharp rise in central bank lending rates has led to a significant increase in returns generated by these strategies. Offsetting these higher returns somewhat was the higher interest cost on our CBA facility, which was $5.9 million in FY23 compared with $2.2 million in FY22.

Expenses from Continuing Operations

During FY23, the Group continued to carefully add additional resources to support future growth. Employee benefits expense increased by $2.6 million to $22.5 million.

STI expense for FY23 was $4.7 million, down from $6.6 million in FY22. Whilst we have an outstanding group of people who continue to perform at high levels, remuneration challenges every year are to balance the need to reward outstanding performance with the interests of shareholders, both in the short- and long-term. As our results for the year fell short of our expectations, STI levels have been reduced accordingly.

Share of net profit of jointly controlled entities

Share of net profit of jointly controlled entities accounted for using the equity method relates to the Group's share of the profits of the Pinnacle Affiliates. Pinnacle's share of the net profits after tax from Pinnacle Affiliates for the 2023 financial year was $67.4 million (of which $13.9 million was Pinnacle's share of performance fees earned by eleven Affiliates during the financial year, after tax, compared with $14.7 million from ten Affiliates in the 2022 financial year); down 11.0% or $7.8 million on the prior financial year. Underlying base management fees within the Pinnacle Affiliates were slightly ahead of the prior financial year, with costs higher than the prior year due predominantly to spending across a number of Affiliates in support of future growth, in new asset classes and strategies.

Pinnacle Affiliates' FUM, which underpins the share of Pinnacle Affiliates' profits, increased by 9.8% to $91.9 billion in the 2023 financial year. We remind shareholders that a significant proportion of Affiliates' FUM is linked to movements in equity markets which, although broadly up across the financial year, experienced significant periods of volatility during the year. Certain sectors of the market (in particular, the REIT market) were down over the financial year.

Further information is provided in note 23 to the financial statements.

Consolidated Statement of Financial Position

The following commentary provides an analysis of assets and liabilities for the 2023 financial year.

Cash. Cash and cash equivalents decreased by $10.7 million to $27.6 million at year-end compared to $38.3 million at the end of the prior financial year. Cash inflows from operating activities were $55.0 million, which included a further $5.9 million invested in funds managed by Affiliates and dividends received from Affiliates of $66.1 million (compared with $68.6 million in the prior financial year). Our facility with the CBA of $120.0 million remained fully drawn at 30 June 2023.

Total cash and Principal Investments, net of the CBA debt facility, was $67.2 million at 30 June 2023, compared with $58.2 million at 30 June 2022.

Further information is provided at notes 6 and 25.

Trade and other receivables. The value of trade and other receivables increased by $1.4 million during the year. Further information is provided at note 7 of the financial statements.

Financial assets at fair value through profit or loss were $163.2 million, an increase of $20.3 million on the prior year. During the year, Pinnacle continued to support the Affiliates in both equity recycling and through the provision of seed and foundation FUM for strategies managed by the Affiliates. Of the $163.2 million, $148.5 million was held in strategies managed by Pinnacle Affiliates. The Group substantially hedged its equity market exposure to movements in the underlying indices.

Assets held at amortised cost. The value of current and non-current assets held at amortised cost increased by $3.2 million to $6.5 million at year end. This balance includes loans to entities under joint control. There were advances to Affiliate executives during the current financial year to assist with further equity recycling. Further information is provided at note 9 of the financial statements.

Investments accounted for using the equity method reflects the carrying value of Pinnacle's investments in the Pinnacle Affiliates. This increased by $3.2 million during the period to $328.5 million. The change is attributable to the equity accounted profits of $67.4 million from Pinnacle Affiliates, less the dividends received from the Pinnacle Affiliates of $66.1 million, plus additional net capital contributed to the Pinnacle Affiliates during the year of $1.9 million. Further information is provided at note 23 of the financial statements.

Intangible assets decreased by $0.3 million. Plato, the investment manager of PL8, and the Group previously entered into a distribution agreement for a period of three years. The costs associated with the acquisition of that contract were capitalized as an intangible asset and were being amortised over the distribution agreement period of three years that ended in September 2022. During the prior year, Pinnacle acquired the distribution contracts previously owned by Winston Capital Partners for an upfront consideration of $2.0 million. The distribution contracts acquired are being amortized over a period of 20 years as revenues are earned. Further Information is provided at note 13.

Trade and other payables decreased by $3.6 million to $6.8 million. The decrease largely relates to the reduction in accrued incentives. Further information is provided at note 14 of the financial statements.

Provisions. The value of current and non-current provisions increased by $0.3 million compared with the prior financial year. The balance relates directly to the increase in staff costs. Further information is provided at note 15 of the financial statements.

Lease liabilities decreased by $1.2 million and *Right-of-use assets* decreased by $1.2 million compared with the prior year. The Group leases offices in Brisbane and Sydney. Further information is provided at note 12.

Borrowings remained at $120.0 million. The Group has a $120.0 million facility with CBA, which was fully drawn as at 30 June 2023. The entire facility is currently invested in certain investment strategies managed by Affiliates. Further information is provided at note 19.

04

Corporate Sustainability

We are focused on continuous improvement, striving to do better by building a long-term, sustainable firm that focuses on our employees, customers and shareholders, as well as the communities in which we engage.

Further information is set out in our Corporate Sustainability Report, which can be viewed at https://pinnacleinvestment.com/sustainability-report/.

05

Directors' Profiles

Alan Watson

(Non-executive Independent Chair; member of Audit, Compliance and Risk Management Committee and Remuneration and Nominations Committee) BSc, GAICD

Mr Watson became Chair of Pinnacle in 2016.

During his executive career, Mr Watson worked in investment banking, accumulating over 30 years of experience within various global equity markets. During this period, he was responsible for starting and leading a number of securities businesses both in Europe and Asia, advising many companies on capital structuring, initial public offerings, takeovers and mergers and investment relations strategies. Mr Watson held positions as Managing Director at Barclays de Zoete Wedd Limited, Donaldson, Lufkin & Jenrette Securities Corporation, at Lehman Brothers Holdings Inc and as Head of Securities Europe for Macquarie Capital (Europe) Ltd., concluding his executive career in 2011.

Subsequent to this he has been an independent director of various public companies, both in Australia and North America. In addition to Pinnacle, currently Mr Watson is also an independent director of Airboss of America, listed on the Toronto Stock Exchange and an independent non-executive director of Australis Oil and Gas, listed on the ASX.

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

- Current Director of Australis Oil & Gas

Interests in shares and options at 30 June 2023

- 174,172 ordinary shares in the Company

Ian Macoun

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

Mr Macoun was appointed Managing Director of the Company on 17 August 2016 and an Executive Director on 25 August 2016, having been the Managing Director and Chair of PIML since 2006. Mr Macoun's career to date has included more than 30 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 (**QIC**) - inaugural Chief Executive from 1988), and the management of a major Australian bank's investment operation (Westpac Investment Management; Managing Director from 1993).

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

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

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

- None

Interests in shares and options at 30 June 2023

- 18,276,077 ordinary shares in the Company

Deborah Beale AM

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

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

Ms Beale is also the Chair of the Melbourne Convention Bureau and a director of Visit Victoria.

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

- None

Interests in shares and options at 30 June 2023

- 129,439 ordinary shares in the Company

Lorraine Berends

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

Ms Berends has worked in the financial services industry for over 40 years and possesses extensive experience in both investment management and superannuation. Before moving to a non-executive career in 2014, she worked for 15 years with US based investment manager Marvin & Palmer Associates. Ms Berends contributed extensively to industry associations throughout her executive career, serving on the boards of the Investment Management Consultants Association (**IMCA Australia**, now the **CIMA Society of Australia**) for 13 years (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 the CIMA Society and ASFA. Ms Berends 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 Plato Income Maximiser Limited, Spheria Emerging Companies Limited and Hearts and Minds Investments Limited (listed investment companies), a company appointed director of Qantas Superannuation Limited, a non-executive director of the Pinnacle Charitable Foundation and an independent member of the Australian Commonwealth Games Foundation Investment Committee.

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

- Current Director of Plato Income Maximiser Limited
- Current Director of Spheria Emerging Companies Limited
- Current Director of Hearts and Minds Investments Limited
- Former Director of Antipodes Global Investment Company Limited (resigned 17 December 2021)

Interests in shares and options at 30 June 2023

- 27,000 ordinary shares in the Company

Andrew Chambers

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

Mr Chambers was appointed Executive Director of the Company on 1 September 2016 and is Head of Institutional and International Distribution. He has been a senior executive with PIML 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 divisions. Prior to joining Pinnacle, Mr Chambers worked for Franklin Templeton, one of the world's largest, multi-affiliate investment management firms.

Mr Chambers is also a director of the following Pinnacle Affiliates: Five V, Metrics, Plato and Riparian.

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

- None

Interests in shares and options at 30 June 2023

- 5,303,614 ordinary shares in the Company

06

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 2023.

Directors

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

- Mr A Watson
- Mr I Macoun
- Ms D Beale AM
- Ms L Berends
- Mr G Bradley AO (retired 1 January 2023)
- Mr A Chambers
- Mr A Whittingham (retired 14 November 2022)

Information on the qualifications, experience and responsibilities of the directors is included in the directors' profiles on pages 23 to 26 of the 2023 Annual Report.

Earnings per share

	2023 Cents	2022 Cents
From continuing operations		
Basic earnings per share	39.3	40.2
Diluted earnings per share	39.0	39.5
Total attributable to shareholders		
Basic earnings per share	39.3	40.2
Diluted earnings per share	39.0	39.5

Dividends

In the 2023 financial year, the following dividends were paid:

- a fully franked final dividend of 17.5 cents per share on 16 September 2022.
- a fully franked interim dividend of 15.6 cents per share on 17 March 2023.

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

- a fully franked final dividend of 20.4 cents per share, to be paid on 15 September 2023.

Total dividends declared in respect of the FY23 financial year were 36.0 cents per share (2022: 35.0 cents per share).

Operating and Financial Review

The Operating and Financial Review can be found at pages 8 to 21 of the 2023 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 30 of the financial statements at page 103, 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 2023 Remuneration Report sets out remuneration information for the Group's 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. 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 the Remuneration Report for the year ended 30 June 2023 I would like to reinforce our commitment to delivering strong results for our clients and shareholders. The complexity of the macroeconomic and geopolitical environment, including high inflation, high energy prices, the ongoing war in Ukraine and residual pandemic effects have resulted in understandable impacts on market volatility and challenging operating environments.

Despite these conditions, our people remain energised and determined to deliver outstanding results. We remain focused on hiring top talent who align with our Purpose and Values and have a strong passion for serving our clients and shareholders. The Company is committed to ongoing professional development, capability building and career growth for our employees. Many employees progressed their career and increased their areas of responsibility in a year that saw colleagues come back together to collaborate in person to best serve the interests of our stakeholders. We continue to focus on providing employees with tools and resources to manage their lives and careers, and in turn deliver better overall commercial outcomes for all.

Our pay-for-performance compensation approach strives to recognise and reward performance with competitive and fair pay for the work performed at all levels of the Company. Pay equity is fundamental to our Purpose and Values and in FY23, we conducted a pay equity analysis to examine employee pay. The Company aims to ensure that our reward outcomes fairly reflect performance and the meritocratic environment in which we operate.

We believe our remuneration approach is well suited to support our ambitions and provide strong alignment with shareholder outcomes. Our approach supports pay for performance principles and incentivises both outstanding short-term and long-term performance. The Company continues to require an assessment of both quantitative and qualitative criteria, which are weighted differently depending on role, to determine overall performance and remuneration outcomes. Flexibility is preserved to enable rewarding employees whose results and impact on the business have been outstanding.

As results for shareholders this year are below the expectations we had at the start of the financial year, we have been focused and disciplined on keeping overall remuneration outcomes modest. Recognising the impact of inflationary pressures and a heightened competition for talent, at a Group level we have carefully adjusted salaries only in circumstances where it was appropriate to do so. In recognition that our financial and FUM results were lower than expectations, we have moderated short-term incentives across the organisation. LTI awards have been proposed only in circumstances where role scope or responsibility has significantly increased. As we enter the 2024 financial year, salaries for our senior executives remain unchanged.

Each year we report to shareholders on the key quantifiable factors which have been considered in determining STI grants for the year. Our financial results and quantitative outcomes are discussed on page 40 of this report, and I repeat the key factors here for completeness:

- decrease in diluted earnings per share attributable to shareholders of 1.3% in the 2023 financial year; compound annual growth rate (CAGR) in basic earnings per share attributable to shareholders of 24.2% over the five years to 30 June 2023
- growth in total NPAT attributable to shareholders from $76.4 million in the 2022 financial year to $76.5 million in the 2023 financial year; CAGR in total NPAT attributable to shareholders of 27.1% over the five years to 30 June 2023
- increase in FUM from $83.7 billion as at 30 June 2022 to $91.9 billion as at 30 June 2023
- net FUM inflows of $1.5 billion during the 2023 financial year
- net retail FUM inflows of $0.6 billion during the 2023 financial year
- 81% 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 2023

The process used to determine remuneration outcomes remains unchanged. The Managing Director puts forward recommendations to the Remuneration and Nominations Committee for STI and LTI payment amounts for every eligible person. The Remuneration and Nominations Committee reviews the recommended amounts, considers Company results and decides on the amounts that it will recommend to the Board. Payments to KMP, and the aggregate amounts to be paid by Pinnacle, are reported and subject to shareholder review in our Annual Report and financial statements.

Our remuneration framework is designed to attract, reward, motivate, empower and retain our most important asset, our people. We remain confident this approach aligns the interests of our people and shareholders while meeting business needs and strategy goals.

We hope you find the information set out in this letter and the Remuneration Report that follows to be instructive and helpful.

Deb Beale

Deborah Beale AM
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 2023. The Key Management Personnel for this period are listed in the tables below:

- Alan Watson, Deborah Beale, Lorraine Berends and Gerard Bradley (retired 1 January 2023), each being non-executive directors of the Company;
- Ian Macoun, Andrew Chambers and Adrian Whittingham (retired 14 November 2022), each being executive directors of the Company;
- Dan Longan as Chief Financial Officer;
- Calvin Kwok as Chief Legal and Commercial Officer.

In accordance with the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011 (Cth), the Key Management Personnel of the Group during the year ended 30 June 2023 comprised:

Executive Key Management Personnel

Name	Position
Ian Macoun	Managing Director and Executive Director
Andrew Chambers	Executive Director
Adrian Whittingham	Executive Director (retired 14 November 2022)
Dan Longan	Chief Financial Officer
Calvin Kwok	Chief Legal and Commercial Officer

Non-Executive Key Management Personnel

Name	Position
Alan Watson	Chair
Deborah Beale AM	Non-executive Director
Lorraine Berends	Non-executive Director
Gerard Bradley AO	Non-executive Director (retired 1 January 2023)

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 2023 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; and adopts an appropriate balance between fixed remuneration, short-term incentives and long-term incentives;
- reviewing executive remuneration and incentives and making recommendations to the Board in relation to share option schemes and equity participation plans;
- setting the terms and conditions of the employment of the Managing Director; advising the Board on the Managing Director's remuneration package; and reviewing the performance of the Managing Director at least annually including progress made towards achieving the Group's strategic goals;
- reviewing the remuneration of non-executive directors for serving on the Board or any committee (both individually and in total) and recommending to the Board the remuneration and retirement policies for non-executive directors having regard to market trends and shareholder interests;
- setting the entitlements and expenses policy for the Chair, non-executive directors and the Managing Director;
- ensuring the Group's remuneration policies and practices comply with the provisions of the ASX Listing Rules and the Corporations Act and have regard to the ASX Principles;
- facilitating the review of individual directors' performance and of the Board annually;
- making recommendations to the Board concerning the appointment of new directors and, to the extent delegated to it by the Board, the Managing Director;
- identifying individuals who, by virtue of their experience, expertise, skills, qualifications, backgrounds, contacts or other qualities, are suitable candidates for appointment to the Board and recommending individuals accordingly for consideration by the Board;
- establishing procedures, for recommendation to the Chair, for the proper oversight of the Board and management;
- preparing, recommending for approval by the Board and overseeing the implementation of the Company's diversity policy;
- on an annual basis, reviewing the proportion of women who are employed by the Company, receiving a pay equity analysis and submitting a report to the Board outlining its findings; and
- reviewing and approving relevant policies delegated to the Remuneration and Nominations Committee by the Board.

During the 2023 financial year, the Remuneration and Nominations Committee received recommendations on the remuneration for employees from the Managing Director. These recommendations were reviewed and, following discussion, recommendations were made to the Board.

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

4.

Executive remuneration policy and framework for the Company

The Board remains focused on achieving sustainable growth and attractive returns for investors in the medium to long-term. During the 2023 financial year, we have applied our remuneration framework consisting of base salary, short-term incentives and long-term incentives and our remuneration policy which is aimed at motivating and retaining highly-skilled executives and aligning their interests with shareholders. Section 5 of this Remuneration Report illustrates the sustained growth in Earnings Per Share (EPS) that the Company has delivered for its shareholders over a number of years. We made some important changes in 2021 to the hurdles in our LTI plan to further align future outcomes for employees with our shareholders, which we explain in further detail in the sections following.

Our approach to remuneration is aligned with our purpose, to enable better lives through investment excellence, and our values. Pinnacle has a core set of KPIs, against which the performance of all employees is measured, in addition to KPIs set at a team or individual level, to ensure that these values are embedded in the behaviours of all employees and considered consistently as part of the remuneration process. These common KPIs are set out below:

Pinnacle Purpose and Values	Understand, and contribute strongly to Pinnacle's Purpose and Values
Client Focus	Demonstrate commitment to and accountability for strong client service and satisfaction, both with external clients and Affiliates through delivering on the promises we make to our clients
Flexibility	Demonstrate flexibility and a preparedness to adapt to the changing needs of the Company
Work Ethic	Demonstrate a strong personal work ethic and commitment to being highly productive at all times
Innovation	Contribute to a culture of innovation and continuous improvement by suggesting ways in which we can enhance the manner in which we operate and interact with clients
Risk	Foster a risk aware culture in which business activity occurs within Pinnacle's Risk Management Framework and Risk Appetite Statement
Sustainability	Contribute to a culture of acting lawfully, ethically and responsibly by complying with our legal, regulatory and ethical obligations in particular adhering to Pinnacle's Code of Conduct and policies relevant to your role Contribute to an inclusive culture that enables performance and fosters collaboration, leading to investment excellence

The remuneration framework and policy apply to Pinnacle employees only as Affiliates independently determine their own remuneration practices.

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.

Employees are offered a competitive base salary, which is reviewed on promotion or a substantial change in responsibilities.

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

On 1 July 2021, there were revisions to the salaries of Executive Key Management personnel, recognizing the significant increase in responsibilities across the Group as the business has grown. There were no revisions to base salaries for Executive Key Management Personnel during FY23 and none are proposed in the annual review cycle at the commencement of FY24.

Short-term incentives (STI)

STI is a discretionary 'at risk' cash incentive payment which is paid to 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.

All executives have an annual 'maximum' STI expectation (up to, but not exceeding, 100% of their base salaries) and, if their personal performance is strong, their work unit delivers on its key objectives and overall business performance meets or exceeds our objectives, then they should receive that expectation. We are clear that 'results matter' in determining remuneration, both at an individual and overall business level, and we have regard to performance against each of the common KPIs in determining STI, ensuring that all employees exhibit behaviours aligned with our values, together with individual performance. We do not believe, however, that inflexible, formulaic targets against which personal performance is measured would achieve the best outcomes for shareholders. We have a group of 15 Affiliates and supporting those which are early in their development and those which may be facing more challenging circumstances is as important to preserving and growing the value of our business as is continuing to deliver for Affiliates in times of great success. Certain initiatives require a significant investment of time, with no immediate reward, in order to lay the foundation for future growth in profitability. It is important that we are able to reward people for genuine high-performance, even when the results of their efforts do not immediately translate into numerical success. It is on that basis that STI is largely discretionary, with final determination by the Remuneration and Nominations Committee, following recommendations from the Managing Director, incorporating the input of all members of the leadership group.

As well as individual performance, we also consider the performance of the business as a whole when determining STI for any given year. During the current financial year, results fell below our expectations and, even though this was to some extent due to circumstances outside of our control, it is important that the remuneration of our people reflects this, and reductions are therefore being made to the 'maximum STI' people are eligible to receive in respect of results and performance for FY23. We must always strike a balance between rewarding individual excellence, and recognizing that we are accountable, as a group, for the overall outcomes of the business.

Performance against KPIs for the five Executive KMP is set out in the tables below:

Managing Director	Key Performance Indicators	Outcomes
Financial	• Growth in NPAT	• NPAT increased by less than 1% to $76.5m **KPI not met**
	• Growth in diluted EPS	• Diluted EPS decreased by 1% to 39.0c per share **KPI not met**
	• Institutional and international net inflows, with particular reference to the Contained Annual Revenue of net inflows (FUM x Fee rate)	• Net institutional and international FUM inflows of $0.9 billion **Net FUM inflows low but Contained Annual Revenue impact was positive - KPI not met**
	• Net Retail FUM inflows	• Net Retail FUM inflows of $0.6 billion **KPI not met**
Growth Strategy, Client and Investment Performance	• Investment performance of Affiliates	• 81% 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 2023 **KPI met**
	• Satisfaction from Affiliate MDs with respect to Pinnacle Distribution and Infrastructure Services	• **KPI met**
	• Progress of Horizon 2 and Horizon 3 initiatives	• **KPI met**
People	• Succession plans in place for Pinnacle and Affiliate critical roles	• Emergency, ready now succession plans and medium-term succession processes in place **KPI met**
	• Drive high performance culture	• **KPI met**
Operations, Risk Management and Regulatory	• Enhance operational effectiveness	• **KPI met**
	• No significant regulatory issues in AU, EU, USA	• **KPI met**

	• Protect and enhance the reputation of Pinnacle and promote a culture of risk management and disclosure	• **KPI met**
Pinnacle Purpose and Values	• Understand, and contribute strongly to Pinnacle's Purpose and Values	• **KPI met**
Client Focus	• Demonstrate commitment to and accountability for strong client service and satisfaction, both with external clients and Affiliates	• **KPI met**
Flexibility	• Demonstrate flexibility and a preparedness to adapt to the changing needs of the Company	• **KPI met**
Work Ethic	• Demonstrate a strong personal work ethic and commitment to being highly productive at all times	• **KPI exceeded**
Innovation	• Lead a culture of innovation and continuous improvement	• **KPI met**
Risk	• Lead a risk aware culture in which business activity occurs within Pinnacle's Risk Management Framework and Risk Appetite Statement	• **KPI met**
Sustainability	• Lead a culture of acting lawfully, ethically and responsibly by complying with our legal, regulatory and ethical obligations in particular adhering to Pinnacle's Code of Conduct and policies • Lead an inclusive culture that enables performance and fosters collaboration, contributing to investment excellence	• **KPI met**

Executive Director, Institutional and International Distribution	**Key Performance Indicators**	**Outcomes**
Financial	• Institutional and international net inflows, with particular reference to the Contained Annual Revenue of net inflows (FUM x Fee rate)	• Net institutional and international FUM inflows of $0.9 billion **Net FUM inflows low but Contained Annual Revenue impact was positive - KPI not met**
People	• Drive high performance culture	• **KPI met**
Pinnacle Purpose and Values	• Understand, and contribute strongly to Pinnacle's Purpose and Values	• **KPI met**
Client Focus	• Demonstrate commitment to and accountability for strong client service and satisfaction, both with external clients and Affiliates	• **KPI met**
Flexibility	• Demonstrate flexibility and a preparedness to adapt to the changing needs of the Company	• **KPI met**
Work Ethic	• Demonstrate a strong personal work ethic and commitment to being highly productive at all times	• **KPI exceeded**
Innovation	• Lead a culture of innovation and continuous improvement	• **KPI met**
Risk	• Lead a risk aware culture in which business activity occurs within Pinnacle's Risk Management Framework and Risk Appetite Statement	• **KPI met**
Sustainability	• Lead a culture of acting lawfully, ethically and responsibly by complying with our legal, regulatory and ethical obligations in particular adhering to Pinnacle's Code of Conduct and policies • Lead an inclusive culture that enables performance and fosters collaboration, contributing to investment excellence	• **KPI met**

Chief Financial Officer	Key Performance Indicators	Outcomes
Financial	• Lead a culture of cost control and focus on value • Optimise aggregate costs across the Affiliates leveraging scale	• **KPI met**
Clients	• Clients (Affiliates, LICs, Pinnacle Foundation) are satisfied with the quality and value of services delivered	• **KPI met**
Process	• Deliver Services to Affiliates in a compliant manner in accordance with agreed SLAs • Ensure PNI, Affiliate and Fund audits are delivered on time and within budget • Deliver a technology platform that allows Pinnacle and Affiliates to operate in a secure, scalable manner	• **KPI met**
People	• Drive high performance culture	• **KPI met**
Pinnacle Purpose and Values	• Understand, and contribute strongly to Pinnacle's Purpose and Values	• **KPI met**
Client Focus	• Demonstrate commitment to and accountability for strong client service and satisfaction, both with external clients and Affiliates	• **KPI met**
Flexibility	• Demonstrate flexibility and a preparedness to adapt to the changing needs of the Company	• **KPI met**
Work Ethic	• Demonstrate a strong personal work ethic and commitment to being highly productive at all times	• **KPI exceeded**
Innovation	• Lead a culture of innovation and continuous improvement	• **KPI met**
Risk	• Lead a risk aware culture in which business activity occurs within Pinnacle's Risk Management Framework and Risk Appetite Statement	• **KPI met**
Sustainability	• Lead a culture of acting lawfully, ethically and responsibly by complying with our legal, regulatory and ethical obligations in particular adhering to Pinnacle's Code of Conduct and policies • Lead an inclusive culture that enables performance and fosters collaboration, contributing to investment excellence	• **KPI met**

Chief Legal and Commercial Officer and Company Secretary	Key Performance Indicators	Outcomes
Financial	• Optimise internal and external legal counsel spending commensurate with workload levels	• **KPI met**
Corporate Activity	• Involvement and contribution towards new corporate activity of the Company and Affiliates, including corporate action projects (capital raising, acquisitions, equity arrangements) and new strategic initiatives (Affiliates, products, geographies)	• **KPI met**
Consistency and efficiency of performance	• Demonstrate ability to meet deadlines and maintain quality of work and advice	• **KPI met**
Professional development and additional responsibilities	• Develop new competencies and taking on or expanding scope of additional responsibilities	• **KPI met**
People	• Drive high performance culture	• **KPI met**
Pinnacle Purpose and Values	• Understand, and contribute strongly to Pinnacle's Purpose and Values	• **KPI met**
Client Focus	• Demonstrate commitment to and accountability for strong client service and satisfaction, both with external clients and Affiliates	• **KPI met**

Flexibility	• Demonstrate flexibility and a preparedness to adapt to the changing needs of the Company	• **KPI met**
Work Ethic	• Demonstrate a strong personal work ethic and commitment to being highly productive at all times	• **KPI exceeded**
Innovation	• Lead a culture of innovation and continuous improvement	• **KPI met**
Risk	• Lead a risk aware culture in which business activity occurs within Pinnacle's Risk Management Framework and Risk Appetite Statement	• **KPI met**
Sustainability	• Lead a culture of acting lawfully, ethically and responsibly by complying with our legal, regulatory and ethical obligations in particular adhering to Pinnacle's Code of Conduct and policies • Lead an inclusive culture that enables performance and fosters collaboration, contributing to investment excellence	• **KPI met**

Following the assessment of each KMP's performance as outlined above, the following STI awards were made:

KMP	**% of Maximum STI awarded**
Ian Macoun	25%
Andrew Chambers	50%
Adrian Whittingham (retired 14 November 2022)	0%
Dan Longan	50%
Calvin Kwok	50%

Further detail relating to the Company's approach to STI is set out in the letter from the Chair of the Remuneration and Nominations Committee at the beginning of this Remuneration Report.

Long-term incentives (LTI)

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

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

Omnibus incentive plan

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

Executives will principally be offered loan funded ordinary shares in the Company, whereby the Company will provide limited recourse loans to executives to acquire shares at their current market value at the time of grant. Shares issued prior to FY21 only vest if the employee remains employed with the Group for 5 years from the time of grant, with a portion vesting only upon the satisfaction of the following performance condition (in addition to the 5 year service condition): the Company's earnings per share grows by an average annual growth rate of at least 15% per annum over the 5 year period.

Shares issued from 1 July 2021 and beyond are 100% are subject to the satisfaction of various performance conditions and employment, as follows:

- for Operations employees, 100% of their award will vest on a graduated basis, based on EPS growing by an average annual growth rate of at least 10% - 15% p.a. over a five-year period;
- for Retail Distribution employees, 50% of their award will vest on a graduated basis, based on EPS growing by an average annual growth rate of at least 10% - 15% p.a. over a five-year period, and the remaining 50% will be earnt on a graduated basis, subject to the satisfaction of total annual retail net inflow targets; and
- for Institutional Distribution employees, 50% of their award will vest on a graduated basis, based on EPS growing by an average annual growth rate of at least 10% - 15% p.a. over a five-year period, and the remaining 50% will be earnt on a graduated basis, subject to the satisfaction of Contained Annual Revenue in net inflow targets

During the 2023 financial year, 150,000 loan shares were forfeited by departing employees. Additionally, 1,017,000 loan shares and 100,000 options were issued to existing employees.

5.

Links between performance and outcomes

During the 2023 financial year, the Managing Director conducted performance reviews of executives and made recommendations to the Remuneration and Nominations Committee in respect of their STIs and any awards of LTI. In making those recommendations, regard was given to the Group, team and individual performance relative to expectations (both financial and non-financial) over the period, as well as to the degree of responsibility involved in each role.

The table below shows key financial performance indicators which have been applied consistently over many years, with the support and encouragement of shareholders, to measure the progress of the Group's performance during the 2023 financial year and over the last five financial years.

- decrease in diluted earnings per share attributable to shareholders of 1.3% in the 2023 financial year; compound annual growth rate (**CAGR**) in basic earnings per share attributable to shareholders of 24.2% over the five years to 30 June 2023
- growth in total NPAT attributable to shareholders from $76.4 million in the 2022 financial year to $76.5 million in the 2023 financial year; CAGR in total NPAT attributable to shareholders of 27.1% over the five years to 30 June 2023
- increase in FUM from $83.7 billion as at 30 June 2022 to $91.9 billion as at 30 June 2023
- net FUM inflows of $1.5 billion during the 2023 financial year
- net retail FUM inflows of $0.6 billion during the 2023 financial year
- 81% 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 2023

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

	2023	2022	2021	2020	2019
Net profit/(loss) after tax from continuing operations attributable to shareholders ($m)	76.5	76.4	67.0	32.4	30.5
Total net profit/(loss) after tax attributable to shareholders ($m)	76.5	76.4	67.0	32.2	30.5
Funds Under Management ($bn)*	91.9	83.7	89.4	58.7	54.3
Net FUM Inflows*	1.5	0.6	16.7	3.0	6.5
Net Retail FUM Inflows*	0.6	3.6	4.5	0.9	2.9
Closing share price ($)	9.98	7.03	11.97	3.92	4.38
Dividend per share (cents)	36.0	35.0	28.7	15.40	15.40
Basic earnings per share (cents) from continuing operations	39.3	40.2	38.2	18.9	18.3
Diluted earnings per share (cents) from continuing operations	39.0	39.5	36.5	18.0	17.1
Basic earnings per share (cents) attributable to shareholders	39.3	40.2	38.2	18.8	18.3
Diluted earnings per share (cents) attributable to shareholders	39.0	39.5	36.5	17.9	17.1

* Non-statutory measure

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 2023.

	Fixed Remuneration	Performance-based remuneration	
		STI	LTI
Ian Macoun	71%	17%	12%
Andrew Chambers	46%	23%	31%
Adrian Whittingham	100%	0%	0%
Dan Longan	46%	21%	33%
Calvin Kwok	44%	22%	34%

Ian Macoun

Mr Macoun's base salary remained unchanged at $750,000 per annum (inclusive of superannuation) during the year. For FY23, he earned an STI of $187,500 (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.

Andrew Chambers

Mr Chambers' base salary remained unchanged at $510,000 per annum (inclusive of superannuation) during the year. For FY23, he earned an STI of $255,000 (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.

Adrian Whittingham

Mr Whittingham's base salary remained unchanged at $450,000 per annum (inclusive of superannuation). For FY23, he earned an STI of nil. STI is a performance incentive of up to 100% of base salary awarded on the basis of meeting business and strategic objectives. Mr Whittingham retired from the board on 14 November 2022 and was a KMP until this date. He ceased employment on 31 December 2022.

Dan Longan

Mr Longan's base salary remained unchanged at $350,000 per annum (inclusive of superannuation) during the year. For FY23, he earned an STI of $175,000 (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.

Calvin Kwok

Mr Kwok's base salary remained unchanged at $352,000 per annum (inclusive of superannuation) during the year. For FY23, he earned an STI of $176,000 (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.

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

	Short-term employee benefits			Post-employment benefits			Long-term benefits	Share based pay-ments				
Name	Cash salary & fees $	Cash Bonus (STI) $	Non-monetary benefits $	Superannuation $	Retire-ment Benefits $	Total short-term and post-employ-ment 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												
2023	722,500	187,500	-	27,500	-	937,500	11,695	129,917	-	1,079,112	17%	12%
2022	722,500	375,000	-	27,500	-	1,125,000	48,358	129,917	-	1,303,275	29%	9%
Other Key Management Personnel												
Andrew Chambers												
2023	482,500	255,000	-	27,500	-	765,000	8,214	346,447	-	1,119,661	23%	31%
2022	482,500	357,000	-	27,500	-	867,000	12,957	346,447	-	1,226,404	29%	28%
Adrian Whittingham												
2023*	197,500	-	-	27,500	-	225,000	(7,930)	-	-	217,070	0%	0%
2022	422,500	315,000	-	27,500	-	765,000	6,318	-	-	771,318	41%	0%
Dan Longan												
2023	322,500	175,000	-	27,500	-	525,000	18,821	271,871	-	815,692	21%	33%
2022	322,500	245,000	-	27,500	-	595,000	13,593	271,871	-	880,464	28%	31%
Calvin Kwok												
2023	324,500	176,000	-	27,500	-	528,000	7,054	276,363	-	811,417	22%	34%
2022	324,500	246,400	-	27,500	-	598,400	20,409	276,363	-	895,172	27%	31%
Totals												
2023	2,049,500	793,500	-	137,500`	-	2,980,500	37,854	1,024,598	-	4,042,952		
2022	2,274,500	1,538,400	-	137,500`	-	3,950,400	101,635	1,024,598	-	5,076,633		

* Remuneration is pro-rated to 31 December 2022.

7.

Executive service agreements

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

Ian Macoun

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 2023 financial year.

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

Andrew Chambers

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

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

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

Adrian Whittingham

Mr Whittingham retired from the board on 14 November 2022 and ceased employment on 31 December 2022.

Dan Longan

Dan Longan, the Chief Financial Officer, is engaged under an employment agreement dated 9 November 2015. The contract provides for termination by either party on one month's notice except where termination is due to misconduct.

In September 2018, 150,000 loan shares were issued to Mr Longan under the Pinnacle Omnibus Plan, approved by the board on 22 August 2018. The shares are subject to service and performance conditions and will vest after five years, if those conditions are met. The loans are interest free and limited in recourse to the shares. They are repayable 10 years from grant date, on termination of employment or when the underlying equity is sold, whichever occurs earlier.

In September 2020, a further 200,000 loan shares were issued to Mr Longan under the Pinnacle Omnibus Plan. The shares are all subject to both service and performance conditions and will vest after five years, if all of those conditions are met. The loans are interest free and limited in recourse to the shares. They are repayable on termination of employment or when the underlying equity is sold, whichever occurs earlier.

In September 2021, a further 100,000 loan shares were issued to Mr Longan under the Pinnacle Omnibus Plan. The shares are all subject to both service and performance conditions and will vest after five years, if all of those conditions are met. The loans are interest free and limited in recourse to the shares. They are repayable on termination of employment or when the underlying equity is sold, whichever occurs earlier.

Calvin Kwok

Calvin Kwok, the Chief Legal and Commercial Officer, is engaged under an employment agreement dated 10 November 2014. The contract provides for termination by either party on one month's notice except where termination is due to misconduct.

In September 2018, 250,000 loan shares were issued to Mr Kwok under the Pinnacle Omnibus Plan, approved by the board on 22 August 2018. The shares are subject to service and performance conditions and will vest after five years, if those conditions are met. The loans are interest free and limited in recourse to the shares. They are repayable 10 years from grant date, on termination of employment or when the underlying equity is sold, whichever occurs earlier.

In September 2020, a further 200,000 loan shares were issued to Mr Kwok under the Pinnacle Omnibus Plan. The shares are all subject to both service and performance conditions and will vest after five years, if all of those conditions are met. The loans are interest free and limited in recourse to the shares. They are repayable on termination of employment or when the underlying equity is sold, whichever occurs earlier.

In September 2021, a further 50,000 loan shares were issued to Mr Kwok under the Pinnacle Omnibus Plan. The shares are all subject to both service and performance conditions and will vest after five years, if all of those conditions are met. The loans are interest free and limited in recourse to the shares. They are repayable on termination of employment or when the underlying equity is sold, whichever occurs earlier.

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 fee pool is a maximum annual limit and does not indicate that fees will necessarily be increased according to that limit. During the previous financial year, the fee pool was increased from $600,000 per annum to $1,200,000 per annum. The increase in the fee pool was:

- to allow for some growth in non-executive directors' remuneration now and in the future to align closer to non-executive director remuneration of companies of similar size, profitability, growth and risk profile in the financial services sector; and

- to enable the Board to appoint up to two new non-executive directors in the future and to ensure that the Company has the ability to remunerate competitively and attract and retain high calibre non-executive directors.

The increase in the fee pool to $1,200,000 per annum was approved by shareholders at the Company's annual general meeting on 26 October 2021.

Non-executive directors are able to sacrifice up to 100% of their fees in favour of immediately vesting performance rights under the Pinnacle Omnibus Incentive Plan, as approved at the AGM on 15 November 2018. To align the interests of non-executive directors with the long term interests of shareholders, each non-executive director is required to acquire and hold Company shares equal to 150% of their annual gross Director Fees (inclusive of Board Committee fees). During the 2023 financial year, nil (2022: 5,274) performance rights were granted to non-executive directors; 3,516 (2022: 19,497) were exercised during the year. The performance rights were granted in lieu of fees.

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

	Base fees
Chair	$240,000
Non-executive Director	$130,000
Audit Compliance and Risk Management Committee	
• Chair	$20,000
• Member	$7,500
Remuneration and Nominations Committee	
• Chair	$20,000
• Member	$7,500

Non-executive directors do not receive, nor are eligible for, STI, any non-monetary benefits, termination allowances, long-service leave or LTI. 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.

Total remuneration for the non-executive directors in relation to the Company, Committee positions and subsidiaries for the 2023 financial year was $652,250 and is presented in accordance with applicable accounting standards and shown in the table below:

Name	Cash salary & fees $	Superannuation $	Performance Rights $	Total $
Non-executive Directors				
Alan Watson				
2023	227,107	23,518	-	250,625
2022	180,875	18,088	27,704	226,667
Deborah Beale AM				
2023	126,527	13,285	17,688	157,500
2022	92,692	9,269	43,039	145,000
Gerard Bradley AO				
2023*	70,871	7,441	17,688	96,000
2022*	136,461	-	43,039	179,500
Lorraine Berends				
2023	136,878	14,372	-	151,250
2022	121,212	12,121	-	133,333
Totals				
2023	561,383	58,616	35,376	655,375
2022	531,240	39,478	113,782	684,500

*Includes $17,250 (2022: $34,500) fee for Pinnacle Fund Services Limited compliance committee. Mr Bradley retired from the board on 1st January 2023.

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

Loan Shares

The terms and conditions of each grant of equity and associated loan to Key Management Personnel is provided at pages 43 to 44. Details of the loan arrangements affecting remuneration in the previous, this or future reporting periods as at 30 June 2023 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	Final repayment date
Key Management Personnel of the Group										
Ian Macoun										
Loan shares	25-Aug-16	288,210	$273,799	$30,799	31-Dec-18	288,210	$1,265,242	-	-	18-Mar-22
Loan Shares	25-Aug-16	287,888	$273,494	$33,846	31-Jan-20	287,888	$1,378,984	-	-	18-Mar-22
Loan Shares	25-Aug-16	1,111,112	$500,000	$14,162	25-Aug-16	1,111,112	$1,955,555	-	-	25-Aug-21
Loan Shares	15-Nov-18	300,000	$1,697,460	$649,587	14-Nov-21	300,000	$5,385,000	-	-	
Sub-Total		1,987,210	$2,744,753	$728,394		1,987,210	$9,984,781	-	-	
Andrew Chambers										
Loan Shares	25-Aug-16	133,509	$126,834	$1,221	21-Mar-17	133,509	$311,076	-	-	
Loan Shares	25-Aug-16	288,210	$273,799	$30,799	31-Dec-18	288,210	$1,265,242	-	-	18-Mar-22
Loan Shares	25-Aug-16	287,888	$273,494	$36,392	31-Dec-20	287,888	$2,044,005	-	-	18-Mar-22
Loan Shares	25-Aug-16	1,111,112	$500,000	$14,162	25-Aug-16	1,111,112	$1,955,555	-	-	25-Aug-21
Loan Shares	15-Nov-18	800,000	$4,526,560	$1,732,233	14-Nov-23	-	-	-	-	
Sub-Total		2,620,719	$5,700,687	$1,814,807		1,820,719	$5,575,878	-	-	
Adrian Whittingham										
Loan Shares	25-Aug-16	1,111,112	$500,000	$14,162	25-Aug-16	1,111,112	$1,955,555	-	-	25-Aug-21
Loan Shares	15-Nov-18	300,000	$1,697,460	$649,587	14-Nov-23	-	-	300,000	$1,697,460	
Sub-Total		1,411,112	$2,197,460	$663,749		1,111,112	$1,955,555	300,000	$1,697,460	
Dan Longan										
Loan Shares	17-Sep-18	150,000	$1,093,755	$388,592	16-Sep-23	-	-	-	-	
Loan Shares	11-Sep-20	200,000	$1,048,080	$497,565	10-Sep-25	-	-	-	-	
Loan Shares	17-Sep-21	100,000	$1,681,750	$597,724	16-Sep-26	-	-	-	-	
Sub-Total		450,000	$3,823,585	$1,483,881		-	-	-	-	
Calvin Kwok										
Loan Shares	17-Sep-18	250,000	$1,822,925	$647,653	16-Sep-23	-	-	-	-	
Loan Shares	11-Sep-20	200,000	$1,048,080	$497,565	10-Sep-25	-	-	-	-	
Loan Shares	17-Sep-21	50,000	$840,890	$298,862	16-Sep-26	-	-	-	-	
Sub-Total		500,000	$3,711,895	$1,444,080		-	-	-	-	

(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 2023 financial year by the directors of the Company and other Key Management Personnel of the Group, including personally related parties, are set out below.

	2023	2022
Balance start of the year	3,516	17,739
Granted as compensation	-	5,274
Exercised	(3,516)	(19,497)
Expired and another changes	-	-
Balance at end of the year	-	3,516

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.

	Balance at start of year		Granted during reporting year as compensation	Received during the year on the exercise of rights	Other changes during the year	Balance at the end of the year or on date of ceasing to be KMP if earlier
Non-executive directors						
Alan Watson	174,172	-	-	-	-	174,172
Lorraine Berends	27,000	-	-	-	-	27,000
Deborah Beale AM	127,681	-	-	1,758	-	129,439
Gerard Bradley AO (retired 1 January 2023)	77,430	-	-	1,758	-	79,188
Executive directors						
Ian Macoun	18,276,077	-	-	-	-	18,276,077
Andrew Chambers	5,303,614	-	-	-	-	5,303,614
Adrian Whittingham (retired 14 November 2022)	2,228,614	-	-	-	-	2,228,614
Key Management Personnel						
Dan Longan	450,000	-	-	-	-	450,000
Calvin Kwok	514,014	-	-	-	-	514,014

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 $	Other changes during the year $	Repayments made $	New Loans Issued $	Loan Shares Forfeited $	Interest paid and payable for the year $	Interest not charged $	Balance at end of year $	Number in Group at end of year
2023	12,938,391	-	(528,132)	-	-	-	726,667	12,410,259	4

Details of options provided as remuneration to Executive Key Management Personnel are set out below.

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

	Balance at start of year $	Other changes during the year $	Repayments made $	New Loans Issued $	Loan Shares Forfeited $	Interest paid and payable for the year $	Interest not charged $	Balance at end of year $	Highest indebtedness during the year
Ian Macoun	1,522,568	-	(75,180)	-	-	-	85,130	1,447,388	1,522,568
Andrew Chambers	4,294,442	-	(214,882)	-	-	-	239,750	4,079,560	4,294,442
Adrian Whittingham	-	-	-	-	-	-	-	-	-
Dan Longan	3,645,015	-	(112,770)	-	-	-	205,941	3,532,245	3,645,015
Calvin Kwok	3,476,323	-	(125,300)	-	-	-	195,845	3,351,023	3,476,323

The loans referenced in the above table comprise:

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

As part of the PIML Acquisition, shareholders approved the repayment of the original loans with the proceeds of loans reissued by the Company on 25 August 2016, as well as the advance of the New Loans. See pages 43 to 44 for further detail on the terms of the loans.

During the year to 30 June 2022, 150,000 loan shares were issued to Key Management Personnel (having been granted in relation to FY21). No further loan shares were Issued to Key Management Personnel during FY23. See pages 43 to 44 for further details on the terms of the loans.

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

End of Remuneration Report

Equity Capital

Shares under option

Unissued ordinary shares of the Company under option at 30 June 2023 are as follows:

Date options granted	Expiry date	Exercise price of options	Number under option
15 November 2018	15 November 2028	$5.6582	100,000
25 March 2020	25 March 2030	$2.9683	200,000
11 September 2020	11 September 2030	$5.2404	200,000
30 December 2020	30 December 2030	$6.8447	100,000
17 September 2021	17 September 2031	$16.8178	100,000
30 September 2022	30 September 2032	$8.6456	100,000
TOTAL			800,000

On 15 November 2018, 250,000 options were issued to overseas employees under the Pinnacle Omnibus Plan. 150,000 of these options were forfeited by departing employees during the year ended 30 June 2021.

On 25 March 2020, 200,000 options were issued to overseas employees under the Pinnacle Omnibus Plan.

On 11 September 2020 and 30 December 2020, 200,000 and 100,000 options respectively were issued to overseas employees under the Pinnacle Omnibus Plan.

On 17 September 2021, 100,000 options were issued to overseas employees under the Pinnacle Omnibus Plan.

On 30 September 2022, 100,000 options were issued to overseas employees under the Pinnacle Omnibus Plan.

Meetings of Board and Board Committees

The number of meetings of the Company's Board and of the Board Committees held during the year ended 30 June 2023 and the number of meetings attended by each director were as follows:

	Board		Audit, Compliance and Risk Management Committee		Remuneration and Nominations Committee	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
A Watson	12	12	6	3*	8	8
I Macoun	12	12	6	-**	8	-**
D Beale AM	12	12	6	6	8	8
G Bradley AO (retired 1 January 2023)	6	6	3	3	4	4
L Berends	12	12	6	6	8	8
A Chambers	12	12	-	-	-	-
A Whittingham (retired 14 November 2022)	3	3	-	-	-	-

* A Watson was appointed member of the Audit, Compliance and Risk Management Committee (ACRMC) on 30 January 2023. Prior to 30 January 2023, A Watson attended ACRMC meetings by invitation.
** I Macoun attended respective meetings by invitation.

Board 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 Board Committees are:

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

Company Secretary

The role of Company Secretary is performed by Mr Calvin Kwok. Mr Kwok is also Chief Legal and Commercial Officer of the Company with prior experience at Herbert Smith Freehills, UBS Global Asset Management and Deutsche Bank. Mr Kwok holds a Masters of Applied Finance, a Graduate Diploma of Applied Corporate Governance, 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.

Audit and non-audit services

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

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

The Board has considered the position and, in accordance with the advice received from the Audit, Compliance and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the Auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

During the 2023 financial year the following fees were paid or are payable for services provided by the Auditor, its related practices and non-related audit firms:

	2023 $	2022 $
(i) Audit and other assurance services		
Audit and review of financial statements	289,635	291,100
Other assurance services:		
Audit of regulatory returns	25,560	24,000
Audit of compliance plan – Responsible entity *	131,905	137,350
Other assurance services	-	-
Total remuneration for audit and other assurance services	447,100	452,450
(ii) Taxation services		
Tax services	37,165	56,657
Total remuneration for taxation services	37,165	56,657
(iii) Other services		
Other services	-	-
Total remuneration of PricewaterhouseCoopers Australia	484,265	509,197
Total remuneration of auditors	484,265	509,197

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

Auditor’s independence declaration

A copy of the Auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 55 of the 2023 Annual Report.

Rounding of amounts

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

Auditor

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

A Watson
Chair
Pinnacle Investment Management Group Limited

Sydney
2 August 2023

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Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Pinnacle Investment Management Group Limited for the year ended 30 June 2023, 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.

Ben Woodbridge
Partner
PricewaterhouseCoopers

Brisbane
2 August 2023

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08

Financial Statements

Pinnacle Investment Management Group Limited

ABN 22 100 325 184

Financial Report – 30 June 2023

Contents

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 the 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 25, 264 George Street, Sydney NSW 2000.

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

These financial statements were authorised for issue by the directors on 2 August 2023. The directors have the power to amend and reissue the financial statements.

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

Consolidated statement of profit or loss

For the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Revenue from contracts with customers and other revenue	1	45,513	45,997
Fair value gains/(losses) on financial assets at fair value through profit or loss		8,095	(3,875)
Fair value gains/(losses) on financial assets at fair value through profit or loss (non-current)		600	-
Employee benefits expense		(22,541)	(19,991)
Short-term incentives expense		(4,711)	(6,586)
Long-term incentives expense	28	(3,408)	(2,848)
Professional services expense		(1,817)	(1,681)
Property expense	2	(1,308)	(973)
Travel and entertainment expense		(1,076)	(676)
Technology and communications expense		(1,842)	(1,484)
Donations		(709)	(760)
Finance cost		(6,064)	(2,382)
Other expenses from operating activities	2	(1,619)	(2,251)
Provision for impairment of jointly controlled entities	23	-	(1,811)
Share of net profit of associates and joint ventures accounted for using the equity method	23(d)	67,359	75,686
Profit before income tax		76,472	76,365
Income tax expense	3	-	-
Profit from continuing operations		76,472	76,365
Profit/(loss) from discontinued operations (attributable to equity holders of the Company)		-	-
Profit for the year		76,472	76,365
Profit for the year is attributable to:			
Owners of Pinnacle Investment Management Group Limited		76,472	76,365

Earnings per share:		Cents	Cents
For profit from continuing operations attributable to owners of Pinnacle Investment Management Group Limited			
Basic earnings per share	5	39.3	40.2
Diluted earnings per share	5	39.0	39.5
For profit attributable to owners of Pinnacle Investment Management Group Limited			
Basic earnings per share	5	39.3	40.2
Diluted earnings per share	5	39.0	39.5

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

Consolidated statement of comprehensive income

For the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Profit for the year		76,472	76,365
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income		-	-
Total comprehensive income/(loss) for the year		76,472	76,365
Total comprehensive income for the year is attributable to:			
Owners of Pinnacle Investment Management Group Limited		76,472	76,365
		76,472	76,365
Total comprehensive income for the year attributable to owners of Pinnacle Investment Management Group Limited arises from:			
Continuing operations		76,472	76,365
Discontinued operations		-	-
		76,472	76,365

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

Consolidated statement of financial position

For the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	27,616	38,265
Trade and other receivables	7	24,632	23,258
Financial assets at fair value through profit or loss	8	159,594	139,912
Intangible assets	13	-	167
Assets held at amortised cost	9	911	552
Total current assets		212,753	202,154
Non-current assets			
Investments accounted for using the equity method	23	328,465	325,252
Financial assets at fair value through profit or loss	8	3,600	3,000
Property, plant and equipment		76	111
Intangible assets	13	1,821	1,921
Right-of-use assets	12	336	1,584
Assets held at amortised cost	11	5,585	2,736
Total non-current assets		339,883	334,604
Total assets		552,636	536,758
LIABILITIES			
Current liabilities			
Trade and other payables	14	6,834	10,445
Lease liabilities	12	357	1,223
Borrowings	19	20,137	85
Provisions	15	2,414	2,236
Total current liabilities		29,742	13,989
Non-current liabilities			
Lease liabilities	12	-	348
Borrowings	19	100,000	120,000
Provisions	15	321	237
Total non-current liabilities		100,321	120,585
Total liabilities		130,063	134,574
Net assets		422,573	402,184
EQUITY			
Contributed equity	16	418,479	412,066
Reserves	17(a)	(43,282)	(47,099)
Retained Earnings/(Losses)	17(b)	47,376	37,217
Total equity		422,573	402,184

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

Consolidated statement of changes in equity

For the year ended 30 June 2023

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2021		266,274	(50,494)	28,112	243,892
Total comprehensive income for the year		-	-	76,365	76,365
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:					
Share-based payments	17(a)	-	2,848	-	2,848
Institutional placement (net of issue costs)		108,876	-	-	108,876
Shares issued via underwritten DRP		31,158	-		31,158
Dividends paid to shareholders	18	1,379	-	(67,260)	(65,881)
Performance rights		129	(15)		114
Employee loan arrangements	16, 17(a)	4,250	562	-	4,812
		145,792	3,395	(67,260)	81,927
Balance at 30 June 2022		412,066	(47,099)	37,217	402,184
Balance at 1 July 2022		412,066	(47,099)	37,217	402,184
Total comprehensive income for the year		-	-	76,472	76,472
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:					
Share-based payments	17(a)	-	3,408	-	3,408
Shared issued on exercise of options		1,572	-	-	1,572
Dividends paid to shareholders	18	3,234	-	(66,313)	(63,079)
Performance rights		64	(29)		35
Employee loan arrangements	16, 17(a)	1,543	438	-	1,981
		6,413	3,817	(66,313)	(56,083)
Balance at 30 June 2023		418,479	(43,282)	47,376	422,573

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

Consolidated statement of cash flows

For the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers		40,646	40,248
Payments to suppliers and employees		(41,291)	(37,608)
Dividends and distributions received from financial assets at fair value through profit or loss		905	916
Dividends and distributions received from jointly controlled entities		66,090	68,591
Interest received		551	130
Finance and borrowings costs paid		(6,002)	(2,279)
Proceeds from disposal of financial assets at fair value through profit or loss		85,568	66,081
Payments for financial assets at fair value through profit or loss		(91,426)	(151,005)
Net cash inflow/(outflow) from operating activities	25	55,041	(14,926)
Cash flows from investing activities			
Payments for property, plant and equipment		(9)	(13)
Proceeds from sale of investments accounted for using the equity method		-	2,907
Payments for intangible assets		-	(2,000)
Payments for investments accounted for using the equity method		(4,389)	(140,927)
Loan repayments from employee shareholders		1,980	4,813
Loan repayments from related parties		734	872
Loan advances to related parties		(1,276)	(1,375)
Net cash inflow/(outflow) from investing activities		(2,960)	(135,723)
Cash flows from financing activities			
Dividends paid to shareholders		(63,079)	(65,881)
Lease payments		(1,223)	(1,375)
Proceeds from borrowings		-	20,000
Proceeds from issue of shares, net of issue costs		1,572	140,034
Net cash (outflow)/inflow from financing activities		(62,730)	92,778
Net increase/(decrease) in cash and cash equivalents		(10,649)	(57,871)
Cash and cash equivalents at the beginning of the financial year		38,265	96,136
Cash and cash equivalents at end of year	6	27,616	38,265

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

Notes to the consolidated financial statements

Group Results

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

1. Revenue from contracts with customers and other income

a) Disaggregation of revenue from contracts with customers and other income

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

	2023 $'000	2022 $'000
Revenue from contracts with customers		
Service charges – over time	38,650	41,771
	38,650	41,771
Other income		
Interest received or due	727	126
Dividends and distributions	6,136	3,923
Other income	-	177
	6,863	4,226
Total revenue and other income	45,513	45,997

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

2. Expenses

PROFIT BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:	2023 $'000	2022 $'000
Finance cost expense – included in other expenses from operating activities		
Interest and finance charges	6,064	2,382
Total finance cost expense	6,064	2,382
Lease amortisation expense – included in property costs	1,247	1,330
Depreciation and amortisation expense – included in other expenses from operating activities		
Depreciation – property, plant and equipment	43	55
Amortization - intangible assets	267	937
Total depreciation and amortisation expense	310	992

3. Income tax expense

	2023 $'000	2022 $'000
a) Income tax expense/(benefit)		
Income tax expenses is attributable to:		
Continuing operations	-	-
Discontinued operations	-	-
Total income tax expense/(benefit)	-	-
Current tax	1,637	5,379
Deferred tax	(1,637)	(5,379)
Adjustments for tax in respect of prior periods	-	-
Total current tax expense	-	-
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
(Increase)/decrease in deferred tax assets	1,637	5,379
Increase in deferred tax liabilities	-	-
Total deferred tax expense/(benefit)	1,637	5,379
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	76,472	76,365
Profit /(Loss) from discontinued operations before income tax expense	-	-
Profit before income tax	76,472	76,365
Tax at the Australian tax rate of 30% (2022: 30%)	22,942	22,910

Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of profits of entities under joint control	(20,208)	(22,163)
Impairment	-	-
Non-deductible expenditure	1,092	928
Sundry items	2,995	2,659
	6,821	4,334
Adjustments for current tax in respect of prior periods	-	-
Deferred tax assets not recognised	(6,821)	(4,334)
Total income tax expense/(benefit)	-	-

c) Tax losses not recognised

Unused tax losses for which no deferred tax asset has been recognised	19,978	25,076
Potential tax benefit at 30%	5,993	7,523

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

d) Tax consolidation legislation

Pinnacle Investment Management Group Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2003. Next Financial Holding Company Pty Ltd (see note 22) 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 32(f) and further information is provided at Note 32(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

	2023 Cents	2022 Cents
a) Basic earnings per share		
From continuing operations	39.3	40.2
Total basic earnings per share attributable to the ordinary equity shareholders of the Company	39.3	40.2
b) Diluted earnings per share		
Attributable to the ordinary equity shareholders of the Company		
From continuing operations	39.0	39.5
Total diluted earnings per share attributable to the ordinary equity shareholders of the Company	39.0	39.5
c) Reconciliations of earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Profit/(loss) attributable to the ordinary owners of the Company used in calculating basic and diluted earnings per share:		
From continuing operations	76,472	76,365
Profit used in calculating basic and diluted earnings per share	76,472	76,365
d) Reconciliations of earnings used in calculating earnings per share		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	194,353,235	189,938,458
Adjustments for calculation of diluted earnings per share:		
Weighted average treasury stock (see note 16(d))	1,402,386	2,709,553
Weighted average options	340,502	596,702
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	196,096,123	193,244,713

e) Information concerning the classification of securities

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

Operating assets and liabilities

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

6. Cash and cash equivalents

	2023 $'000	2022 $'000
Available cash at bank and on hand	27,616	38,265
	27,616	38,265

a) Risk exposure

The Group's exposure to interest rate risk is discussed in note 20. 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 0.25% and 5.21% (2022: 0.01% and 0.25%). 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

	2023 $'000	2022 $'000
Trade receivables	6,276	7,347
Income receivables	14,422	12,516
Other receivables	3,043	2,657
Prepayments	891	738
	24,632	23,258

a) Fair values of trade and other receivables

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

b) Impairment and risk exposure

Information about the impairment of trade and other receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 20(a) and 20(b).

8. Financial assets at fair value through profit or loss

Current	2023 $'000	2022 $'000
Australian listed equity securities	14,884	7,430
Unlisted unit trusts*	120,818	126,749
Derivative financial assets	3,716	5,151
Other unlisted instruments	20,176	582
	159,594	139,912

**see note 20 for further details*

Non-current	2023 $'000	2022 $'000
Unlisted equity securities	3,600	3,000
	3,600	3,000

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 20(d). See also note 26.

9. Assets held at amortised cost

	2023 $'000	2022 $'000
Loans to entities under joint control	911	552
	911	552

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

10. Net deferred tax assets

	2023 $'000	2022 $'000
Deferred tax assets (a)	2,618	579
Deferred tax liabilities (b)	(2,618)	(579)
Net deferred tax assets	-	-

a) Deferred tax assets

The deferred tax asset balance comprises temporary differences attributable to:		
Unrealised loss on fair value assets	-	54
Lease liabilities	-	475
Other	2,478	50
Total deferred tax assets	2,478	579
Set-off of deferred tax liabilities pursuant to set-off provisions	(2,478)	(579)
Net deferred tax assets	-	-

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

	2023 $'000	2022 $'000

b) Deferred tax liabilities

The deferred tax liabilities balance comprises temporary differences attributable to:		
Financial assets at fair value through profit or loss	1,603	579
Intangible assets	726	-
Right-of-use assets	101	-
Receivables	48	-
Total deferred tax liabilities	2,478	579

11. Assets held at amortised cost – non-current

	Note	2023 $'000	2022 $'000
Loans to entities under joint control	26	5,585	2,736
		5,585	2,736

As outlined in note 32(l)(ii) loans to entities under joint control (including affiliate executives) are assessed at least annually for possible indicators of impairment. Where indicators of impairment exist, the recoverability of these loans is determined. If the carrying amount exceeds the recoverable amount an impairment expense is recorded. See note 26.

12. Leases

The Group leases offices in Brisbane and Sydney. Rental contracts are typically made for fixed periods of 3 – 5 years. See note 32(g) for further details. The Group moved to new premises in Sydney on 2 July 2023, with a new lease commencing on that date.

The balance sheet shows the following amounts relating to leases:

RIGHT-OF-USE ASSETS	30 June 2023 $'000	30 June 2022 $'000
Office leases	4,249	4,249
Office leases – accumulated amortization	(3,913)	(2,665)
	336	1,584
Additions to the right-of-use assets during the 2023 financial year were $nil (2022: $nil)		
LEASE LIABILITIES		
Current	357	1,223
Non-current	-	348
	357	1,571
The statement of profit or loss shows the following amounts relating to leases:		
DEPRECIATION CHARGE OF RIGHT-OF-USE ASSETS (INCLUDED IN PROPERTY EXPENSES)		
Office leases	1,247	1,330
	1,247	1,330
Interest expense (included in other expenses from operating activities)	10	40

13. Intangible assets

	Software $'000	Customer Contracts $'000	Total $'000
AT 1 JULY 2021			
Cost	15	2,574	2,589
Accumulated amortisation	(15)	(1,549)	(1,564)
Net book value	-	1,025	1,025
YEAR ENDED 30 JUNE 2022			
Opening net book value	-	1,025	1,025
Additions	-	2,000	2,000
Amortisation charge	-	(937)	(937)
Closing net book value	-	2,088	2,088
AT 30 JUNE 2022			
Cost	15	4,574	4,589
Accumulated amortisation	(15)	(2,486)	(2,501)
Net book value	-	2,088	2,088
YEAR ENDED 30 JUNE 2023			
Opening net book value	-	2,088	2,088
Additions	-	-	-
Amortisation charge	-	(267)	(267)
Closing net book value	-	1,821	1,821
AT 30 JUNE 2023			
Cost	15	4,574	4,589
Accumulated amortisation	(15)	(2,753)	(2,768)
Net book value	-	1,821	1,821

14. Trade and other payables

	2023 $'000	2022 $'000
Trade payables	1,008	2,115
Accrued expenses	723	1,017
Accrued bonuses	4,569	6,675
Other payables	534	638
	6,834	10,445

15. Provisions

	2023 $'000	2022 $'000
Current		
Employee benefits - annual leave and long service leave	2,414	2,236
	2,414	2,236
Non-Current		
Employee benefits - long service leave	321	237
	321	237

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 2022		2,236
Amounts provided for during the year		178
Balance at 30 June 2023		2,414
Non-Current		
BALANCE AT 1 JULY 2022 -		237
Amounts provided for during the year -		84
Balance at 30 June 2023	-	321

16. Contributed equity

a) Share capital

	2023 Shares	2022 Shares	2023 $'000	2022 $'000
Ordinary shares:				
Fully paid contributed equity (b)	194,601,091	193,860,297	418,479	412,066
Total contributed equity	194,601,091	193,860,297	418,479	412,066

b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$'000
1 July 2021	Opening balance	178,467,333		266,274
	Share purchase plan, net of costs	420,436	$16.14	6,720
	Share placement, net of costs	6,287,426	$16.70	102,156
	Issue of ordinary shares via underwritten DRP, net of costs	1,884,272	$16.82	31,158
	Issue of ordinary shares on exercise of performance rights	19,497	-	-
	Transfer from performance rights reserve on exercise of performance rights	-	-	129
	Dividend reinvestment	114,661	$12.03	1,379
	Treasury stock vested (d)	6,666,672		4,250
30 June 2022	Closing Balance	193,860,297		412,066
	Issue of ordinary shares on exercise of options	400,000	$3.93	1,572
	Issue of ordinary shares on exercise of performance rights	3,516	-	-
	Transfer from performance rights reserve on exercise of performance rights	-	-	64
	Dividend reinvestment	337,278	$9.59	3,234
	Treasury stock vested (d)	-		1,543
30 June 2023	Closing Balance	194,601,091		418,479

c) Ordinary shares

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

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

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

d) Treasury stock

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

Treasury stock movement for the year includes the issue of 1,017,000 and the forfeiture of 150,000 loan shares to employees, issued under the Pinnacle Omnibus Plan approved by the board on 22 August 2018.

Date	Details	Number of treasury shares	$'000
1 July 2021	Opening balance	12,116,672	34,400
	Issue of loan shares under Pinnacle Omnibus Plan	700,000	11,776
	Forfeited loan shares	(450,000)	(2,473)
	Treasury stock vested during the year	(6,666,672)	(4,250)
30 June 2022	Closing Balance	5,700,000	39,453
	Issue of loan shares under Pinnacle Omnibus Plan	1,017,000	8,792
	Forfeited loan shares	(150,000)	(1,285)
	Treasury stock vested during the year	-	(1,543)
30 June 2023	Closing Balance	6,567,000	45,417

e) Employee share plans

Information relating to the Pinnacle Investment Management Group Employee Option Share Plan and Pinnacle Omnibus Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 28.

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

17. Reserves and retained earnings

a) Reserves

	2023 $'000	2022 $'000
Share-based payments reserve	16,321	12,476
Transactions with non-controlling interests reserve	(59,603)	(59,603)
Performance rights reserve	-	28
	(43,282)	(47,099)
MOVEMENTS:		
Share-based payments reserve		
Balance at 1 July	12,476	9,065
Share-based payments expense	3,408	2,848
Employee loans subject to share-based payments arrangements	437	563
Balance at 30 June	16,321	12,476
Transactions with non-controlling interests reserve		
Balance at 1 July	(59,603)	(59,603)
Balance at 30 June	(59,603)	(59,603)

The share-based payments reserve is used to recognise:

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

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

The options reserve is used to recognise the value of zero-priced options issued by Pinnacle associated with investments in entities under joint control (see note 23).

b) Retained earnings

Movements in retained earnings were as follows:

	2023 $'000	2022 $'000
Balance at 1 July	37,217	28,112
Profit/(loss) for the year attributable to owners of Pinnacle Investment Management Group Limited	76,472	76,365
Dividends paid to shareholders	(66,313)	(67,260)
Balance at 30 June	47,376	37,217

18. Dividends

a) Ordinary shares

	2023 $'000	2022 $'000
Interim dividend for the year ended 30 June 2023 of 15.6 cents per fully paid ordinary share paid on 17 March 2023 (2022 – 17.5 cents paid on 18 March 2022)		
Fully franked based on tax paid @ 30%	31,389	34,910
Final dividend for the year ended 30 June 2022 of 17.5 cents per fully paid ordinary share paid on 16 September 2022 (2021 – 17.5 cents paid on 17 September 2021)		
Fully franked based on tax paid @ 30%	34,924	32,350
Total dividends paid	66,313	67,260

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

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 20.4 cents per fully paid ordinary share (2022 – 17.5 cents). The aggregate amount of the proposed dividend to be paid on 15 September 2023 out of retained earnings at 30 June 2023, but not recognised as a liability at year end, is $41,038,000 (2022 – $34,924,000).

c) Franked dividends

The final dividends recommended after 30 June 2023 will be fully franked out of existing franking credits.

	2023 $'000	2022 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2022: 30%)	19,582	23,943

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.

19. Borrowings and Financing arrangements

a) Secured liabilities and assets pledged as security

In June 2023, the Group entered into an amended facility deed, which is secured by a general security deed over the assets of the Group and guarantees provided by the Company and other Group entities. The availability periods for the Corporate Card Facility and Bank Guarantee are until 30 June 2024, for the Loan Facility (Tranche A and B) until 30 June 2025 and Tranche C until 15 September 2023. The Loan Facility remained unchanged at $120 million during the year. Further details regarding the Corporate Card Facility and Bank Guarantee are provided in Note 21.

	2023			2022		
Secured	Current $'000	Non-Current $'000	Total $'000	Current $'000	Non-Current $'000	Total $'000
Bank Loan	20,137	100,000	120,137	85	120,000	120,085
Total Borrowings	20,137	100,000	120,137	85	120,000	120,085

The amended facility agreement includes the following covenants:

- The interest cover ratio must be at least 4.0 times
- The net leverage cover ratio is no more than 2.0 times
- The minimum tangible net wealth in respect of any financial year must be at least the greater of:
- $130 million; and
- an amount equal to 75% of the tangible net wealth in respect of the previous financial year.

The Group has provided the bank with a security interest over its property, excluding its holdings in Affiliates. Compliance with covenants is reviewed on a regular basis and compliance has been maintained during the period. As at 30 June 2023, the interest cover ratio was 14 times, the net leverage cover ratio was 1.12 times and the tangible net wealth was $420 million (105% of the tangible net wealth at 30 June 2022).

The Loan Facility is split into three Tranches – 'Tranche A' is $60 million and is for general corporate purposes. 'Tranche B' is $40 million and is for acquisitions, or investments into certain liquid investment strategies managed by the Pinnacle Affiliates. 'Tranche C' is $20 million and for investments into certain investment strategies managed by a specific Pinnacle Affiliate. The Loan Facility was fully drawn as at 30 June 2023. At 30 June 2023, $20 million of the facility was provided as seed capital to Palisade Real Assets to enable them to acquire the first asset in their energy transition portfolio, with the balance of the facility invested predominantly in non-duration and floating rate credit strategies, managed by Affiliates. The loan is a variable rate, Australian-dollar denominated loan, which is carried at amortised cost. The facility term is three years from drawdown.

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

	2023 $'000	2022 $'000
Current		
Cash and cash equivalents	27,616	38,265
Financial assets at fair value through profit or loss	159,594	139,912
Assets held at amortised cost	911	552
Receivables	24,632	23,258
Total current assets pledged as security	212,753	201,987
Non-current		
Plant and equipment	76	111
Financial assets at fair value through profit or loss	3,600	3,000
Assets held at amortised cost	5,585	2,736
Total non-current assets pledged as security	9,261	5,847
Total assets pledged as security	222,014	207,834

b) Interest rate risk exposure

Information about the Group's exposure to interest rate changes are provided in note 20.

20. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk. A core focus of the Group's overall risk management program is 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. Financial support to Affiliates or Affiliate executives is subject to Board approval, following consideration of the strategic merits of providing support and the financial standing of the counterparty. 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:

	2023 $'000	2022 $'000
Financial assets		
Cash and cash equivalents	27,616	38,265
Trade and other receivables*	23,741	22,520
Financial assets at fair value through profit or loss (current)	159,594	139,912
Financial assets at fair value through profit or loss (non-current)	3,600	3,000
Loans to jointly controlled associates (including Affiliate executives) (current)	911	552
Loans to jointly controlled associates (including Affiliate executives) (non-current)	5,585	2,736
	221,047	206,985

*Excludes prepayments (see note 7)

	2023 $'000	2022 $'000
Financial liabilities		
Trade and other payables	6,834	10,445
Lease liabilities (current)	357	1,223
Lease liabilities (non-current)	-	348
Borrowings (current)	20,137	85
Borrowings (non-current)	100,000	120,000
	127,328	132,101

a) Market risk

(i) Foreign exchange risk

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

(ii) Price risk

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

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 the market risk of its equity exposures. The performance of the Group's direct equity exposures and market risk mitigants are monitored on a regular basis.

The majority of the Group's equity investments are Australian listed equity securities and unlisted unit trusts as shown in the table below:

	Total $'000
30 June 2023	
ASSETS	
Australian listed equity securities	14,884
Other unlisted instruments	4,005
Unlisted unit trusts	120,818
Derivative financial instruments	3,716
Total assets at FVPL	143,423
30 June 2022	
ASSETS	
Australian listed equity securities	7,430
Other unlisted equity securities	3,582
Unlisted unit trusts	126,749
Derivative financial instruments	5,151
Total assets at FVPL	142,912

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% (2022: +/- 15%) at 30 June 2023 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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Group	+5,584/-5,584	+2,691/-2,691	+5,584/-5,584	+2,691/-2,691

(iii) Interest rate risk

The Group's main interest rate risk arises from holding cash and cash equivalents and borrowings with variable rates. During 2023 and 2022, substantially all of the Group's cash and cash equivalents were denominated in Australian dollars. The Group's borrowings were also 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 and borrowings:

	30 June 2023		30 June 2022	
	Weighted average interest rate %	Floating interest rate $'000	Weighted average interest rate %	Floating interest rate $'000
Cash and cash equivalents	3.86%	27,616	0.25%	38,265
Exposure to cash flow interest rate risk		27,616		38,265

	30 June 2023		30 June 2022	
	$'000	% of total borrowings	$'000	% of total borrowings
Variable rate borrowings	120,000	100%	120,000	100%
Exposure to cash flow interest rate risk		100%		100%

The Group's loans to jointly controlled associates (including Affiliate executives) are subject to fixed interest rates and carried at amortised cost. They are therefore not subject to interest rate risk as defined by AASB 7.

Sensitivity

At 30 June 2023, if interest rates had changed by -/+200 basis points from the year end rates with all other variables held constant, after tax profit and equity for the year would have been $1,293,000 lower/higher (2022: change of 100 basis points: $1,144,000 lower/higher).

b) Credit risk

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

Credit risk is managed on a Group basis. Credit risk relates to the risk of a client or counterparty defaulting on their financial obligations resulting in a loss to the Group. These obligations primarily relate to distribution and management fees. The Group does not carry significant trade receivable exposure to either a single counterparty or a group of counterparties. For banks and financial institutions, only independently rated parties with a minimum rating of BBB+ / A-1 are accepted as counterparties. Loans to Affiliates or Affiliate executives are subject to Board approval, following consideration of the strategic merits of providing support and the financial standing of the counterparty. Additionally, loans to individuals to purchase shares are structured in such a way that they are either full recourse or secured on the shares issued. As at the reporting date, the Group held the following credit risks:

	2023 $'000	2022 $'000
Cash and cash equivalents	27,616	38,265
Trade and other receivables*	23,741	22,520
Financial assets at fair value through profit or loss (current)	19,771	-
Loans to jointly controlled associates (including Affiliate executives) (non-current)	5,585	2,736
Loans to jointly controlled associates (including Affiliate executives) (current)	911	552
	77,624	64,073

*Excludes prepayments (see note 7).

Impaired trade, other and loan receivables

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

- Trade and other receivables
- Loans to jointly controlled associates (including affiliate executives)

While cash and cash equivalents and financial assets at fair value through profit or loss are also subject to the impairment requirements of AASB 9, the identified impairment loss was nil (2022: nil).

Loans to jointly controlled associates (including Affiliate executives)

All loans to jointly controlled associates are considered low credit risk, have had no significant increase in credit risk during the year, and as such the loss allowance was limited to 12 months' expected credit losses. Loans to joint associates are considered to be low credit risk when they have a low risk of default and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term. New loans provided to joint associates are only provided once the underlying prospects of the entity have been fully evaluated and are within our risk appetite. Additionally, loans to individuals to purchase shares are structured in such a way that they are either full recourse or secured on the shares issued. As such, at 30 June 2023 and 30 June 2022, the expected credit loss rate in relation to loans to joint associates was 0% and the loss allowance was $nil.

Refer to note 32(l) for more information on the investments and other financial assets policy of the Group.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are considered to be low credit risk when the borrower has a strong capacity to meet its contractual cash flow obligations over the term. New funding provided to affiliates is only provided once the underlying prospects of the entity have been fully evaluated and are within our risk appetite.

Trade and other receivables

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rate and loss allowance has been assessed as $nil as at 30 June 2023 (30 June 2022: $nil). This is because there is no history of default, revenue is generated primarily through providing services to jointly controlled entities and cost recharges are also primarily to jointly controlled entities, hence the recoverability of receivables can be determined with a high degree of certainty on a forward-looking basis. Refer to note 32(k) for more information on the trade receivables policy of the Group.

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

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

Past due but not impaired trade receivables and loans are those that have fallen outside of their contractual settlement terms.

Past due and impaired trade receivables and loans are those that have fallen outside of the prescribed settlement terms and/or there is evidence to suggest that the client or counterparty will fail to meet their obligations and thus would result in an expected credit loss. This is $nil as at 30 June 2023 (2022 - $nil).

	2023 $'000	2022 $'000
Trade and other receivables		
Neither past due nor impaired	23,232	22,520
Past due but not impaired	509	-
	23,741	22,520
Loans held at amortised cost		
Neither past due nor impaired	6,495	3,288
Total trade, other and loan receivables	6,495	3,288

Credit quality

The credit quality of financial assets can be assessed by reference to credit ratings. These credit ratings are only available for cash assets:

	2023 $'000	2022 $'000
Cash at bank and short-term bank deposits		
AA-	27,616	38,265
	27,616	38,265

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 2023 the Group has $187 million in available cash and Principal Investments ($67 million net of the $120 million debt facility).

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. In addition, the Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Maturities of financial liabilities

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

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES	1 - 30 days	30 days to 90 days	90 days to 1 year	1 to 2 years	2 to 5 years	Total contractual cash flows	Carrying amount
At 30 June 2023	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	2,265	4,569	-	-	-	6,834	6,834
Borrowings (see note 19)	-	20,029	108	-	100,000	120,137	120,137
Lease liabilities (see note 12)	32	65	260	-	-	357	357
Total financial liabilities	2,297	24,663	368	-	100,000	127,328	127,328

At 30 June 2022	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	3,770	6,675	-	-	-	10,445	10,445
Borrowings (see note 19)	-	-	85	20,000	100,000	120,085	120,085
Lease liabilities (see note 12)	115	232	875	357	-	1,579	1,571
Total financial liabilities	3,885	6,907	960	20,357	100,000	132,109	132,101

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 Principal Investments measured and recognised at fair value:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2023				
ASSETS				
Australian listed equity securities	14,884	-	-	14,884
Other unlisted instruments	-	19,771	4,005	23,776
Unlisted unit trusts	-	120,818	-	120,818
Derivative financial instruments	3,716	-	-	3,716
Total assets	18,600	140,589	4,005	163,194
No liabilities were held at fair value at 30 June 2023.				
30 June 2022				
ASSETS				
Australian listed equity securities	7,430	-	-	7,430
Other unlisted equity securities	-	-	3,582	3,582
Unlisted unit trusts	-	126,749	-	126,749
Derivative financial instruments	5,151	-	-	5,151
Total assets	12,581	126,749	3,582	142,912
No liabilities were held at fair value at 30 June 2022.				

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

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

The quoted market price used for unlisted unit trusts is the current exit unit price. These instruments are included in level 2. The fair value of unlisted debt instruments (see note 26(d)(iii)) is based on observable and quoted returns third party investors would expect to earn for similar assets in markets. These instruments are included in level 2.

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

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

Fair value measurements using significant unobservable inputs (level 3)

Level 3 items include unlisted equity securities held by the Group. The following table presents the changes in level 3 instruments for the years ended 30 June 2023 and 30 June 2022:

	Unlisted equity securities $'000
Closing balance 30 June 2021	631
Contingent consideration received	(471)
Assets acquired	3,000
Fair value adjustments recognised in profit or loss	422
Closing balance 30 June 2022	3,582
Contingent consideration received	-
Assets acquired	-
Fair value adjustments recognised in profit or loss	423
Closing balance 30 June 2023	4,005

(i) Valuation process

Unlisted equities valued under level 3 are investments in unlisted companies. Where available, 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.

21. Contingencies and commitments

a) Secured liabilities and assets pledged as security

(i) Guarantees

Pinnacle Investment Management Group Limited 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 (2022: $5,000,000)

(ii) Pinnacle RE Services Limited - $50,000 (2022: $50,000)

The Group has also provided guarantees in respect of its leased premises:

(iii) Pinnacle Services Administration Pty Ltd - $2,480,000 (30 June 2022 - $632,000)

The guarantee for the leases noted above is held between Pinnacle Investment Management Group Limited ($175,000), Pinnacle Investment Management Limited ($457,000) and Pinnacle Services Administration Pty Ltd ($1,848,000). The Group entered into a new premises lease that commences in July 2023 and was required to establish a guarantee in the current financial year. The guarantee for the expiring lease will be returned after the premises are vacated.

The unused bank guarantee facility available at balance date was $275,000 (30 June 2022: $275,000). The Group has also provided guarantees in relation to its corporate credit card facility (facility limit of $400,000 of which $352,000 was unused at balance date).

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

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

b) Commitments

(i) Capital commitments

There were no capital expenditure commitments and no other expenditure commitments at balance sheet date.

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 26.

Group Structure

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

22. 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 32(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	2023 %	2022 %
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 Holding Company Pty Ltd	Australia	Ordinary share	100	100
PNI Option Plan Managers Pty Ltd	Australia	Ordinary share	100	100
Pingroup IM Limited	United States	Ordinary share	100	100
Pinnacle Investment Management (Canada) Ltd.	Canada	Ordinary share	100	100
Pinnacle Investment Management (UK) Ltd	United Kingdom	Ordinary share	100	100

23. Investment accounted for using the equity method

a) Carrying amounts

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

		Ownership interest		Carrying Value	
Name of company	Principal Activity	2023	2022	2023	2022
Unlisted		%	%	$'000	$'000
Plato Investment Management Limited	Funds Management	42.59	42.59	6,814	6,063
Palisade Investment Partners Limited	Funds Management	35.90	37.60	12,424	13,781
Hyperion Holdings Limited	Funds Management	49.99	49.99	20,904	21,723
Foray Enterprises Pty Limited (holding company for Resolution Capital)	Funds Management	49.50	49.50	39,320	35,840
SolCorp Holdings Pty Ltd (holding company for Solaris)	Funds Management	44.50	44.50	5,596	6,065
Spheria Asset Management Pty Ltd	Funds Management	40.00	40.00	2,241	3,585
Antipodes Partners Holdings Pty Ltd	Funds Management	24.24	25.54	9,177	10,033
Firetrail Investments Limited	Funds Management	23.50	23.50	17,449	18,096
Metrics Credit Holdings Pty Limited	Funds Management	35.00	35.00	50,629	50,090
Longwave Capital Partners Pty Limited	Funds Management	40.00	40.00	3,069	2,962
Riparian Capital Partners Pty Limited	Funds Management	40.00	40.00	1,362	1,382
Coolabah Capital Investments Pty Ltd	Funds Management	35.00	35.00	73,886	72,219
Five V Capital Pty Ltd	Funds Management	25.00	25.00	76,481	77,685
Langdon Equity Partners Ltd	Funds Management	32.50	32.50	2,635	983
Aikya Investment Management Limited	Funds Management	32.50	32.50	6,478	4,745
				328,465	325,252

Each of the above entities under joint control is incorporated and has their principal place of business in Australia (except for Aikya Investment Management Limited (United Kingdom) and Langdon Equity Partners Ltd (Canada). Each of the above entities is accounted for using the equity method.

Impairment testing is carried out on the carrying value of the Group's investments accounted for using the equity method at each reporting date. For the purpose of impairment testing, each investment is assessed individually as each represents a separate 'cash generating unit' (**CGU**), with the carrying value compared to the 'recoverable amount'. The 'recoverable amount' is defined as the higher of each CGU's fair value less costs of disposal and its value in use.

An impairment trigger assessment was carried out at 30 June 2023 and no impairment triggers were deemed to exist at this date. As a result of these analyses, there has been no impairment to the Group's investments accounted for using the equity method in the financial year ended 30 June 2023 (30 June 2022: Reminiscent Capital Pty Ltd $1,811,000).

Revenues generated by Affiliates are impacted by movements in equities and other markets which, in turn, could impact the Group's share of net profit of associates and joint ventures accounted for using the equity method. Revenues generated by Affiliates may also be impacted by movements in interest rates which, in turn, could impact the Group's share of net profit of associates and joint ventures accounted for using the equity method.

b) Summarised financial information for joint ventures

The tables below provide summarised financial information for those joint ventures and associates that are material to the group. The Group assesses materiality based on each joint venture's relative contribution to share of carrying value and share of net profits, and other qualitative factors. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not Pinnacle Investment Management Group Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Hyperion Holdings Limited		Foray Enterprises Pty Limited*		Metrics Credit Holdings Pty Ltd		Coolabah Capital Investments Pty Ltd	
	2023 $000	2022 $000	2023 $000	2022 $000	2023 $000	2022 $000	2023 $000	2022 $000
Summarised statement of financial position								
Total current assets	44,153	38,759	42,191	40,227	83,904	54,373	21,072	14,368
Total non-current assets	6,386	10,849	5,932	5,086	354,911	95,575	11,593	10,156
Total current liabilities	(8,909)	(6,322)	(14,585)	(19,608)	(221,007)	(31,527)	(7,154)	(5,010)
Total non-current liabilities	(22)	(47)	(1,458)	(677)	(161,426)	(64,566)	(3,514)	(2,611)
Net Assets	41,608	43,239	32,080	25,028	56,382	53,855	21,997	16,903
Reconciliation to carrying amounts:								
Opening net assets 1 July	43,239	37,050	25,028	18,885	53,855	44,207	16,903	13,582
Issued shares	-	-	-	-	1,200	1,294	262	1,717
Reserves	-	-	-	73	852	(806)	(81)	-
Total comprehensive income	40,591	40,179	25,552	33,070	14,975	23,160	18,120	13,169
Dividends paid	(42,222)	(33,990)	(18,500)	(27,000)	(14,500)	(14,000)	(13,207)	(11,565)
Closing net assets	41,608	43,239	32,080	25,028	56,382	53,855	21,997	16,903
Non-controlling Interest	-	-	-	-	4,514	-	-	-
Closing net assets (parent)	41,608	43,239	32,080	25,028	51,868	53,855	21,997	16,903
Group share in %	49.99%	49.99%	49.5%	49.5%	35.0%	35.0%	35.0%	35.0%
Group's share of net assets	20,800	21,615	15,880	12,388	18,153	18,849	7,699	5,916
Excess consideration over share of net assets	104	108	23,440	23,452	32,476	31,241	66,187	66,303
Carrying amount	20,904	21,723	39,320	35,840	50,629	50,090	73,886	72,219
Summarised statement of comprehensive income								
Revenue	70,898	79,813	67,687	78,754	102,146	78,314	41,950	31,243
Net profit for the year after tax	40,591	40,179	25,552	33,070	14,975	23,160	18,120	13,169
Total comprehensive income	40,591	40,179	25,552	33,070	14,975	23,160	18,120	13,169
Non-controlling interest	-	-	-	-	(1,063)	(440)	-	-
Total comprehensive income (parent)	40,591	40,179	25,552	33,070	16,038	23,600	18,120	13,169
Dividends received from joint venture entities (Pinnacle share)	21,111	16,995	9,158	12,465	5,075	4,900	4,676	2,971

*holding company for Resolution Capital Limited

Individually immaterial jointly controlled entities

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

	2023 $'000	2022 $'000
Aggregate carrying amount of individually immaterial joint ventures	143,726	145,380
Aggregate amounts of the Group's share of:		
Profit for the year	22,475	27,937
Other comprehensive income	-	-
Total comprehensive income	22,475	27,937

c) Movements in carrying amounts

	2023 $'000	2022 $'000
Carrying amount at the beginning of the financial year	325,252	186,957
Purchase of shares in entities under joint control	4,389	133,011
Sales of shares in entities under joint control	(2,445)	-
Share of profit after income tax	67,359	75,686
Impairment provision of entities under joint control	-	(1,811)
Dividends received/receivable	(66,090)	(68,591)
Carrying amount at the end of the financial year	328,465	325,252

d) Share of entities' revenue, expenses and results

	2023 $'000	2022 $'000
Revenues	193,591	191,781
Expenses	(101,042)	(87,701)
Profit before income tax	92,549	104,080
Income tax expense	(25,190)	(28,394)
Profit after income tax	67,359	75,686

e) Summary of entities under joint control

	2023 $'000	2022 $'000
Current assets	142,537	132,279
Non-current assets	152,156	67,063
Total assets	294,693	199,342
Current liabilities	132,244	60,007
Non-current liabilities	65,010	25,711
Total liabilities	197,254	85,718
Net assets	97,439	113,624

24. Parent Entity financial information

a) Summary financial information

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

	2023 $'000	2022 $'000
Statement of financial position		
Current assets	961	704
Non-current assets	312,977	317,177
Total assets	313,938	317,881
Current liabilities	122	180
Non-current liabilities	9,483	10,008
Total liabilities	9,605	10,188
Net assets	304,333	307,693
Shareholders' equity		
Contributed equity	417,949	407,356
Reserves	(65,490)	(51,302)
Accumulated losses	(48,126)	(48,361)
Total equity	304,333	307,693
Profit/(loss) for the year	66,548	67,442
Total comprehensive income/(loss)	66,548	67,442

b) Guarantees entered into by the Parent Entity

Details of guarantees entered into by the Group are provided at note 21.

25. 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:

	2023 $'000	2022 $'000
Cash and cash equivalents	27,616	38,265
Balances per statement of cash flows	27,616	38,265

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

	2023 $'000	2022 $'000
Profit/(loss) for the year	76,472	76,365
Depreciation and amortisation	310	992
Impairment provision	-	1,811
Right-of-use asset depreciation and interest charge	1,257	1,370
Reinvested distributions received	(5,684)	(2,998)
Equity settled share-based payments and performance rights	3,443	2,962
Interest Expense	52	63
Net losses/(gains) on financial assets at fair value through profit or loss	(10,853)	5,647
Interest on assets at amortised cost	(220)	4
Change in operating assets and liabilities, net of effects from acquisition and disposal of businesses:		
Trade and other receivables	(1,374)	(5,898)
Investments accounted for using the equity method	(1,272)	(7,095)
Financial assets at fair value through profit or loss	(3,745)	(86,695)
Trade and other payables	(3,607)	(2,050)
Provisions	262	598
Net cash inflow/(outflow) from operating activities	55,041	(14,924)

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

26. Related party transactions

a) Parent entity

The Parent Entity of the Group is Pinnacle Investment Management Group Limited (refer note 24).

b) Subsidiaries and jointly controlled entities

Interests in subsidiaries are set out in note 22.

Interests in jointly controlled entities are set out in note 23.

Details of service charges to jointly controlled entities are provided in note 1 and note 26(g).

Details of dividend payments from entities under joint control are provided in note 23.

c) Key Management Personnel (KMP) and Compensation

Disclosure relating to KMP is set out in note 27.

Disclosure relating to share-based payments is set out in note 28.

d) Transactions with other related parties

The following transactions occurred with related parties:

(i) Movement in loans to KMP - Loans re-issued 25 August 2016

Upon acquisition of the non-controlling interest of Pinnacle Investment Management Limited, existing loans amounting to $4,303,485 issued by Pinnacle Investment Management Limited in prior years to its senior executives to assist executives to acquire equity were re-issued by the Company. This included existing loans to Mr Ian Macoun, Mr Adrian Whittingham and Mr Andrew Chambers who are or have been KMP 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 KMP and repayments made during the year were as follows:

Key Management Personnel	Loan balance – 1 July 2022 $	Repayments made $	Other changes during the year $	Loan balance – 30 June 2023 $
Andrew Chambers	234,253	(14,402)	-	219,851

(ii) Loan Shares issued under the Pinnacle Omnibus Plan

During the year to 30 June 2023, no additional loan shares were issued to KMP under the Pinnacle Omnibus Plan (150,000 loan shares were issued during the year to 30 June 2022).

The loan shares issued in the year to 30 June 2022 and year to 30 June 2021 are subject to service and performance conditions and will vest after five years, if those conditions are met. The loans are interest free and limited in recourse to the shares. They are repayable on termination of employment or when the underlying equity is sold, whichever occurs earlier.

The remaining loan shares are subject to service and performance conditions and will vest after five years, if the conditions are met. The loans are interest free and limited in recourse to the shares. They are repayable 10 years from grant date, on termination of employment or when the underlying equity is sold, whichever occurs earlier.

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

Key Management Personnel	Loan balance – 1 July 2022 $	New loans issued $	Repayments made $***	Loan shares forfeited* $	Other changes during the year* $	Loan balance – 30 June 2023 $
Ian Macoun	1,522,570	-	(75,180)		-	1,447,390
Andrew Chambers	4,060,187	-	(200,480)		-	3,859,707
Dan Longan	3,645,015	-	(112,770)		-	3,532,245
Calvin Kwok	3,476,323	-	(125,300)		-	3,351,023

***Repayments are from dividends received In relation to the loan shares.

(iii) Loans to other Related Parties

On 27 October 2017, a subsidiary of the Company provided loan funding totalling $5,226,000 to a number of executives of Palisade, 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. During the current financial year, further loan funding totalling $2,493,000 was provided to facilitate further recycling of equity. The loans are recorded within other current and non-current assets in the consolidated statement of financial position.

During the year, interest of $114,000 accrued on these loans and repayments of $375,000 were made. The balance of the loans at 30 June 2023 including capitalized interest was $3,590,000.

During the year, Palisade Real Assets acquired its first energy transition asset in Malaby, Wiltshire, UK. This has been funded initially by Pinnacle, with a fixed return on the capital provided of 8% and a term of 1 year. The asset is recorded within financial assets at fair value through profit or loss in the statement of financial position. The balance at 30 June 2023 including the return was $19,772,000.

e) Loans to/from related parties

	2023 $	2022 $
Loans to joint associates (including Affiliate executives)		
Balance at 1 July	3,287,326	2,788,054
Loans advanced	3,672,761	1,374,951
Interest accrued	220,368	121,897
Loans repaid	(685,090)	(997,576)
Share of equity accounted losses from Affiliates	-	-
Balance at 30 June	6,495,365	3,287,326

f) Guarantees

The Group has provided guarantees to subsidiaries as described in note 21.

g) Transactions with other related parties and jointly controlled entities

The following transactions occurred with related parties:

- Sales of services to other related parties/jointly controlled affiliates $36,959,227 (2022: $39,552,938)
- Transactions associated with Principal Investments managed by jointly controlled Affiliates
- Acquisition of financial assets at fair value through profit and loss $82,040,581 (2022: $131,005,069)
- Proceeds for disposal of financial assets at fair value through profit and loss $81,801,838 (2022: $46,081,234)
- Balance of financial assets at fair value through profit and loss at 30 June 2023 $148,456,759 (2022: $134,179,716)
- Dividend revenue $6,136,168 (2022: $3,922,607)
- Balance of trade receivables to jointly controlled entities at 30 June 2023 $19,832,525 (2022: $20,302,751)

27. Key Management Personnel

a) Key Management Personnel compensation

	2023 $	2022 $
Short-term employee benefits	2,843,000	3,812,900
Post-employment benefits	137,500	137,500
Long-term benefits	37,854	101,635
Share-based payments	1,024,598	1,024,598
Total Key Management Personnel compensation	4,042,952	5,076,633

Certain Executive KMP are party to the long-term employee incentive arrangements described in note 32(s)(vii). At 30 June 2023, the balance of loans issued to Executive KMP was $12,410,259 (2022: $12,938,391) relating to 2,296,583 shares issued in the Company (2022: 2,296,583 shares).

Detailed remuneration disclosures for KMP are provided in the Remuneration Report.

b) Loans to Key Management Personnel

Details of loans made to executive directors of Pinnacle Investment Management Group Limited and other Executive KMP 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 of KMP in Group at the end of the year
2023	12,938,391	-	-	(528,132)	-	12,410,259	726,667	4
2022	12,993,205	6,483	2,522,670	(2,583,967)	-	12,938,391	595,783	5

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.

28. Share-based payments

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

a) Pinnacle Long-term Employee Incentive Plan

Information regarding the Pinnacle Long-term Employee Incentive Plan is provided in notes 32(s)(vii) and 26(d).

b) Pinnacle Omnibus Plan

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

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

(i) Loan Shares

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeit during the year	Balance at end of the year	Vested and exercisable at end of the year
2023								
17 September 2018	16 September 2023	$7.2917	1,850,000	-	-	-	1,850,000	-
15 November 2018	14 November 2023	$5.6582	1,100,000	-	-	-	1,100,000	-
12 March 2019	11 March 2024	$5.1234	400,000	-	-	-	400,000	-
25 March 2020	24 March 2025	$2.9683	150,000	-	-	-	150,000	-
11 September 2020	10 September 2025	$5.2404	1,150,000	-	-	-	1,150,000	-
30 December 2020	29 December 2025	$6.8450	350,000	-	-	-	350,000	-
17 September 2021	16 September 2026	$16.8178	700,000	-	-	-	700,000	-
30 September 2022	29 September 2027	$8.6451	-	1,017,000	-	(150,000)	867,000	-
			5,700,000	1,017,000	-	(150,000)	6,567,000	-
Weighted average exercise price			$7.44	$8.65	-	$8.65	$7.60	-
2022								
17 September 2018	16 September 2023	$7.2917	2,000,000	-	-	(150,000)	1,850,000	-
15 November 2018	14 November 2023	$5.6582	1,100,000	-	-	-	1,100,000	-
12 March 2019	11 March 2024	$5.1234	700,000	-	-	(300,000)	400,000	-
25 March 2020	24 March 2025	$2.9683	150,000	-	-	-	150,000	-
11 September 2020	10 September 2025	$5.2404	1,150,000	-	-	-	1,150,000	-
30 December 2020	29 December 2025		350,000	-	-	-	350,000	-
17 September 2021	16 September 2026	$6.8450	-	700,000	-	-	700,000	-
			5,450,000	700,000	-	(450,000)	5,700,000	-
Weighted average exercise price			$6.10	$16.82	-	$5.84	$7.44	-

1,017,000 loan shares were issued to employees during the financial year and 150,000 loan shares were forfeited by employees during the year. The shares are subject to service and performance conditions and will vest after five years, if the conditions are met. The loans are interest free (until vesting date) and limited in recourse to the shares. They are repayable 10 years from grant date, on termination of employment or when the underlying equity is sold, whichever occurs earlier.

Loan shares issued under the plan carry dividend and voting rights.

Fair value of interests granted – 17 September 2018

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

- Fair value at grant date: $2.59 per loan share
- Exercise price: $7.2917
- Grant date: 17 September 2018
- Vesting date: 16 September 2023
- Share price at grant date: $7.31
- Expected price volatility of the Company's shares: 36%
- Expected dividend yield: 0.0%
- Risk-free interest rate: 2.28%

Fair value of interests granted – 15 November 2018

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

- Fair value at grant date: $2.17 per loan share
- Exercise price: $5.6582
- Grant date: 15 November 2018
- Vesting date: 14 November 2023
- Share price at grant date: $5.64
- Expected price volatility of the Company's shares: 40%
- Expected dividend yield: 0.0%
- Risk-free interest rate: 2.28%

Fair value of interests granted – 12 March 2019

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

- Fair value at grant date: $2.31 per loan share
- Exercise price: $5.1234
- Grant date: 12 March 2019
- Vesting date: 11 March 2024
- Share price at grant date: $5.18
- Expected price volatility of the Company's shares: 49%
- Expected dividend yield: 0.0%
- Risk-free interest rate: 1.76%

Fair value of interests granted – 25 March 2020

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

- Fair value at grant date: $1.02 per loan share
- Exercise price: $2.9683
- Grant date: 25 March 2020
- Vesting date: 24 March 2025
- Share price at grant date: $2.51
- Expected price volatility of the Company's shares: 53%
- Expected dividend yield: 0.0%
- Risk-free interest rate: 0.48%

Fair value of interests granted – 11 September 2020

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

- Fair value at grant date: $2.4878 per loan share
- Exercise price: $5.2404
- Grant date: 11 September 2020
- Vesting date: 10 September 2025
- Share price at grant date: $4.99
- Expected price volatility of the Company's shares: 61%
- Expected dividend yield: 0.0%
- Risk-free interest rate: 0.28%

Fair value of interests granted – 30 December 2020

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

- Fair value at grant date: $3.7704 per loan share
- Exercise price: $6.8450
- Grant date: 30 December 2020
- Vesting date: 29 December 2025
- Share price at grant date: $7.24
- Expected price volatility of the Company's shares: 61%
- Expected dividend yield: 0.0%
- Risk-free interest rate: 0.34%

Fair value of interests granted – 17 September 2021

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

- Fair value at grant date: $5.9772 per loan share
- Exercise price: $16.8178
- Grant date: 17 September 2021
- Vesting date: 16 September 2026
- Share price at grant date: $17.08
- Expected price volatility of the Company's shares: 39%
- Expected dividend yield: 0.0%
- Risk-free interest rate: 0.65%

Fair value of interests granted – 30 September 2022

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

- Fair value at grant date: $3.8435 per loan share
- Exercise price: $8.6451
- Grant date: 30 September 2022
- Vesting date: 29 September 2027
- Share price at grant date: $8.31
- Expected price volatility of the Company's shares: 49%
- Expected dividend yield: 0.0%
- Risk-free interest rate: 3.76%

(ii) Options

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
2023								
15 November 2018	14 November 2023	$5.6582	100,000	-	-	-	100,000	-
25 March 2020	24 March 2025	$2.9683	200,000	-	-	-	200,000	-
11 September 2020	10 September 2025	$5.2404	200,000	-	-	-	200,000	-
30 December 2020	29 December 2025	$6.8450	100,000	-	-	-	100,000	-
17 September 2021	16 September 2026	$16.8178	100,000	-	-	-	100,000	-
30 September 2022	29 September 2027	$8.6451	-	100,000	-	-	100,000	-
			700,000	100,000	-	-	800,000	-
Weighted average exercise price			$6.54	$8.65	-	-	$6.80	-
2022								
15 November 2018	14 November 2023	$5.6582	100,000	-	-	-	100,000	-
25 March 2020	24 March 2025	$2.9683	200,000	-	-	-	200,000	-
11 September 2020	10 September 2025	$5.2404	200,000	-	-	-	200,000	-
30 December 2020	29 December 2025	$6.8450	100,000	-	-	-	100,000	-
17 September 2021	16 September 2026	$16.8178	-	100,000	-	-	100,000	-
			600,000	100,000	-	-	700,000	-
Weighted average exercise price			$4.82	$16.82	-	-	$6.54	-

Fair value of interests granted – 15 November 2018

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

- Fair value at grant date: $1.86 per option
- Exercise price: $5.6582
- Grant date: 15 November 2018
- Vesting date: 14 November 2023
- Share price at grant date: $5.64
- Expected price volatility of the Company's shares: 40%
- Expected dividend yield: 1.6%
- Risk-free interest rate: 2.28%
- Options issued under the plan carry no dividend and voting rights.

Fair value of interests granted – 25 March 2020

200,000 options were granted for no consideration and vest based on fulfilment of specified service and performance conditions and will vest after five years if the conditions are met. The fair value of options were determined using a Black-Scholes pricing model taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the instrument.

- Fair value at grant date: $0.75 per option
- Exercise price: $2.9683
- Grant date: 25 March 2020
- Vesting date: 24 March 2025
- Share price at grant date: $2.51
- Expected price volatility of the Company's shares: 53%
- Expected dividend yield: 3.7%
- Risk-free interest rate: 0.48%
- Options issued under the plan carry no dividend and voting rights.

Fair value of interests granted – 11 September 2020

200,000 options were granted for no consideration and vest based on fulfilment of specified service and performance conditions and will vest after five years if the conditions are met. The fair value of options were determined using a Black-Scholes pricing model taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the instrument.

- Fair value at grant date: $1.88 per option
- Exercise price: $5.2404
- Grant date: 11 September 2020
- Vesting date: 10 September 2025
- Share price at grant date: $4.99
- Expected price volatility of the Company's shares: 61%
- Expected dividend yield: 3.7%
- Risk-free interest rate: 0.28%
- Options issued under the plan carry no dividend and voting rights.

Fair value of interests granted – 30 December 2020

100,000 options were granted for no consideration and vest based on fulfilment of specified service and performance conditions and will vest after five years if the conditions are met. The fair value of options were determined using a Black-Scholes pricing model taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the instrument.

- Fair value at grant date: $2.86 per option
- Exercise price: $6.8450
- Grant date: 30 December 2020
- Vesting date: 29 December 2025
- Share price at grant date: $7.24
- Expected price volatility of the Company's shares: 61%
- Expected dividend yield: 3.7%

- Risk-free interest rate: 0.34%
- Options issued under the plan carry no dividend and voting rights.

Fair value of interests granted – 17 September 2021

100,000 options were granted for no consideration and vest based on fulfilment of specified service and performance conditions and will vest after five years if the conditions are met. The fair value of options were determined using a Black-Scholes pricing model taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the instrument.

- Fair value at grant date: $4.70 per option
- Exercise price: $16.8178
- Grant date: 17 September 2021
- Vesting date: 16 September 2026
- Share price at grant date: $17.08
- Expected price volatility of the Company's shares: 39%
- Expected dividend yield: 2.4%
- Risk-free interest rate: 0.65%
- Options issued under the plan carry no dividend and voting rights.

Fair value of interests granted – 30 September 2022

100,000 options were granted for no consideration and vest based on fulfilment of specified service and performance conditions and will vest after five years if the conditions are met. The fair value of options were determined using a Black-Scholes pricing model taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the instrument.

- Fair value at grant date: $2.53 per option
- Exercise price: $8.6451
- Grant date: 30 September 2022
- Vesting date: 29 September 2027
- Share price at grant date: $8.31
- Expected price volatility of the Company's shares: 49%
- Expected dividend yield: 5.0%
- Risk-free interest rate: 3.76%
- Options issued under the plan carry no dividend and voting rights.

c) Expenses arising from share-based transactions

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

	2023 $'000	2022 $'000
Pinnacle Investment Management Group Employee Option Share Plan	-	-
Pinnacle Omnibus Plan	3,408	2,848
Pinnacle Long-term Employee Incentive Plan	-	-
Total share-based payment transactions	3,408	2,848

29. 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:

	2023 $	2022 $
PricewaterhouseCoopers Australia		
(i) The deferred tax asset balance comprises temporary differences attributable to:		
Audit and review of financial statements	289,635	291,100
Other assurance services:		
Audit of regulatory returns	25,560	24,000
Audit of compliance plan - Responsible entity *	131,905	137,350
Other assurance services	-	-
Total remuneration for audit and other assurance services	447,100	452,450
(ii) Taxation services		
Tax services	37,165	56,657
Total remuneration for taxation services	37,165	56,657
(iii) Other services		
Other services	-	-
Total remuneration of PricewaterhouseCoopers Australia	484,265	509,107
Total remuneration of auditors	484,265	509,107

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

30. Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year-end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

31. Critical accounting estimates and judgements

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

a) Critical accounting estimates and assumptions

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

(i) Estimated impairment of non-financial assets

The Group tests at least annually whether assets have suffered any impairment, in accordance with the accounting policy stated in note 32(i). Where required, the recoverable amounts of assets have been determined based on value-in-use calculations. These calculations require the use of assumptions. For impairment policies regarding financial assets see notes 32(k) and 32(l).

(ii) Income taxes

The Group can recognise deferred tax assets relating to carried forward tax losses and deductible timing differences to the extent that it is considered probable that there will be future taxable profits relating to the same taxation authority against which the carried forward tax losses and deductible timing differences will be utilized. 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 20(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 the group holds a minority shareholding (20%-49.99%) of the voting rights (with no preferential rights to returns) and there is a requirement for unanimous decision making in relation to a number of strategic matters contained in the shareholders agreements. (refer to note 32(b) for further details).

(iii) Share-based payments

The Group measures equity settled share-based payment transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by management using option pricing models that use estimates and assumptions. Management exercises judgement in preparing the valuations and these may affect the value of any share-based payments recorded in the financial statements (refer to notes 32(s)(iv) and 26 for further details).

32. 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 22.

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 (AASB) and the Corporations Act 2001. The Group is a for profit entity for the purpose of preparing the financial statements.

(i) Compliance with AASB

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

There are no new or amended standards adopted by the Group for the first time for their annual reporting period commencing 1 July 2022 that have had any impact on the Group's accounting policies nor have had any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(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 2022.

(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.

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 2023 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 32(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 16 and note 28(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 23).

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 32(i).

(iv) Changes in ownership interests

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

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

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

c) Segment reporting

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

d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

e) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

(i) Service charges

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

(ii) Interest received or due

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

(iii) Dividends and distributions

Dividends and distributions are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence (refer to note 32(i))

f) Income tax

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

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

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

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

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

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

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

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

(i) Tax consolidation legislation

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities. Details about the tax funding agreement are disclosed in note 32(z)(ii).

g) Leases

The Group leases offices in Brisbane and Sydney. Rental contracts are typically made for fixed periods of 3 – 5 years. The lease agreements do not impose any covenants. Until the current financial year, leases of property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

h) Business combinations

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

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

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

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

i) Impairment of non-financial assets

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

k) Trade receivables

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

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

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

l) Investments and other financial assets

Classification and measurement

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

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also carried at fair value through profit or loss unless they are designated as hedges (see note 32(m) for further details about the types of derivates held).

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

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

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

(ii) Loans at amortised cost

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

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

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

The amount of the impairment loss is recognised in the statement of comprehensive income on a separate line item. When a loan receivable for which an impairment allowance had been recognised becomes 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 statement of comprehensive income.

Recognition and derecognition

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

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

m) Derivative financial instruments

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

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

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

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

The Group holds the following derivative instruments:

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

n) Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 32(i)).

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

o) Intangible assets

IT development and software

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

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

Customer contracts

Costs incurred which are directly associated with the acquisition of a customer contract, have been capitalized as an intangible asset and are being amortised over the agreement term of (3 years – 20 years). Amortisation is calculated on a straight-line basis over the contract term.

p) Trade and other payables

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

q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

AASB101(69) Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

r) Provisions

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

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

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

s) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

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

(iii) Retirement benefit obligations

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

(iv) Share-based payments

Share-based compensation benefits are provided to certain employees via the Pinnacle Investment Management Group Employee Option Share Plan, the Pinnacle Omnibus Plan and where applicable, Pinnacle long-term employee incentive agreements. Information relating to these schemes is set out in note 28.

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 32(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) Bonuses

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) Termination benefits

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

(vii) Long-term employee incentive agreements

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

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

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

t) Contributed equity

Ordinary shares are classified as equity (note 16).

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.

u) 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.

v) 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 (see note 16(d)).

(ii) Diluted earnings per share

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

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

w) 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.

x) 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 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 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not 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 24 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 32(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.

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Directors' Declaration

In the directors' opinion:

a) the financial statements and notes set out on pages 56 to 116 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 2023 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 32(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.

Alan Watson, Chair
Sydney, 2 August 2023

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Independent Auditor's Report

Independent auditor's report

To the members of Pinnacle Investment Management Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 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
- 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 significant accounting policies and other explanatory information
- 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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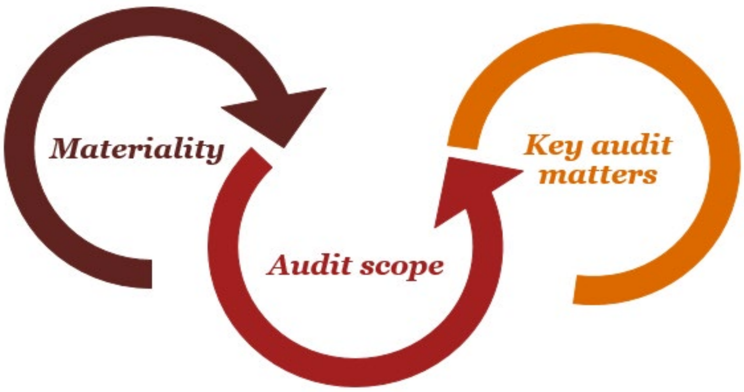
Our audit approach

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 held equity interests in fifteen affiliated fund managers (the Pinnacle Affiliates or Affiliates) with differing investment styles and offerings. The Group also provides distribution services, business support, and responsible entity services to the Pinnacle Affiliates and external parties via subsidiaries.

The Group has minority shareholdings in the Pinnacle Affiliates and has assessed them to be joint ventures due to the requirement for unanimous decision making in relation to a number of strategic matters contained in the shareholders agreements. The financial results of the Group include the consolidation of subsidiaries and the share of net profit of associates and joint ventures accounted for using the equity method for the Pinnacle Affiliates.



Materiality

- For the purpose of our audit we used overall Group materiality of $3,800,000 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 because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

- We audited the most financially significant subsidiaries within the Group, being Pinnacle Investment Management Limited, Pinnacle Funds Services Limited, Pinnacle Services Administration Pty Ltd and Pinnacle RE Services Limited. We performed targeted audit procedures over the remaining significant balances and further audit procedures over the consolidation process.

- We, or component auditors, performed an audit of each of the financially significant Pinnacle Affiliates on a standalone basis. In establishing the overall approach to the Group audit, we considered the type of work that needed to be performed by us, as the Group's auditor, or by the component auditors operating under our instructions.

- We audited the Group's equity accounting for the Pinnacle Affiliates, including the Group's share of net profit of jointly controlled associates and joint ventures 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

Amongst other relevant topics, we communicated the following key audit matter to the Audit, Compliance and Risk Management Committee:

- Share of net profit of associates and joint ventures accounted for using the equity method

This is further described in the Key audit matters section below.

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 matter was 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.

Key audit matter	How our audit addressed the key audit matter

Share of net profit of associates and joint ventures accounted for using the equity method
 	
Refer to note 23(d) - $67,359k
 	
The share of net profit of associates and joint ventures accounted for using the equity method is calculated by reference to Pinnacle's share of each Affiliate's net profit for the year.
 	
Pinnacle Affiliates' funds under management have the potential to earn performance fees, based on an assessment of actual performance relative to benchmarks. These benchmarks are agreed between the Affiliates and their clients and are set out in relevant Product Offering Documents and Investment Services Agreements.
 	
The performance fee revenue has a significant impact on Pinnacle's share of net profits of jointly controlled associates and joint ventures accounted using the equity method.
 	
This was a key audit matter because the share of net profit of associates and joint ventures accounted for using the equity method is material, and the performance fee revenues recognised by Pinnacle Affiliates are material in nature, and the variability of returns can be significant depending on the performance relative to contractual benchmarks.
	We performed the following procedures, amongst others:
	
	● For a sample of Pinnacle Affiliates, we
	    ● Obtained supporting evidence for a sample of changes in Pinnacle's equity ownership during the year.
	    ● Obtained the share registers of the Affiliates and recalculated Pinnacle's ownership percentage.
	    ● Obtained the Affiliates' profit and loss statement and recalculated Pinnacle's share of net profit.
	    ● Assessed whether the accounting policies across the Group were reasonable and consistent.
	● For a sample of performance fees recorded by Pinnacle Affiliates, we obtained the relevant source documents and:
	    ● Assessed whether the calculation methodologies used by management were in accordance with the contractual arrangements, the Group accounting policy and requirements of Australian Accounting Standards.
	    ● Compared the hurdle rates and any accumulated deficiency clauses to the relevant contracts.
	    ● Obtained evidence from relevant external sources to assess key inputs into the calculations (for example net asset values and fund returns).
	    ● Reperformed the performance fee calculation with reference to the key inputs used in the calculations.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 29 to 49 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Pinnacle Investment Management Group Limited for the year ended 30 June 2023 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

Ben Woodbridge
Partner

Brisbane
2 August 2023

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Shareholder Information

The shareholder information set out below is correct as at 27 July 2023.

Shares on issue

Distribution of securities

Range	No. of shareholders	No. of shares	% of issued shares
1 – 1,000	3,574	1,455,845	0.72
1,001 – 5,000	2,570	6,409,561	3.19
5,001 – 10,000	621	4,487,714	2.23
10,001 – 100,000	563	14,917,599	7.42
100,001 – 9,999,999,999	112	173,897,372	86.44
Rounding			0.00
Total	7,440	201,168,091	100.00

Unmarketable parcels

	Minimum parcel size	No. of shareholders	No. of shares
Minimum $500 parcel at $10.58 per unit	48	301	3610

Twenty largest shareholders (as at 27 July 2023)

Rank	Name	No. of shares	% of issued shares
1	HSBC Custody Nominees (Australia) Limited	41,761,406	20.76
2	J P Morgan Nominees Australia Pty Limited	21,573,524	10.72
3	Citicorp Nominees Pty Limited	14,665,698	7.29
4	Macoun Generation Z Pty Ltd	13,993,985	6.96
5	National Nominees Limited	6,258,516	3.11
6	Andrew Chambers & Fleur Chambers	5,303,614	2.64
7	Mr Alexander William Macdonald	5,045,090	2.51
8	Macoun Superannuation Pty Ltd	3,882,092	1.93
9	BNP Paribas Noms Pty Ltd	3,707,535	1.84
10	HSBC Custody Nominees (Australia) Limited	3,017,882	1.50
11	Mr David Francis Cleary	2,807,149	1.40

Rank	Name	No. of shares	% of issued shares
12	Mr David Noel Groth	2,801,224	1.39
13	Vestinoz Pty Ltd	2,752,766	1.37
14	Earlston Nominees Pty Ltd	2,450,000	1.22
15	Kinauld Pty Ltd	2,000,000	0.99
16	Mr Mark Bryant Cormack and Mrs Melanie Louise Cormack	1,999,293	0.99
17	Warragai Investments Pty Ltd	1,950,000	0.97
18	Kinauld Pty Ltd	1,900,000	0.94
19	Ms Alison Jane Fraser	1,346,657	0.67
20	Mr Adrian Whittingham	1,228,614	0.61
	Total	140,445,045	69.81%
	Total remaining holders balance	60,723,046	30.19%

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
Steve Wilson and associates	22,640,240	11.25
Ian Macoun and associates	18,276,077	9.1%
Ethical Partners Funds Management Pty Ltd	10,604,041	5.27%

Voting rights

Upon a poll each share shall have one vote.

Options and performance rights on issue

Distribution of securities

<u>Options</u>

There are 800,000 options on issue as at 27 July 2023.

The options are held by:

A&T Structured Finance Services Pty Ltd as trustee for the Pinnacle Investment Management Group Employee Option Share Plan;

Alison Maschmeyer;

Ben Cossey; and

David Batty.

The options are not listed.

Performance rights

There are no performance rights on issue as at 27 July 2023.

Voting rights

There are no voting rights attaching to the options.

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Corporate Directory

Pinnacle Investment Management Group Limited

Incorporated in Queensland on 23 April 2002

ABN

22 100 325 184

Directors

Alan Watson,
Chair (appointed director 15 July 2013, appointed Chair 23 October 2015)

Ian Macoun,
Managing Director (appointed MD 17 August 2016; appointed director 25 August 2016)

Deborah Beale AM (appointed 1 September 2016)
Lorraine Berends (appointed 1 September 2018)
Andrew Chambers (appointed 1 September 2016)

Chief Legal and Commercial Officer and Company Secretary

Calvin Kwok

Chief Financial Officer

Dan Longan

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
240 Queen Street,
Brisbane QLD 4000

Auditor

PricewaterhouseCoopers
480 Queen Street,
Brisbane QLD 4000

Australia

Brisbane
Registered Office
Level 19, 307 Queen Street
Brisbane QLD 400
Telephone 1300 651 577

Sydney
Level 25, 264 George Street
Sydney NSW 2000
Telephone 1300 651 577

Melbourne
Level 8, 90 Collins Street
Melbourne VIC 3000

United Kingdom

London
Floor 8, 125 Old Broad St
London EC2N 1AR

Canada

Toronto
7th Floor
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Toronto, ON M5R 2E2

United States

New York
Office 1146
One Rockefeller Plaza
11th floor
New York, NY 10020

Website address

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