

Pinnacle Investment Fund
ARSN 092 294 829

Annual Financial Report
For the Year Ended 30 June 2011

Pinnacle Investment Fund
Annual Financial Report
For the year ended 30 June 2011

Contents

Page

<i>Directors' report</i>	<i>2</i>
<i>Auditor's independence declaration</i>	<i>5</i>
<i>Statement of comprehensive income</i>	<i>6</i>
<i>Statement of financial position</i>	<i>7</i>
<i>Statement of Changes in Net Assets Attributable to Unitholders</i>	<i>8</i>
<i>Statement of cash flows</i>	<i>9</i>
<i>Notes to the financial statements</i>	
<i>1. Corporate Information</i>	<i>10</i>
<i>2. Basis of preparation</i>	<i>10</i>
<i>3. Significant accounting policies</i>	<i>10</i>
<i>4. Net assets attributable to unitholders</i>	<i>14</i>
<i>5. Interest and distribution income</i>	<i>14</i>
<i>6. Auditors' remuneration</i>	<i>15</i>
<i>7. Notes to the statement of cashflows</i>	<i>15</i>
<i>8. Receivables</i>	<i>15</i>
<i>9. Financial assets at fair value through profit or loss</i>	<i>16</i>
<i>10. Distributions paid</i>	<i>16</i>
<i>11. Financial instruments</i>	<i>17</i>
<i>12. Related parties</i>	<i>19</i>
<i>13. Commitments and contingent assets and liabilities</i>	<i>20</i>
<i>14. Events subsequent to reporting date</i>	<i>20</i>
<i>15. Prior period adjustment</i>	<i>20</i>
<i>Directors' Declaration</i>	<i>21</i>
<i>Independent auditor's report to the unitholders of Pinnacle Investment Fund</i>	<i>22</i>

Pinnacle Investment Fund

Directors' report

30 June 2011

The directors of Endeavour Securities (Australia) Limited (ACN 078 988 819), the responsible entity of Pinnacle Investment Fund, present their report together with the financial statements of Pinnacle Investment Fund ("the Scheme") for the year ended 30 June 2011.

Principal activities

The Fund is a registered managed investment scheme domiciled in Australia.

The principal activity of the fund was the operation of the managed fund. No significant change in the nature of these activities occurred during the year.

Scheme information

The Pinnacle Investment Fund is an Australian registered scheme, and was constituted on 29 November 2001. Endeavour Securities (Australia) Limited, the Responsible Entity of the Scheme, is incorporated and domiciled in Australia. The registered office and principal place of business of the Responsible Entity and the Scheme is Level 16, 114 William Street, Melbourne Victoria, 3000.

The directors of the Responsible Entity during the financial year and up to the date of this report were:

Nigel Westoby

John Morrison (appointed 24 August 2010)

Clayton Watt (appointed 7 September 2010)

Paul Hill (resigned 24 August 2010)

Christopher Atkins (resigned 7 September 2010)

Significant changes in the state of affairs

During the year, a number of the Scheme's investments relating to the Centro Property Group were still under a trading halt, preventing the Scheme from withdrawing from any of these investments. These investments represent 25.9% of the total investments in the Scheme. As a result of this, the Scheme has temporarily prohibited investors from applying for or withdrawing units from the Direct Property Fund investment option, due to the Direct Property Fund having 78.7% of its investments with Centro. The Direct Property Fund represents 9.5% of the total assets of the Scheme.

In addition, a trading halt has continued on the Momentum All Weather Absolute Return Fund, in which the Scheme had an investment of \$611,501. As a result of this, the Scheme has temporarily prohibited investors from applying for or withdrawing units from the Alternative Assets Fund investment option, due to the Alternative Assets Fund having 11.0% of its investments with Momentum. The Alternative Assets Fund represents .9% of the total assets in the scheme.

No other investment option of the Scheme has been frozen and investors in all other investment options remain able to purchase and sell units as per normal.

There were no other significant changes in the Scheme's state of affairs during the financial year.

Significant events after the balance date

In order to improve the benefits offered to Scheme members, Endeavour Securities (Australia) Limited has determined to restructure the way that the Scheme's investment options are offered to Scheme members. This involves changing from the current investment options, or 'pools', structure to a greater range of single investment manager options. The current 'pools' will be discontinued and the underlying investments will be allocated to members as units in single manager options.

Scheme members will have greater direct control of the make-up of their Scheme investments as the new structure will allow members to select their own portfolio in the proportions that each member chooses. The selections can be made from the approved investments selection, which currently has over 200 individual investment choices.

As the nature of the Fund's investment options are changing, it is appropriate to rename the Fund. The new name will be LifeFocus Investment Fund. We feel that this better reflects the new approach. The change of name will take effect from 1 October 2011.

Detailed information about the LifeFocus Investment Fund will be contained in the Fund's new Product Disclosure Statement which will be available on the new Fund website on 1 October 2011.

Pinnacle Investment Fund Directors' report (continued)

Review and results of operations

During the year, the Scheme continued to invest in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme Constitution.

Results

The performance of the Scheme, as represented by the results of its operations, was as follows:

	2011 \$	2010 \$
Operating profit/(loss) before finance costs attributable to unitholders	3,967,725	1,927,245
Distribution paid and payable	(2,553,885)	(2,905,600)

Likely developments and expected results of operations

The scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the scheme in accordance with the schemes constitution.

The results of the scheme's operations will be affected by a number of factors, including the performance of investment markets in which the scheme invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Fees paid to and interests held in the Scheme by the responsible entity or its associates

The following fees were paid out of Scheme property during the financial year:

	2011 \$	2010 \$
Responsible Entity fees paid directly by the Scheme	80,734	41,528
Reimbursable expenses	296,880	207,596

The Responsible Entity and its associates did not hold any units in the Scheme during the financial year.

Pinnacle Investment Fund Directors' report (continued)

Interests in the Scheme

The movement in units on issue in the Scheme during the year is disclosed in note 4 of the financial statements.

The value of the Scheme's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in note 2 of the financial statements.

Environmental regulation

The Scheme's operations are not subject to any significant environmental regulation under a Commonwealth, State or Territory legislation.

Indemnities and Insurance of Officers and Auditors

Indemnification

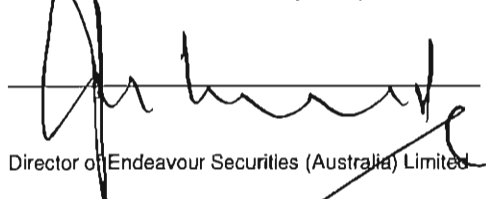
No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the scheme.

Auditor's independence declaration

The auditor's independence declaration is set out on page 5 and forms part of the directors' report for the year ended 30 June 2011.

This report is made in accordance with a resolution of the directors of Endeavour Securities (Australia) Limited

Dated at Melbourne this 30th day of September 2011



Director of Endeavour Securities (Australia) Limited

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE MEMBERS OF PINNACLE INVESTMENT FUND**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



NEXIA ASR
A.B.N. 16 847 721 257



GEORGE S. DAKIS
Partner
Audit & Assurance Services

Melbourne

Date: 30 September 2011

‘value beyond numbers’

nexia asr abn 16 847 721 257
Level 18 / 530 Collins Street Melbourne Australia 3000
telephone +61 3 9608 0100 facsimile +61 3 9608 0192
theteam@nexiaasr.com.au www.nexiaasr.com.au

Liability limited by a scheme approved under Professional Standards Legislation
other than for the acts or omissions of financial services licensees

Pinnacle Investment Fund
Statement of comprehensive income
For the year ended 30 June 2011

	Note	2011 \$	2010 \$
Investment Income			
Interest income	5	131,419	51,285
Dividend and distribution income	5	3,211,384	3,457,356
Changes in financial instruments held at fair value through profit or loss		1,373,186	(880,362)
Other income		6,402	-
Investment income/(loss)		4,722,391	2,628,279
Expenses			
Responsible Entity's fees		80,734	41,528
Remuneration of auditors	6	24,250	22,100
Sponsor / Promoter fees		179,486	190,907
Marketing allowance fees		119,666	127,272
Administration fees		53,650	111,631
Commissions		-	-
Other operating expenses		296,880	207,596
Total operating expenses		754,666	701,034
Profit/(loss) from operating activities		3,967,725	1,927,245
Finance costs attributable to unitholders			
Distributions to unitholders	10	2,553,885	2,905,600
Change in net assets attributable to unitholders		1,413,840	(978,355)
Other comprehensive income		-	-
Total comprehensive income		1,413,840	(978,355)

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

Pinnacle Investment Fund
Statement of financial position
As at 30 June 2011

	Note	2011 \$	2010 \$
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	2,341,694	964,314
Receivables	8	4,097,561	709,920
Financial assets	9	34,296,151	49,253,890
Total Current assets		40,735,406	50,928,124
Non Current assets			
Financial assets	9	12,838,710	11,097,968
Total non current assets		12,838,710	11,097,968
TOTAL ASSETS		53,574,116	62,026,092
LIABILITIES			
Accrued expense recoveries		619	201,503
Accrued Pool Asset Fee		90,193	151,454
Accrued audit & tax agent fees		24,250	-
Other payables		-	3,389
Distributions payable		8,454	-
TOTAL LIABILITIES		123,516	356,346
Net assets attributable to unitholders		53,450,600	61,669,746

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

Pinnacle Investment Fund
Statement of Changes in Net Assets Attributable to Unitholders
For the year ended 30 June 2011

	Units Issued \$
Balance at 1 July 2009	57,229,304
Application for units	13,893,296
Distributions reinvested	2,905,600
Redemption of units	(11,380,099)
Decrease in net assets attributable to unit holders from transactions in units	<u>5,418,797</u>
Change in net assets attributable to unitholders	(978,355)
Balance at 30 June 2010	<u>61,669,746</u>
Application for units	3,880,649
Distributions reinvested	2,517,403
Redemption of units	(16,031,038)
Decrease in net assets attributable to unit holders from transactions in units	<u>(9,632,986)</u>
Change in net assets attributable to unitholders	1,413,840
Balance at 30 June 2011	<u><u>53,450,600</u></u>

Note: Pursuant to accounting standards adopted by the Scheme, no equity is represented. Accordingly, no Statement of Changes in Equity is presented in these financial statements. The Directors accordingly believe that presenting a Statement of Changes in Net Assets Attributable to Unitholders is considered most appropriate to the needs of the users than a Statement of Changes in Equity with zero balances.

As stipulated by the Scheme's Constitution, a unit represents an equal and undivided part of the beneficial interest in the fund and does not confer any interest in the underlying assets of the fund. In accordance with the Scheme Constitution, the Scheme has been made up of a number of investment options, while still being a single managed investment scheme under the *Corporations Act 2001*. The different investment options are represented by different classes of units. Each unit in a class confers identical rights to those conferred by the other units of that class.

The above Statement of Changes in Net Assets Attributable to Unitholders should be read in conjunction with the accompanying notes to the financial statements.

Pinnacle Investment Fund
Statement of cash flows
For the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Interest received		131,419	51,285
Dividends and distributions received		2,959,543	3,323,456
Other income		6,402	-
Operating expenses paid		(1,018,296)	(814,933)
Net cash inflows/(outflows) from operating	7(b)	2,079,068	2,559,808
Cash flows from investing activities			
Proceeds from sale of investments		50,808,951	10,510,226
Payments for purchase of investments		(39,332,227)	(16,238,500)
Net cash inflows/(outflows) from investing		11,476,724	(5,728,274)
Cash flow from financing activities			
Proceeds from the issue of redeemable units		3,880,654	13,893,296
Payments on redemption of redeemable units		(16,031,038)	(10,889,835)
Distributions paid		(28,028)	-
Net cash inflows/(outflows) from financing		(12,178,412)	3,003,461
Net increase/(decrease) In cash and cash			
Cash and cash equivalents at 1 July 2010		964,314	1,129,319
Cash and cash equivalents at 30 June 2011	7(a)	2,341,694	964,314

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

Pinnacle Investment Fund

Notes to the financial statements

For the year ended 30 June 2011

1. Corporate Information

The Pinnacle Investment Fund (the "Scheme") is a registered managed investment scheme under the Corporations Act 2001. The financial report of the Scheme is for the year ended 30 June 2011 and was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on the 30th day of September 2011.

The Scheme was constituted on 29 November 2001. The registered office of the Scheme and the Responsible Entity is located at Level 16, 114 William Street, Melbourne Victoria, 3000.

The nature of the operations and principle activities of the scheme are described in the Directors' report.

2. Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value. The financial statements are presented in Australian Dollars and all values are rounded to the nearest whole dollar.

(a) Statement of compliance

The financial statements have been prepared in accordance with the Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Accounting estimates and judgements

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised are disclosed in Note 11 financial instruments.

Accounting estimates and judgements

Due to a trading halt placed on the Centro Properties Group, a number of the Scheme's investments are no longer traded on an active market. Notwithstanding this, Centro Properties Group continues to release daily unit prices for all units on issue. The Directors of the Responsible Entity have determined that these unit prices are an appropriate basis for valuing the Scheme's units in Centro Properties Group investments. The total value of Centro investments is \$12,227,209 (2010: \$11,097,968), which represents 25.9% (2010: 18.4%) of the total investments of the Scheme.

The Scheme also has an investment in the Momentum All Wether Absolute Return Fund of \$611,501 (2010: \$866,293), which represents 1.3% (2010: 1.4%) of the total investments of the Scheme. This fund is no longer traded on an active market and is in the process of being wound up. The investment in the fund has been valued by reference to the last quoted unit price, less capital distributions received from the fund up until balance date. The Directors of the Responsible Entity believe that this is an appropriate basis for valuing the Scheme's investment in the Momentum All Weather Absolute Return Fund.

The Directors of the Responsible Entity do not believe that there are any other key judgements that require separate disclosure.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial Instruments

(i) Classification

The category of financial assets and financial liabilities at fair value through profit or loss is sub-divided into:

- Financial assets held for trading include equity securities, investments in managed funds and debt instruments. These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Scheme do not meet the hedge accounting criteria as defined by AASB 139. Consequently hedge accounting is not applied by the Scheme.

Pinnacle Investment Fund

Notes to the financial statements

For the year ended 30 June 2011

3. Significant accounting policies (continued)

(a) Financial Instruments (continued)

(i) Classification (continued)

- These include equity securities and debt instruments that are not held for trading. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Scheme as set out in the Scheme's offering document. The financial information about these financial assets is provided internally on that basis to the Investment Manager and to the Board of Directors or delegated authority.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Scheme includes in this category short term receivables.

This category includes all financial liabilities, other than those classified as at fair value through profit or loss. The Scheme includes in this category short term payables.

(ii) Recognition

The Scheme recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. Financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has a present obligation or the contract is a derivative contract not exempted from the scope of AASB 139.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

Financial liabilities arising from the redeemable units issued by the Scheme are carried at the redemption amount representing the investors' right to a residual interest in the Scheme's assets, effectively fair value at reporting date.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the statement of financial position date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If a quoted market price is not available on a recognised stock exchange or from a broker / dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Investments in other unlisted managed investment schemes are recorded at the exit price as reported by the managers of such schemes where these are available.

(v) Impairment of financial assets

At each reporting date, it is assessed as to whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Pinnacle Investment Fund

Notes to the financial statements

For the year ended 30 June 2011

3. Significant accounting policies (continued) (continued)

(a) Financial Instruments (continued) (continued)

(vi) Specific Instruments

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Derivative financial instruments

The Scheme may use derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from investment activities. In accordance with its investment strategy, the Scheme does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

(b) Interest income

Interest income and expense is recognised in the statement of comprehensive income as it accrues, using the effective interest method of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income on debt instruments at fair value through profit or loss is accrued using the effective interest method and classified to the interest income line item within the statement of comprehensive income. Interest income is recognised on a gross basis, including withholding tax, if any.

(c) Dividend Income

Dividend income relating to exchange-traded equity investments is recognised in the statement of comprehensive income on the ex-dividend date.

In some cases, the Scheme may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the Scheme recognises the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

Income distributions from private equity investments and other managed investment schemes are recognised in the statement of comprehensive income as dividend income when declared.

(d) Expenses

All expenses, including management fees and custodian fees, are recognised in the statement of comprehensive income on an accrual basis.

(e) Foreign exchange gains and losses

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Included in the profit or loss line item 'Net foreign exchange loss' are net foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified at fair value through profit or loss.

(f) Distribution and taxation

Under current legislation the Scheme is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders. The Scheme fully distributes its distributable income, calculated in accordance with the Scheme constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the constitution.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any future realised capital gains.

Pinnacle Investment Fund

Notes to the financial statements

For the year ended 30 June 2011

3. Significant accounting policies (continued) (continued)

(g) Redeemable units

All redeemable units issued by the Scheme provide the investors with the right to require redemption for cash and give rise to a financial liability. In accordance with the product disclosure document the Scheme is contractually obliged to redeem units at redemption price, which includes an allowance for transaction costs that would be incurred by the Scheme on disposal of its assets required to fund the redemptions. As a result of the transaction cost factor, there will be a difference between the carrying amount of the net assets of the Scheme (excluding net assets attributable to unitholders classified as a financial liability) and the contractual amount payable to unitholders which is based on the redemption price. The adjustments arising from different unit pricing and IFRS valuation principles are presented in the statement of financial position as part of the net assets attributable to unitholders.

(h) Unit prices

The unit price is based on unit price accounting outlined in the Scheme's Constitution and PDS, refer to Note 3(g).

(i) Finance costs

Distributions paid and payable on units are recognised in the statement of comprehensive income as finance costs and as a liability where not paid. Distributions paid are included in cash flows from financing activities in the statement of cash flows.

(j) Change in net assets attributable to unitholders

Non-distributable income, which may comprise unrealised changes in the fair value of investments, net capital losses, tax-deferred income, accrued income not yet assessable and non-deductible expenses are reflected in the profit and loss as a change in net assets attributable to unitholders.

These items are included in the determination of distributable income in the period for which they are assessable for taxation purposes.

(k) Goods and services tax

Expenses are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC).

Payables are stated with the amount of GST included.

The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis.

(l) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Scheme for the annual reporting period ended 30 June 2011. The impact of these standards and interpretations has been assessed and to the extent applicable to the Scheme are discussed below. Standards and Interpretations that are not expected to have a material impact on the Scheme have not been included.

AASB 9 Financial Instruments and related amendment AASB 2009-11 AASB 9 applies to annual reporting periods beginning on or after 1 January 2013 and will therefore apply to the Scheme from 1 July 2013. The Scheme does not intend to early adopt AASB 9 as permitted by the standard, and the actual impact on initial application will depend on certain elections as disclosed below.

AASB 9 requires all financial instruments to be measured at fair value unless the criteria for amortised cost are met. The application of the standard is not expected to change the measurement basis of any of the Scheme's current financial instruments, however, AASB 9 allows the Scheme to elect to present gains and losses on equity securities through other comprehensive income, which may impact the presentation of these gains and losses. The impact of the standard may also change if the nature of the Schemes' activities or investments changes prior to initial application.

Pinnacle Investment Fund
Notes to the financial statements
For the year ended 30 June 2011

4. Net assets attributable to unitholders

The Scheme considers its capital to be Unitholders' Funds. As stipulated in the Scheme's Constitution, each unit represents an equal interest in the Scheme's assets. Unitholders do not have the right to individual assets of the Scheme. The Scheme manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The Scheme is not subject to any externally imposed capital requirements.

	2011	2010
	\$	\$
Opening balance	61,669,746	57,229,304
Applications		
• Cash	3,880,649	13,893,296
• Reinvested distribution	2,517,403	2,905,600
Redemptions		
• Cash	(15,529,782)	(11,380,099)
• Expenses	(501,256)	-
Change in net assets attributable to unitholders	1,413,840	(978,355)
Closing balance	53,450,600	61,669,746

5. Interest and distribution income

The following table details the interest income earned by the Scheme during the year:

	2011	2010
	\$	\$
Interest income from financial assets that are not at fair value through profit and loss:		
Cash and cash equivalents	131,419	51,285
Total interest income	131,419	51,285

The following table details the distribution income earned by the Scheme during the year:

	2011	2010
	\$	\$
Distribution income from units in unlisted schemes designated at fair value through profit and loss	3,055,808	3,456,979
Dividend income from shares in listed companies / trusts	155,576	377
Total dividend and distribution income	3,211,384	3,457,356

Pinnacle Investment Fund
Notes to the financial statements
For the year ended 30 June 2011

6. Auditors' remuneration	2011	2010
	\$	\$
Audit services		
Auditors of the Fund - Nexia ASR		
• Audit and review of the financial reports	24,250	22,100
	24,250	22,100
7. Notes to the statement of cashflows		
(a) Cash and cash equivalents	2011	2010
	\$	\$
Current deposits with banks	2,341,694	964,314
	2,341,694	964,314
(b) Reconciliation of cash flows from operating activities	2011	2010
	\$	\$
Profit/(loss) from operating activities	3,967,725	1,927,245
Add / (less) non cash items:		
• Changes in financial instruments held at fair value through profit or loss	(1,373,186)	880,362
• Distribution income reinvested	-	-
Changes in operating assets and liabilities		
• Increase / (decrease) in payables	(241,284)	(113,899)
• Decrease / (increase) in receivables	(274,187)	(133,900)
	2,079,068	2,559,808
(c) Non-cash financing and investing activities	2011	2010
	\$	\$
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	2,517,403	573,356
	2,517,403	573,356
8. Receivables	2011	2010
	\$	\$
Investment income receivable	936,202	684,361
Asset Trade pending settlement	3,113,454	-
Other receivables	47,905	25,559
	4,097,561	709,920

Pinnacle Investment Fund
Notes to the financial statements
For the year ended 30 June 2011

9. Financial assets at fair value through profit or loss

The carrying amounts of the Scheme's assets and liabilities at the balance date approximate their fair value. The Scheme's investments include financial assets that are not held for trading purposes and which may be sold. These are investments in unlisted unit trusts. Investments in unlisted unit trusts are valued by reference to the prevailing redemption value as reported by the managers of such funds at the reporting date. The inputs for the redemption value are based on market observable data. Any gains and losses are included within total investment income in the statement of comprehensive income.

The Scheme classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has 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 (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate level for an instrument is determined on the basis of the lowest level input that is significant to the fair value measurement. The following table summarises the levels of the fair value hierarchy for financial instruments measured at fair value as at 30 June 2011 and 30 June 2010.

2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Managed investment schemes (Current)</i>	-	32,982,163	-	32,982,163
<i>Listed equity securities (Current)</i>	1,313,988	-	-	1,313,988
<i>Managed investment schemes (Non-Current)</i>	-	12,838,710	-	12,838,710
	1,313,988	45,820,873	-	47,134,861

There have been no transfers between Levels for the year ended 30 June 2011.

2010	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Managed investment schemes (Current)</i>	-	46,893,270	-	46,893,270
<i>Listed equity securities (Current)</i>	2,360,620	-	-	2,360,620
<i>Managed investment schemes (Non-Current)</i>	-	11,097,968	-	11,097,968
	2,360,620	57,991,238	-	60,351,858

There have been no transfers between Levels for the year ended 30 June 2010.

10. Distributions paid

	2011 \$	2010 \$
Interim distributions paid	1,655,089	1,333,358
Final distributions paid / payable	898,796	1,572,242
	2,553,885	2,905,600

Pinnacle Investment Fund

Notes to the financial statements

For the year ended 30 June 2011

11. Financial Instruments

Overview

The Scheme's assets principally consist of financial instruments which are comprised of Australian securities, international securities, fixed interest investments and listed property investments.

The Scheme employs the services of an investment consultant, who determines an investment strategy that is consistent with the Scheme's Product Disclosure Statement, and takes into account prevailing market conditions.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The investment strategy is reviewed on a regular basis by the Responsible Entity, and any changes to the strategy require the approval of the board of directors of the Responsible Entity.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Scheme's risk management framework.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme's exposure to currency risk arises from its investments in foreign equities and bonds, the fair value of which may fluctuate due to changes in the exchange rate for Australian dollars, being the functional currency in the Scheme. The Scheme manages its risk by diversifying its investment in foreign equities and bonds.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Scheme's exposure to interest rate risk arises from its investment in cash and bonds. This risk is managed by diversifying these investments over a number of different assets.

Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Scheme's financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect net investment income.

Price risk is mitigated by diversifying its investments over a number of different securities, as well as investing in other managed funds, which in turn have diversified their exposure to price risk.

Pinnacle Investment Fund
Notes to the financial statements
For the year ended 30 June 2011

11. Financial instruments (continued)

(a) Market risk (continued)

Sensitivity analysis - other market price risk

The majority of the Scheme's equity investments are accessed via unlisted managed investment schemes. A 10% increase in the value of the unlisted managed investment schemes at the reporting date would have increased the net assets attributable to unitholders and the profit from operating activities by \$4,582,087 (2010: \$5,799,124); an equal change in the opposite direction would have decreased the net assets attributable to unitholders by an equal but opposite amount.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The Scheme's exposure to credit risk arises from its investments and the possibility of default by the counterparty to these investments. The current exposure to credit risk is limited to the value of these investments as disclosed in the balance sheet. This does not represent the maximum exposure that could occur due to future changes in the values of these investments, but represents the maximum exposure at balance date.

The Scheme manages its exposure to credit risk by diversifying its investments across a number of different investment products, and investing only with high-quality financial institutions and investment providers.

Credit risk is not considered to be a significant risk to the Scheme.

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme's exposure to liquidity risk arises from the payment of distributions and the redemption of units by members, as well as liabilities to trade creditors.

The Scheme manages liquidity risk by monitoring future cash flows and ensuring the Scheme maintains sufficient liquid funds to meet its obligations to unitholders and creditors. In circumstances where the Scheme does not have sufficient cash flow to meet its obligations, the Scheme may sell some of its investments to generate sufficient cash flows.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Contractual cash flows	Less than 1 month	1-3 months	3 months to a year	On call at the Responsible Entity's discretion
	\$	\$	\$	\$	\$
2011					
Financial liabilities					
Accounts payable	115,062	90,193	-	24,869	-
Distributions payable	8,454	-	-	8,454	-
Net assets attributable to unitholders - liability	53,450,600	-	-	-	53,450,600
	Contractual cash flows	Less than 1 month	1-3 months	3 months to a year	On call
	\$	\$	\$	\$	\$
2010					
Financial liabilities					
Accounts payable	356,346	356,346	-	-	-
Distributions payable	-	-	-	-	-
Net assets attributable to unitholders - liability	61,669,746	-	-	-	61,669,746

Pinnacle Investment Fund
Notes to the financial statements
For the year ended 30 June 2011

12. Related parties

Controlling entity

There is no controlling entity of the Scheme as at 30 June 2011. There was no controlling entity of the Scheme as at 30 June 2010.

Responsible Entity

As at reporting date the responsible entity of the Pinnacle Investment Fund was Endeavour Securities (Australia) Limited (ACN 079 988 819).

The Scheme does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Scheme and this, along with the directors of the Responsible Entity, are considered the key management personnel (KMP).

No compensation is paid directly by the Scheme to any key management personnel of the Responsible Entity.

Responsible Entity fees and other transactions

	2011	2010
	\$	\$
Responsible Entity fees to the Responsible Entity paid directly by the Scheme (net of rebates)	80,734	41,528
Fees payable to the Responsible Entity as at the reporting date (included in accounts payable)	90,193	151,454
Reimbursable expenses paid directly by the Scheme	296,880	207,596
Reimbursable expenses payable to the Responsible Entity as at the reporting date	619	201,503

Related party investments held by the Scheme

The Scheme has no investment in the Responsible Entity or its associates.

Pinnacle Investment Fund
Notes to the financial statements
For the year ended 30 June 2011

12. Related parties (continued)

Responsible Entity Directors

The directors of the Responsible Entity during the financial year and up to the date of this report were:

Name

Nigel Westoby
 John Morrison (appointed 24 August 2010)
 Clayton Watt (appointed 7 September 2010)
 Paul Hill (resigned 24 August 2010)
 Christopher Atkins (resigned 7 September 2010)

Units in the Scheme held by other related parties

The Responsible Entity believes, at 30 June 2011 no directors or key management personnel held units in the Scheme (2010: nil)

Key management personnel remuneration

Payments made from the Scheme to the Responsible Entity did not include any amounts directly attributable to key management personnel remuneration.

Key management personnel loan disclosures

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Other transactions within the Scheme

Apart from those details disclosed in this note, no director has entered into a material contract with the Scheme since the end of the previous year and there were no material contracts involving directors' interests existing at year end.

13. Commitments and contingent assets and liabilities

As at the reporting date, there are no contingent assets or contingent liabilities (2010: Nil).

14. Events subsequent to reporting date

Endeavour Securities (Australia) Limited has determined to restructure the way that the Scheme's investment options are offered to Scheme members. This involves changing from the current investment options, or 'pools', structure to a greater range of single investment manager options. The current 'pools' will be discontinued and the underlying investments will be allocated to members as units in single manager options.

As the nature of the Fund's investment options are changing, it is appropriate to rename the Fund. The new name will be LifeFocus Investment Fund. We feel that this better reflects the new approach. The change of name will take effect from 1 October 2011.

Other than the event noted above no other significant events have occurred since balance date which would impact the financial position of the Scheme disclosed in the statement of financial position as at 30 June 2011 or on the results and cash flows of the Scheme for the year ended on that date.

15. Prior period adjustment

In the previous period Financial Report, Commissions were recognised on the Statement of Comprehensive Income as an expense of \$490,264. Due to these Commissions being funded by members via a redemption of units (as opposed to an expense of the Scheme), this reduction in assets has been reclassified to be member redemptions. The adjustments to the 2010 Financial Report that have occurred are as follows:

	2010 previously stated	Adjustment	2010 as restated
Commissions	490,264	(490,264)	-
Redemption of units	10,889,835	490,264	11,380,099

This reclassification has a net zero affect on the net assets attributable to unit holders.

Pinnacle Investment Fund Directors' Declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 20 are in accordance with the Corporations Act 2001, including:
 - (i) Complying with International Financial Reporting Standards as issued by the International Accounting Standards Board, except as identified in Note 2 of the financial statements; and
 - (ii) Complying with Australian Accounting Standards, except as identified in Note 2 of the financial statements, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (iii) Giving a true and fair view of the Scheme's financial position as at 30 June 2011 and of its performance for the financial year ended on that date, and
- (b) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

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


Director

Dated at Melbourne this 30th day of September 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINNACLE INVESTMENT FUND

We have audited the accompanying financial report of Pinnacle Investment Fund (**the Fund**), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations), and the *Corporations Act 2001*. This responsibility includes designing, implementation and maintenance of internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the Directors' Report.

† value beyond numbers‡

Auditor's Opinion

In our opinion, the financial report of Pinnacle Investment Fund is in accordance with:

- a. the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the financial position of the Fund as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporate Regulations 2001*; and
- b. other mandatory professional reporting requirements in Australia.



NEXIA ASR
A.B.N. 16 847 721 257



GEORGE S. DAKIS
Partner
Audit & Assurance Services

Melbourne

Date: 30 September 2011

INDEPENDENT AUDIT REPORT TO THE DIRECTORS OF ENDEAVOUR SECURITIES (AUSTRALIA) LIMITED

Scope

I have examined the compliance plan of The Pinnacle Investment Fund (**the scheme**) and audited Endeavour Securities (Australia) Limited's (**the responsible entity**) compliance with the compliance plan for the year ended 30 June 2011. The directors of the responsible entity are responsible for the design, documentation, operation and monitoring of the scheme's compliance plan and the adequacy of compliance measures contained in the plan, including the relevant internal control systems, policies and procedures, and compliance therewith. These responsibilities are set out in Part 5C.4 of the *Companies Act 2001*. I have conducted an independent audit of the responsible entity's compliance with the compliance plan in order to express an opinion on it to the directors of the current responsible entity.

My audit has been conducted in accordance with Australian Auditing Standards. My procedures included examination, on a test basis, of evidence supporting the responsible entity's compliance with the compliance plan. These procedures have been undertaken to form an opinion whether, in all material respects, the responsible entity has complied with the compliance plan during the year.

Inherent Limitations

Because of the inherent limitations of any compliance plan, it is possible that errors or irregularities may occur and not be detected. An audit is not designed to detect all weaknesses in a compliance plan and the compliance measures in the plan, as an audit is not performed continuously throughout the year and the audit procedures performed on the compliance plan and compliance measures are undertaken on a test basis.

Any projection of the evaluation of the compliance plan to future periods is subject to the risk that the compliance measures in the plan may become inadequate because of changes in conditions or circumstances, or the degree of compliance with them may deteriorate.

The audit opinion expressed in this report has been formed on the above basis.

⁴ value beyond numbers⁹

nexia asr abn 16 847 721 257
Level 18 / 530 Collins Street Melbourne Australia 3000
telephone +61 3 9608 0100 facsimile +61 3 9608 0192
theteam@nexiaasr.com.au www.nexiaasr.com.au


Liability limited by a scheme approved under Professional Standards Legislation
other than for the acts or omissions of financial services licensees

Unqualified Audit Opinion

In my opinion,

- (a) the responsible entity has complied in all material respects with the scheme's compliance plan during the year ended 30 June 2011; and
- (c) the compliance plan continues to meet the requirements of Part 5C.4 of the *Companies Act 2001*.

NEXIA ASR
A.B.N. 16 847 721 257



KEVIN J MULLEN
Partner

Melbourne

Date: 30 SEPTEMBER 2011