

**Pinnacle Large Proprietary General Purpose Pty
Limited**

ABN 12 345 678 901

Annual Report - 31 December 2011

Pinnacle Large Proprietary General Purpose Pty Limited
Directors' report
31 December 2011

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Pinnacle Large Proprietary General Purpose Pty Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 31 December 2011.

Directors

The following persons were directors of Pinnacle Large Proprietary General Purpose Pty Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Anthony Example
Brad Example
Christina Example
Daniel Example
Elizabeth Example (resigned on 18 February 2012)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Computer manufacturing
- Computer retailing
- Computer distribution

The computer distribution division was significantly enhanced during the year with the acquisition of Pinnacle CompCarrier Pty Limited.

Dividends

Dividends paid during the financial year were as follows:

	2011	2010
	\$'000	\$'000
Final dividend for the year ended 31 December 2010 (2010: 31 December 2009) of 15 cents (2010: 8 cents) per ordinary share paid on 28 April 2011 (2010: 20 April 2010) fully franked based on a tax rate of 30%	22,037	11,744
Interim dividend for the year ended 31 December 2011 (2010: 31 December 2010) of 5 cents (2010: 4 cents) per ordinary share paid on 25 August 2011 (2010: 21 August 2010) fully franked based on a tax rate of 30%	<u>7,346</u>	<u>5,872</u>
	<u><u>29,383</u></u>	<u><u>17,616</u></u>

On 24 February 2012 the directors declared a fully franked final dividend for the year ended 31 December 2011 of 17 cents per ordinary share to be paid on 28 April 2012, a total estimated distribution of \$24,975,000 based on the number of ordinary shares on issue as at 24 February 2012. As the dividend was fully franked, there are no income tax consequences for the owners of Pinnacle Large Proprietary General Purpose Pty Limited relating to this dividend.

Review of operations

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$32,408,000 (31 December 2010: \$21,620,000).

Significant changes in the state of affairs

On 1 February 2011 Pinnacle Delsolve Pty Limited, a subsidiary of Pinnacle Large Proprietary General Purpose Pty Limited, acquired 100% of the ordinary shares of Pinnacle CompCarrier Pty Limited (formerly known as CompCarrier Pty Limited) for the total consideration transferred of \$8,230,000. This is a freight business and operates in the computer distribution division of the consolidated entity.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Pinnacle Large Proprietary General Purpose Pty Limited
Directors' report
31 December 2011

Matters subsequent to the end of the financial year

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 31 December 2011 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Shares under option

There were no options outstanding as at 31 December 2011.

Shares issued on the exercise of options

There were no shares of Pinnacle Large Proprietary General Purpose Pty Limited issued on the exercise of options during the year ended 31 December 2011.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Pinnacle Large Proprietary General Purpose Pty Limited
Directors' report
31 December 2011

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 the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Daniel Example
Director

24 February 2012
Sydney

Pinnacle Large Proprietary General Purpose Pty Limited
Auditor's independence declaration

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Pinnacle Large Proprietary General Purpose Pty Limited
Financial report
For the year ended 31 December 2011

Contents

Page

Financial report

Statement of comprehensive income

Statement of financial position

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

Directors' declaration

Independent auditor's report to the members of Pinnacle Large Proprietary General Purpose Pty Limited

General information

The financial report covers Pinnacle Large Proprietary General Purpose Pty Limited as a consolidated entity consisting of Pinnacle Large Proprietary General Purpose Pty Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Pinnacle Large Proprietary General Purpose Pty Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Pinnacle Large Proprietary General Purpose Pty Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

10th Floor

Universal Administration Building

12 Highland Street

Sydney NSW 2000

Principal place of business

5th Floor

Pinnacle Business Centre

247 Edward Street

Brisbane QLD 4000

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 24 February 2012. The directors have the power to amend and reissue the financial report.

Pinnacle Large Proprietary General Purpose Pty Limited
Statement of comprehensive income
For the year ended 31 December 2011

	Note	Consolidated 2011 \$'000	2010 \$'000
Revenue	3	467,562	435,661
Share of profits of associates accounted for using the equity method	4	4,587	3,802
Other income	5	742	1,692
Expenses			
Changes in inventories		(3,523)	(782)
Raw materials and consumables used		(137,078)	(131,118)
Employee benefits expense		(227,169)	(221,724)
Depreciation and amortisation expense	6	(19,101)	(20,363)
Impairment of assets		(500)	-
Net fair value loss on investment properties		(600)	-
Other expenses		(35,890)	(32,372)
Finance costs	6	(2,239)	(3,451)
Profit before income tax expense		46,791	31,345
Income tax expense	7	(14,241)	(9,496)
Profit after income tax expense for the year		32,550	21,849
Other comprehensive income			
Gain on the revaluation of land and buildings, net of tax		-	1,400
Gain on the revaluation of available-for-sale financial assets, net of tax		35	-
Cash flow hedges transferred to profit or loss, net of tax		-	(2)
Cash flow hedges transferred to inventory in the statement of financial position, net of tax		(3)	(7)
Net change in the fair value of cash flow hedges taken to equity, net of tax		(7)	(18)
Foreign currency translation		(257)	(218)
Other comprehensive income for the year, net of tax		(232)	1,155
Total comprehensive income for the year		<u>32,318</u>	<u>23,004</u>
Profit for the year is attributable to:			
Non-controlling interest		142	229
Owners of Pinnacle Large Proprietary General Purpose Pty Limited	36	32,408	21,620
		<u>32,550</u>	<u>21,849</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		142	369
Owners of Pinnacle Large Proprietary General Purpose Pty Limited		32,176	22,635
		<u>32,318</u>	<u>23,004</u>

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

Pinnacle Large Proprietary General Purpose Pty Limited
Statement of financial position
As at 31 December 2011

		Consolidated	
	Note	2011	2010
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	8	26,136	5,524
Trade and other receivables	9	14,336	13,178
Inventories	10	39,525	43,048
Financial assets at fair value through profit or loss	11	360	-
Other	12	3,180	2,788
		<u>83,537</u>	<u>64,538</u>
Non-current assets classified as held for sale	13	6,000	-
Total current assets		<u>89,537</u>	<u>64,538</u>
Non-current assets			
Receivables	14	145	145
Investments accounted for using the equity method	15	36,709	32,122
Available-for-sale financial assets	16	170	-
Investment properties	17	46,900	47,500
Property, plant and equipment	18	121,253	134,014
Intangibles	19	12,170	11,616
Deferred tax	20	9,289	8,464
Other	21	1,260	1,445
Total non-current assets		<u>227,896</u>	<u>235,306</u>
Total assets		<u>317,433</u>	<u>299,844</u>
Liabilities			
Current liabilities			
Trade and other payables	22	20,004	17,306
Borrowings	23	6,114	4,610
Derivative financial instruments	24	122	107
Income tax	25	9,218	3,492
Employee benefits	26	8,352	8,143
Provisions	27	3,494	2,837
Other	28	3,412	3,062
		<u>50,716</u>	<u>39,557</u>
Liabilities directly associated with assets classified as held for sale	29	4,000	-
Total current liabilities		<u>54,716</u>	<u>39,557</u>
Non-current liabilities			
Borrowings	30	20,823	22,437
Deferred tax	31	3,339	3,205
Employee benefits	32	11,149	10,854
Provisions	33	1,475	1,070
Total non-current liabilities		<u>36,786</u>	<u>37,566</u>
Total liabilities		<u>91,502</u>	<u>77,123</u>
Net assets		<u>225,931</u>	<u>222,721</u>

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

Pinnacle Large Proprietary General Purpose Pty Limited
Statement of financial position
As at 31 December 2011

	Note	Consolidated	
		2011 \$'000	2010 \$'000
Equity			
Contributed equity	34	182,953	182,678
Reserves	35	3,276	3,508
Retained profits	36	<u>22,339</u>	<u>19,314</u>
Equity attributable to the owners of Pinnacle Large Proprietary General Purpose Pty Limited		208,568	205,500
Non-controlling interest	37	<u>17,363</u>	<u>17,221</u>
Total equity		<u><u>225,931</u></u>	<u><u>222,721</u></u>

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

Pinnacle Large Proprietary General Purpose Pty Limited
Statement of changes in equity
For the year ended 31 December 2011

	Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	Non- controlling interest \$'000	Total equity \$'000
Consolidated					
Balance at 1 January 2010	104,922	2,493	15,310	16,852	139,577
Other comprehensive income for the year, net of tax	-	1,015	-	140	1,155
Profit after income tax expense for the year	-	-	21,620	229	21,849
Total comprehensive income for the year	-	1,015	21,620	369	23,004
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	77,756	-	-	-	77,756
Dividends paid	-	-	(17,616)	-	(17,616)
Balance at 31 December 2010	<u>182,678</u>	<u>3,508</u>	<u>19,314</u>	<u>17,221</u>	<u>222,721</u>
	Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	Non- controlling interest \$'000	Total equity \$'000
Consolidated					
Balance at 1 January 2011	182,678	3,508	19,314	17,221	222,721
Other comprehensive income for the year, net of tax	-	(232)	-	-	(232)
Profit after income tax expense for the year	-	-	32,408	142	32,550
Total comprehensive income for the year	-	(232)	32,408	142	32,318
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	25	-	-	-	25
Share-based payments	250	-	-	-	250
Dividends paid	-	-	(29,383)	-	(29,383)
Balance at 31 December 2011	<u>182,953</u>	<u>3,276</u>	<u>22,339</u>	<u>17,363</u>	<u>225,931</u>

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

Pinnacle Large Proprietary General Purpose Pty Limited
Statement of cash flows
For the year ended 31 December 2011

	Note	Consolidated 2011 \$'000	2010 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		508,040	474,832
Payments to suppliers and employees (inclusive of GST)		<u>(442,673)</u>	<u>(428,469)</u>
		65,367	46,363
Interest received		1,084	540
Other revenue		3,964	3,358
Interest and other finance costs paid		(2,154)	(3,451)
Income taxes paid		<u>(9,142)</u>	<u>(8,461)</u>
Net cash from operating activities	52	<u>59,119</u>	<u>38,349</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	47	(8,072)	(155)
Payments for investments		(510)	-
Payments for property, plant and equipment		(6,215)	(3,048)
Proceeds from sale of investments		80	-
Proceeds from sale of property, plant and equipment		1,511	250
Proceeds from release of security deposits		<u>155</u>	<u>-</u>
Net cash used in investing activities		<u>(13,051)</u>	<u>(2,953)</u>
Cash flows from financing activities			
Proceeds from issue of shares	34	25	78,750
Proceeds from borrowings		12,000	-
Share issue transaction costs		-	(1,420)
Dividends paid	38	(29,383)	(17,616)
Repayment of borrowings		<u>(6,837)</u>	<u>(95,601)</u>
Net cash used in financing activities		<u>(24,195)</u>	<u>(35,887)</u>
Net increase/(decrease) in cash and cash equivalents		21,873	(491)
Cash and cash equivalents at the beginning of the financial year		4,251	4,734
Effects of exchange rate changes on cash		<u>12</u>	<u>8</u>
Cash and cash equivalents at the end of the financial year	8	<u>26,136</u>	<u>4,251</u>

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

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

The consolidated entity has applied Interpretation 19 from 1 January 2011. The interpretation clarified that equity instruments issued to a creditor to extinguish a financial liability qualifies as consideration paid. The equity instruments issued are measured at their fair value, or if not reliably measured, at the fair value of the liability extinguished, with any gain or loss recognised in profit or loss.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The consolidated entity has applied AASB 2010-3 amendments from 1 January 2011. The amendments resulted in some accounting changes for presentation, recognition or measurement purposes, whilst some amendments related to terminology and editorial changes had no or minimal effect on accounting. The main changes were:

AASB 127 'Consolidated and Separate Financial Statements' and AASB '3 Business Combinations' – the amendments clarified that contingent consideration from a business combination that occurred before the effective date of revised AASB 3 is not to be restated; the scope of the measurement choice of non-controlling interest is limited to when the rights acquired include entitlement to a proportionate share of net assets in the event of liquidation; and required an entity in a business combination to account for the replacement of acquiree's share-based payment transactions, unreplaced and voluntarily replaced, by splitting between consideration and post combination expenses.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The consolidated entity has applied AASB 2010-4 amendments from 1 January 2011. The amendments made numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provided clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments; clarified that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provided guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies (continued)

AASB 2010-5 Amendments to Australian Accounting Standards

The consolidated entity has applied AASB 2010-5 amendments from 1 January 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

AASB 124 Related Party Disclosures (December 2009)

The consolidated entity has applied AASB 124 (revised) from 1 January 2011. The revised standard simplified the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. A subsidiary and an associate with the same investor are related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

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. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 46.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pinnacle Large Proprietary General Purpose Pty Limited ('company' or 'parent entity') as at 31 December 2011 and the results of all subsidiaries for the year then ended. Pinnacle Large Proprietary General Purpose Pty Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of comprehensive income and statement of financial position of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial report is presented in Australian dollars, which is Pinnacle Large Proprietary General Purpose Pty Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars 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 financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximates the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services

Rendering of services revenue from computer maintenance fees is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rent

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies (continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Pinnacle Large Proprietary General Purpose Pty Limited (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity 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 tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies (continued)

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Cash flow hedges

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risk associated with a recognised asset or liability or a firm commitment which could affect income or expenses. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if hedge becomes ineffective and is no longer a designated hedge, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies (continued)

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associates. Dividends received or receivable from associates reduce the carrying amount of the investment.

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

Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised directly in the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies (continued)

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised directly in the available-for-sale reserve.

Investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the consolidated entity. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value, based on similar assets, location and market conditions. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on date of change of use.

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies (continued)

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years
Plant and equipment under lease	2-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies (continued)

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed 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.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies (continued)

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on the bank overdraft
- interest on short-term and long-term borrowings
- interest on finance leases
- unwinding of the discount on provisions

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Contributed equity

Ordinary shares are classified as equity.

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.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies (continued)

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other payables in the 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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies (continued)

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2011. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 January 2012 will increase the disclosure requirements on the consolidated entity when an asset is transferred but is not derecognised and new disclosure required when assets are derecognised but the consolidated entity continues to have a continuing exposure to the asset after the sale or transfer.

AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The consolidated entity is yet to quantify the tax effect of adopting these amendments from 1 January 2012.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies (continued)

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 January 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de

AASB 11 Joint Arrangements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 January 2013 will not have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'. The adoption of this standard from 1 January 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 January 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)

AASB 128 Investments in Associates and Joint Ventures (Reissued)

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 January 2013 will not have a material impact on the consolidated entity.

AASB 119 Employee Benefits (September 2011)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The adoption of the revised standard from 1 January 2013 will require increased disclosures by the consolidated entity.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies (continued)

AASB 1054 Australian Additional Disclosures

This Standard is applicable to annual reporting periods beginning on or after 1 July 2011. The standard sets out the Australian-specific disclosures, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards. The adoption of these amendments from 1 January 2012 will not have a material impact on the consolidated entity.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project

These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. They make changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The amendments remove certain guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRS but without any intention to change requirements. The adoption of these amendments from 1 January 2012 will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 January 2013 will not have a material impact on the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

These amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 January 2013 will impact the consolidated entity's presentation of its statement of comprehensive income.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, 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.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Fair value and hierarchy of financial instruments

The consolidated entity is required to classify financial instruments, measured at fair value, using a three level hierarchy, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: 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); and Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

The fair value of financial instruments classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

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

Long service leave provision

As discussed in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Warranty provision

In determining the level of provision required for warranties the consolidated entity has made judgements in respect of the expected performance of the products, the number of customers who will actually use the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Revenue

	Consolidated	
	2011	2010
	\$'000	\$'000
<i>Sales revenue</i>		
Sale of goods	459,403	428,186
Rendering of services	3,378	3,574
	<u>462,781</u>	<u>431,760</u>
<i>Other revenue</i>		
Interest	1,087	543
Rent from investment properties	3,623	3,310
Other revenue	71	48
	<u>4,781</u>	<u>3,901</u>
Revenue	<u>467,562</u>	<u>435,661</u>

Note 4. Share of profits of associates accounted for using the equity method

	Consolidated	
	2011	2010
	\$'000	\$'000
Share of profit - associates	<u>4,587</u>	<u>3,802</u>

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 5. Other income

	Consolidated	
	2011	2010
	\$'000	\$'000
Net fair value gain on other financial assets	50	-
Net fair value gain on investment properties	-	1,500
Net gain on disposal of property, plant and equipment	422	192
Insurance recoveries	270	-
	<u>742</u>	<u>1,692</u>
Other income	<u>742</u>	<u>1,692</u>

Note 6. Expenses

	Consolidated	
	2011	2010
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of sales	<u>284,451</u>	<u>277,984</u>
<i>Depreciation</i>		
Leasehold improvements	5,281	5,721
Plant and equipment	12,199	13,414
Plant and equipment under lease	<u>1,017</u>	<u>853</u>
Total depreciation	<u>18,497</u>	<u>19,988</u>
<i>Amortisation</i>		
Development	321	321
Patents and trademarks	32	32
Customer contracts	229	-
Software	<u>22</u>	<u>22</u>
Total amortisation	<u>604</u>	<u>375</u>
Total depreciation and amortisation	<u>19,101</u>	<u>20,363</u>
<i>Impairment</i>		
Goodwill	<u>500</u>	<u>-</u>

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 6. Expenses (continued)

	Consolidated	
	2011	2010
	\$'000	\$'000
<i>Finance costs</i>		
Interest and finance charges paid/payable	2,154	3,389
Unwinding of the discount on provisions	85	62
	<u>2,239</u>	<u>3,451</u>
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	13	6
	<u>13</u>	<u>6</u>
<i>Net fair value loss</i>		
Net fair value loss on investment properties	600	-
	<u>600</u>	<u>-</u>
<i>Cash flow hedge ineffectiveness</i>		
Cash flow hedge ineffectiveness	4	2
	<u>4</u>	<u>2</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	36,798	34,874
	<u>36,798</u>	<u>34,874</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	14,942	14,568
	<u>14,942</u>	<u>14,568</u>
<i>Share-based payments expense</i>		
Share-based payments expense	250	-
	<u>250</u>	<u>-</u>
<i>Research costs</i>		
Research costs	124	107
	<u>124</u>	<u>107</u>
<i>Write off of assets</i>		
Inventories	538	112
	<u>538</u>	<u>112</u>
<i>Expenses on investment properties</i>		
Direct operating expenses from property that generated rental income	61	59
Direct operating expenses from property that did not generate rental income	8	3
	<u>69</u>	<u>62</u>
Total expenses on investment properties	<u>69</u>	<u>62</u>

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 7. Income tax expense

	Consolidated	
	2011	2010
	\$'000	\$'000
<i>Income tax expense</i>		
Current tax	14,971	9,176
Deferred tax - origination and reversal of temporary differences	(627)	320
Adjustment recognised for prior periods	(103)	-
	<u>14,241</u>	<u>9,496</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 20)	(371)	(142)
(Decrease)/increase in deferred tax liabilities (note 31)	(256)	462
	<u>(627)</u>	<u>320</u>
Deferred tax - origination and reversal of temporary differences		
	<u>(627)</u>	<u>320</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	46,791	31,345
Tax at the statutory tax rate of 30%	14,037	9,404
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	32	41
Impairment of goodwill	150	-
Share-based payments	75	-
Sundry items	50	51
	<u>14,344</u>	<u>9,496</u>
Adjustment recognised for prior periods	(103)	-
	<u>14,241</u>	<u>9,496</u>
<i>Amounts charged/(credited) directly to equity</i>		
Deferred tax assets (note 20)	(5)	(437)
Deferred tax liabilities (note 31)	15	600
	<u>10</u>	<u>163</u>

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2011	2010
	\$'000	\$'000
Cash on hand	123	107
Cash at bank	14,113	5,017
Cash on deposit	11,900	400
	<u>26,136</u>	<u>5,524</u>

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	26,136	5,524
Bank overdraft (note 23)	<u>-</u>	<u>(1,273)</u>
Balance as per statement of cash flows	<u>26,136</u>	<u>4,251</u>

Note 9. Current assets - trade and other receivables

	Consolidated	
	2011	2010
	\$'000	\$'000
Trade receivables	14,344	13,181
Less: Provision for impairment of receivables	(75)	(50)
	<u>14,269</u>	<u>13,131</u>
Other receivables	60	43
Interest receivable	7	4
	<u>14,336</u>	<u>13,178</u>

Impairment of receivables

The consolidated entity has recognised a loss of \$327,000 (2010: \$217,000) in profit or loss in respect of impairment of receivables for the year ended 31 December 2011.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2011	2010
	\$'000	\$'000
0 to 3 months overdue	24	13
3 to 6 months overdue	19	14
Over 6 months overdue	32	23
	<u>75</u>	<u>50</u>

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 9. Current assets - trade and other receivables (continued)

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2011	2010
	\$'000	\$'000
Opening balance	50	50
Additional provisions recognised	327	217
Receivables written off during the year as uncollectable	(286)	(209)
Unused amounts reversed	(16)	(8)
	<u>75</u>	<u>50</u>
Closing balance	<u><u>75</u></u>	<u><u>50</u></u>

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$192,000 as at 31 December 2011 (\$158,000 as at 31 December 2010).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2011	2010
	\$'000	\$'000
0 to 3 months overdue	73	97
3 to 6 months overdue	114	54
Over 6 months overdue	5	7
	<u>192</u>	<u>158</u>
	<u><u>192</u></u>	<u><u>158</u></u>

Note 10. Current assets - inventories

	Consolidated	
	2011	2010
	\$'000	\$'000
Raw materials - at cost	6,817	6,081
Work in progress - at cost	16,040	17,434
Finished goods - at net realisable value	16,464	19,346
Stock in transit - at cost	204	187
	<u>39,525</u>	<u>43,048</u>
	<u><u>39,525</u></u>	<u><u>43,048</u></u>

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 11. Current assets - financial assets at fair value through profit or loss

	Consolidated	
	2011	2010
	\$'000	\$'000
Ordinary shares - designated at fair value through profit or loss	82	-
Ordinary shares - held for trading	278	-
	<u>360</u>	<u>-</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out		
Opening fair value	-	-
Additions	310	-
Revaluation increments	50	-
Closing fair value	<u>360</u>	<u>-</u>

Refer to note 39 for detailed information on financial instruments.

Note 12. Current assets - other

	Consolidated	
	2011	2010
	\$'000	\$'000
Accrued revenue	2,005	1,850
Prepayments	1,007	756
Deferred expenses	103	147
Security deposits	65	35
	<u>3,180</u>	<u>2,788</u>

Note 13. Current assets - non-current assets classified as held for sale

	Consolidated	
	2011	2010
	\$'000	\$'000
Land	<u>6,000</u>	<u>-</u>

The vacant land situated at 22 Smith Street, Parramatta NSW is currently for sale and is expected to be sold within five months from the reporting date through an auction process. The proposed development of a head office building on the site has been abandoned and the land is now surplus to requirements.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 14. Non-current assets - receivables

	Consolidated	
	2011	2010
	\$'000	\$'000
Other receivables	145	145
	145	145

The other receivables are due to be repaid by 31 December 2014 and the effect of discounting is considered not to be material.

Note 15. Non-current assets - investments accounted for using the equity method

	Consolidated	
	2011	2010
	\$'000	\$'000
Investment in associate	36,709	32,122
	36,709	32,122

Refer to note 49 for detailed information on investments in associates.

Note 16. Non-current assets - available-for-sale financial assets

	Consolidated	
	2011	2010
	\$'000	\$'000
Ordinary shares	170	-
	170	-
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out		
Opening fair value	-	-
Additions	200	-
Disposals	(80)	-
Revaluation increments	50	-
Closing fair value	170	-

Refer to note 39 for detailed information on financial instruments.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 17. Non-current assets - investment properties

	Consolidated	
	2011	2010
	\$'000	\$'000
Investment properties - at independent valuation	46,900	47,500

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out

Opening fair value	47,500	46,000
Revaluation increments	-	1,500
Revaluation decrements	(600)	-
Closing fair value	46,900	47,500

Valuations of investment properties

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment. The investment properties are revalued annually based on independent assessments by a member of the Australian Property Institute.

Lessor commitments

	Consolidated	
	2011	2010
	\$'000	\$'000
Minimum lease payments receivable but not recognised in the financial statements:		
Within one year	3,580	3,442
One to five years	15,810	15,202
More than five years	4,356	8,544
	23,746	27,188

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 18. Non-current assets - property, plant and equipment

	Consolidated	
	2011	2010
	\$'000	\$'000
Land and buildings - at independent valuation	52,500	58,500
	<u>52,500</u>	<u>58,500</u>
Leasehold improvements - at cost	33,585	27,185
Less: Accumulated depreciation	(18,401)	(13,120)
	<u>15,184</u>	<u>14,065</u>
Plant and equipment - at cost	105,607	100,362
Less: Accumulated depreciation	(56,152)	(44,044)
	<u>49,455</u>	<u>56,318</u>
Plant and equipment under lease	6,184	6,184
Less: Accumulated depreciation	(2,070)	(1,053)
	<u>4,114</u>	<u>5,131</u>
	<u>121,253</u>	<u>134,014</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land and buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Plant under lease \$'000	Total \$'000
Consolidated					
Balance at 1 January 2010	56,500	17,478	69,050	3,650	146,678
Additions	-	2,308	740	2,334	5,382
Disposals	-	-	(58)	-	(58)
Revaluation increments	2,000	-	-	-	2,000
Depreciation expense	-	(5,721)	(13,414)	(853)	(19,988)
	<u>58,500</u>	<u>14,065</u>	<u>56,318</u>	<u>5,131</u>	<u>134,014</u>
Balance at 31 December 2010	58,500	14,065	56,318	5,131	134,014
Additions	-	6,400	365	-	6,765
Additions through business combinations (note 47)	-	-	6,060	-	6,060
Classified as held for sale (note 13)	(6,000)	-	-	-	(6,000)
Disposals	-	-	(1,089)	-	(1,089)
Depreciation expense	-	(5,281)	(12,199)	(1,017)	(18,497)
	<u>52,500</u>	<u>15,184</u>	<u>49,455</u>	<u>4,114</u>	<u>121,253</u>
Balance at 31 December 2011	<u>52,500</u>	<u>15,184</u>	<u>49,455</u>	<u>4,114</u>	<u>121,253</u>

Valuations of land and buildings

The basis of the valuation of land and buildings is fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The land and buildings were last revalued on 31 December 2010 based on independent assessments by a member of the Australian Property Institute. The directors do not believe that there has been a material movement in fair value since the revaluation date.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 18. Non-current assets - property, plant and equipment (continued)

Land and buildings stated under the historical cost convention

If land and buildings were stated under the historical cost convention, the amounts would be as follows:

	Consolidated	
	2011	2010
	\$'000	\$'000
Land and buildings - at cost	46,000	52,000
Less: Accumulated depreciation	(1,059)	(1,007)
Written down value	<u>44,941</u>	<u>50,993</u>

Property, plant and equipment secured under finance leases

Refer to note 44 for detailed information on property, plant and equipment secured under finance leases.

Note 19. Non-current assets - intangibles

	Consolidated	
	2011	2010
	\$'000	\$'000
Goodwill - at cost	9,908	9,500
Less: Impairment	(500)	-
	<u>9,408</u>	<u>9,500</u>
Development - at cost	3,208	3,208
Less: Accumulated amortisation	(1,605)	(1,284)
	<u>1,603</u>	<u>1,924</u>
Patents and trademarks - at cost	320	320
Less: Accumulated amortisation	(224)	(192)
	<u>96</u>	<u>128</u>
Customer contracts - at cost	1,250	-
Less: Accumulated amortisation	(229)	-
	<u>1,021</u>	<u>-</u>
Software - at cost	108	108
Less: Accumulated amortisation	(66)	(44)
	<u>42</u>	<u>64</u>
	<u>12,170</u>	<u>11,616</u>

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 19. Non-current assets - intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill \$'000	Development \$'000	Patents and trademarks \$'000	Customer contracts \$'000	Software \$'000	Total \$'000
Consolidated						
Balance at 1 January 2010	9,500	2,245	160	-	86	11,991
Amortisation expense	-	(321)	(32)	-	(22)	(375)
Balance at 31 December 2010	9,500	1,924	128	-	64	11,616
Additions through business combinations (note 47)	408	-	-	1,250	-	1,658
Impairment of assets	(500)	-	-	-	-	(500)
Amortisation expense	-	(321)	(32)	(229)	(22)	(604)
Balance at 31 December 2011	<u>9,408</u>	<u>1,603</u>	<u>96</u>	<u>1,021</u>	<u>42</u>	<u>12,170</u>

Impairment testing

Goodwill acquired through business combinations have been allocated to the following cash-generating units:

	Consolidated	
	2011	2010
	\$'000	\$'000
Computer retailing	8,700	9,200
Computer distribution	708	300
	<u>9,408</u>	<u>9,500</u>

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 2 year projection period approved by management and extrapolated for a further 3 years using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the computer retailing division:

- 18% (2010: 18%) pre-tax discount rate;
- 2% (2010: 5%) per annum projected revenue growth rate;
- 5% (2010: 8%) per annum increase in operating costs and overheads.

The discount rate of 18% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the computer retailing division, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected 2% revenue growth rate is prudent and justified, based on the general slowing in the market.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 19. Non-current assets - intangibles (continued)

Compared to prior years, management have reduced their estimation of the increase in operating costs and overheads, due to the lower inflation rate and also an effort by the consolidated entity to contain costs.

There were no other key assumptions for the computer retailing division.

Based on the above, an impairment of \$500,000 has been applied as the carrying amount of goodwill exceeded its recoverable amount for the computer retailing division.

The following key assumptions were used in the discounted cash flow model for the computer distribution division:

- a. 17% (2010: 18%) pre-tax discount rate;
- b. 5% (2010: 5%) per annum projected revenue growth rate.

The discount rate of 17% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the computer distribution division, the risk free rate and the volatility of the share price relative to market movements.

Management have estimated a 5% growth in accordance with the acquisition strategy and has no reason to revise this estimation based on current performance.

There were no other key assumptions for the computer distribution division.

Sensitivity

As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill may vary in carrying amount. The sensitivities are as follows:

- a. Revenue would need to decrease by more than 1% for the computer distribution division before goodwill would need to be impaired, with all other assumptions remaining constant.
- b. The discount rate would be required to increase by 1% for the computer distribution division before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of computer distribution division goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in a further impairment of computer retailing division goodwill.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 20. Non-current assets - deferred tax

	Consolidated	
	2011	2010
	\$'000	\$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Property, plant and equipment	411	-
Employee benefits	5,850	5,699
Finance leases	206	286
Provision for legal claims	18	-
Provision for lease make good	512	321
Provision for warranties	961	851
Accrued expenses	786	620
Revenue received in advance	238	299
	<u>8,982</u>	<u>8,076</u>
Amounts recognised in equity:		
Transaction costs on share issue	270	356
Derivative financial instruments	37	32
	<u>307</u>	<u>388</u>
Deferred tax asset	<u>9,289</u>	<u>8,464</u>
<i>Movements:</i>		
Opening balance	8,464	7,885
Credited to profit or loss (note 7)	371	142
Credited to equity	5	437
Additions through business combinations (note 47)	449	-
Closing balance	<u>9,289</u>	<u>8,464</u>

Note 21. Non-current assets - other

	Consolidated	
	2011	2010
	\$'000	\$'000
Security deposits	<u>1,260</u>	<u>1,445</u>

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 22. Current liabilities - trade and other payables

	Consolidated	
	2011	2010
	\$'000	\$'000
Trade payables	18,070	15,711
Other payables	1,934	1,595
	<u>20,004</u>	<u>17,306</u>

Refer to note 39 for detailed information on financial instruments.

Note 23. Current liabilities - borrowings

	Consolidated	
	2011	2010
	\$'000	\$'000
Bank overdraft	-	1,273
Bank loans	4,500	2,000
Lease liability	1,614	1,337
	<u>6,114</u>	<u>4,610</u>

Refer to note 30 for further information on assets pledged as security and financing arrangements and note 39 for detailed information on financial instruments.

Note 24. Current liabilities - derivative financial instruments

	Consolidated	
	2011	2010
	\$'000	\$'000
Forward foreign exchange contracts - cash flow hedges	<u>122</u>	<u>107</u>

Refer to note 39 for detailed information on financial instruments.

Note 25. Current liabilities - income tax

	Consolidated	
	2011	2010
	\$'000	\$'000
Provision for income tax	<u>9,218</u>	<u>3,492</u>

Note 26. Current liabilities - employee benefits

	Consolidated	
	2011	2010
	\$'000	\$'000
Employee benefits	<u>8,352</u>	<u>8,143</u>

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 26. Current liabilities - employee benefits (continued)

Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2011	2010
	\$'000	\$'000
Long service leave obligation expected to be settled after 12 months	1,603	1,292

Note 27. Current liabilities - provisions

	Consolidated	
	2011	2010
	\$'000	\$'000
Lease make good	230	-
Legal claims	60	-
Warranties	3,204	2,837
	3,494	2,837

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Legal claims

The provision represents a claim by a customer of the computer retailing division. This claim is expected to be settled in the next financial year and the outcome of this claim is not expected to exceed the amount provided for, based on independent legal advice.

Warranties

The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 27. Current liabilities - provisions (continued)

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease make good \$'000	Legal claims \$'000	Warranties \$'000
Consolidated - 2011			
Carrying amount at the start of the year	-	-	2,837
Additional provisions recognised	-	60	503
Amounts transferred from non-current	230	-	-
Amounts used	-	-	(91)
Unused amounts reversed	-	-	(45)
	<u>230</u>	<u>60</u>	<u>3,204</u>
Carrying amount at the end of the year	<u>230</u>	<u>60</u>	<u>3,204</u>

Note 28. Current liabilities - other

	Consolidated	
	2011	2010
	\$'000	\$'000
Accrued expenses	2,619	2,065
Revenue received in advance	793	997
	<u>3,412</u>	<u>3,062</u>

Note 29. Current liabilities - liabilities directly associated with assets classified as held for sale

	Consolidated	
	2011	2010
	\$'000	\$'000
Bank loans	4,000	-

The liabilities identified above represents the bank loan secured over the vacant land currently for sale. Refer to note 13 for further information.

Note 30. Non-current liabilities - borrowings

	Consolidated	
	2011	2010
	\$'000	\$'000
Bank loans	19,000	19,000
Lease liability	1,823	3,437
	<u>20,823</u>	<u>22,437</u>

Refer to note 39 for detailed information on financial instruments.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 30. Non-current liabilities - borrowings (continued)

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2011	2010
	\$'000	\$'000
Bank overdraft	-	1,273
Bank loans	27,500	21,000
Lease liability	3,437	4,774
	<u>30,937</u>	<u>27,047</u>

Assets pledged as security

The bank overdraft and loans are secured by first mortgages over the consolidated entity's land and buildings.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2011	2010
	\$'000	\$'000
Total facilities		
Bank overdraft	5,000	5,000
Bank loans	40,000	25,000
	<u>45,000</u>	<u>30,000</u>
Used at the reporting date		
Bank overdraft	-	1,273
Bank loans	27,500	21,000
	<u>27,500</u>	<u>22,273</u>
Unused at the reporting date		
Bank overdraft	5,000	3,727
Bank loans	12,500	4,000
	<u>17,500</u>	<u>7,727</u>

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 31. Non-current liabilities - deferred tax

	Consolidated	
	2011	2010
	\$'000	\$'000
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Financial assets at fair value through profit or loss	15	-
Prepayments	302	228
Development costs	481	577
Customer contracts	306	-
Net fair value gain on investment properties	270	450
	<u>1,374</u>	<u>1,255</u>
Amounts recognised in equity:		
Revaluation of property, plant and equipment	1,950	1,950
Revaluation of available-for-sale financial assets	15	-
	<u>1,965</u>	<u>1,950</u>
Deferred tax liability	<u>3,339</u>	<u>3,205</u>
<i>Movements:</i>		
Opening balance	3,205	2,143
Charged/(credited) to profit or loss (note 7)	(256)	462
Charged to equity	15	600
Additions through business combinations (note 47)	375	-
Closing balance	<u>3,339</u>	<u>3,205</u>

Note 32. Non-current liabilities - employee benefits

	Consolidated	
	2011	2010
	\$'000	\$'000
Employee benefits	<u>11,149</u>	<u>10,854</u>

Note 33. Non-current liabilities - provisions

	Consolidated	
	2011	2010
	\$'000	\$'000
Lease make good	<u>1,475</u>	<u>1,070</u>

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 33. Non-current liabilities - provisions (continued)

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease make good \$'000
Consolidated - 2011	
Carrying amount at the start of the year	1,070
Additional provisions recognised	550
Amounts transferred to current	(230)
Unwinding of discount	85
	<u>1,475</u>
Carrying amount at the end of the year	<u>1,475</u>

Note 34. Equity - contributed

	Consolidated		Consolidated	
	2011	2010	2011	2010
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>146,910,000</u>	<u>146,800,000</u>	<u>182,953</u>	<u>182,678</u>

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$'000
Balance	1 January 2010	111,800,000		104,922
Issue of shares	28 February 2010	35,000,000	\$2.25	78,750
Share issue transaction costs, net of tax	28 February 2010			(994)
Balance	31 December 2010	146,800,000		182,678
Issue of shares on the exercise of options	18 March 2011	10,000	\$2.50	25
Issue of shares to key management	30 March 2011	100,000	\$2.50	250
Balance	31 December 2011	<u>146,910,000</u>		<u>182,953</u>

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. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 34. Equity - contributed (continued)

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

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

The consolidated entity is subject to certain financing arrangements covenants and meeting these are given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 31 December 2010 Annual Report.

Note 35. Equity - reserves

	Consolidated				
	2011	2010			
	\$'000	\$'000			
Revaluation surplus reserve	4,095	4,095			
Available-for-sale reserve	35	-			
Foreign currency reserve	(769)	(512)			
Hedging reserve - cash flow hedges	(85)	(75)			
	<u>3,276</u>	<u>3,508</u>			
	Revaluation surplus	Available-for-sale	Foreign currency	Hedging	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated					
Balance at 1 January 2010	2,835	-	(294)	(48)	2,493
Revaluation - gross	1,800	-	-	(38)	1,762
Deferred tax	(540)	-	-	11	(529)
Foreign currency translation	-	-	(218)	-	(218)
	<u>4,095</u>	<u>-</u>	<u>(512)</u>	<u>(75)</u>	<u>3,508</u>
Balance at 31 December	4,095	-	(512)	(75)	3,508
Revaluation - gross	-	50	-	(15)	35
Deferred tax	-	(15)	-	5	(10)
Foreign currency translation	-	-	(257)	-	(257)
	<u>4,095</u>	<u>35</u>	<u>(769)</u>	<u>(85)</u>	<u>3,276</u>
Balance at 31 December	<u>4,095</u>	<u>35</u>	<u>(769)</u>	<u>(85)</u>	<u>3,276</u>

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 35. Equity - reserves (continued)

Revaluation surplus reserve

The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

Available-for-sale reserve

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

Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Hedging reserve - cash flow hedges

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Note 36. Equity - retained profits

	Consolidated	
	2011	2010
	\$'000	\$'000
Retained profits at the beginning of the financial year	19,314	15,310
Profit after income tax expense for the year	32,408	21,620
Dividends paid (note 38)	<u>(29,383)</u>	<u>(17,616)</u>
Retained profits at the end of the financial year	<u><u>22,339</u></u>	<u><u>19,314</u></u>

Note 37. Equity - non-controlling interest

	Consolidated	
	2011	2010
	\$'000	\$'000
Contributed equity	16,000	16,000
Reserves	455	455
Retained profits	<u>908</u>	<u>766</u>
	<u><u>17,363</u></u>	<u><u>17,221</u></u>

The non-controlling interest has a 10% (2010: 10%) equity holding in Pinnacle Coman Pty Limited.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 38. Equity - dividends

Dividends

	Consolidated	
	2011	2010
	\$'000	\$'000
Final dividend for the year ended 31 December 2010 (2010: 31 December 2009) of 15 cents (2010: 8 cents) per ordinary share paid on 28 April 2011 (2010: 20 April 2010) fully franked based on a tax rate of 30%	22,037	11,744
Interim dividend for the year ended 31 December 2011 (2010: 31 December 2010) of 5 cents (2010: 4 cents) per ordinary share paid on 25 August 2011 (2010: 21 August 2010) fully franked based on a tax rate of 30%	7,346	5,872
	<u>29,383</u>	<u>17,616</u>

On 24 February 2012 the directors declared a fully franked final dividend for the year ended 31 December 2011 of 17 cents per ordinary share to be paid on 28 April 2012, a total estimated distribution of \$24,975,000 based on the number of ordinary shares on issue as at 24 February 2012. As the dividend was fully franked, there are no income tax consequences for the owners of Pinnacle Large Proprietary General Purpose Pty Limited relating to this dividend.

Franking credits

	Consolidated	
	2011	2010
	\$'000	\$'000
Franking credits available at the reporting date based on a tax rate of 30%	4,819	8,270
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	9,218	3,492
Franking credits available for subsequent financial years based on a tax rate of 30%	14,037	11,762
Franking debits that will arise from the payment of dividends declared subsequent to the reporting date based on a tax rate of 30%	(10,704)	(9,444)
Net franking credits available based on a tax rate of 30%	<u>3,333</u>	<u>2,318</u>

Note 39. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 39. Financial instruments (continued)

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movements, the consolidated entity has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. Management has a risk management policy to hedge between 30% and 80% of anticipated foreign currency transactions for the subsequent 4 months.

The maturity, settlement amounts and the average contractual exchange rates of the consolidated entity's outstanding forward foreign exchange contracts at the reporting date was as follows:

	Sell Australian dollars		Average exchange rates	
	2011	2010	2011	2010
	\$'000	\$'000		
Buy US dollars				
Maturity:				
0 - 3 months	121	89	0.9123	0.8132
3 - 6 months	34	23	0.9057	0.8294
Buy Euros				
Maturity:				
0 - 3 months	274	207	0.6342	0.5861
3 - 6 months	86	49	0.6355	0.6082
Buy New Zealand dollars				
Maturity:				
0 - 3 months	182	163	1.2345	1.2643
3 - 6 months	107	71	1.2407	1.2847

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 39. Financial instruments (continued)

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Consolidated				
US dollars	35	18	64	69
Euros	7	21	82	74
New Zealand dollars	45	32	61	52
	<u>87</u>	<u>71</u>	<u>207</u>	<u>195</u>

The consolidated entity had net liabilities denominated in foreign currencies of \$120,000 (assets \$87,000 less liabilities \$207,000) as at 31 December 2011 (2010: \$124,000 (assets \$71,000 less liabilities \$195,000)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2010: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been \$12,000 lower/\$6,000 higher (2010: \$6,000 lower/\$6,000 higher) and equity would have been \$8,000 lower/\$4,000 higher (2010: \$4,000 lower/\$4,000 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 31 December 2011 was \$13,000 (2010: loss of \$6,000).

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk. The policy is to maintain approximately 60% of borrowings at fixed rate using interest rate swaps to achieve this when necessary.

The consolidated entity's bank loans outstanding, totalling \$27,500,000 (2010: \$21,000,000), are principal and interest payment loans. Monthly cash outlays of approximately \$180,000 (2010: \$140,000) per month are required to service the interest payments. An official increase/decrease in interest rates of one (2010: one) percentage point would have an adverse/favourable effect on profit before tax of \$275,000 (2010: \$210,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts. In addition, minimum principal repayments of \$8,500,000 (2010: \$2,000,000) are due during the year ending 31 December 2012 (2010: 31 December 2011).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has a credit risk exposure with Austore Limited (a major Australian retailer), which as at 31 December 2011 owed the consolidated entity \$10,680,000 (76% of trade receivables) (2010: \$9,510,000 (74% of trade receivables)). This balance was within its terms of trade and no impairment was made as at 31 December 2011. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 39. Financial instruments (continued)

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2011	2010
	\$'000	\$'000
Bank overdraft	5,000	3,727
Bank loans	12,500	4,000
	<u>17,500</u>	<u>7,727</u>

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of 3 years (2010: 4 years).

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2011	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	18,070	-	-	-	18,070
Other payables	-	1,934	-	-	-	1,934
<i>Interest-bearing - fixed rate</i>						
Bank loans	8.20	10,407	9,710	10,931	-	31,048
Lease liability	8.65	1,841	1,902	-	-	3,743
Total non-derivatives		<u>32,252</u>	<u>11,612</u>	<u>10,931</u>	<u>-</u>	<u>54,795</u>
Derivatives						
Forward foreign exchange contracts net settled	-	122	-	-	-	122
Total derivatives		<u>122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122</u>

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 39. Financial instruments (continued)

Consolidated - 2010	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	15,711	-	-	-	15,711
Other payables	-	1,595	-	-	-	1,595
<i>Interest-bearing - variable</i>						
Bank overdraft	12.80	1,355	-	-	-	1,355
<i>Interest-bearing - fixed rate</i>						
Bank loans	8.20	3,640	9,710	11,095	-	24,445
Lease liability	8.65	1,692	1,841	1,902	-	5,435
Total non-derivatives		<u>23,993</u>	<u>11,551</u>	<u>12,997</u>	<u>-</u>	<u>48,541</u>
Derivatives						
Forward foreign exchange contracts net settled	-	107	-	-	-	107
Total derivatives		<u>107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

The following tables detail the consolidated entity's fair values of financial instruments categorised by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: 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 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Consolidated - 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Ordinary shares	360	130	40	530
Total assets	<u>360</u>	<u>130</u>	<u>40</u>	<u>530</u>

There were no transfers between levels during the financial year.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 39. Financial instruments (continued)

Movements in level 3 financial instruments

Movements in level 3 financial instruments during the current and previous financial year are set out below:

	Available- for-sale \$'000	Total \$'000
Consolidated		
Balance at 1 January 2010	-	-
Balance at 31 December 2010	-	-
Gains recognised in other comprehensive income	8	8
Purchases	32	32
Balance at 31 December 2011	<u>40</u>	<u>40</u>
Total gains for the year included in other comprehensive income that relate to level 3 assets held at the end of the year	<u>8</u>	<u>8</u>

Changing one or more inputs would not significantly change the fair value of level 3 financial instruments.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 40. Key management personnel disclosures

Directors

The following persons were directors of Pinnacle Large Proprietary General Purpose Pty Limited during the financial year:

Anthony Example	Non-Executive Chairman
Daniel Example	Non-Executive Director
Elizabeth Example	Non-Executive Director
Brad Example	Managing Director
Christina Example	Finance Director

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Fabian Example	Company Secretary and Legal Counsel
Grace Example	General Manager - Computer Manufacturing
Henry Example	General Manager - Computer Retailing
Isabel Example	General Manager - Computer Distribution
Jack Example (resigned on 7 July 2011)	General Manager - Asset Deployment
Kylie Example (appointed on 17 July 2011)	General Manager - Asset Deployment

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 40. Key management personnel disclosures (continued)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2011	2010
	\$	\$
Short-term employee benefits	1,597,319	1,475,200
Post-employment benefits	127,350	117,315
Long-term benefits	10,059	25,192
	<u>1,734,728</u>	<u>1,617,707</u>

Related party transactions

Related party transactions are set out in note 45.

Note 41. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Accounting Firm 123, the auditor of the company, its related practices and unrelated practices:

	Consolidated	
	2011	2010
	\$	\$
<i>Audit services - Accounting Firm 123</i>		
Audit of the financial statements	<u>243,000</u>	<u>230,000</u>
<i>Other services - Accounting Firm 123</i>		
Preparation of the tax return	12,950	12,400
Transfer pricing review	<u>5,500</u>	<u>5,000</u>
	<u>18,450</u>	<u>17,400</u>
	<u>261,450</u>	<u>247,400</u>
<i>Audit services - related practices</i>		
Audit of the financial statements	<u>-</u>	<u>15,000</u>
<i>Other services - related practices</i>		
Due diligence	-	22,450
Transfer pricing review	<u>18,000</u>	<u>64,500</u>
	<u>18,000</u>	<u>86,950</u>
	<u>18,000</u>	<u>101,950</u>
<i>Audit services - unrelated practices</i>		
Audit of the financial statements	<u>26,500</u>	<u>23,000</u>

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 42. Contingent assets

Pinnacle Coman Pty Limited, a subsidiary, will be paid a success premium of up to \$3,000,000 by Compdesign Partnership, in which it holds a 35% interest, if the rights to a computer manufacturing process are sold to a Korean based company. The likelihood of this proceeding is highly probable. No asset has been recognised in the financial statements.

Pinnacle Retsold Pty Limited, a subsidiary, has an outstanding insurance claim with respect to inventory that was damaged in the Brisbane floods that occurred during the financial year. An assessment is currently being undertaken by the insurer as to whether it was the cause of a flood or rising waters, which will affect the payout. Because the insurance proceeds are not virtually certain, no asset has been recognised in the financial statements. The inventory of approximately \$400,000 has been written off during the current financial year.

Note 43. Contingent liabilities

During the financial year there was a work related accident involving a member of staff. Although the investigation is still in progress, the directors are of the opinion, based on independent legal advice, that the consolidated entity will not be found to be at fault and any compensation will be covered by the consolidated entity's insurance policy. Accordingly, no provision has been provided within these financial statements.

The consolidated entity has given bank guarantees as at 31 December 2011 of \$3,105,000 (2010: \$2,844,000) to various landlords.

Note 44. Commitments

	Consolidated	
	2011	2010
	\$'000	\$'000
<i>Capital commitments - Investment properties</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	50	-
One to five years	120	170
	<u>170</u>	<u>170</u>
<i>Capital commitments - Property, plant and equipment</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	880	955
One to five years	285	190
	<u>1,165</u>	<u>1,145</u>
<i>Capital commitments - Intangible assets</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	160	-

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 44. Commitments (continued)

	Consolidated	
	2011	2010
	\$'000	\$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	38,103	35,162
One to five years	168,275	155,287
More than five years	269,683	314,258
	<u>476,061</u>	<u>504,707</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	1,841	1,692
One to five years	1,902	3,743
	<u>3,743</u>	<u>5,435</u>
Total commitment	3,743	5,435
Less: Future finance charges	<u>(306)</u>	<u>(661)</u>
Net commitment recognised as liabilities	<u>3,437</u>	<u>4,774</u>
Representing:		
Lease liability - current (note 23)	1,614	1,337
Lease liability - non-current (note 30)	<u>1,823</u>	<u>3,437</u>
	<u>3,437</u>	<u>4,774</u>

Capital commitments includes contracted amounts for the refurbishment of the investment properties, purchase of plant and equipment and purchase of customer relationship management software.

Operating lease commitments includes contracted amounts for various retail outlets, warehouses, offices and plant and equipment under non-cancellable operating leases expiring within one to ten years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of \$4,114,000 (2010: \$5,131,000) secured under finance leases expiring within one to five years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Note 45. Related party transactions

Parent entity

Pinnacle Large Proprietary General Purpose Pty Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 48.

Associates

Interests in associates are set out in note 49.

Key management personnel

Disclosures relating to key management personnel are set out in note 40.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 45. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2011	2010
	\$	\$
Payment for goods and services:		
Payment for services from associate	3,397,327	3,234,986
Payment for marketing services from BE Promotions Pty Limited (director-related entity of Brad Example)	81,238	67,905

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2011	2010
	\$	\$
Current payables:		
Trade payables to associate	361,334	345,876
Trade payables to BE Promotions Pty Limited (director-related entity of Brad Example)	7,108	6,388

Loans to/from related parties

There were no loans to or from related parties at the reporting date.

Terms and conditions

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

Note 46. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent	
	2011	2010
	\$'000	\$'000
Profit after income tax	<u>29,737</u>	<u>21,383</u>
Total comprehensive income	<u>29,762</u>	<u>21,356</u>

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 46. Parent entity information (continued)

Statement of financial position

	Parent	
	2011	2010
	\$'000	\$'000
Total current assets	<u>24,976</u>	<u>899</u>
Total assets	<u>308,810</u>	<u>283,025</u>
Total current liabilities	<u>13,690</u>	<u>3,879</u>
Total liabilities	<u>120,535</u>	<u>95,404</u>
Equity		
Contributed equity	182,953	182,678
Reserves	300	275
Retained profits	<u>5,022</u>	<u>4,668</u>
Total equity	<u><u>188,275</u></u>	<u><u>187,621</u></u>

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2011 and 31 December 2010.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2011 and 31 December 2010.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.

Note 47. Business combinations

On 1 February 2011 Pinnacle Delsolve Pty Limited, a subsidiary of Pinnacle Large Proprietary General Purpose Pty Limited, acquired 100% of the ordinary shares of Pinnacle CompCarrier Pty Limited (formerly known as CompCarrier Pty Limited) for the total consideration transferred of \$8,230,000. This is a freight business and operates in the computer distribution division of the consolidated entity. It was acquired to better utilise the existing computer distribution division administrative function. The goodwill of \$408,000 represents the expected synergies from merging this business with the computer distribution division and eliminating third party freight costs. The acquired business contributed revenues of \$5,428,000 and profit after tax of \$670,000 to the consolidated entity for the period from 1 February 2011 to 31 December 2011. If the acquisition occurred on 1 January 2011, the full year contributions would have been revenues of \$5,901,000 and profit after tax of \$729,000. The values identified in relation to the acquisition of CompCarrier are final as at 31 December 2011.

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 48. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	Equity holding	
		2011 %	2010 %
Pinnacle Coman Pty Limited	Australia	90.00	90.00
Pinnacle Retsold Pty Limited	Australia	100.00	100.00
Pinnacle Delsolve Pty Limited	Australia	100.00	100.00
Pinnacle CompCarrier Pty Limited	Australia	100.00	-
Pinnacle Retsold NZ Limited	New Zealand	100.00	100.00

Note 49. Investments in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates is set out below:

Associate	Principal activities	Consolidated Percentage interest	
		2011 %	2010 %
Compdesign Partnership	Computer hardware design	35.00	35.00

Information relating to the associates is set out below.

	Consolidated	
	2011 \$'000	2010 \$'000
<i>Share of assets and liabilities</i>		
Current assets	10,148	9,382
Non-current assets	71,821	69,384
Total assets	81,969	78,766
Current liabilities	4,287	4,629
Non-current liabilities	40,973	42,015
Total liabilities	45,260	46,644
Net assets	36,709	32,122
<i>Share of revenue, expenses and results</i>		
Revenue	38,397	34,283
Expenses	(33,810)	(30,481)
Profit before income tax	4,587	3,802

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 50. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Pinnacle Large Proprietary General Purpose Pty Limited
Pinnacle Retsold Pty Limited
Pinnacle Delsolve Pty Limited
Pinnacle CompCarrier Pty Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Pinnacle Large Proprietary General Purpose Pty Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of comprehensive income and statement of financial position of the 'Closed Group'.

	2011	2010
	\$'000	\$'000
Statement of comprehensive income		
Revenue	416,873	387,709
Other income	320	-
Changes in inventories	(2,721)	(670)
Raw materials and consumables used	(188,652)	(180,290)
Employee benefits expense	(147,221)	(144,850)
Depreciation and amortisation expense	(7,413)	(6,605)
Impairment of assets	(500)	-
Net fair value loss on investment properties	(600)	-
Other expenses	(26,319)	(23,544)
Finance costs	(1,070)	(561)
	<u>42,697</u>	<u>31,189</u>
Profit before income tax expense	42,697	31,189
Income tax expense	(12,836)	(9,868)
	<u>29,861</u>	<u>21,321</u>
Profit after income tax expense	29,861	21,321
Other comprehensive income		
Gain on the revaluation of available-for-sale financial assets, net of tax	35	-
Cash flow hedges transferred to profit or loss, net of tax	-	(2)
Cash flow hedges transferred to inventory in the statement of financial position, net of tax	(3)	(7)
Net change in the fair value of cash flow hedges taken to equity, net of tax	(7)	(18)
	<u>25</u>	<u>(27)</u>
Other comprehensive income for the year, net of tax	<u>25</u>	<u>(27)</u>
Total comprehensive income for the year	<u>29,886</u>	<u>21,294</u>

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 50. Deed of cross guarantee (continued)

Statement of financial position	2011 \$'000	2010 \$'000
Current assets		
Cash and cash equivalents	25,264	3,504
Trade and other receivables	6,551	6,866
Inventories	15,835	18,556
Financial assets at fair value through profit or loss	360	-
Other	866	600
Non-current assets classified as held for sale	6,000	-
	<u>54,876</u>	<u>29,526</u>
Non-current assets		
Receivables	145	145
Available-for-sale financial assets	170	-
Other financial assets	149,000	149,000
Investment properties	46,900	47,500
Property, plant and equipment	26,515	27,817
Intangibles	10,471	9,564
Deferred tax	5,714	5,060
Other	874	809
	<u>239,789</u>	<u>239,895</u>
Total assets	<u>294,665</u>	<u>269,421</u>
Current liabilities		
Trade and other payables	21,360	20,255
Borrowings	1,134	1,806
Derivative financial instruments	122	107
Income tax	9,218	3,492
Employee benefits	5,314	5,230
Provisions	290	-
Other	1,654	1,382
Liabilities directly associated with assets classified as held for sale	4,000	-
	<u>43,092</u>	<u>32,272</u>
Non-current liabilities		
Borrowings	44,186	31,252
Deferred tax	804	599
Employee benefits	6,581	6,479
Provisions	1,205	800
	<u>52,776</u>	<u>39,130</u>
Total liabilities	<u>95,868</u>	<u>71,402</u>
Net assets	<u>198,797</u>	<u>198,019</u>
Equity		
Contributed equity	182,953	182,678
Reserves	300	275
Retained profits	15,544	15,066
Total equity	<u>198,797</u>	<u>198,019</u>

Pinnacle Large Proprietary General Purpose Pty Limited
Notes to the financial statements
31 December 2011

Note 51. Events after the reporting period

Apart from the dividend declared as disclosed in note 38, no other matter or circumstance has arisen since 31 December 2011 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 52. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2011	2010
	\$'000	\$'000
Profit after income tax expense for the year	32,550	21,849
Adjustments for:		
Depreciation and amortisation	19,101	20,363
Impairment of goodwill	500	-
Net gain on disposal of non-current assets	(422)	(192)
Net fair value gain on other financial assets	(50)	-
Net fair value loss/(gain) on investment properties	600	(1,500)
Share of profit - associates	(4,587)	(3,802)
Share-based payments	250	-
Foreign exchange differences	(269)	(226)
Unwinding of the discount on provisions	85	62
Change in operating assets and liabilities:		
Increase in trade and other receivables	(336)	(104)
Decrease in inventories	3,523	782
Increase in deferred tax assets	(371)	(212)
(Increase)/decrease in accrued revenue	(155)	62
Increase in prepayments	(145)	(136)
(Increase)/decrease in other operating assets	44	(32)
Increase/(decrease) in trade and other payables	2,179	(457)
Increase in provision for income tax	5,726	785
Increase/(decrease) in deferred tax liabilities	(256)	462
Increase in employee benefits	375	283
Increase in other provisions	427	249
Increase in other operating liabilities	350	113
Net cash from operating activities	<u>59,119</u>	<u>38,349</u>

Note 53. Non-cash investing and financing activities

	Consolidated	
	2011	2010
	\$'000	\$'000
Acquisition of plant and equipment by means of finance leases	-	2,334
Leasehold improvements - lease make good	550	-
	<u>550</u>	<u>2,334</u>

Pinnacle Large Proprietary General Purpose Pty Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 50 to the financial statements.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Daniel Example
Director

24 February 2012
Sydney

Pinnacle Large Proprietary General Purpose Pty Limited

Independent auditor's report to the members of Pinnacle Large Proprietary General Purpose Pty Limited

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Pinnacle Large Proprietary General Purpose Pty Limited
Independent auditor's report to the members of Pinnacle Large Proprietary General Purpose Pty Limited

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