

**Pinnacle Investment Management Group Limited**

ABN 22 100 325 184

**Interim Report**

**for the half year ended 31 December 2023**

# Pinnacle Investment Management Group Limited

ABN 22 100 325 184

## Interim Report - 31 December 2023

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## **Directors' report**

We, your Directors, present our report on the consolidated group consisting of Pinnacle Investment Management Group Limited (the Company) and the entities it controlled (together, the Group) at the end of, or during, the half year ended 31 December 2023 (1H FY24).

### **Directors**

The following persons were Directors of Pinnacle Investment Management Group Limited during the whole of the half year and up to the date of this report:

Mr A Watson  
Mr I Macoun  
Ms D Beale AM  
Mr A Chambers  
Ms L Berends AM

### **Review of operations**

Profit attributable to shareholders for the half year was \$30.2 million, compared with \$30.5 million (a decrease of 1%) for the prior corresponding period (PCP). This translated to Earnings per Share of 15.4c (basic) and 15.3c (fully diluted), compared with 15.7c (basic) and 15.6c (fully diluted) for the PCP, representing decreases of 2% in basic earnings per share and 2% on a fully diluted basis.

While income tax was paid at the Affiliate level, there was no income tax expense at the Group level for both the half year and the prior corresponding period, hence profit before tax and profit after tax are the same.

A maintained, fully franked interim dividend of 15.6 cents has been declared and will be payable on 22 March 2024 to shareholders registered on the record date of 8 March 2024. In addition, during the half year, dividends totalling \$41.0 million have been paid to shareholders by the Company, being the FY23 final dividend of 20.4c per share.

### ***Funds under management and net inflows***

Aggregate Affiliates' funds under management (at 100%) increased by 9% during the half year from \$91.9 billion at 30 June 2023 to \$100.1 billion at 31 December 2023. Closing FUM was 8% higher than average FUM over the half year, with much of the increase attributable to net inflows and market movements occurring late in the reporting period and thus having little earnings impact during the half year.

Total net inflows for the half year were \$4.5 billion (retail net inflows were \$1.8 billion, international net inflows were \$3.1 billion, whilst domestic institutional net outflows were \$0.4 billion), with market movements and investment performance contributing positive \$3.7 billion over the half year (as noted above, much of this occurred late in the reporting period). With conditions for raising new funds continuing to be challenging during the half year, we believe that this represents a creditable outcome and demonstrates again the strength of our distribution capability. In addition, the diversification of our platform of Affiliates across a wide range of asset classes and investment styles has served us well as investors' needs have changed.

### ***Revenues and expenses***

Affiliate revenues including performance fees grew by 32% over the PCP, however this included revenues from Horizon 2 initiatives which were more than offset by higher costs incurred in building these new capabilities which are expected to benefit shareholders over the medium term.

It was pleasing that the alpha generation of nine Affiliates resulted in performance fees during the half, contributing \$12.3 million to Pinnacle's net profit after tax, compared with only \$0.9 million in the PCP. Within 'Pinnacle parent', staff costs were \$4.3 million higher than in the PCP, \$3.3 million of which is attributable to higher incentive provisions. Whilst we do not make final remuneration decisions until our results for the full year are known, shareholders will recall that we provisioned for incentives at only 50% of target maximum in the PCP. Provisions are at higher levels in the current half year, which we believe is appropriate given outcomes achieved during the half year, including the net inflows generated.

### ***Principal investments***

Principal Investments (PI) totalled \$136.1 million at 31 December 2023, compared to \$159.6 million at 30 June 2023 and \$164.1 million at 31 December 2022. The return on PI, prior to interest expense, for 1H FY24 was \$3.7

million (1H FY23 \$3.8 million). The return on PI is made up of 'Dividends and distributions' received of \$3.6 million and 'Fair value gains/losses on financial assets at fair value through profit or loss' of net positive \$0.1 million, which includes gains/losses from hedging equity market exposures. The interest expense on the fully drawn \$100 million CBA borrowing facility, all of which is deployed in funds managed by Pinnacle Affiliates, was \$3.6 million in 1H FY24 (1H FY23 \$2.7 million). At 31 December 2022, the facility amount was \$120 million. \$20 million of the facility, which was specifically arranged and drawn to seed a new Palisade real asset strategy, was repaid as scheduled during September 2023.

**Further commentary**

We also marked our investment in the digital wealth platform, OpenInvest (which has not been carried within our PI portfolio), to the value at which the business most recently raised funding (Pinnacle did not participate in that funding round). This resulted in a \$3.4 million write-down in the current period, with our holding now valued at \$0.2 million.

Over the half year, macroeconomic and geopolitical events continued to cause uncertainty in investment markets, with challenging conditions for generating new business persisting, particularly in the Australian market. We at Pinnacle, together with Affiliates, have continued our deliberate program of investment to continue to diversify our business, create additional capacity and broaden the platform from which we can deliver further growth. This program has continued during the challenging market conditions of the past two years which, along with the difficult conditions for raising new business, has seen our earnings suppressed. The net cost of Horizon 2 initiatives was broadly as expected in the first half and consistent with the second half of the previous financial year. We remain confident that these initiatives will prove valuable over the medium term.

Pinnacle has an excellent platform in place to continue to prosper – driven by growth within existing Affiliates, incubating new Affiliates and strategies, domestically and offshore, as well as careful acquisitive growth into new asset classes and markets. We believe we enter the second half with grounds for cautious optimism, fully resourced with the capability to take advantage of any improvement in market conditions.

**Matters subsequent to the end of the reporting period**

In the interval between the end of the half year and the date of this Directors' report there has not arisen any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to significantly affect the:

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

**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 5.

**Rounding of amounts**

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

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



Mr A Watson  
Chair  
Sydney  
1 February 2024



## Auditor's Independence Declaration

As lead auditor for the review of Pinnacle Investment Management Group Limited for the half-year ended 31 December 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'R. Balding', followed by a large, sweeping circular flourish.

R Balding  
Partner  
PricewaterhouseCoopers

Sydney  
1 February 2024

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# Pinnacle Investment Management Group Limited

ABN 22 100 325 184

## Interim Financial Report - 31 December 2023

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by Pinnacle Investment Management Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim financial report covers the consolidated entity consisting of Pinnacle Investment Management Group Limited and its subsidiaries.

The interim financial report is presented in Australian currency.

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

Level 19, 307 Queen Street  
Brisbane QLD 4000

Its principal place of business is:

Level 25, Australia Square Tower  
264 George Street  
Sydney NSW 2000

The financial statements were authorised for issue by the Directors on 1 February 2024. The Directors have the power to amend and re-issue the interim financial report.

**Pinnacle Investment Management Group Limited**  
**Consolidated Statement of Profit or Loss**  
**For the half year ended 31 December 2023**

		<b>Half Year</b>	
	Notes	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue from continuing operations</b>	3	<b>23,683</b>	<b>22,778</b>
Fair value gains/(losses) on financial assets at fair value through profit or loss		<b>146</b>	<b>848</b>
Fair value gains/(losses) on financial assets at fair value through profit or loss (non-current)		<b>(3,360)</b>	<b>600</b>
Employee benefits expense		<b>(12,220)</b>	<b>(11,279)</b>
Short-term incentives expense		<b>(5,638)</b>	<b>(2,324)</b>
Long-term incentives expense		<b>(1,672)</b>	<b>(1,634)</b>
Professional services expense		<b>(667)</b>	<b>(894)</b>
Property expense	4	<b>(434)</b>	<b>(573)</b>
Travel and entertainment expense		<b>(849)</b>	<b>(482)</b>
Technology and communications expense		<b>(955)</b>	<b>(834)</b>
Finance costs expense		<b>(3,708)</b>	<b>(2,725)</b>
Other expenses from operating activities		<b>(1,418)</b>	<b>(1,409)</b>
Share of net profit of associates accounted for using the equity method		<b>37,319</b>	<b>28,416</b>
<b>Profit before income tax from continuing operations</b>		<b>30,227</b>	<b>30,488</b>
Income tax expense	5	<b>-</b>	<b>-</b>
<b>Profit from continuing operations</b>		<b>30,227</b>	<b>30,488</b>
<b>Profit for the half year</b>		<b>30,227</b>	<b>30,488</b>
Profit for the half year is attributable to:			
<b>Owners of Pinnacle Investment Management Group Limited</b>		<b>30,227</b>	<b>30,488</b>
Non-controlling interests		<b>-</b>	<b>-</b>
		<b>30,227</b>	<b>30,488</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share:</b>			
<b>From continuing operations attributable to owners of Pinnacle Investment Management Group Limited</b>			
Basic earnings per share	10	<b>15.4</b>	<b>15.7</b>
Diluted earnings per share	10	<b>15.3</b>	<b>15.6</b>
<b>Total profit attributable to owners of Pinnacle Investment Management Group Limited</b>			
Basic earnings per share	10	<b>15.4</b>	<b>15.7</b>
Diluted earnings per share	10	<b>15.3</b>	<b>15.6</b>

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

**Pinnacle Investment Management Group Limited**  
**Consolidated Statement of Comprehensive Income**  
**For the half year ended 31 December 2023**  
**(continued)**

	Half Year	
Notes	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
<b>Profit for the half year</b>	<b>30,227</b>	<b>30,488</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the half year</b>	<b>30,227</b>	<b>30,488</b>
Total comprehensive income for the half year is attributable to:		
<b>Owners of Pinnacle Investment Management Group Limited</b>	<b>30,227</b>	<b>30,488</b>
	<b>30,227</b>	<b>30,488</b>
Total comprehensive income for the half year attributable to owners of Pinnacle Investment Management Group Limited arises from:		
<b>Continuing operations</b>	<b>30,227</b>	<b>30,488</b>
	<b>30,227</b>	<b>30,488</b>

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



**Pinnacle Investment Management Group Limited**  
**Consolidated Statement of Financial Position**  
**As at 31 December 2023**

	Notes	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	15,014	27,616
Trade and other receivables		29,000	24,632
Financial assets at fair value through profit or loss	15	136,070	159,594
Assets held at amortised cost		749	911
<b>Total current assets</b>		<b>180,833</b>	<b>212,753</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method		338,860	328,465
Financial assets at fair value through profit or loss	15	290	3,600
Property, plant and equipment		94	76
Intangible assets	7	1,771	1,821
Right-of-use assets		10,131	336
Assets held at amortised cost	14(b)	4,825	5,585
<b>Total non-current assets</b>		<b>355,971</b>	<b>339,883</b>
<b>Total assets</b>		<b>536,804</b>	<b>552,636</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		6,664	6,834
Borrowings	12	129	20,137
Lease liabilities		2,064	357
Provisions	16	2,438	2,414
<b>Total current liabilities</b>		<b>11,295</b>	<b>29,742</b>
<b>Non-current liabilities</b>			
Borrowings	12	100,000	100,000
Lease liabilities		7,964	-
Provisions	16	367	321
<b>Total non-current liabilities</b>		<b>108,331</b>	<b>100,321</b>
<b>Total liabilities</b>		<b>119,626</b>	<b>130,063</b>
<b>Net assets</b>		<b>417,178</b>	<b>422,573</b>
<b>EQUITY</b>			
Contributed equity	8	422,172	418,479
Reserves	9(a)	(41,610)	(43,282)
Retained Earnings	9(b)	36,616	47,376
<b>Total equity</b>		<b>417,178</b>	<b>422,573</b>

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

**Pinnacle Investment Management Group Limited**  
**Consolidated Statement of Changes in Equity**  
**For the half year ended 31 December 2023**

		Attributable to owners of Pinnacle Investment Management Group Limited			
	Notes	Contributed equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
Opening balance at 1 July 2022		412,066	(47,099)	37,217	402,184
Profit and total comprehensive income for the half year		-	-	30,488	30,488
Transactions with owners in their capacity as owners:					
Dividends paid to shareholders	11	2,760	-	(34,924)	(32,164)
Options exercised		1,572	-	-	1,572
Employee loan share repayments	8	755	30	-	785
Share-based payments	9(a)	-	1,634	-	1,634
Performance Rights		64	(29)	-	35
		5,151	1,635	(34,924)	(28,138)
Closing balance at 31 December 2022		417,217	(45,464)	32,781	404,534
Opening balance at 1 July 2023		418,479	(43,282)	47,376	422,573
Profit and total comprehensive income for the half year		-	-	30,227	30,227
Transactions with owners in their capacity as owners:					
Dividends paid to shareholders	11	856	-	(40,987)	(40,131)
Options exercised		-	-	-	-
Employee loan share repayments	8	2,837	-	-	2,837
Share-based payments	9(a)	-	1,672	-	1,672
Performance Rights		-	-	-	-
		3,693	1,672	(40,987)	(35,622)
Closing balance at 31 December 2023		422,172	(41,610)	36,616	417,178

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

**Pinnacle Investment Management Group Limited**  
**Consolidated Statement of Cash Flows**  
**For the half year ended 31 December 2023**

		Half Year	
	Notes	31 Dec 2023 \$'000	31 Dec 2022 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		17,194	16,413
Payments to suppliers and employees		(23,738)	(25,417)
Dividends and distributions received from financial assets at fair value		215	557
Dividends and distributions received from associates accounted for using the equity method		37,144	42,083
Interest received		362	167
Finance and borrowings costs paid		(3,671)	(2,673)
Proceeds from sale of financial assets at fair value through profit or loss		45,498	24,912
Payments to purchase financial assets at fair value through profit or loss		(18,599)	(45,445)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>54,405</b>	<b>10,597</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(26)	(3)
Loan repayments from related parties		1,271	263
Loan advances to related parties		(262)	(356)
Loan repayments from shareholders		2,837	785
Payments for investments accounted for using the equity method		(10,220)	(3,217)
<b>Net cash outflow from investing activities</b>		<b>(6,400)</b>	<b>(2,528)</b>
<b>Cash flows from financing activities</b>			
Ordinary dividends paid to shareholders	11	(40,131)	(32,163)
Lease payments		(476)	(696)
Repayment of borrowings		(20,000)	-
Proceeds from issue of shares	8	-	1,572
<b>Net cash inflow from financing activities</b>		<b>(60,607)</b>	<b>(31,287)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(12,602)</b>	<b>(23,218)</b>
Cash and cash equivalents at the beginning of the half year		27,616	38,265
<b>Cash and cash equivalents at end of half year</b>	6	<b>15,014</b>	<b>15,047</b>

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

## 1 Basis of preparation

This consolidated interim financial report for the half year reporting period ended 31 December 2023 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by Pinnacle Investment Management Group Limited during the half year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### (a) Material Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding half year reporting period, as disclosed in the 30 June 2023 annual report.

### (b) New and amended standards adopted by the Group

No new or amended standards became applicable for the current reporting period that had an impact on the Group.

### (c) Impact of standards issued but not yet applied by the entity

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

## 2 Segment information

The Group operates one business segment, being its funds management operations. The business operations are principally conducted out of one geographic location, being Australia.

## 3 Revenue from operations 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.

	Half Year	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
<b>Revenue from contracts with customers</b>		
<i>Services revenue – over time</i>		
Service charges	19,576	19,621
	<u>19,576</u>	<u>19,621</u>
<b>Other income</b>		
Interest received or due	499	211
Dividends and distributions	3,600	2,933
Other income	8	13
	<u>4,107</u>	<u>3,157</u>
	<u>23,683</u>	<u>22,778</u>

#### 4 Expenses

	Half Year	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
<b>Profit before income tax includes the following specific expenses:</b>		
<i>Right-of-use asset amortization – included in property expenses</i>		
Right-of-use asset amortization – leased properties	308	665
	<u>308</u>	<u>665</u>
<i>Depreciation and amortization – included in other expenses from operating activities</i>		
Depreciation – property, plant and equipment	9	23
Amortization – intangible assets	50	217
	<u>59</u>	<u>240</u>

## 5 Income tax expense

### Numerical reconciliation of income tax expense to prima facie tax payable

	Half Year	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Profit from continuing operations before income tax expense	30,227	30,488
Profit before income tax	30,227	30,488
Tax at the Australian tax rate of 30.0% (31 December 2022 - 30.0%)	9,068	9,146
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share of profits from associates accounted for using the equity method	(11,196)	(8,525)
Non-deductible expenditure	543	543
Other items	2,656	2,025
	1,071	3,189
Offset against deferred tax assets *	(1,071)	(3,189)
Total income tax expense	-	-

\* Deferred tax assets of \$4.6m as at 31 December 2023 (31 December 2022 - \$6.7m) have not been recognized in full on the basis that there remains uncertainty regarding the timing and quantum of the generation of taxable profits.

## 6 Cash and cash equivalents

	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
Cash at bank and on hand	15,014	27,616
	15,014	27,616

## 7 Intangible Assets

	Software \$'000	Customer Contracts \$'000	Total \$'000
30 June 2023			
Cost	15	4,574	4,589
Accumulated amortization	(15)	(2,753)	(2,768)
Net book value	-	1,821	1,821
Half year ended 31 December 2023			
Opening net book amount	-	1,821	1,821
Additions	-	-	-
Accumulated amortization	-	(50)	(50)
Closing net book amounts	-	1,771	1,771

## 7 Intangible Assets (cont.)

	Software \$'000	Customer Contracts \$'000	Total \$'000
<b>31 December 2023</b>			
Cost	15	4,574	4,589
Accumulated amortization	(15)	(2,803)	(2,818)
Net book value	<u>-</u>	<u>1,771</u>	<u>1,771</u>

## 8 Contributed equity

### (a) Share capital

	31 Dec 2023 No. of shares	31 Dec 2022 No. of shares	31 Dec 2023 Paid \$'000	31 Dec 2022 Paid \$'000
Ordinary shares:				
Fully paid contributed equity - Company	<u>198,044,145</u>	<u>194,547,056</u>	<u>422,172</u>	<u>417,217</u>
<b>Total contributed equity</b>	<b>198,044,145</b>	<b>194,547,056</b>	<b>422,172</b>	<b>417,217</b>

### (b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$'000
<b>1 July 2023</b>	<b>Opening balance</b>	<b>194,601,091</b>		<b>418,479</b>
	Shares issued under Dividend Reinvestment Plan (DRP), net of costs	93,054	\$9.20	856
	Treasury stock vested	3,350,000		-
	Employee loan share repayments	-		2,837
<b>31 Dec 2023</b>	<b>Closing Balance</b>	<b>198,044,145</b>		<b>422,172</b>
<b>1 July 2022</b>	<b>Opening balance</b>	<b>193,860,297</b>		<b>412,066</b>
	Shares issued under Dividend Reinvestment Plan (DRP), net of costs	283,243	\$9.75	2,760
	Shares issued on exercise of options	400,000	\$3.93	1,572
	Performance rights vested	3,516		64
	Employee loan share repayments	-		755
<b>31 Dec 2022</b>	<b>Closing Balance</b>	<b>194,547,056</b>		<b>417,217</b>

### (c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the 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.

## 8 Contributed equity (cont.)

### (d) Treasury stock

Treasury stock are shares in Pinnacle Investment Management Group Limited that are subject to share mortgage under employee loans used for the purposes of acquiring interests in the Company (refer note 14). The value ascribed to treasury stock is the balance of the loans secured by share mortgage at period end.

Treasury stock movement for the period is detailed in the table below:

Date	Details	Number of treasury shares	\$'000
1 July 2023	Opening balance	6,567,000	45,417
	Employee loan share repayments		(2,837)
	Forfeited	(327,500)	(3,617)
	Vested shares	(3,350,000)	-
	Issue of loan shares under Pinnacle Omnibus Plan	1,917,500	17,502
31 Dec 2023	Closing Balance	4,807,000	56,465
1 July 2022	Opening balance	5,700,000	39,453
	Employee loan share repayments		(755)
	Issue of loan shares under Pinnacle Omnibus Plan	1,017,000	8,792
31 Dec 2022	Closing Balance	6,717,000	47,490

## 9 Reserves and retained earnings

### (a) Reserves

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Share-based payments reserve	17,993	16,321
Performance rights reserve	-	-
Transactions with non-controlling interests reserve	(59,603)	(59,603)
	<u>(41,610)</u>	<u>(43,282)</u>

The share-based payments reserve is used to recognise:

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

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. In 2016, the Company acquired the remaining 24.99% interest in its subsidiary Pinnacle Investment Management Limited that it did not own. The difference between the fair value of the consideration paid and the carrying value of the non-controlling interest is reflected in the Transactions with non-controlling interests reserve.



## 9 Reserves and accumulated losses (cont.)

### (b) Retained earnings

Movements in retained earnings were as follows:

	\$'000
Balance at 1 July 2023	47,376
Profit attributable to owners of Pinnacle Investment Management Group Limited	30,227
Dividends paid to shareholders (refer note 11)	(40,987)
Balance at 31 December 2023	<u>36,616</u>

## 10 Earnings per share

	Half Year	
	31 Dec 2023 Cents	31 Dec 2022 Cents
(a) Basic earnings per share		
Attributable to the ordinary equity holders of the Company:		
From continuing operations	15.4	15.7
From total operations	<u>15.4</u>	<u>15.7</u>

### (b) Diluted earnings per share

Attributable to the ordinary equity holders of the Company:		
From continuing operations	15.3	15.6
From total operations	<u>15.3</u>	<u>15.6</u>

	Half Year	
	31 Dec 2023 \$'000	31 Dec 2022 \$'000
(c) Basic and diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share:		
From continuing operations	30,227	30,488
Profit used in calculating basic and diluted earnings per share	<u>30,227</u>	<u>30,488</u>

	Half Year	
	31 Dec 2023 Number	31 Dec 2022 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	196,297,301	194,126,747
Adjustments for calculation of diluted earnings per share:		
Weighted average options and treasury stock	1,275,870	1,733,877
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>197,573,171</u>	<u>195,860,624</u>

### (e) Information concerning the classification of securities

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

## 11 Dividends

	Half Year	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
<b>(a) Ordinary shares</b>		
Final dividend for the year ended 30 June 2023 of 20.4 cents per fully paid ordinary share paid on 15 September 2023 (2023 – 17.5 cents paid on 16 September 2022)		
Fully franked based on tax paid @ 30.0%	40,987	34,924
Total dividends paid	40,987	34,924

The Company activated its Dividend Reinvest Plan (DRP) on 29 August 2017. The final dividend for the year ended 30 June 2023, totaling \$40,987,290, was paid \$40,130,804 in cash and \$856,486 via the DRP. The DRP associated with the final dividend for the year ended 30 June 2022, totaling \$34,923,525, was paid \$32,163,146 in cash and \$2,760,379 via the DRP.

### (b) Dividends not recognised at the end of the half year

Since period end the Directors have recommended the payment of an interim dividend of 15.6 cents per fully paid ordinary share (2023 – 15.6 cents), fully franked based on tax paid at 30%. The aggregate amount of the dividend expected to be paid on 22 March 2024 (2023 – 17 March 2023), but not recognised as a liability at half year end, is:

31,657	31,397
31,657	31,397

## 12 Borrowings and Financing Facilities

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 period for the Corporate Card Facility and Bank Guarantee is until 30 June 2024, for the Loan Facility (Tranche A and B) is until 30 June 2025 and for Tranche C was until 15 September 2023. Further details regarding the Corporate Card Facility and Bank Guarantee are provided in Note 13.

As at 31 December 2023, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

31 December 2023	0 - 1 year \$'000	1 - 2 years \$'000	2 - 5 years \$'000	Over 5 years \$'000	Total contractual cashflows \$'000	Carrying Amount \$'000
<i>Contractual maturity of financial liabilities</i>						
Trade payables	6,663	-	-	-	6,663	6,663
Borrowings	6,348	103,174	-	-	109,522	100,129
Lease Liabilities	1,707	1,815	6,136	1,890	11,548	10,028
<b>Total non-derivatives</b>	<b>14,718</b>	<b>104,989</b>	<b>6,136</b>	<b>1,890</b>	<b>127,733</b>	<b>116,820</b>
 30 June 2023	 0 - 1 year \$'000	 1 - 2 years \$'000	 2 - 5 years \$'000	 Over 5 years \$'000	 Total contractual cashflows \$'000	 Carrying Amount \$'000
<i>Contractual maturity of financial liabilities</i>						
Trade payables	6,834	-	-	-	6,834	6,834
Borrowings	26,348	6,348	100,000	-	132,696	120,137
Lease Liabilities	357	-	-	-	357	357
<b>Total assets</b>	<b>33,539</b>	<b>6,348</b>	<b>100,000</b>	<b>-</b>	<b>139,887</b>	<b>127,328</b>

## **12 Borrowings and Financing Facilities (cont.)**

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:
  - \$130,000,000; and
  - an amount equal to 75% of the tangible net wealth (minimum 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 31 December 2023, the interest cover ratio was 12x, the net leverage cover ratio was 1.0 and the tangible net wealth was \$415,407,000 (132% of the minimum net wealth at 30 June 2023).

The Loan Facility is split into three Tranches – Tranche A is \$60,000,000 and is for general corporate purposes. Tranche B is \$40,000,000 and is for acquisitions, or investments into certain liquid investment strategies managed by Pinnacle Affiliates. Tranche C was \$20,000,000 and was repaid during the period in line with the loan term. The Loan Facility of \$100,000,000 was fully drawn as at 31 December 2023. The loan is a variable rate, Australian-dollar denominated loan which is carried at amortised cost. The facility term is three years from drawdown.

## **13 Contingencies**

### **Guarantees**

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

- (i) Pinnacle Funds Services Limited - \$5,000,000 (30 June 2023: \$5,000,000).
- (ii) Pinnacle RE Services Limited - \$50,000 (30 June 2023 - \$50,000)

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

- (i) Pinnacle Services Administration Pty Ltd - \$2,480,000 (30 June 2023 - \$2,480,000)

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 unused bank guarantee facility at balance date was \$275,000 (30 June 2023: \$275,000). The Group has also provided guarantees in relation to its corporate credit card facilities (facility limits totaling \$400,000, of which \$342,000 was unused at balance date).

These guarantees may give rise to liabilities for the Group 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.

## **14 Related party transactions**

### **(a) Movement in loans to Key Management Personnel**

#### **(i) Loans re-issued 25 August 2016**

Further details of these loans are provided in the Group's 2023 annual report.

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

<b>Key Management Personnel</b>	<b>Loan balance – 1 July 2023 \$</b>	<b>Repayments made \$</b>	<b>Loan balance - 31 Dec 2023 \$</b>
Andrew Chambers	219,851	-	219,851

#### **(ii) Loan Shares issued under the Pinnacle Omnibus Plan**

Further details of these loans are provided in the Group's 2023 annual report.

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

<b>Key Management Personnel</b>	<b>Loan balance – 1 July 2023 \$</b>	<b>Issued \$</b>	<b>Repayments made \$</b>	<b>Loan balance - 31 Dec 2023 \$</b>
Ian Macoun	1,447,390	-	-	1,447,390
Andrew Chambers	3,859,707	780,721	-	4,640,428
Daniel Longan	3,532,245	919,960	(46,335)	4,405,870
Calvin Kwok	3,351,023	919,960	(38,612)	4,232,371

### **(b) Loans to other Related Parties**

On 27th October 2017, a subsidiary of the Company provided loan funding totaling \$5,226,000 to a number of executives of Pinnacle Affiliate Palisade Investment Partners Limited ('Palisade'), an Associate of the Group, to facilitate their purchase of shares in Palisade from an exiting shareholder. The loans have terms of between five and seven years, are interest-bearing and secured by shares in Palisade. The loans are recorded within other current and non-current assets in the consolidated statement of financial position.

During the half year, interest of \$18,000 accrued on these loans and repayments of \$771,000 were made. The balance of the loans at 31 December 2023 including capitalized interest was \$349,000 (balance at 30 June 2023 \$1,102,000).

During the year to 30 June 2023, Palisade Real Assets acquired its first energy transition asset in Malaby, Wiltshire, UK. This was funded initially by Pinnacle, with a fixed return on the capital provided of 8% and a term of 1.5 years. 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 \$20,668,000.

## 15 Fair value measurement of financial instruments

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report. The Group has fully drawn down its \$100,000,000 facility with the Commonwealth Bank of Australia (\$120,000,000 at 30 June 2023), with the proceeds deployed in liquid funds managed by Affiliates.

### (a) Fair value hierarchy

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 financial assets and financial liabilities measured and recognised at fair value at 31 December 2023 and 30 June 2023 on a recurring basis:

<b>31 December 2023</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Australian listed equity securities	15,633	-	-	15,633
Unlisted unit trusts	-	95,976	-	95,976
Derivative financial instruments - futures	3,388	-	-	3,388
Other unlisted instruments	-	20,668	695	21,363
	<b>19,021</b>	<b>116,644</b>	<b>695</b>	<b>136,360</b>
<b>Total assets</b>	<b>19,021</b>	<b>116,644</b>	<b>695</b>	<b>136,360</b>

No liabilities were held at fair value at 31 December 2023.

<b>30 June 2023</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Australian listed equity securities	14,884	-	-	14,884
Unlisted unit trusts	-	120,818	-	120,818
Derivative financial instruments - futures	3,716	-	-	3,716
Other unlisted instruments	-	19,771	4,005	23,776
	<b>18,600</b>	<b>140,589</b>	<b>4,005</b>	<b>163,194</b>
<b>Total assets</b>	<b>18,600</b>	<b>140,589</b>	<b>4,005</b>	<b>163,194</b>

No liabilities were held at fair value at 30 June 2023.

## 15 Fair value measurement of financial instruments (cont.)

The Group did not measure any financial assets or liabilities at fair value on a non-recurring basis as at 31 December 2023.

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.

### (b) Valuation techniques used to determine fair values

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 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 associates 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.

### (c) 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 half year ended 31 December 2023:

	Unlisted equity securities \$'000
<b>Opening balance 1 July 2023</b>	4,005
Unrealised gains / (losses) recognised in fair value gains / (losses) on financial assets at fair value through profit and loss	(3,360)
Additions	50
Fair value adjustments recognised in other comprehensive income	-
<b>Closing balance 31 December 2023</b>	<b>695</b>

#### (i) Valuation process

Unlisted equity securities valued under level 3 are investments in unlisted companies. Where possible, the investments are valued based on the most recent transaction involving the securities of the investee 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.

#### (ii) Transfer between levels

There were no transfers between levels during the half year.

## 16 Provisions

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<b>Current</b>		
Employee benefits – annual leave and long service leave	<u>2,438</u>	<u>2,414</u>
	<u>2,438</u>	<u>2,414</u>
<b>Non-Current</b>		
Employee benefits – long service leave	<u>367</u>	<u>321</u>
	<u>367</u>	<u>321</u>
	<b>Employee Benefits \$'000</b>	<b>Total \$'000</b>
<b>Current</b>		
Balance at 1 July 2023	2,414	2,414
Amounts provided for during the period (net)	<u>24</u>	<u>24</u>
Balance at 31 December 2023	<u>2,438</u>	<u>2,438</u>
<b>Non-Current</b>		
Balance at 1 July 2023	321	321
Amounts provided for during the period (net)	<u>46</u>	<u>46</u>
Balance at 31 December 2023	<u>367</u>	<u>367</u>

## 17 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.

In the opinion of the Directors of Pinnacle Investment Management Group Limited (the Company):

- (a) the interim financial report and notes set out on pages 6 to 23 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Mr A Watson  
Chair  
Sydney  
1 February 2024





## **Independent auditor's review report to the members of Pinnacle Investment Management Group Limited**

### **Report on the half-year financial report**

#### **Conclusion**

We have reviewed the half-year financial report of Pinnacle Investment Management Group Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, material accounting policy information and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Pinnacle Investment Management Group Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### **Basis for conclusion**

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### **Responsibilities of the directors for the half-year financial report**

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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***Auditor's responsibilities for the review of the half-year financial report***

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*RB*

R Balding  
Partner

Sydney  
1 February 2024